

**Annex 2a****Assessment Questionnaire (indicative questions)**

PILLAR	PILLAR SUBJECT TO ASSESSMENT <sup>(1)</sup>
1 INTERNAL CONTROL	YES
2I ACCOUNTING	YES
3 EXTERNAL AUDIT	YES
4 GRANTS	NO
5 PROCUREMENT	YES
6 FINANCIAL INSTRUMENTS	NO
7 SUB-DELEGATION	NO

*(1) The Entity / Auditor should state here YES or NO to indicate whether the pillar is subject to assessment.*

***Pillars 1, 2 and 3 are always subject to assessment.***

***As regards Pillars 4 to 7 at least one of these Pillars should always apply and be subject to assessment otherwise no budget implementation tasks are entrusted.***

## PURPOSE AND USE OF THIS DOCUMENT

- 1 In a **first phase** the Commission will request the Entity to complete relevant questions in Annex 2a and to submit a completed Annex 2a to the Commission.

**Attention:** The Entity is requested to complete questions indicated with 'to be completed by Entity, 'TBCBE' in the column with heading 'Entity comments'. Key questions must only be completed by the Auditor based on his / her professional judgment and the assessment procedures and tests performed.

The Commission will provide a completed Annex 2a questionnaire to the Auditor as soon as possible **after** the Auditor has been contracted by the Commission but **prior** to the start of the Auditors' assessment procedures.

- 2 In a **second phase** Annex 2a will become a support tool for the Auditor to design, plan and perform the assessment procedures and to take into account the criteria which the European Commission deems essential or important for the Entity subject to assessment to comply with.

The completed questionnaire is an essential source of assessment information and evidence for the Auditor. However, it is by no means the only source for the Auditor to plan and perform assessment procedures and to draw conclusions. All information completed and provided by the Entity is indicative and provisional and subject to the assessment procedures the Auditor deems necessary. The Auditor must not rely on information until s/he has ensured through assessment procedures that information is sufficiently accurate and complete for the purpose of the assessment and to arrive at informed conclusions for key questions.

Hence the Auditor can modify, complete and add information in the 'Auditor comments' column as s/he sees fit. The Auditor may also add additional questions if s/he considers that this is necessary to arrive at an informed conclusion for key questions.

**Use of the column 'Auditor comments'** It is highly recommended that the Auditor uses as much as possible comments and narratives in summary form to avoid entering lengthy texts in the column 'Auditor comments'. The Auditor may adapt the width and/or length of this column to enter information and comments. Alternatively, the Auditor may use attachments (e.g. long narratives and/or documents obtained from the Entity) which can be referred to.

**The Auditor remains fully responsible at all times to design, plan and perform the assessment procedures s/he deems necessary to arrive at a conclusion for each pillar which is subject to the assessment. The Auditor must take into account the specific engagement circumstances and apply professional judgment throughout the assessment process.**

PILLAR 1 - INTERNAL CONTROL	
KEY QUESTION (level 1)	Auditor comments
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?	

*Guidance*

**Article 38(3) Rules of application on the financial rules applicable to the general budget of the Union (Equivalence of systems, rules and procedures in indirect management; Article 60 of the Financial Regulation)**

The Commission may accept that the accounting systems and the **internal control systems** used by entities and persons to be entrusted with budget implementation tasks on behalf of the Commission are providing equivalent levels of protection of the financial interests of the Union and of reasonable assurance of achieving the management objectives if they **comply with the principles laid down in Article 32 of the Financial Regulation**.

**Article 32 of the Financial regulation applicable to the general budget of the Union (Internal control of budget implementation)**

1. The budget shall be implemented in compliance with effective and efficient internal control as appropriate in each method of implementation, and in accordance with the relevant sector-specific rules.
2. For the purposes of the implementation of the budget, internal control is defined as a process applicable at all levels of management and designed to provide reasonable assurance of achieving the following objectives:
  - (a) effectiveness, efficiency and economy of operations;
  - (b) reliability of reporting;
  - (c) safeguarding of assets and information;
  - (d) prevention, detection, correction and follow-up of fraud and irregularities;
  - (e) adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments concerned.

**PILLAR 1 - INTERNAL CONTROL**

Guidance (continued)

**Article 32 of the Financial regulation applicable to the general budget of the Union (Internal control of budget implementation) (continued)**

3. Effective internal control shall be based on best international practices and include, in particular, the following:
- (a) segregation of tasks;
  - (b) an appropriate risk management and control strategy including control at recipient level;
  - (c) avoidance of conflicts of interests;
  - (d) adequate audit trails and data integrity in data systems;
  - (e) procedures for monitoring of performance and for follow- up of identified internal control weaknesses and exceptions;
  - (f) periodic assessment of the sound functioning of the internal control system.
4. Efficient internal control shall be based on the following elements:
- (a) the implementation of an appropriate risk management and control strategy coordinated among appropriate actors involved in the control chain;
  - (b) the accessibility for all appropriate actors in the control chain of the results of controls carried out;
  - (c) reliance, where appropriate, on management declarations of implementation partners and independent audit opinions, provided that the quality of the underlying work is adequate and acceptable and that it was performed in accordance with agreed standards;
  - (d) the timely application of corrective measures including, where appropriate, dissuasive penalties;
  - (e) clear and unambiguous legislation underlying the policies;
  - (f) the elimination of multiple controls;
  - (g) improving the cost-benefit ratio of controls.
5. If, during implementation, the level of error is persistently high, the Commission shall identify the weaknesses in the control systems, analyse the costs and benefits of possible corrective measures and take or propose appropriate action, such as simplification of the applicable provisions, improvement of the control systems and re-design of the programme or delivery systems.

