

## Annex 2      Assessment Questionnaire and Criteria

| PILLAR 1 - INTERNAL CONTROL  |                |
|--|----------------|
| Level 1 (Financial Regulation). Has the Entity set up set up and ensured the functioning in all material respects of an effective and efficient internal control system and in accordance with the criteria set by the European Commission?      | YES            |
| Level 2 criteria / questions (5 components for internal control)   | SCORE (0 – 10) |
| <b>1 Control environment</b><br>Does the <b>control environment</b> of the Entity provide an adequate basis for carrying out internal control across the organisation?   | 10 / 10        |
| <b>2 Risk assessment</b><br>Does the entity identify <b>risks</b> to the achievement of its objectives across the Entity and are risks analysed as a basis for determining how they should be managed?   | 8 / 10         |
| <b>3 Control activities</b><br>Does the entity deploy effective and efficient <b>control activities</b> ?  | 9 / 10         |
| <b>4 Information and communication</b><br>Does the Entity have controls and procedures in place which ensure <b>reliable reporting</b> – both internal and external (inbound and outbound) – in line with applicable requirements and standards? | 9 / 10         |
| <b>5 Monitoring</b><br>Does the Entity <b>monitor</b> internal controls regularly and effectively?   | 9 / 10         |
| <b>Total score</b>   | <b>45 / 50</b> |

### SCORE

Answer to level 1 question is YES if the total score for all 5 components is at least 35 / 50 or 70% and the score for each individual component is at least 2 / 10 or 20%.

Answer to level 1 question is NO if the total score is less than 70%.

| <b>PILLAR 2 - ACCOUNTING</b>  |                       |
|---|-----------------------|
| <b>Level 1 (Financial Regulation). Does the Entity use an accounting system that provides in all material respects accurate, complete and reliable information in a timely manner and in accordance with the criteria set by the European Commission?</b>   | <b>YES</b>            |
| <b>Level 2 criteria / questions (3 components for accounting)</b>   | <b>SCORE (0 – 10)</b> |
| <b>1 Accounting system and policies</b><br>Does the Entity use an <b>adequate accounting system</b> and does it have clear and written accounting policies?   | <b>9 / 10</b>         |
| <b>2 Budgeting</b><br>Does the Entity have a budget system and procedures which result in <b>transparent and reliable budgets</b> for its operations and activities?  | <b>9 / 10</b>         |
| <b>3 Accounting and budgeting for specific projects, activities, (trust) funds and Financial Instruments</b><br>Does the Entity have accounting and budgeting procedures which allow <b>adequate and timely reporting to donors / fund providers (including the EC) on the use of funds provided by them for projects, activities, (trust) funds and Financial Instruments?</b> | <b>9 / 10</b>         |
| <b>Total score</b>  | <b>27 / 30</b>        |

**SCORE**

**Answer to level 1 question is YES if the total score for all 3 components is at least 21 / 30 or 70% and the score for each individual component is at least 2 / 10 or 20%.**

**Answer to level 1 question is NO if the total score is less than 70%.**

| PILLAR 3 – INDEPENDENT EXTERNAL AUDIT  |                       |
|--|-----------------------|
| <b>Level 1 (Financial Regulation). Is the Entity subject to an independent external audit, required to be performed in all material respects in accordance with internationally accepted auditing standards by an audit service functionally independent of the Entity and in accordance with the criteria set by the European Commission?</b>   | <b>YES</b>            |
| <b>Level 2 criteria / questions (3 components for independent external audit)</b>  | <b>SCORE (0 – 10)</b> |
| <b>1 Legal and regulatory framework</b> Does the Entity have a <b>clear regulatory framework</b> for external audit?   | <b>10 / 10</b>        |
| <p><b>2 Principles.</b> Three possible situations can be distinguished depending on the applicable regulatory framework and the standards on auditing.</p> <p><b>Key question (level 2)</b> if the external audit is performed by an <u>independent professional external audit firm (private sector)</u> in accordance with standards equivalent to international standards on auditing. Is the Entity subject to an external audit which is:</p> <ul style="list-style-type: none"> <li>- performed by a professional external audit firm which is <b>independent</b> from the Entity and which complies with the fundamental principles of professional ethics which include: integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.</li> <li>- performed in accordance with <b>auditing standards equivalent to International Standards on Auditing ('ISAs') issued by the International Auditing and Assurance Standards Board (IAASB)?</b></li> </ul> | <b>10 / 10</b>        |
| PILLAR 3 – INDEPENDENT EXTERNAL AUDIT (cont'd)   |                       |
| <b>Level 2 criteria / questions (3 components for independent external audit) (cont'd)</b>   | <b>SCORE (0 – 10)</b> |
| <p><b>3 External Audit Procedures</b></p> <p>Is the Entity subject to appropriate external audit procedures?</p>   | <b>10 / 10</b>        |
| <b>Total score</b>   | <b>30 / 30</b>        |
| <b>SCORE</b>   |                       |

*Annex 2 to Annex 1 to Terms of Reference for a Pillar Assessment contracted by an entity requesting to  
be entrusted with implementation of the EU Budget under indirect management  
- Assessment questionnaire and criteria*

