

**TERMS OF REFERENCE
FOR EXTERNAL AUDITOR/AUDITING COMPANY**

Project title: “Enhancing and Validating service related competences in Versatile learning environments in Western Balkan Universities (e-VIVA)”

**FINANCED FROM THE [EU FUNDS WITHIN THE FRAMEWORK OF THE
ERASMUS + PROGRAMME]**

I. Introduction

E- Viva aims at the creation of a blended learning approach to facilitate and validate competence developments related to service orientation in rather informal learning contexts in higher education institutes and workplace learning contexts. It will contribute to evidencing those competences that are of fundamental importance in the service economy and that are acquired to a large extent in non-formalized learning contexts. With its approach to combine Higher education and professional practice, e-VIVA will contribute to an improved transparency of the acquired competences in a transnational comparative approach. Nevertheless, it will provide learning and validation opportunities in highly contextualized and individualized learning settings. With this it will also open new learning pathways and eventually also lead to a better matching of learning contents and individual learning styles (preferences).

E-Viva consortium is established based on issues of quality assurance, formalized with a partnership agreement which ensures the credibility and interaction among members and set the ground of a common methodology in managing the project and the division of tasks.

The consortium consists on 16 partners, which are located in different countries of Europe, specifically:

PARTNER	COUNTRY
European University of Tirana	Albania
die Berater Unternehmensgesellschaft mbH	Austria
blinc eG	Germany
University of Duisburg Essen/ UDE	Germany
Universidade Nova de Lisboa	Portugal

Ss. Cyril and Methodius University in Skopje	North Macedonia
Mother Teresa University	North Macedonia
University of Elbasan "Aleksander Xhuvani" / UEAXH	Albania
University of Sarajevo	Bosnia and Herzegovina
Sarajevo School of Science and Technology (SSST)	Bosnia and Herzegovina
University of Donja Gorica	Montenegro
University of Montenegro	Montenegro
Universum College	Kosovo
University "Kadri Zeka" Gjilan	Kosovo
University of Novi Sad	Serbia
University of Nis	Serbia

II. Background Information

European University of Tirana is a leading university and research centre in Albania, established in full compliance with the criteria of the Bologna Charter, including study programmes in the three levels of study: BA; MA and Doctorates. UET engages in high quality teaching and research as well as exchange programmes and capacity building projects with local and international partners in the following major disciplines: economy, finance, business, law, social sciences, political sciences, and communication and information technology. UET is already participating in projects funded by the European Commission, such as: Life Long Learning Programme – Jean Monnet Chair (for the first time in Albania) LLP – Tempus Project (3 Tempus project) Erasmus Mundus; European Programme for Science and Technology (COST); Erasmus + KA1 Credit Mobility (six projects); Erasmus+ KA2/Capacity Building for Higher Education Institutions (two projects).

UET is particularly interested in the link between study programmes, research and labour market as well as the community. As such, UET has established the Labour Market Boards per each Department which are composed of highly qualified professionals from the governmental sector, private enterprises and businesses; CSOs, HEIs etc. The purpose of the board is to provide feedback and insights in regards to the needs/demands of the labour market so as UET can link education, research and study programmes with the labour market and needs of the society. In addition, they serve as a network for job opportunities for students. In addition, the

UET Alumni Association and the Student Services work towards the link between education and the job market.

The role of UET in this project is the Coordinator of the whole consortium, to this purpose, wishes to engage the services of an audit firm for the purpose of financial auditing of E-Viva project, as stipulated in the grant agreement between UET and EACEA and in the partnership agreement between UET and projectpartners.

The auditor shall ensure that the work has been undertaken:

- in accordance with the International Standard on Related Services ('ISRS') 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by the International Auditing and Assurance Standards Board (IAASB) of IFAC;

- in compliance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) of IFAC. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the Agency requires that the auditor also complies with the independence requirements of the Code of Ethics for Professional Accountants.

The external auditor must be qualified to carry out statutory audits of accounting documents in accordance with national legislation implementing the Directive on statutory audits of annual accounts and consolidated accounts or any European Union legislation replacing this Directive.

