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**Annex 1: Articles 6 and 19 Delegation Agreement**

**Annex 2: PRIMA Model Grant Agreement Contract**

**Annex 3: Table Agreed-upon procedures to be performed and standard factual findings to be confirmed by the auditor**

## 1. PURPOSE

PRIMA Implementation Structure (PRIMA-IS, henceforth) is a ten-year initiative (2018-2028), partly funded by European Commission's Horizon 2020 framework program, with 19 Participating States: Algeria, Croatia, Cyprus, Egypt, France, Germany, Greece, Israel, Italy, Jordan, Lebanon, Luxembourg, Malta, Morocco, Portugal, Slovenia, Spain, Tunisia, and Turkey.

PRIMA-IS, based in Barcelona, is responsible for all management, administration, support, monitoring, and supervision activities necessary for its implementation. The Foundation drives the program for all participating countries and launches annual calls for proposals to which companies and entities from the Mediterranean area may apply.

PRIMA initiative has a total budget commitment of 494 M €: 220 M € is funded by the European Commission (EC, hereafter) and 274 M € by the participant countries. The EC funds are for the projects funded under Section 1, and the national funds from the participant states support the Section 2 projects.

PRIMA-IS launches yearly calls from 2018 until 2024 for proposals to mobilize the Euro-Med scientific communities, stakeholders, and public and private entities to identify R&I solutions for more sustainable water and agri-food systems management.

PRIMA-IS must report annually to the European Commission, following articles 6 and 19 of the Delegation agreement<sup>1</sup> (DA, henceforth) and article 22 of the Grant Agreement<sup>2</sup> (GA, hereafter), a sample of audit of its grant beneficiaries from Section 1 projects.

The purpose of this procedure is to describe the Terms of Reference for the appointment of External Auditors to audit the grant beneficiaries. Only a sample of projects funded by PRIMA that will end in 2023 from Calls 2018 and 2019 will be checked.

The auditor's report will include the results of the agreed-upon procedures ('the Procedures') carried out and the standard factual findings ('the Findings') examined regarding the fulfillment of the rules established in the articles of the GA following the H2020 research program.

## 2. SCOPE

PRIMA-IS must submit to the European Commission expenditure verification reports produced by an external auditor in support of the payments requested by PRIMA-IS under Articles 19 and 20 of the DA and article 22 of the PRIMA GA.

The Auditors shall carry out the expenditure verification for beneficiaries to verify the expenditure correctives. They shall submit to the PRIMA-IS reports of factual findings concerning the specific verification procedures performed. Validation means that the auditor examines the accurate

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<sup>1</sup> See Articles 6 and 19 of the Delegation Agreement in **Annex 1**

<sup>2</sup> See PRIMA Model Grant Agreement in **Annex 2**

information in the Financial Report of beneficiaries and compares it with the terms and conditions of the Grants Agreement and PRIMA-IS Guidelines for beneficiaries.

The Foundation will decide, after receiving the final financial and technical reports, the audit sample of PRIMA-is grants each year with at least 30% of the total auditable projects. In defining the selection to be audited, PRIMA-IS will follow the criteria based on:

1. Priority will be given to organisations coordinating more than one project.
2. Priority will be given to private organisations
3. Projects with a large number of participating SMEs will likely be audited.
4. The audit sample will include both sites from the North and South shore of the Mediterranean.

Moreover, there are other features to be considered:

1. The non-European partners declare fewer costs than the European ones because their living prices are lower.
2. Some beneficiaries can be audited more than once annually because they participate in several projects.
3. The amount requested per partner can differ from a wide range from 30.000 € to 400.000 €.
4. The participation of SME organisations is around 25% of the total beneficiaries.
5. The average amount for each category costs of the beneficiaries are:
  - a) Personnel costs: 55%.
  - b) Subcontracting costs and other direct costs: 20%
  - c) Indirect costs: 25%
6. The partners that request more than 400.000 € must provide an audit following the rules stated in the H2020 projects.