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**Answer to level 1 question is YES if the total score for all 3 components is at least 21 / 30 or 70% and the score for each individual component is at least 2 / 10 or 20%.**

**Answer to level 1 question is NO if the total score is less than 70%.**

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| <b>PILLAR 4 - GRANTS</b>  |                       |
|---|-----------------------|
| <b>Level 1 (Financial Regulation). Does the Entity apply appropriate rules and procedures for providing financing from Union funds through grants and in accordance with the criteria set by the European Commission?</b>   | <b>YES / NO</b>       |
| <b>Level 2 criteria / questions (3 components for grants)</b>   | <b>SCORE (0 – 10)</b> |
| <p><b>1 Legal and regulatory framework</b></p> <p>Does the Entity have a <b>clear legal and regulatory framework</b> for providing grants?</p>  | <b>.. / 10</b>        |
| <p><b>2 Principles</b></p> <p>Are the following <b>principles</b> integrated in the procedures, rules and criteria of the Entity's grand award system: transparency, equal treatment, programming, eligibility criteria, non-cumulation, non-retroactivity, co-financing, no-profit rule, conflicts of interest?</p> <p>These principles must be integrated in the procedures, rules and criteria of the Entity's grant award system in accordance with the overarching principle of <b>proportionality</b>. Principles are not absolute and a limited number of exceptions can be foreseen provided that such exceptions are clearly stated, reasonable and justified.</p> | <b>.. / 10</b>        |
| <p><b>3 Grants procedures</b></p> <p>Does the Entity apply <b>appropriate rules and procedures for providing grants</b>?</p>  | <b>.. / 10</b>        |
| <b>Total score</b>  | <b>.. / 30</b>        |

**SCORE**

**Answer to level 1 question is YES if the total score for all 3 components is at least 21 / 30 or 70% and the score for each individual component is at least 2 / 10 or 20%.**

**Answer to level 1 question is NO if the total score is less than 70%.**

| PILLAR 5 - PROCUREMENT   |                |
|--|----------------|
| Level 1 (Financial Regulation). Does the Entity apply appropriate rules and procedures in all material respects for providing financing from Union funds through procurement and in accordance with the criteria set by the European Commission?   | YES            |
| Level 2 criteria / questions (3 components for procurement)  | SCORE (0 – 10) |
| <b>1 Legal and regulatory framework</b><br>Does the Entity have a <b>clear legal and regulatory framework</b> for procurement?   | 10 / 10        |
| <b>2 Principles</b><br>Are the following <b>principles</b> integrated in the procedures, rules and criteria of the Entity's procurement system: transparency, equal treatment, public access to procurement information, conflicts of interest and use of competitive tendering procedures and best value for money?<br><br>These principles must be integrated in the procedures, rules and criteria of the Entity's procurement system in accordance with the overarching principle of <b>proportionality</b> . Principles are not absolute and a limited number of exceptions can be foreseen provided that such exceptions are clearly stated, reasonable and justified. | 10 / 10        |
| <b>3 Procurement procedures</b><br>Does the Entity apply <b>appropriate rules and procedures for procurement</b> ?   | 9 / 10         |
| <b>Total score</b>   | <b>29 / 30</b> |

**SCORE**

**Answer to level 1 question is YES if the total score for all 3 components is at least 21 / 30 or 70% and the score for each individual component is at least 2 / 10 or 20%.**

**Answer to level 1 question is NO if the total score is less than 70%.**

| <b>PILLAR 6 – FINANCIAL INSTRUMENTS</b>  |                       |
|--|-----------------------|
| <b>Level 1 (Financial Regulation). Does the Entity apply appropriate rules and procedures in all material respects for providing financing from Union funds through financial instruments and in accordance with the criteria set by the European Commission?</b>  | <b>YES / NO</b>       |
| <b>Level 2 criteria / questions (3 components for financial instruments)</b>   | <b>SCORE (0 – 10)</b> |
| <p><b>1 Legal and regulatory framework</b></p> <p>Does the Entity have a <b>clear legal and regulatory framework</b> for the use and implementation of financial instruments?</p>  | <b>.. / 10</b>        |
| <p><b>2 Principles</b></p> <p>Are the following <b>principles and conditions</b> integrated in the procedures, rules and criteria of the Entity's Financial Instruments?</p> <p><u>Basic principles (Article 140 (1) FR).</u> Sound financial management, transparency, proportionality, non-discrimination, equal treatment and subsidiarity and duration established in the basic act for the FIs.</p> <p><u>Selection of Financial Intermediaries (Article 139 FR and Article 221 RAP).</u> Financial intermediaries shall be selected on the basis of open, transparent, proportionate and non-discriminatory procedures, avoiding conflicts of interests.</p> <p><u>Conditions for Financial Instruments (Article 140 (2) FR).</u> Financial instruments shall comply with the following basic conditions: address market failures or sub-optimal investment situations, additionality, non-distortion of competition in the internal market and consistency with State aid rules, leverage effect and alignment of interest.</p> | <b>.. / 10</b>        |
| <p><b>3 Financial instrument procedures</b></p> <p>Does the Entity apply <b>appropriate rules and procedures</b> for the use of its <b>financial instruments</b>?</p>  | <b>.. / 10</b>        |
| <b>Total score</b>   | <b>.. / 30</b>        |

