

**THE INTER CHURCH ORGANISATION FOR
DEVELOPMENT CO-OPERATION
SOUTH SUDAN**

(ICCO)

**Report for an Expenditure Verification of a Grant Contract
External Actions of the European Union
ON
Increased Food Security and Sustainable Livelihoods for the Poor and
Marginalized Households in Western Bahr El Ghazal State, South Sudan.
DCI-FOOD/2012/290717**

2012-2013

TABLE OF CONTENTS

GRANT CONTACT- INFORMATION..... 3

REPORT OF FACTUAL FINDINGS 5

1. INFORMATION ABOUT THE GRANT CONTRACT..... 7

2. PROCEDURES PERFORMED AND FACTUAL FINDINGS..... 8

2.1 GENERAL PROCEDURES..... 10

2.1.1 *TERMS AND CONDITIONS OF THE GRANT CONTRACT*..... 10

2.1.2 *FINANCIAL REPORT FOR THE GRANT CONTRACT* 11

2.1.3 *RULES FOR ACCOUNTING AND RECORD KEEPING*..... 11

2.1.4 *RECONCILING THE FINANCIAL REPORT TO THE BENEFICIARY’S ACCOUNTING SYSTEM AND RECORDS* 12

2.1.5 *EXCHANGE RATES*..... 13

2.1.6 *SIMPLIFIED COST OPTIONS*..... 14

2.2 PROCEDURES TO VERIFY CONFORMITY OF EXPENDITURE WITH THE BUDGET AND ANALYTICAL REVIEW 15

2.2.1 *BUDGET OF THE GRANT CONTRACT*..... 15

2.2.2 *AMENDMENTS TO THE BUDGET OF THE GRANT CONTRACT* 15

3.1 PROCEDURES TO VERIFY SELECTED EXPENDITURE 16

3.1.1 *ELIGIBILITY OF COSTS*..... 16

3.1.2 *ELIGIBLE DIRECT COSTS (ARTICLE 14.2)*..... 21

3.1.3 *CONTINGENCY RESERVE (ARTICLE 14.6)*..... 21

3.1.4 *INDIRECT COSTS (ARTICLE 14.7)*..... 22

3.1.5 *IN KIND CONTRIBUTIONS ARTICLE 14.8)*..... 22

3.1.6 *NON-ELIGIBLE COSTS (ARTICLE 14.9)*..... 23

3.1.7 *REVENUES OF THE ACTION*..... 23

ANNEXES24

ANNEX 1. FINANCIAL REPORT FOR THE GRANT CONTRACT.....25

ANNEX 2: ATTACHED SIGNED COPY OF TERMS OF REFERENCE EXPENDITURE VERIFICATION31

2.1 *ANNEX 1 INFORMATION ABOUT THE GRANT CONTRACT*..... 31

2.2 *ANNEX 2A LISTING OF SPECIFIC PROCEDURES TO BE PERFORMED*..... 31

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AUDITORS

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REPORT OF FACTUAL FINDINGS

The Chairman,
Executive Board,
Interchurch Organisation for Development Cooperation (ICCO)
P.O.BOX 8190, 3503 RD Utrecht,
The Netherlands.

Attn: Mr. Jaap Vermeulen, Interim Country Program Manager (South Sudan Country Office)

18TH May 2013

Dear *Mr. Marinus Verweij*

In accordance with the terms of reference dated **30th April 2013** that you agreed with us, we provide our Report of Factual Findings ('the Report'), with respect to the accompanying Financial Report for the period covering **7th April 2012 — 6th April 2013** (Annex 1 of this Report). You requested certain procedures to be carried out in connection with your Financial Report and the European Union financed Grant Contract concerning; Increased Food Security and Sustainable Livelihoods for Poor and Marginalized Households in Western Bahr El Ghazal State, South Sudan, (**DCI-FOOD/2012/290717**) the 'Grant Contract'.

Objective

Our engagement was expenditure verification, which is an engagement to perform certain agreed-upon procedures with regard to the Financial Report for the Grant Contract between you and The Head Of EU Delegation to South Sudan, Ambassador Sven Kuhn Von Burgsdorfp the 'Contracting Authority'. The objective of this expenditure verification is for us to carry out certain procedures to which we have agreed and to submit to you a report of factual findings with regard to the procedures performed.

Standards and Ethics

Our engagement was undertaken in accordance with: International Standard on Related Services ('ISRS') **4400** Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by the International Federation of Accountants (IFAC); the Code of Ethics for Professional Accountants issued by the IFAC. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the Contracting Authority requires that the auditor also complies with the independence requirements of the Code of Ethics for Professional Accountants;

Procedures performed

As requested, we have only performed the procedures listed in Annex 2A of the terms of reference for this engagement (see Annex 2 of this Report).

These procedures have been determined solely by the Contracting Authority and the procedures were performed solely to assist the Contracting Authority in evaluating whether the expenditure claimed by you in the accompanying Financial Report is eligible in accordance with the terms and conditions of the Grant Contract.

Because the procedures performed by us did not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the accompanying Financial Report.

Had we performed additional procedures or had we performed an audit or review of the financial statements of the Beneficiary in accordance with International Standards on Auditing, other matters might have come to our attention that would have been reported to you.

Sources of Information

The Report sets out information provided to us by you in response to specific questions or as obtained and extracted from your accounts and records

Factual Findings

The total expenditure which is the subject of this expenditure verification amounts to **€ 298,692**. The Expenditure Coverage Ratio is **70.56%**. This ratio represents the total amount of expenditure verified by us, expressed as a percentage of the total expenditure which is the subject of this expenditure verification. The latter amount is equal to the total amount of expenditure reported by you in the Financial Report and claimed by you for deduction from the total sum of pre-financing under the Grant Contract as per your Payment Request of 6TH April 2013.

We report the details of our factual findings which result from the procedures that we performed in Chapter 2 of this Report.

Use of this Report

This Report is solely for the purpose set forth above under objective.

This report is prepared solely for your own confidential use and solely for the purpose of submission by you to the Contracting Authority in connection with the requirements as set out in Article 15 of the General Conditions of the Grant Contract. This report may not be relied upon by you for any other purpose, nor may it be distributed to any other parties.