For the projects to be checked in the year 2023, the auditor should also consider the following data:

1. The total amount of projects that will finish in 2023 will be around 17.
2. Each of these 17 projects has an average of 11 beneficiaries.
3. Each Beneficiary requests an average of 160.000 €.

PRIMA-IS expects to audit for the year 2023 a minimum of 15 and a maximum of 25 beneficiaries.

The expected audit schedule for the year 2023 will be as follows:

- 1st term (February-March): up to 6 audits
- 2nd term (April-June): up to 6 audits
- 3rd term (July-September): up to 5 audits
- 4th term (October-December): up to 8 audits

However, if by any other circumstances, PRIMA-IS can decide to increase the number of audits from the abovementioned range or modify the previous calendar.

### **3. ABBREVIATIONS/ACRONYM**

PRIMA-IS      PRIMA Implementation Structure

EC      European Commission

DA      Delegation Agreement

GA Grant Agreement

## 4. TERMS OF REFERENCE

### 4.1. DESCRIPTION OF REQUESTED SERVICES: EXPENDITURE VERIFICATION FOR GRANTS BENEFICIARIES

The requested services for 2023 are to perform audits on beneficiaries of the grants awarded by PRIMA-IS in Calls 2018 and 2019.

The audit report that the firm will produce for each of the audits conducted must be in a standard format and will be specifically required to report on the following:

Final financial statement: Audit the financial statement the Institution has provided to PRIMA-IS for accuracy and validity and check the figures to the actual source documents for authenticity. This is not an audit of the Institution's internal controls and accounting systems but an audit of the PRIMA-IS financial statement, which has been prepared on a cash (not accruals) basis.

Where a site has received more than one grant from PRIMA-IS, check that the same expenditures have not been charged to more than one PRIMA-IS grant.

Site infrastructure upgrade: where PRIMA-IS has funded building renovation to review this has been done and check costs reported on the financial return to the source documents. Check that recent visible renovation work has been carried out at the buildings as claimed and is reasonable with the costs declared.

General conditions for eligible costs:

- a) Ensure no costs have been charged to the grant before the effective date of signing or after the grant officially ends (except Kick of Meeting costs).
- b) Check that no costs included on the financial statement include any recoverable taxes.
- c) Verify that no PRIMA-IS funds have been invested in anything other than a bank account operated and in the Institution's name.
- d) Review the exchange rates used to convert other currencies into Euros were following the rules established by the Grant Agreement, and there was no difference in the final figures
- e) Check that any interest generated by the grant funds has been applied to the research purposes of the project. Moreover, those costs have been included in the financial return.
- f) Confirm that all the costs entered on the financial statements are eligible under the PRIMA Grant Agreement.

Personnel costs: full coverage is required if there are fewer than five people. Otherwise, the sample should have a minimum of 5 items, or 10% of the total, which is the highest. For the persons included in the selection and working under an employment contract or equivalent act, the auditor verifies that:

- a) Ensure that the charged staff charged to the project is working or has been working on the project for the percentage of the time reported on by checking timesheets or if they have been recruited specifically for the grant.
- b) Check the gross salary cost claimed is what the institute has paid and is in line with the usual rates.

- c) Personnel costs were recorded in the Beneficiary's accounts/payroll system
- d) Costs were adequately supported and reconciled with the accounts and payroll records and did not contain any ineligible elements.
- e) Salary supplements: verify that the reported salary supplements are only given where they have been agreed in the budget with PRIMA-IS and are in compliance with the financial guidelines stated in the Grant Agreement.
- f) Confirm the methodology used to calculate the hourly rate costs:
  - 1.720 hours
  - The total number of hours worked
  - Annual standard productive hours
  - Confirm the methodology used to calculate the hourly rate
- g) Unit costs: Review the documentation provided by the Beneficiary, including manuals and internal guidelines that explain how to calculate hourly rates
- h) Individual hourly rates were applied: The Auditor re-calculated individual rates were the same as those used by the Beneficiary.
- i) Time recording system: Verify and confirm that staff timesheets are signed and correspond to the reported staff working time on the grant for any team working. The total number of hours worked per year cannot exceed the annual productive hours, considering that workers can declare their hours in different projects.
- j) Check that no loans or advances have been made to staff with PRIMA-IS funds.