**SCORE**

**Answer to level 1 question is YES if the total score for all 3 components is at least 21 / 30 or 70% and the score for each individual component is at least 2 / 10 or 20%.**

**Answer to level 1 question is NO if the total score is less than 70%.**

| <b>PILLAR 7 – SUB-DELEGATION</b>  |   |  |                       |
|---|---|--|-----------------------|
| <b>Level 1. Has the Entity taken measures in all material respects which ensure that Sub-Delegates and Financial Intermediaries &lt;remove if Financial Intermediaries are not applicable&gt; to which the Entity sub-delegates budget implementation tasks, will implement EU funded actions with procedures and systems that comply with international standards and with the criteria set by the European Commission?</b>  |   |  | <b>YES / NO</b>       |
| <b>Level 2 criteria / questions (the number of components depends on the degree of sub-delegation)</b>  | <b>Maximal (or full) sub-delegation (1)</b> | <b>Minimal (or partial) sub-delegation (1)</b> | <b>SCORE (0 – 10)</b> |
| <b>General</b>  |   |  |                       |
| Has the Entity performed, with regard to the Sub-Delegatee or Financial Intermediary, <b>an ex-ante assessment equivalent to the one performed by the Commission on the Entity</b> (Pillar assessment), ensuring that the Sub-Delegatee or Financial Intermediary will implement the action with procedures and systems that comply with international standards and the criteria set by the European Commission?   | ✓ / na                                      | ✓ / na   | .. / 10               |
| <b>Has the Entity taken measures which ensure to a reasonable extent that Sub-Delegates or Financial Intermediaries to which the Entity sub-delegates budget implementation tasks..</b>   |   |  |                       |
| <b>1 Internal control</b>   |   |  |                       |
| .....have set up set up and ensure the functioning in all material respects of an effective and efficient <b>internal control system</b> and in accordance with the criteria? In case of minimal (or partial) sub-delegation internal control is only relevant insofar it relates to the sub-delegated contracting procedures and tasks.  | ✓ / na                                      | ✓ / na   | .. / 10               |
| <b>2 Accounting</b>   |   |  |                       |
| ..... use an <b>accounting system</b> that provides in all material respects accurate, complete and reliable information in a timely manner and in accordance with the criteria? In case of minimal (or partial) sub-delegation accounting is only relevant insofar it relates to the sub-delegated contracting procedures and tasks  | ✓ / na                                      | ✓ / na   | .. / 10               |
| <b>3 External Audit</b>   |   |  |                       |
| ..... are subject to an <b>independent external audit</b> , required to be performed in all material respects in accordance with internationally accepted auditing standards by an audit service functionally independent of the Sub-Delegatee or Financial Intermediary concerned and in accordance with the criteria? In case of minimal (or partial) sub-delegation external audit is only relevant insofar it relates to the sub-delegated contracting procedures and tasks | ✓ / na                                      | ✓ / na   | .. / 10               |



| PILLAR 7 – SUB-DELEGATION (continued)  |   |  |                |
|--|---|--|----------------|
| Level 2 criteria / questions (the number of components depends on the degree of sub-delegation)  | Maximal (or full)<br>sub-delegation (1) | Minimal (or partial)<br>sub-delegation (1) | SCORE (0 – 10) |
| <b>4 Grants</b><br>.....apply <b>appropriate rules and procedures</b> (equivalent to the procedures used by the Entity) in all material respects for providing financing from EU funds through <b>grants</b> ?                               | ✓ / na                                  | ✓ / na                                     | .. / 10        |
| <b>5 Procurement</b><br>.....apply <b>appropriate rules and procedures</b> (equivalent to the procedures used by the Entity) in all material respects for providing financing from EU funds through <b>procurement</b> ?                     | ✓ / na                                  | ✓ / na                                     | .. / 10        |
| <b>6 Financial Instruments</b><br>.....apply <b>appropriate rules and procedures</b> (equivalent to the procedures used by the Entity) in all material respects for providing financing from EU funds through <b>Financial Instruments</b> ? | ✓ / na                                  | ✓ / na                                     | .. / 10        |
| <b>Total score</b>   |   |  | <b>.. / xx</b> |

*(1) Note*

Tick marks and NA (*not applicable*) for Maximal (or full) sub-delegation or Minimal (or partial) sub-delegation should be maintained or removed depending on the degree of sub-delegation. If **both** maximal (or full) sub-delegation or minimal (or partial) sub-delegation are applicable tick marks must be put in both columns.

**SCORE**

*Answer to level 1 question is YES if the total score for all components is at least 70% and the score for each individual component is at least 2 / 10 or 20%.*

*Answer to level 1 question is NO if the total score is less than 70%.*

*The total possible score can range from 50 to 70 depending on the sub-delegation of contracting tasks for grants, procurement and financial instruments (4, 5 and 6).*