The Contracting Authority is not a party to the agreement (the terms of reference) between you and us and therefore we do not owe or assume a duty of care to the Contracting Authority, who may rely upon this expenditure verification report at its own risk and discretion. The Contracting Authority can assess for itself the procedures and findings reported by us and draw its own conclusions from the factual findings reported by us.

The Contracting Authority may only disclose this Report to others who have regulatory rights of access to it, The European Anti-Fraud Office and the European Court of Auditors.

This Report relates only to the Financial Report specified above and does not extend to any of your financial statements.

We look forward to discussing our Report with you and would be pleased to provide any further information or assistance which may be required.

Yours sincerely,

Auditor's signature.....

Name of Auditor signing: Ulrich C. Johnson

Auditor's address: Johnson & Johnson
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Date of signature.....

1. INFORMATION ABOUT THE GRANT CONTRACT

The Inter Church Organisation for Development Cooperation (ICCO) is a Non-Governmental Organisation which has its roots in the Dutch Protestant Christian churches. Founded in 1965, ICCO works in 44 countries in Africa, Asia, Latin America and Eastern Europe and have seven (7) regional offices spread around the world. The Global office is based in Utrecht, Netherlands. ICCO's mission is to work towards a world in which people live in dignity and prosperity, a world where poverty and injustice are no longer present.

The Organisation seeks to improve the living conditions for people of the areas in which they operate and partner with various National and International collaborations such as the European Union to pursue this objective.

In its drive to ensure that living conditions improve, ICCO together with local affiliated entities in South Sudan embark on a food security action called **Increased Food Security and Sustainable Livelihood for Poor and Marginalized Household in the Western Bahr El Ghazal State, South Sudan (DCI-FOOD/2012/290717)** with the European Union its main funding partner.

In meeting this stated objective, ICCO and other international and local affiliated entities mainly, The Dorcas Aid International (Netherlands), Christian Agenda for Development, Episcopal Church of Sudan Diocese Of Wau, Christian Action for Relief and Development, and the Catholic University Of South Sudan all (South Sudan) had currently undertook a developmental stride to meet the stated objective above.

The project commenced on 7th April 2012 with a time frame of 3 years ending 6th April 2015.

The current project had been financed in four (4) stages based on the time-frame of thirty six (36) months of which the contracting authority shall contribute 88.89% of the total eligible cost on a total accepted cost of **€ 1,237,374**.

An initial instalment of € 392,494 to be followed by two further instalments of € 243,754 respectively and a final forecast instalment of € 220,000 payments subject to Annex II of the general conditions within the project period.

With regards to the Grant Contract amount all cash disbursements to affiliated entities will be based on diversity and scope and mode of operations on timely basis on all signed payment requests to ensure the project meets its stated objectives within the said time-line of thirty six (36) months.

On inception of the Grant Contract, and up to the period under review the total cash disbursements of € 392,492 had been made by the contracting authority and it has been utilised as follows; ICCO - € 187,685; The Dorcas Aid International - € 52,238; Christian Agenda for Development - € 39,192 and Episcopal Church of Sudan Diocese Of Wau through Christian Action for Relief and Development - € 40,245 totalling € 319,360 which is 81% of the initial instalment.

As the project completes its first year, ICCO and its affiliated entities are ensuring that as much as possible, all time-lines are met and full capacity is achieved with reference to the Grant Contract aims and objectives for the people of the Western **Bahr El Ghazal State, South Sudan**.

2. PROCEDURES PERFORMED AND FACTUAL FINDINGS

We have performed the following specific procedures listed in Annex 2A of the terms of reference for the expenditure verification of the Grant Contract (‘ToR’):

1. General procedures
2. Procedures to verify conformity of expenditure with the budget and analytical review
3. Procedures to verify selected expenditure

We have applied the rules for selection of expenditure and the principles and criteria for verification coverage as set out in Annex 2B (sections 3 and 4) of the ToR for this expenditure verification.

DIFFICULTIES AND PROBLEM ENCOUNTERED

During the expenditure verification exercise, we encountered the following difficulties;

1. *Key personnel (CAD) are not present for a clarification and detailed explanation of the overall systems operations. In this regards most of their duties were delegated to another staff to see the exercise forward.*

Management Comments

We fully understand the dilemma you went through why verifying expenditures for this particular partner. We have also noted other capacity gaps that we will fill in the same regards; your observations are hence in order.

2. *Third party verification on some expenditures tested was proven difficult due circumstances where receipts on cost will be unavailable due to the location and the parties concerned (e.g. Buying seeds from farmers etc.).A separate list of such activities with all references will be made available to you for your timely action.*

Management Comments

We favor a separate list so that we can develop action plan on this as we progress with implementation of the action. This will ensure that by the time you conduct the final expenditure verification in Y3, these issues would have been addressed

3. *Most payment vouchers were not stamped “paid” to cancel them out in order to avoid duplication and makes testing difficult, however verification of such will be provided to you directly in a separate list for you immediate action on all implementing partners.*

Management Comments

We favor a separate list so that we can develop action plan on this as we progress with implementation of the action. This will ensure that by the time you conduct the final expenditure verification in Y3, these issues would have been addressed.

The total expenditure verified by us amounts to **€ 210,771.20** and is summarised in the table below. The overall Expenditure Coverage Ratio is **70.56%**.