Costs of subcontracting: full coverage is required if there are fewer than five items. Otherwise, the sample should have a minimum of 5 items, or 10% of the total, which is the highest. The auditor verifies that:

- a) The use of claimed subcontracting costs was foreseen in Annex 1, and costs were declared in the Financial Statements under the subcontracting category.
- b) There were documents of requests to different providers, different offers, and assessments of the proposals before selecting the provider in line with internal procedures and procurement rules. Subcontracts were awarded following the principle of the best value for money.
- c) All subcontracts were supported by signed agreements between the Beneficiary and the subcontractor.

Other Direct costs: full coverage is required if there are fewer than five items. Otherwise, the sample should have a minimum of 10 items, or 10% of the total, which is the highest.

- 1. Costs of travel and subsistence allowances:
  - a) Costs were incurred, approved, and reimbursed per the Beneficiary's standard policy for travel.
  - b) There was a link between the trip and the action.
  - c) The supporting documents were consistent with each other regarding the subject of the trip, dates, and duration and reconciled with time records and accounting.
- 2. Equipment, infrastructure, and other assets:
  - a) Procurement rules, principles, and guides were followed.
  - b) There was a link between the grant agreement and the asset charged to the action.
  - c) The asset charged to the action was traceable to the accounting records and the underlying documents.

- d) The depreciation method used to charge the asset to the action was in line with the applicable rules of the Beneficiary's country and the Beneficiary's usual accounting policy
  - e) The amount charged corresponds to the actual usage for the action.
  - f) No ineligible costs (such as deductible VAT) or excessive or reckless expenditures were declared
3. Other goods and services:
- a) Contracts for works or services did not cover tasks described in Annex 1.
  - b) Costs were allocated to the correct action, and the goods were not placed in the inventory of durable equipment.
  - c) The costs were charged in line with the Beneficiary's accounting policy and were adequately supported.
  - d) Procurement rules, principles, and guides were followed. There were documents of requests to different providers, different offers, and assessments of the proposals before selecting the provider in line with internal procedures and procurement rules. The purchases were made in accordance with the principle of the best value for money.
4. Exchange rate:
- a) The exchange rates used to convert other currencies into Euros were in accordance with the rules established of the Grant Agreement and there was no difference in the final figures

## **4.2. REQUIREMENTS**

### **4.2.1. GENERAL PRINCIPLES**

PRIMA-IS requires an audit firm to be:

The audit firm must have a broad experience on several types of EU grants and different kind of beneficiaries. The company should have worked on certificates on financial statements on the other the EU Research & Innovation framework programs such as FP6, FP7, H2020, or Horizon Europe, expenditures verifications.

An independent professional audit firm (private sector) that is a member of an established national Accounting or Auditing Body (IFAC). The audit must perform under the applicable national auditing standards, which comply with International Standards on Auditing ('ISAs') issued by the International Auditing and Assurance Standards Board (IAASB).

The audit company must sign the Code of Conduct of PRIMA-IS, which establishes the fundamental ethical principles of PRIMA-IS. Also, the auditor shall perform the audit according to the Code of Ethics which establishes the fundamental ethical principles for auditors, compliant with the IFAC code of ethics for professional accountants, issued by IFAC's International Ethics Standards Board of Accountants (IESBA). The audit firm shall provide evidence of the adoption of such a Code of Ethics is written. The audit company must guarantee the maximum independence of the auditor to processes and activities object of the assignment

Also, the signatory of the Audit Firm shall declare under their responsibility that the audit firm:

- a) Is not bankrupt or is being wound up, where the court is administering the affairs of the applicant, nor has entered into any arrangement with creditors, nor has suspended business operations, or is any analogous situation arising from a similar procedure under national laws and regulations
- b) is not the subject of proceedings for a declaration of bankruptcy, for an order for a compulsory winding up or administration by the court or of an arrangement with creditors, or any other similar proceedings under national laws and regulations
- c) has not been convicted of any offense under the legal provisions of the country of any offense concerning the applicant's professional misconduct
- d) has not been guilty of grave professional misconduct
- e) has fulfilled the obligation to pay any taxes or social security under the law of the country of residence.