III. Period covered by the assignment

The audit should cover the period of project implementation from **15th November, 2018 to 14th November, 2021 for UET and 15 partners** of the consortium.

IV. Objectives and scope of the Audit

The objective is to audit the Financial Reports submitted for a three year period, starting from 15th of November, 2018 to 14th of November, 2021 and to express an audit opinion according to ISA 800/805 on whether the financial reports of E-Viva consortium is in accordance with EACEA's instruction for financial reporting as stipulated in the grant agreement including appendix between EACEA and UET.

The purpose of the Report is to provide the Agency with a reasonable assurance that the costs as well as the receipts have been declared by the beneficiary¹ in the Final Financial Report in accordance with the relevant legal and financial provisions of the Grant Agreement.

List of Procedures to be performed and specific guidance

1. General procedures

1) Terms and Conditions of the Grant Agreement

The auditor obtains an understanding of the terms and conditions of the Grant Agreement by reviewing:

- a signed copy of the Grant Agreement, its annexes and other relevant information. Particular attention should be paid to the Description of the Action and the Budget;
- the Final Financial Report (which includes a narrative and a financial section).

2) Beneficiary's legal and VAT status (not applicable for costs reimbursed on the basis of "unit costs")

The auditor confirms the legal status of the beneficiary, and thus determines the treatment of VAT (deductible or not).

Deductible VAT means that VAT is recoverable by the beneficiary under the national 'VAT system' (i.e. the system of collection and deduction under the national VAT legislation) is not an eligible cost. The final financial report should exclude deductible VAT amounts.

Conversely, if VAT is NOT deductible, it is an eligible cost for the Final financial statement.

In the framework of his/her work, the auditor is expected to verify the necessary supporting documents provided by the beneficiary and clearly confirm their status as regarding VAT treatment.

Specific rules contained in Article II.19.4 of the Grant Agreement on VAT apply.

3) Final Financial Report and the Grant Agreement

The Final Financial Report must conform to the model annexed to the Grant Agreement;

The Final Financial Report should cover the Action or the Work Programme as a whole, regardless of which part of it is financed by the Agency.

¹For the purpose of these guidance notes, the term 'beneficiary' refers both to the beneficiary (coordinator) and co-beneficiaries (partners).

4) Rules for Accounting and Record Keeping

The auditor examines whether the beneficiary has complied with the rules for accounting and record keeping in accordance with Articles II.19, II.20 and II.27.2 of the Grant Agreement;

The accounts kept by the beneficiary for the implementation of the Action must be accurate, up-to-date and exhaustive (including all expenditure and income);

The auditor examines whether the beneficiary has a double-entry book-keeping system;

The income and expenditure relating to the Action must be easily identifiable and verifiable;

5) Exchange Rates (not applicable for costs reimbursed on the basis of "unit costs")

The auditor verifies that amounts of expenditure incurred in a currency other than the euro have been converted in accordance with the provisions of the Grant Agreement (Article I.4.6).

2. *Verification evidence*

The beneficiary will allow the auditor to carry out verifications on the basis of supporting documents for the accounts, accounting documents and any other document relevant to the financing of the Action.

The beneficiary will allow the auditor access to all documents and databases concerning the technical and financial management of the Action (Article II.27 of the Grant Agreement). **It should also be noted that it is the beneficiary's responsibility to obtain the accounting documents necessary to enable the auditor to verify costs incurred by co-beneficiaries / project partners.**

Supporting documentation must be available in the form of original documents for the beneficiary (or certified copies of originals for the co-beneficiaries) rather than photocopies or facsimiles.

If the auditor finds that the above criteria for evidence are not sufficiently met, this should be reported as an exception.

3. *Procedures to verify the conformity of expenditure with the budget and analytical review*

- The auditor carries out a substantive review of the expenditure headings in the Final Financial Report;
- The auditor verifies whether there have been amendments to the budget of the Grant Agreement;

- The auditor verifies that the budget in the Final Financial Report corresponds² to the budget of the Grant Agreement (authenticity and authorisation of the initial budget) and that the expenditure incurred was indicated in the budget of the Grant Agreement;
- The auditor verifies any transfers between budget headings by comparing the initial budget with the budget in the Final Financial Report and checks that the provisions of Articles I.14 and II.13 of the Grant Agreement have been complied with.