EXPENDITURE DESCRIPTION	AMOUNT REPORTED TO DATE	AMOUNT VERIFIED	ECR COVERED %
Salaries - Local Staff	86,953	30,533.43	10.22
Salaries - Expatriate Staff	-	-	-
Per Diems – Mission Travel	2,554	1,852.39	0.62
International Travel	2,163	2,163.31	0.72
Local Transportation	4,928	3,926.64	1.31
Purchase or Rent of Vehicles & Motorcycles	57,441	57,441.26	19.23
Furniture, Computer Equipment	11,311	10,539.26	3.53
Machines Tools	-	-	-
Spare parts / Equipment’s for Machines & Tools	-	-	-
Others, (Helmet First Aid etc.)	4,372	3,022.87	1.01
Vehicle Cost	8,700	5,699.56	1.91
Office Rent	4,152	3,337.42	1.12
Consumables – Office Supplies	4,128	3,496.98	1.17
Other Services (Tel, Electricity Etc.)	9,787	6,070.96	2.03
Publications	-	-	-
Studies, Research	-	-	-
Expenditure Verification	-	-	-
Evaluation Costs	-	-	-
Translation, Interpreters	1,034	-	0
Cost Of Conferences & Seminars	-	-	-
Visibility Actions	3,448	2,735.86	0.92
Project Facilitation Committee	-	-	-
Inception Phase	32,318	19,513.63	6.53
Activities Under Result 1 (Improved Production)	13,607	13,342.54	4.47
Activities Under Result 2 (Diversification)	34,097	32,812.62	10.98
Activities Under Result 3 (Marketing)	401	400.75	0.13
Activities Under Result 4 (Capacity Building)	17,298	13,881.73	4.65
TOTAL	<u>298,692</u>	<u>210,771.20</u>	<u>70.56</u>

We have verified the selected expenditure as shown in the above summary table and we have carried out, for each expenditure item selected, the verification procedures specified in paragraph 3.1 to 3.7 of Annex 2A of the ToR for this expenditure verification. We report our factual findings resulting from these procedures below:

2.1 GENERAL PROCEDURES

2.1.1 TERMS AND CONDITIONS OF THE GRANT CONTRACT

We have obtained an understanding of the terms and conditions of this Grant Contract in accordance with the guidelines in Annex 2B (section 2) of the ToR.

FACTUAL FINDINGS:

- Obtain an understanding of the terms and conditions of the Grant Contract by reviewing the Grant Contract and its annexes and other relevant information, and by inquiry of the Co-ordinator;

We have obtained the completed terms of reference and have clearly understood the conditions set in the Grant Contract and its annexes that follow.

- Obtain a copy of the original Grant Contract (signed by the Co-ordinator/ Beneficiary (ies) and the Contracting Authority) with its annexes;

We have obtained the completed and signed copy of the Grant Contract signed by the Co-ordinator/ beneficiary (ies) having clearly understood its annexes that follow.

- Obtain and review the Report (which includes a narrative and a financial section) as per Article 2.1 of the General Conditions;

We have obtained and reviewed the complete financial and narrative report for the action.

- Verify whether the Grant Contract is mono or multi-beneficiary (see Grant Contract introduction part; in case of a multi-beneficiary grant the term 'Coordinator' is used);

We have verified that the Grant Contract is multi- beneficiary.

- Verify whether there is (are) an affiliated entity (ies) to any of the Beneficiary (ies) (see Article 7.1 of the Special Conditions).

We can verify that there are affiliated entities to the beneficiaries.

ERRORS AND EXCEPTIONS

There were no errors and exception found.

Management Comments

Noted

2.1.2 FINANCIAL REPORT FOR THE GRANT CONTRACT

FACTUAL FINDINGS

- The Financial Report must conform to the model in Annex VI of the Grant Contract;

Our review and examination confirm that the financial report conforms to annex VI of the Grant Contract.

- The Financial Report should cover the eligible costs of the Action as a whole, regardless of which part of it is financed by the Contracting Authority;

Our review and examination confirms that all expenditure verified are eligible cost of the action in the financial report for the period under review.

- The Financial Report should be drawn up in the language of the Grant Contract;

We have verified that the financial report is drawn in the language of the Grant Contract.

- The proof of the transfers of ownership of equipment, vehicles and supplies for which the purchase cost was more than **€ 5 000** per item (Article 7.5 of the General Conditions of the Grant Contract) as well as the respective certificates of origin (Annex IV of the Grant Contract) should be annexed to the final Financial Report.

.Our review and examination confirms that all expenditures over € 5,000 as noted in sub heading 3.1 had all necessary certificate of origin and all transfers had been made as appropriate and reported in the financial report for the period under review.

ERRORS AND EXCEPTIONS

There were no errors and exception found.

Management Comments

Noted

2.1.3 RULES FOR ACCOUNTING AND RECORD KEEPING

FACTUAL FINDINGS

- The Auditor examines — when performing the procedures listed in this Annex — whether the Beneficiary(ies) have complied with the following rules for accounting and record keeping of Article 16 of the General Conditions the Grant Contract:

Our examination revealed that the beneficiaries of all expenditures verified in the financial report and that all accounting and record keeping of the transactions are recorded correctly and Generally Accepted Accounting Principles had been used for the period under review.

- The accounts kept by the Beneficiary(ies) for the implementation of the Action must be accurate and up-to-date;

Our examination revealed that all the beneficiaries accounts are up to date as noted in their bank statements for the Grant Contract with proper accounting for the period under review.

- The Beneficiary(ies) must have a double-entry book-keeping system;

Our examination revealed that all the beneficiaries accounts are within the frame-work of the double entry system of accounts as reflected and shown on all cash books for the period under review.

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

Our examination revealed that all the beneficiaries accounts both in the financial report and budget are easily identifiable and can be easily verified in the period under review.

ERRORS AND EXCEPTIONS

There were no errors and exception found.

Management Comments

Noted

2.1.4 RECONCILING THE FINANCIAL REPORT TO THE BENEFICIARY'S ACCOUNTING SYSTEM AND RECORDS

FATUAL FINDINGS:

The Auditor reconciles the information in the Financial Report to the Beneficiary(ies)'s accounting system and records (e.g. trial balance, general ledger accounts, sub ledgers etc.).

Our examination revealed that all the beneficiary accounts both in the consolidated financial report had been reconciled with the general ledger and on all individual beneficiaries general ledger for the Grant Contract for the period under review.

ERRORS AND EXCEPTIONS:

There were no errors and exception found.

Management Comments

Noted

2.1.5 EXCHANGE RATES

FACTUAL FINDINGS:

We noted the difference in foreign exchange conversion from the financial report with reference to the monthly InforEuro as per Article 15.9 on the General Conditions.