The auditor shall treat all information confidentially.

#### **4.2.2. PERSONNEL**

##### **4.2.2.1. EXPERTS**

This Terms of Reference contains expert profiles, and the tenderer shall submit CVs and Statement of Exclusivity and Availability for the experts.

All experts must be independent and free from conflicts of interest in the responsibilities accorded to them.

The auditor shall employ adequate staff with appropriate professional qualifications and suitable experience with IFAC standards, in particular, International Standards on Auditing, and with experience in auditing the accounts of entities comparable in size and complexity to PRIMA-IS. Besides, the audit team as a whole should have the following:

- 1. Experience with audits of projects funded by national and international donors and institutions. The leader of the fieldwork team, i.e., either the audit manager or the senior auditor, should have experience with audits of EU-funded actions;
- 2. It is required fluency in English for the team.
- 3. All experts who have a crucial role in implementing the contract are referred to as experts. The profiles of the experts for this contract are as follows:

##### **Expert 1: Audit Partner**

An audit partner must be a highly qualified expert with a university or professional qualification and assuming or having assumed senior and managerial responsibilities in the public audit practice. They should be a member of a national accounting or auditing body or Institution. He/she must have at least 12 years of professional experience as a professional Auditor or accountant in the public audit practice.

An audit partner, or another person in a position similar to that of a partner, is responsible for the engagement and its performance and shall sign the report issued on behalf of the firm. They have the appropriate authority from a professional, legal, or regulatory body and are authorized to certify accounts by the laws of the country where the audit firm is registered.

Auditor Partner has the ultimate responsibility for the engagement and an engagement team.

## **Expert 2: Senior Auditor**

A senior auditor must be a qualified expert with a university or professional qualification and at least three years of professional experience in public audit practice.

Other experts, support staff & backstopping

CVs for experts other than the experts should not be submitted in the tender. The auditor shall select and hire other experts according to the needs. The selection procedures used by the auditor to choose these other experts shall be transparent. They shall be based on pre-defined criteria, including professional qualifications, language skills, and work experience.

Cost for backstopping and support staff, as needed, are considered to be included in the financial offer of the tenderer.

### **4.2.2.2. CURRICULA VITAE**

The auditor will provide PRIMA-IS with the CVs of the partner or other person in the audit firm who is responsible for the engagement and for signing the report together with the CVs of the audit managers, supervisors, and staff proposed as part of the engagement team. CVs will include pertinent details on the type of audits and other engagements (particularly agreed-upon procedures) carried out by the staff, indicating capability and capacity to undertake the engagement, as well as details on relevant specific experience.

PRIMA-IS will examine the CVs before it signs an order document for the engagement and will reject them if they are not considered suitable for the requirements of the engagement.

## **4.2.3. LOGISTICS AND TIMING**

### **4.2.3.1. LOCATION**

The audit of the expenditure verification will be performed remotely. If it is needed, PRIMA-IS will request a spot audit.

### **4.2.3.2. COMMENCEMENT DATE & PERIOD OF IMPLEMENTATION OF TASKS**

Both parties shall agree on the commencement date after the signature of the contract, and the period of implementation shall be twenty-four months from the commencement date.

## **4.2.4. REPORTS**

### **4.2.4.1. METHODOLOGY**

Audit and expenditure verification reports should describe the purpose, the agreed-upon procedures, and the factual findings of the engagement in sufficient detail to enable the Secretariat to understand the nature and extent of the procedures performed by the auditor and the factual findings reported by the auditor.



The audit report shall include the following:

**Audit Findings and Recommendations**

Audit findings and recommendations should be reported under table formats<sup>3</sup> and criteria specified in this document's point 4.1 (Description of the services)

The auditor should explicitly state and specify results (confirmed, exception, or not applicable) of specific procedures for obtaining audit evidence in case of doubt or uncertainty concerning the eligibility of expenditure in the financial findings sections of the draft and final report (unless a finding is no longer valid).