4. *Selecting expenditure for verification and Expenditure Coverage*

The expenditure claimed by the beneficiary in the Final Financial Report is presented in the budget form provided in the Grant Agreement.

Expenditure headings can be broken down into expenditure subheadings. Expenditure subheadings can be broken down into individual expenditure items or classes of expenditure items with the same or similar characteristics.

What percentage of expenditure needs to be verified by the auditor?

The Expenditure Coverage Ratio ('ECR') represents the total amount of expenditure verified by the auditor expressed as a percentage of the total amount of expenditure reported by the beneficiary in the Final Financial Report (i.e. funded from EU funds and other sources).

The auditor ensures that the overall ECR is at least 70%. If the exception rate is less than 10% of the total amount of expenditure verified (i.e. 7% of total expenditure), the auditor finalises the verification procedures and continues with reporting.

If the exception rate is greater than 10%, the auditor is required to extend the verification procedures until the ECR is at least 85%.

In addition to reaching the minimum coverage of total expenditure stated in the previous two paragraphs, the auditor must ensure that the ECR for each expenditure heading in the Final Financial Report is at least 10%.

² Some degrees of flexibility in the implementation of the budget are allowed. The rule proposed in the grant agreement is that changes of up to 10% of each item/heading (+ or -) are allowed without amendment, and will remain eligible. Please verify the rule in the grant agreement (some grant agreements have 15% or 20% flexibility). Any changes within the limit specified in the grant agreement didn't require the beneficiary's request for amending the grant agreement.

Changes above the limit did require an amendment of the budget annexed to the grant agreement. If such request was not approved by the Agency, the costs exceeding the limit should be considered ineligible.

On what basis should expenditure items be selected for verification?

In order to both meet the minimum ECR above and ensure that the expenditure verification is systematic and representative:

- value should be the principal factor used by the auditor, i.e. an appropriate number of high value expenditure items should be selected; and
- otherwise, the population selected for testing should be selected on a random basis in order to produce a representative sample.

5. *Procedures to verify selected expenditure*

The Report of Factual Findings on the Final Financial Report - Type II is intended to verify the costs incurred by the beneficiary within the framework of the Grant Agreement for an Action reimbursed through a mixed financing system: (1) reimbursement based on eligible costs (or "actual costs") and (2) unit costs.

The following substantive procedures are required to be performed by the auditor in order to verify expenditure for items financed through actual costs and outputs produced for items financed through unit costs. These procedures are different depending on the category of costs:

- (1) costs financed through eligible costs actually incurred, or "actual costs": Equipment, Subcontracting and Exceptional costs;
- (2) costs financed through a reimbursement on the basis of "unit costs": Staff costs, Travel costs and Costs of stay.

(1) Eligibility of costs for "Actual costs"

For the purpose of these guidance notes, this heading refers to the following categories of costs, financed through eligible costs actually incurred, or "actual costs": Equipment, Subcontracting and Exceptional costs.

All costs must be justified by the relevant supporting documents.

The auditor verifies, for each expenditure item selected, that the eligibility criteria set out below have been met.

Costs actually incurred³

The auditor verifies that the expenditure for a selected item was actually incurred by and pertains to the beneficiary. For this purpose the auditor examines supporting documentation (e.g. invoices, contracts) and proof of payment. The auditor also examines proof of work done, goods received or services rendered and verifies the existence of assets if applicable.

³Article II.19 of the Grant Agreement.

The auditor verifies that the monetary value of a selected expenditure item is in line with underlying documents (e.g. invoices, payroll documents) and that correct exchange rates are used where applicable.