However exchange rate provided in the final financial report was as a result of quarterly average rate by the beneficiary with reference to their source provided by the EU.

Below is a table of exchange rate on a monthly basis as compared to the financial report:

EXCHANGE RATE RECOMPUTATION – SOUTHERN SUDAN POUND TO EURO

Month	Quarterly Exchange Rate Reported	Monthly Exchange Rate InforEuro	Difference in Rates	Monthly Transaction	Effect in Exchange Rate
July - 2012	0.235694833	0.158029811	0.077665022	19,943.00	1,548.87
August - 2012	0.235694833	0.161052640	0.074642193	17,811.00	1,329.45
September -2012	0.235694833	0.270235213	-0.03454038	50,151.00	(1,732.23)
October -2012	0.261902000	0.263308258	-0.001406258	22,911.00	(32.22)
November -2012	0.261902000	0.261520638	0.000381362	54,743.00	20.88
December -2012	0.261902000	0.260876598	0.001025402	36,990.11	37.93
January - 2013	0.255433000	0.257136172	-0.001703172	80,514.60	(137.13)
February - 2013	0.255433000	0.250337956	0.005095044	94,909.40	483.57
March - 2013	0.255433000	0.258824626	-0.003391626	50,151.00	(170)
					<u>1,349.12</u>

EXCHANGE RATE RECOMPUTATION – USD TO EURO

July - 2012	0.788739833	0.805282654	-0.016542821	8,394	(138.87)
August - 2012	0.788739833	0.816593173	-0.027853340	10,507	(292.66)
September -2012	0.788739833	0.797193878	-0.003198947	13,640	(115.32)
October -2012	0.772610333	0.776759360	-0.004149027	10,485	(43.50)
November -2012	0.772610333	0.771485882	0.001124451	69,345	77.98
December -2012	0.772610333	0.769585963	0.003024370	32,898	99.50
January - 2013	0.753528333	0.758552681	-0.005024348	4,472	(22.47)
February - 2013	0.753528333	0.738497895	0.015030438	4,586	68.93
March - 2013	0.753528333	0.763533634	-0.010005301	9,701	(97.06)
					<u>(463.47)</u>

ERRORS AND EXCEPTIONS

From the computation above we can verify that the net effect of these exchange rates as reported had been € **885.65** this can represent an overstatement of the expenditure overall.

Management Comments

Our response on exchange rates see below stands and it's fine with us if the report is signed off with these included. We expect the Delegation to give their direction moving forward. The interpretation of the application of exchange rates is an area that is not very clear and I have seen delegations accepting either the use of the monthly rates for individual transactions or the use of average monthly rates as published by them in the EU website for a particular reporting period. The differences between these should be very immaterial. We will wait for their direction of the EU Delegation to South Sudan.

The above observation is not correct. The rates used were those provided by EU through their website inforeuro”. There seems to be a misinterpretation of the application of this rate on the report. Since we were reporting to the EU on a quarterly basis, the rate applied was the average monthly rate that prevailed in those reporting periods and the same was used by all the consortium partners. This means that we have rates for Q1&2 (April-September 2012), Q3 (October-December 2012) and Q4 (January – March 2013). The monthly rates used were as published by EU on inforeuro website These are shown below:

2.1.6 SIMPLIFIED COST OPTIONS

FACTUAL FINDINGS

- The Auditor verifies with **Annex III of the Grant Contract** i.e. **Budget for the Action** whether the Beneficiary(ies) have applied for the application of simplified costs i.e. for the application of any or a combination of unit costs, lump sums and flat-rate financing. Eligible costs for the Action may be based on any or a combination of actual costs incurred, unit costs, lump sums and flat-rate financing. Simplified cost options can apply to one or more of the direct cost headings of the Budget for the Action and Financial Report (i.e. cost headings 1 to 6), or to sub-cost headings or to specific cost items within these cost headings.

Our examinations revealed that according to Annex III Grant Contract the Co-ordinator/ beneficiary had applied for simplified cost option on all heading headings and subheading on all eligible costs during financing application.

- The Auditor obtains an understanding of the conditions set out in:

Article 2.1.c) of the General Conditions.

This Article stipulates that in case of simplified cost options the Report for the Action (narrative and financial) shall provide the qualitative and quantitative information needed to demonstrate the fulfilment of the conditions for reimbursement established in the Special Conditions;

Our examinations revealed that on the basis of the financial report provided, all verified eligible costs as set out the Article 2.1c been proven by the Co-ordinator/ beneficiary on both qualitative and quantitative attributes during the expenditure verification exercise and they met the criteria during implementation of the action and had demonstrated all fullfilments for reimbursement for the period under review.

ERRORS AND EXCEPTIONS

There were no errors and exception found.

Management Comments

Noted

2.2 PROCEDURES TO VERIFY CONFORMITY OF EXPENDITURE WITH THE BUDGET AND ANALYTICAL REVIEW

2.2.1 BUDGET OF THE GRANT CONTRACT

FACTUAL FINDINGS

The Auditor carries out an analytical review of the expenditure headings in the Financial Report.

Our examination revealed that there were no deviations in the expenditure headings of the budget in financial report for the period under review.

The Auditor verifies that the budget in the Financial Report corresponds with the budget of the Grant Contract (authenticity and authorisation of the initial budget) and that the expenditure incurred was indicated in the budget of the Grant Contract.

ERRORS AND EXCEPTIONS

There were no errors and exception found.

Management Comments

Noted

2.2.2 AMENDMENTS TO THE BUDGET OF THE GRANT CONTRACT

FACTUAL FINDINGS

The Auditor verifies whether there have been amendments to the budget of the Grant Contract. Where this is the case the Auditor verifies that the Coordinator has:

Our examination revealed that there were no budget amendments to the Grant Contract for the period under review.

ERRORS AND EXCEPTIONS

There were no errors and exception found.

Management Comments

Noted

3.1 PROCEDURES TO VERIFY SELECTED EXPENDITURE

We have reported further below all the exceptions resulting from the verification procedures specified at point 3.1–3.7 of Annex 2A of the ToR for this expenditure verification insofar as these procedures applied to the selected expenditure item.