The audit report should include all financial findings made by the auditor regardless of the amount involved.

The Auditors will submit reports in English in one original, a copy on paper, and an electronic version using MS Word, MS Excel, or PDF formats.

Reports shall cover at least the following:

- The results of the audits performed, in terms of the number of audits, audit coverage in terms of the amount audited in comparison with the amounts paid out to beneficiaries, conclusions and costs eventually disallowed;
- the nature, amount, and recurrence of the findings, and the costs categories affected and, in particular, whether any irregularity or fraud has been discovered;
- any consequences from errors/irregularities identified (if applicable);
- any fraud or irregularity that was highlighted during the audits.

**4.2.4.2. REPORTING WORKFLOW**

The reporting of the grant beneficiaries should follow this workflow:

- 1- PRIMA-IS selects the project beneficiaries to be audited after receiving the final technical and financial reports.
- 2- PRIMA-IS communicates to the beneficiaries that they will be audited.
- 3- The audit company will receive the beneficiaries list to be checked.
- 4- The audit firm contacts each Beneficiary to request that all the documentation needed.
- 5- The audit firm shall have a virtual data room in which the beneficiaries selected will submit the requested documents for the audit. This virtual repository will be accessible for PRIMA-IS.
- 6- PRIMA-IS will also provide the audit firm access to the PRIMA management project tool to check the data and reports submitted by the beneficiaries.
- 7- The Beneficiary has 21 days to provide all the documents requested.
- 8- The auditor, after receiving the documents, has 21 days to check all the documents and prepare a draft audit report to be sent to the Beneficiary

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<sup>3</sup> See Table Agreed-upon procedures to be performed and standard factual findings to be confirmed by the auditor in **Annex 3**

- 9- The Beneficiary has 30 days to provide your observations to the draft audit report. The auditors will then compile and reconcile any observations, and a final audit report will be prepared and sent to the Beneficiary.
- 10- The auditor must send PRIMA-IS a final version of the report maximum of 90 days after the beginning of the audit process (see previous point 3).

PRIMA-IS can also decide to do on-the-spot audits for exceptional reasons. In this case, the workflow will be defined accordingly and agreed upon with the Beneficiary.

The report referred to above must be submitted to the contact person that shall be identified in the contract. The contact person is also responsible for approving the reports.

#### **4.3. ECONOMICAL OFFER**

The economic offer must detail the audit cost per each beneficiary/participant in the project. The price should consider all the criteria described in the SCOPE section.

The maximum amount for each beneficiary audit is 2.000 € (VAT not included).

### **5. SUMMARY OF CHARACTERISTICS OF THE CONTRACTING PROCEDURE**

#### **SUMMARY OF CHARACTERISTICS OF THE CONTRACTING PROCEDURE**

A) CONTRACT DESCRIPTION: PRIMA-IS Grant beneficiaries Audits 2023 PRIMA, Partnership for Research and Innovation in the Mediterranean Area

B) MAXIMUM ESTIMATED VALUE OF THE CONTRACT: € 50.000 (VAT not included)

C) BIDDING MAXIMUM BUDGET:  
2023 (1st year). - 50.000- € (VAT not included)

D) VALIDITY PERIOD: 1 year from the contract's formalization.

E) EXTENSIONS: Yes. In case PRIMA considers it appropriate to extend the contract regarding the excellent performance of the company selected, the contract may be extended for one more year. The extension will be granted by the amount offered by the selected company for the 1st year.

F) PRICE REVIEW: Yes. If PRIMA selects more than 25 beneficiaries during the year contract, the price would be increased proportionally.

G) CAPACITY AND SOLVENCY: YES (minimum team work indicated in point 4.2.2)

H) DOCUMENTATION REGARDING THIS PROCEDURE: Present document and the PRIMA Code of Conduct

I) PRESENTATION OF THE PROPOSALS (DIGITAL):

Email address: pau.guell@prima-med.org

Subject: PRIMA's Grant Beneficiary Audit 2023

Maximum date: January 9<sup>nd</sup>, 2023 Maximum time: 12 pm (Barcelona time)

J) SUBCONTRACTING: Yes. The audit body could subcontract the work to a national firm operating in the Beneficiary's country. The price of the subcontracting will not be charged to PRIMA-IS.