Cut-off - Implementation period:

The auditor verifies that the expenditure for a selected item was incurred during the period of implementation or eligibility in accordance with Article I.2 of the Grant Agreement. Invoices received during the eligibility period but not yet paid, as well as costs relating to the Final Financial Report, should be reported by the auditor under the 'exceptions'. The costs relating to the Final Financial Report should be reasonable and in line with the provisions of Article II.19 of the Grant Agreement.

Classification:

The auditor examines the nature of the expenditure for a selected item and verifies that the expenditure item has been classified under the correct (sub) heading of the Final Financial Report.

Necessary / connected⁴

The auditor verifies whether it is plausible that the expenditure for a selected item was necessary for the implementation of the Action and that it had to be incurred for the contracted activities of the Action by examining the nature of the expenditure together with supporting documents.

Sound financial management / economy⁵

For each selected item, the auditor verifies that the price paid for the goods/services does not represent expenditure that has been incurred excessively or recklessly⁶.

Compliance with sub-contracting rules:

Where applicable, the auditor checks that the sub-contracted tasks or activities have been provided for in the initial budget or have been approved by the Agency.

Compliance with procurement rules:

Where applicable, the auditor examines which procurement rules (as provided for by the Grant Agreement) apply for any given expenditure (sub)heading, class of expenditure items or expenditure item. The auditor verifies whether the expenditure was incurred in accordance with such rules by examining the underlying documents of the procurement and purchase process, e.g. tenders/quotes. Where the auditor finds instances of

⁴ Article II.19 of the Grant Agreement.

⁵ Article II.19 of the Grant Agreement.

⁶See 'Glossary' for a definition of 'excessive or reckless expenditure'.

non-compliance with procurement rules, the nature thereof as well as their financial impact in terms of ineligible expenditure should be reported as an exception.

Compliance with eligibility of costs:

The auditor verifies that the expenditure for a selected item does not concern an ineligible cost as described in Article I.9 and II.19.4 of the Grant Agreement.

Which documents should the beneficiary prepare for the auditor?

For most transactions in these cost categories, the original third-party invoices (or certified copies for co-beneficiaries), proofs of payment and documents on tendering procedures (when applicable) should be sufficient proof of expenditure.

V. The reporting

The scope of the audit shall be stated in the report and the methodology used shall be presented.

The reporting shall be signed by the responsible auditor (not just the audit firm) and title.

The external auditor or competent public officer must use the reporting format attached in Annex 3 to the Engagement Letter (see Section IV).

The Report of Factual Findings on the Final Financial Report – Type II is composed of two documents:

- the auditor's Report of Factual Findings to be issued on the auditor's letterhead and dated, stamped and signed by the auditor (or competent public officer)
- The cost breakdown relating to the Action (conforming to the template provided by the Agency, i.e. the Excel Final Financial Statement), compiled, dated and signed the beneficiary and countersigned⁷ by the auditor (or competent public officer):

http://eacea.ec.europa.eu/erasmus-plus/beneficiaries-space/capacity-building-in-higher-education_en

The Report of Factual Findings on the Final Financial Report – Type II must be written in English.

⁷i.e. by counter-signing, dating and stamping the copy of the list of invoices the auditor (or competent public officer) will confirm that the costs and the revenues declared in the Final Financial Report respect the provisions of the agreed-upon-procedure.

VI. Maximum budget

EUR <7000> with VAT

VII. Timeline

The submission of the Final Audit Report for the financial auditing will be in December 2021.

VIII. Documents and deadline for submitting an offer:

Applicants are required to submit the following documents:

- Work plan and methodology;
- Legal documents on proving that the external auditor is qualified to carry out statutory audits of accounting documents in accordance with national legislation implementing the Directive on statutory audits of annual accounts and consolidated accounts or any European Union legislation replacing this Directive.
- Legal documents on proving the external auditor experience.
- Offer in EUR.

The proposals **should be submitted no later than 17:00 Tirana time on May 5, 2020 to the following:**

Address: Blv. "Gjergj Fishta", Nd 70, H1, Tirana, Albania

Email: ketrina.cabiri@uet.edu.al

Late or unresponsive applications will not be considered.

All applicants are invited to address potential questions until April 27, 2020.

Applicants will be officially notified on the results of the process.