We have quantified the amount of the verification exceptions found and the potential impact on the EU contribution, should the Commission declare the expenditure item(s) concerned ineligible (where applicable taking into account the percentage of funding of the Commission and the impact on indirect expenditure (e.g. administrative costs, overheads)). We have reported all the exceptions found, including the ones for which we cannot quantify the amount or the potential impact on the EU contribution.

3.1.1 ELIGIBILITY OF COSTS

We have verified, for each expenditure item selected, the eligibility criteria set out at procedure 3.1 in Annex 2A of the ToR for this expenditure verification.

FACTUAL FINDINGS

(1) Actual costs incurred (Article 14.1)

The Auditor verifies that the actual expenditure for a selected item was incurred by and pertains to the Beneficiary(ies) or its (their) affiliated entity(ies).

Our examination revealed that ALL actual expenditures incurred that were verified are eligible with reference to the budget and in the financial report for the period under review.

ERRORS AND EXCEPTIONS

There were no errors and exception found.

Management Comments

Noted

(2) Simplified cost options (Article 14.3 – 14.5)

- Which options (i.e. unit costs, lump sums or flat-rate financing) apply and to which (sub) cost-headings and/or cost items (Annex III (Budget for the Action) of the Grant Contract);

Our examination revealed that in terms of Human Resources cost which is heading 1, the option used to determine salaries is the rate per “month” basis also used on subheading 3.2 for category 3.2.7 internet stick, an option of “item” as was agreed in the Grant Contract, Annex III and also been reported in the financial report for the period under review.

- Which amount(s) or percentage rate(s) have been contractually agreed (Annex III (Budget of the Action) of the Grant Contract);

Our examination revealed that as was agreed in the Grant Contract and in Annex III, the Contracting Authority will meet 88% of the overall Grant Contract and initial contribution of € 392,492 will be provided as initial instalment to meet the eligible cost as stipulated in annex III to the Grant Contract which had been met and also has been reported in the financial report for the period under review.

- Which quantitative and/or qualitative information was used to determine and justify the declared costs (e.g. number of staff, number of items purchased; type of costs and activities financed by a lump sum)¹;

Our examination revealed that the Co-ordinator/ beneficiary(ies) and its affiliated entities, in terms of Human Resources cost, which is heading 1; the options used to determine salaries is the rate per “month” i.e. Total amount reported are quantitative of total number of staff multiplied by number of months.

Also the purchase of vehicle in sub heading 3.1 to bring it to its present location as it attracts a lump sum amount at the time of purchase basis also used on subheading 3.2 for category 3.2.7 internet stick, an option of “item” being no. of items bought to total amount reported as was agreed in the Grant Contract Annex III and also been reported in the financial report for the period under review.

- Whether the maximum amounts of simplified cost options for each beneficiary (this includes if applicable simplified cost options of its affiliated entity(ies)) are not exceeded, in accordance with the conditions established in the Contract;

Our examination revealed that all the proportions of simplified cost for all eligible costs as was established in the Grant Contract were not exceeded as was reported for period under review.

- The plausibility (i.e. necessity, reasonableness, reality) of the quantitative and qualitative information related to the declared costs;

Our examination revealed with all plausibility that all verified declared can be justified as was reported for period under review.

- That the costs covered by lump sums, unit costs or flat-rate financing are not included (no double funding) in other direct costs (cost headings 1 – 6), either actual or under simplified cost options;

Our examination revealed will all direct eligible cost that were verified do not include double funding and can be justified as was reported in the financial report and Annex III of the Grant Contact for period under review.

- That the total costs stated in the Financial Report have been correctly determined;

Our examination revealed that the total cost as was reported in the financial reported had been correctly determined after a re-computation exercise was carried out.

ERRORS AND EXCEPTIONS

The only exception to the cost declared is that of forex conversion rate used as was reported earlier and the understatement of Journal voucher nr. 107 (ECS-CARD) and overstated Journal Voucher nr. 107 (ECS-CARD).

Management Comments

Our response on exchange rates stands and it's fine with us if the report is signed off with these included. We expect the Delegation to give their direction moving forward. The interpretation of the application of exchange rates is an area that is not very clear and I have seen delegations accepting either the use of the monthly rates for individual transactions of the use of average monthly rates. The differences between these should be very immaterial. We will wait for their direction of the EU Delegation to South Sudan. Lastly there seems to be a mix up in the articles, whereas Art.15.9 is stated as referring to exchange rates in the TOR and also as per your observation above, in the General conditions itself, this article refers to the treatment and accounting for interest accruing from pre financing. See below extract from the General conditions of the article in question.

(3) Cut-off — Implementation period (Article 14.1a)

FACTUAL FINDINGS

The Auditor verifies that the expenditure for a selected item was incurred during the implementation period of the Action.

Our examination revealed that ALL expenditure verified are within the implementation period under review.

ERRORS AND EXCEPTIONS

There were no errors and exception found.

Management Comments

Noted

(4) Budget (Article 14.1b)

FACTUAL FINDINGS

The Auditor verifies that the expenditure for a selected item was indicated in the Action budget.

Our examination revealed that expenditure headings of the budget and in financial report are indicated in the action for the period under review.

ERRORS AND EXCEPTION

There were no errors and exception found.

Management Comments

Noted

(5) Necessary (Article 14.1c)

FACTUAL FINDINGS

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 with supporting documents.

Our examination revealed that ALL expenditures verified both in the budget and in financial report are necessary for the action for the period under review.

ERRORS AND EXCEPTION

There were no errors and exception found.

Management Comments

Noted

(6) *Records (Article 14.1d)*

FACTUAL FINDINGS

The Auditor verifies that expenditure for a selected item is recorded in the Beneficiary(ies)'s accounting system and was recorded in accordance with the applicable accounting standards of the country where the Beneficiary is established and the Beneficiary's usual cost accounting practices.

Our examination revealed that ALL expenditures verified both in the in financial report are recorded correctly and Generally Accepted Accounting Principles had been used for the period under review.