K) CIVIL LIABILITY POLICY: YES

L) ADDITIONAL INFORMATION: Any query in relation to the tender must be made through the following email address: pau.guell@prima-med.org

## **6. PRESENTATION & REQUIRED CONTENT FOR PROPOSALS**

The documentation will be submitted via email to the address indicated in the letter I) of the Summary Table above.

The body of the email must indicate the following:

- Title of the contract: Contract for the "PRIMA-IS Audit Grant Beneficiaries 2023."
- Company details: Address, telephone, email, and contact person for communications and relations that generally derive from this procedure.

The maximum presentation term is the foreseen in Letter I) of the Table-Summary of Characteristics.

### **6.1. PRESENTATION OF PROPOSALS**

Proposals must be typed or in other mechanical or computer printing types and written in English. The authorized representative of the company must sign all sheets of the proposal.

All documentation must be submitted in digital format (PDF format).

Technical offers submitted must have a limited length: they may not exceed 10 DIN-A4 pages, using the Arial 11 font and single-line spacing. Where applicable, PRIMA reserves the right to request additional clarifications or information regarding the technical offer submitted.

### **6.2. CONTENT FOR PROPOSALS**

All proposals must include a list on a separate page, stating the incorporated documents in numerical order and following the following structure:

### **6.2.1. ECONOMIC OFFER**

It must be signed by the person representing the company and must, in any case, follow the model below:

The undersigned Mr/Mrs [●], with DNI/Passport [●], in the name and on behalf of the company [●], with CIF [●], acting in its capacity as [●], wanting to submit a bid for the contracting of [●], and aware of the conditions and requirements required for the award of the same, undertakes, on behalf of the company it represents, to do so in strict compliance with the requirements and conditions appear in the documentation provided by PRIMA, for:

2023 – audit cost per beneficiary of [●] EUROS ([●] .- €) (VAT not included).

Sign:

Date:

Proposals will be excluded when:

- they are not signed
- they are incomplete
- they present a higher price than the maximum budget (see point 4.3)

The offered price will include all the necessary expenses, if needed, arbitrations or fees that arise due to the contract and its correct execution, and all those elements identified in the agreement and this Technical Prescription.

### **6.2.2. TECHNICAL OFFER**

The technical proposal will define a project plan and organization of the service, explaining how the service will be designed, planned, and developed according to the scope, definition, and execution specifications defined previously.

Proposals should describe -among others- the following aspects:

- 1.- Definition and planning of the service.
- 2.- Performance of the service:
  - Team Work
  - Service organisation
  - Coordination of tasks
- 3.- Proposal for reports, deliverables, and meetings with a detailed calendar
  - Follow-up reports and meetings
  - Results of the service

## **7. EVALUATION OF PROPOSALS**

At the end of the period for the receipt of proposals, the Evaluation Committee constituted by PRIMA will proceed with an internal and non-public act to examine and assess the proposals.

If any of the tenders submitted does not comply with these Terms and Conditions, and the defect detected is not correctable, it will be excluded from the contracting procedure. If the defects are rectifiable, a time limit will be set for them to submit the appropriate amendment. Among the proposals submitted, the Evaluation Committee will conduct an evaluation of the technical offer taking into consideration the technical description of the service, according to the following evaluation criteria:

1- Definition and planning of the service, both strategy and execution

- Team Work
- Service organisation
- Coordination of tasks ▪ Follow-up reports and meetings
- Results of the service

2- Economic proposal

3- Experience in auditing projects funded by the European Commission under the framework programs FP7, H2020, and Horizon Europe. Experience in audits of public subsidies at a national and international level will also be valued.

The announcement of the company selected for the execution of the service will be communicated via email directly and published on PRIMA's website.