ERRORS AND EXCEPTION

There were no errors and exception found.

Management Comments

Noted

(7) *Applicable legislation (Article 14.1e)*

FACTUAL FINDINGS

The Auditor verifies that expenditure complies with the requirements of tax and social security legislation where this is applicable (for example: employers part of taxes, pension premiums and social security charges).

Our examination revealed that ALL expenditures verified in the in financial report comply with all requirements of tax and social security legislation had been used for the period under review.

ERRORS AND EXCEPTION

There were no errors and exception found.

Management Comments

Noted

(8) *Justified (Article 14.1f)*

FACTUAL FINDINGS

The Auditor verifies that expenditure for a selected item is substantiated by evidence (see section 1 of Annex 2B, Guidelines for Specific Procedures to be performed) and supporting documents as specified in Article 16.8 and 16.9 of the General Conditions of the Grant Contract.

Our examination revealed that expenditures verified in relation to Airtime expense of € 62 subheading 4.4 , travel expenses of € 314.56 subheading 2.2 and food item for field staff of € 2,098.35 subheading 3.5 did not have sufficient evidence for the period under review and for this purpose a list will be made available to you.

ERRORS AND EXCEPTION

Total expenditure amount to € 2,853.53 do not have sufficient documentary support during the time they were incurred.

Management Comments

Ok and thanks.

(9) *Valuation*

FACTUAL FINDINGS

The Auditor verifies that the monetary value of a selected expenditure item agrees with underlying documents (e.g. invoices, salary statements) and that correct exchange rates are used where applicable.

Our examination revealed the expenditures verified in the in financial report were erroneously stated as follows; Voucher Nr. 109 (ECS-CARD) reported as € 51.09 whilst the receipt indicates € 7.66 also Voucher Nr. 107 (ECS-CARD) understated by € 11.5 in the financial report for the period under review.

ERRORS AND EXCEPTION

The net effect of the understatement and overstatement of expenses for € 39.59 as was revealed during the examination, will result a total overstatement in the financial report.

Management Comments

Noted

(10) *Classification*

FACTUAL FINDINGS

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 Financial Report.

Our examination revealed that ALL expenditures verified both in the budget and in financial report are correctly classified under their correct subheading for the period under review.

ERROR AND EXCEPTION

There were no errors and exception found.

Management Comments

Noted

- (11) *Compliance with Procurement, Nationality and Origin Rules*

FACTUAL FINDINGS

Where applicable the Auditor examines which procurement, nationality and origin rules apply for a certain expenditure (sub)heading, a class of expenditure items or an 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.

Our examination revealed that ALL expenditures verified in financial report MORE ESPECIALLY Subheading 3.1 followed the correct procurement procedures and all document are present for the period under review.

ERROR AND EXCEPTION

There were no errors and exception found.

Management Comments

Noted

- 3.1.2 ELIGIBLE DIRECT COSTS (ARTICLE 14.2)

FACTUAL FINDINGS

- (1) The Auditor verifies that expenditure for selected items which are recorded under one of the direct costs headings (1 to 6) of the Financial Report, are covered by the direct costs as defined in Article 14.2 by examining the nature of these expenditure items.

Our examination revealed that ALL expenditures verified both in financial report are correctly classified and covered under the direct cost heading for the period under review.

- (2) The Auditor verifies that duties, taxes and charges, including VAT which are recorded under direct costs are **not recoverable** by the beneficiary (ies) and/ or it's (their) affiliated entities (see Article 14.2.g) of the General Conditions).

Our examination revealed that ALL expenditures verified in financial report with their related taxes,

ERRORS AND EXCEPTIONS

There were no errors and exception found.

Management Comments

Noted

- 3.1.3 CONTINGENCY RESERVE (ARTICLE 14.6)

FACTUAL FINDINGS

The Auditor verifies that the provision for contingency reserve (heading 8 in Financial Report) does not exceed 5 % of the direct eligible costs of the Action and that the Coordinator has obtained prior written authorisation from the Contracting Authority for the use of this contingency reserve.

Our examination revealed that there was no provision made for contingency reserve in the financial report for the period under review.

ERRORS AND EXCEPTIONS

As stated in the Grant Contract and in the General Condition the Co-ordinator should make a provision during the implementation period breach of which will under state the financial report in accounting for funds so far received from the Contracting Authority.

Management Comments

Noted

3.1.4 INDIRECT COSTS (ARTICLE 14.7)

FACTUAL FINDINGS

The Auditor verifies that the indirect costs to cover overhead costs (heading 10 in Financial Report) do not exceed the maximum percentage of 7 % of the total final amount of eligible direct costs of the Action or the percentage established in article 3 of the Special Conditions of the Grant Contract if applicable.

Our examination revealed that there was a correct computation of indirect cost of 7% in the financial report for the period under review.

ERRORS AND EXCEPTIONS

There were no errors and exception found

Management Comments

Noted

3.1.5 IN KIND CONTRIBUTIONS ARTICLE 14.8)

FACTUAL FINDINGS

The Auditor verifies that the costs in the Financial Report do not include contributions in kind. Any contributions in kind (these should be listed separately in Annex III, Budget for the Action), do **not** represent actual expenditure and are not eligible costs.

Our examination revealed that there was no contribution in kind had been included in the financial report for the period under review.

ERRORS AND EXCEPTIONS

There were no errors and exception found

Management Comments**Noted**

3.1.6 NON-ELIGIBLE COSTS (ARTICLE 14.9)

FACTUAL FINDINGS

The Auditor verifies that the expenditure for a selected item does not concern an ineligible cost as described in Article 14.9 of the General Conditions. These costs include *inter alia* currency exchange losses.

Our examination revealed that there was no occurrence of ineligible cost in the financial report for the period under review.

ERRORS AND EXCEPTIONS

There were no errors and exception found

Management Comments**Noted**

3.1.7 REVENUES OF THE ACTION

FACTUAL FINDINGS

The Auditor examines whether the revenues which should be attributed to the Action (including grants and funding received from other donors and other revenue generated by the Beneficiary as part of the Action have been allocated to the Action and disclosed in the Financial Report. For this purpose the Auditor inquires with the Beneficiary and examines documentation obtained from the Beneficiary (ies). The Auditor is not expected to examine the completeness of the revenues reported.

Our examination revealed that funds received to date had been properly allocated and had been properly disclosed and we have verified with documents provided by the Co-ordinator/beneficiaries in the financial report for the period under review.

ERRORS AND EXCEPTIONS

There were no errors and exception found

Management Comments**Noted**

ANNEXES

**ANNEX 1. FINANCIAL REPORT FOR THE GRANT CONTRACT 7th April, 2012
to 6th April, 2013** **Dated**

FINANCIAL REPORT FOR INCREASED FOOD SECURITY AND SUSTAINABLE LIVELIHOODS FOR THE POOR AND MARGINALIZED HOUSEHOLDS IN WESTERN Bahr El Ghazal STATE, SOUTH SUDAN DCI-FOOD/2012/290717 **FOR THE PERIOD 7TH APRIL 2012 – 6TH APRIL 2013**

	NOTE	BUDGET	ACTUAL
GRANT CONTRIBUTION RECEIVED	I		
ICCO Contribution		-	-
European Union Grant Proceeds		551,885	392,492
Total Contribution		551,885	392,492
Expenditure			
Human Resources	II	99,478	89,506.99
Travel	III	8,800	7,091.78
Equipment & Supplies	IV	95,990	73,123.69
Local Office/ Project Cost	V	99,315	26,766.78
Other Cost & Services	VI	12,125	4,481.95
Others	VII	174,363	97,720.95
Currency Losses/Gains			
Total Direct Expenditure		491,219	298,692.15
Provision for contingency reserve		24,561	-
Total Administrative indirect costs		36,105	20,908.45
Total Costs of the Action		551,885	319,600.60

Statement of Reserves

	2013
	EURO
At 6 April 2012	-
Surplus for the year	72,891
At 5th April 2013	72,891

**DETAILED STATEMENT OF INCOME AND EXPENDITURE FOR 7TH APRIL 2012 TO 6TH
APRIL 2013**

INCOME	BUDGET EUROS	ACTUAL EUROS
I. CHARGED ON OTHERS		
ICCO contribution		
European Union Contribution	392,492	392,492
Other income		
EXPENDITURE		
II. HUMAN RESOURCES		
Salaries Local		
Consortium coordinator ICCO (50%)	16,125	22,741.51
FS coordinator DORCAS (25% marketing; 75% FS)	18,000	13,500.00
Extension Workers (CAD2)	6,450	7,165.46
Extension workers DORCAS (2)	6,450	3,154.50
Community Facilitator DORCAS-ECS	3,225	2,140.86
Director ECS-CARD (15%)	1,451	1,349.57
Project manager ECS-CARD (85%)	6,579	5,058.59
Extension workers ECS-CARD (2)	6,450	4,247.29
Training coordinator ECS (project manager (15%))	1,161	1,103.30
Director CAD (20%)	2,451	3,477.48
Field Project Manager CAD (60%)	2,322	2,911.76
Total	70,664	66,850.32
Salaries Local Administrative/support staff		
Administrator ICCO (10%)	1,935	2,522.74
Sr. Financial Officer ICCO (15%)	4,451	3,522.24
Administrator ECS-CARD (30%)	2,322	1,959.98
Finance Officer ECS-CARD (30%)	1,800	1,463.86
Administrator CAD (40%)	1,161	1,445.63
Finance Officer CAD (40%)	1,161	1,445.63
Field Logistician CAD (60%)	2,709	2,654.77
Administrator DORCAS (40%)	2,064	382.9
Accountant DORCAS (50%)	1,935	1,597.00
Drivers	7,740	3,107.76
Total	27,278	20,102.51
Per Diems for Missions		
Local (staff assigned to the Action)	1,536	2,554.17
Total	1,536	2,554.17
Total Human Resource	<u>99,478</u>	<u>89,507</u>
III. TRAVEL		
International Travel		
M&E consultant	1,900	2,163.31
Total	1,900	2,163.31
Local Travel		
Flights Juba-Wau v.v.	3,900	3,801.68
Mini bus travel	3,000	1,126.78
Total	6,900	4,928.46
Total Travel	<u>8,800</u>	<u>7,091.77</u>
IV. EQUIPMENT & SUPPLIES		
Purchase or Rent of Vehicles		
Vehicle	40,000	42,665.09
Motor Cycle for Field Staff	23,100	14,776.17

Total	63,100	57,441.26
Furniture, Computer Equipment's		
Printers	2,400	1,914.18
UPS	600	519.19
Laptop	4,200	2,375.78
Desktop	800	1,205.27
Set of desk and chair	1,250	1,079.87
Cupboard	2,100	2,054.78
Internet sticks	300	315.99
Cell Phones	240	64.69
Thuraya (for security purposes)	1,400	1,277.17
Cameras for project documentation	400	434.24
Water filters	240	69.38
Total	13,930	11,310.54
Machine Tools		
Procurement 1 generator	2,500	-
	2,500	-
Spare parts/equipment for machine tools		
Maintenance 4 generators	960	-
	960	-
Others		
Helmets	700	-
First aid kits (per location + vehicles)	1,250	114.18
Replenishment of first aid kits	0	843.90
Food items for field staff	6,300	3,047.55
Installation cost ICCO staff	2,000	-
Field Capacity Building kits	5,250	366.27
Total	15,500	4,371.90
Total Equipment & Supplies	95,990	73,123.69
V LOCAL OFFICE / PROJECT COSTS		
Vehicle Costs		
Registration vehicle	750	-
Insurance cost	3,600	-
Maintenance	4,800	4,096.58
Fuel cost (2,500km/month; consumption 1lt-6km) Actual price /lt in Wau	28,800	1,544.70
Registration motorcycles	805	-
Maintenance -7 motorcycles	2,100	1,163.57
Insurance -7 motorcycles	5,250	25.93
Fuel -7 motor cycles (30lt/month/mc) fuel price SSP 12=E3	7,560	1,868.75
Total	53,665	8,699.53
Office Rent		
Office maintenance ECS-CARD	1200	345.28
Office maintenance CAD	1,200	265.24
Office rent including accommodation ICCO	4.800	-
Office and Training Centre maintenance DORCAS	4,800	749.99
Rental staff houses in Juur River (CAD, Dorcas, ECS/CARD)	3,600	2,791.32
Total	15,600	4,151.83
Consumables Office Supplies		
Office consumables	1,920	3,315.92
Kitchen supplies	1,680	812.56
Field equipment extension officers	700	-

Total	4,300	4,128.48
Other Services		
Fuel generator ECS-CARD 50%		
Fuel generator CAD 50%	1,440	265.34
Fuel generator DORCAS 50%	1,440	1,503.46
Maintenance 4 generators	1,440	467.77
1 vehicle major service-CAR 006	960	173.85
Air time Dongles per office	4,000	596.00
Air time cell phones (all 25 staff)	1,920	103.45
Accommodation 1 regional staff DORCAS in Wau	3,750	882.31
Fuel generator ICCO	4,500	1,944.86
Communication cost 2 Thuraya (security-related only)	1,200	-
Cook	600	90.82
Total	4,500	3,759.08
	25,750	9,786.94
Total Local Office/ Project Costs	<u>99,315</u>	<u>26,766.78</u>
VI. OTHER COSTS / SERVICES		
Expenditure Verification		
Audit		
Total	-	-
Financial services (bank guarantee costs etc.)		
Bank costs		
Total	4,500	1,034.40
	4,500	1,034.40
Visibility Actions		
Project launching event	1,300	3,447.55
Brochures	2,000	-
Sign boards	750	-
Sign boards on demonstration plots	1,650	-
EC Logo on vehicles and motor cycles	300	-
Total	6,000	3,447.55
Project Facilitation Committee (PSC) Cost		
Quarterly meetings PSC 11 occasions		
Total	1,625	-
	1,625	-
Total Other Costs/Services	<u>12,125</u>	<u>4,481.95</u>
VII. OTHERS		
Inception Phase		
Consultancy (international) including food and accommodation	14,100	26,366.21
Pre- and post-baseline workshop 2*3 days	5,700	2,275.40
Survey cost in Wau 4 days	600	-
Transport participants in Wau	600	3,668.79
Survey cost in Juur River 5 days	2,000	-
Kit of Questionnaires/ instructions/field materials	625	7.86
Incentives for university students and others	1,650	-
Total	25,275	32,318.26
Training Partners		
Training partners in admin management & reporting 3days	975	-
Training partners in procurement/finance/reporting	200	-
	1,175	-
Activities under Result 1 (Improved production)		
Incentives lead farmers (bicycles)	3,400	-
Sets of tools for 1390 farmers	11,520	-

Maize (15%)	1,688	-
Sorghum (45%)	1,215	4,751.05
Groundnuts (40%)	3,600	7,993.78
Transport and storage of seeds	1,600	862.36
Cassava stems for lead farmers multiplication	700	-
Trainer only 1 year	1,000	-
Implements	5,200	-
Total	29,923	13,607.19
Activities under Result 2 (Diversification)		
Sets of tools for 1390 households	27,800	29,921.12
Local Chicken (3 per household)	2,640	620.7
Okra	9,556	102.94
Tomato seeds	3,154	301.14
Onion seeds	1,911	121.23
Pumpkin Seeds	382	-
Cabbage seeds	2,676	52.62
Cucumber seeds	2,676	20.43
Improved cockerels (1 per farmer)	416	-
Egg plant seeds	2,676	122.92
Sets of tools for 22 demo plots + wheelbarrow	2,200	2,690.42
Organic Pesticides demo plots	1,540	143.27
Feed for cockerels	1,463	-
Transport for feeds for cockerels	1,350	-
Water pump + generator (ECS) to re-establish demonstration plot next to river	1,199	-
Nutrition (incl. 5 Payam Directors and 5 local Health Unit staff or SSRRC staff)	3,700	-
Poultry (incl. County Staff)	2,100	-
Posters:	2,400	-
Bill boards:	2,760	-
Demonstrations	1,800	-
Total	73,050	34,096.79
Activities under Result 3 (Marketing)		
Monitoring cost SMoAF&I/County	740	400.75
2 bicycles per committee	1,000	-
Cell phones	150	-
Air time for info transfer	900	-
Publication boards (2 per location) for market info prices	1,500	-
Radio broadcast market info	260	-
Newspaper adverts from yr 2 (currently no newspapers)- Inrastate info	520	-
Training committees in the field (3yrs/3org/3sess)*2days/8members/	2,520	-
Workshop including stakeholders SMoAF&I, County, Payam, ChoC, chairs Marketing Committees;3 workshops (2 days)	1,310	-
Total	8,900	400.75
Activities under Result 4 (Capacity Building)		
M&E consultancy 17 days (refresher training and MTR)	0	14,645.04
Training partners in procurement/finance/reporting	200	2,652.92
Training / Workshop (3 days incl food, accom, venue)	1,650	-
Trainer (incl food and accommodation)	1,600	-
Tickets AMS-Wau (2 per year)	4,000	-
Accommodation by CuofSS-FAES; only per diem WUR person	4,200	-
Development of a shallow well	3,000	-
Afridev hand pump + set of spares	1,000	-
Installation of a treadle pump and fittings/hoses	2,500	-
Ploughing services	600	-
Sets of tools	1,000	-

Construction of a shed for tools & watchmen (30m2) - labour paid by Univ.	5,100	-
Watchmen	10,800	-
Kit of boots, rain coats , hurricane lamp, torch and batteries	390	-
Total	36,040	17,297.96
 Total Others	 <u>85,209</u>	 <u>97,720.96</u>

**ANNEX 2: ATTACHED SIGNED COPY OF TERMS OF REFERENCE
EXPENDITURE VERIFICATION**

2.1 ANNEX 1 INFORMATION ABOUT THE GRANT CONTRACT

2.2 ANNEX 2A LISTING OF SPECIFIC PROCEDURES TO BE PERFORMED