1 CONTROL ENVIRONMENT - questions / criteria		Entity comments	Auditor comments
<p><b>Key question (level 2):</b> Does the <b>control environment</b> of the Entity provide an adequate basis for carrying out internal control across the organisation?</p> <p>Note: Control environment includes the governance and management functions and the attitudes, awareness and actions of those charged with governance and management concerning the Entity's internal control and its importance in the Entity</p>			
<p>1.1 <u>Integrity and ethical values.</u></p> <p>Does management demonstrate a commitment to communicate and enforce integrity and ethical values?</p>			
1.1.1	Is there a written code of conduct that is communicated to all staff or a staff manual containing provisions promoting ethical behaviour and values?	Yes, the Personnel manual covers the obligations and responsibilities of staff member, where staff can assess and was communicated. On the contract signing staff is given the documents to read and acknowledged	
1.1.2	Does management stress and communicate the importance of integrity and ethical values to staff ("tone at the top")?	Yes, HR will provide each staff with the contract package which included the explanation of the ethical values, to ensure that the staff understands	
1.1.3	Are there procedures (e.g. disciplinary sanctions, financial and personal liability) for staff who do not comply with integrity rules and ethical values?	Yes, This explanation is included in the Personnel Manual, However, the CEO has the right to act and investigate this for further action.	
1.1.4	Are there procedures in place to deal with possible conflicts of interest at management level?	Yes, investigation will be layout and all staff will be under the same role.	

PILLAR 1 - INTERNAL CONTROL			
1 CONTROL ENVIRONMENT (cont'd) - questions / criteria		Entity comments	Auditor comments
<i>1.2 Organizational structure and assignment of authority and responsibility.</i>			
<i>Does the Entity have a clear and adequate organisational structure and are key responsibilities clearly defined?</i>			
1.2.1	Does the Entity have a clear organizational structure (i.e. the framework within which an Entity's activities for achieving its objectives are planned, executed, controlled, and reviewed) which supports good management and governance?	Yes. From 1 <sup>st</sup> July 2016, the MRCS will move to the new structure of 4 Divisions according to MRC's core functions and in line with the 1995 Mekong Agreement.	
1.2.2	What is the decision-making structure and who is the highest decision making authority?	Council and CEO is the highest decision making authority.	
1.2.3	Are reporting lines and responsibilities clearly defined? For example: are responsibilities, authorities and reporting lines clearly stipulated in employment contracts and/or operating manuals?	Yes. Responsibilities, authorities and reporting line are clearly stipulated in the Job Description attached to the employment contract.	
1.2.4	Are job descriptions available?	Yes. All positions have Job description. Which also available on our intranet.	
1.2.5	How is the authority and responsibility for operating activities assigned and how are reporting relationships and authorization hierarchies established?	Directors will be in charge of the budget management and report to CEO and JC. The reporting relationship is based on the structure and each job description	
1.2.6	What are the policies and practices that relate to, for example, recruitment, orientation, training, evaluation, counselling, promotion, compensation, and remedial actions?	The related policy for this question would be under the HR policy and this has been practicing: The Personnel Manual covers the policies on recruitment, orientation, training, evaluation, promotion, compensation and remedial. it is recommended that the appointed auditor read our relevant manual for more information.	

Commented [BM1]: Not sure what does it mean?

PILLAR 1 - INTERNAL CONTROL		
1 CONTROL ENVIRONMENT (cont'd) - questions / criteria	Entity comments	Auditor comments
<i>1.3 Governance oversight structure.</i>		
<i>Does the Entity have an adequate governance oversight structure?</i>		
1.3.1	Is there a governance oversight body (e.g. oversight authorities, audit committee, regulators, governing board, executive body) which is independent of the management of the Entity?	Yes. the MRC Joint Committee, which comprises senior officials at no less than Head of Department level of the four countries, and supported by national line agencies including the Ministry of Foreign Affairs which oversight the MRC.
1.3.2	Are there rules for the appointment, remuneration and resignation of members of the governance oversight body?	Yes, rules for the appointment are included in the 1995 Mekong Agreement.
1.3.3.	If there is no governance oversight body, has management of the Entity taken measures to carry out its governance oversight responsibilities?	Not Applicable
1.3.4	Does the Entity have an internal audit function? If yes, refer to section 5.2.	Yes, however, the position is vacant and it is planned for the new recruit
1.3.5	If no, how (what other measures) does management exercise oversight of the development and performance of internal control?	Yes, In order to comprise with the internal audit procedure and functions, during the absent of the internal auditor, MRC management has taken a closer look into the compliance mechanisms and to enforces
<i>1.4 Process for attracting, developing and retaining competent individuals.</i>		
<i>Does the Entity demonstrate a commitment to attract, develop, and retain competent individuals in alignment with objectives?</i>		
1.4.1	Does the Entity have formal and written human resources policies and practices?	Yes, there is written Personnel Manuals. Available for all staff to view on our intranet

1.4.2	Does the Entity have recruitment and remuneration policies?	Yes, in the Personnel Manual includes recruitment and remuneration policies. In addition, there is also a guideline for recruitment process.	
1.4.3	Does the Entity have a staff development (covering development and training needs) and appraisal system?	Yes, it includes in the Personnel Manual.	

**PILLAR 1 - INTERNAL CONTROL**

2 RISK ASSESSMENT - questions / criteria		Entity comments	Auditor comments
<b>Key question (level 2):</b> does the Entity identify risks to the achievement of its objectives across the Entity and are risks analysed as a basis for determining how they should be managed?			
2.1	Does the Entity specify its objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives?	Yes, this has been included in our strategic plan.	
2.2	Does the Entity have risk assessment procedures in place which allows management to identify, assess and address existing or potential issues that may hamper the achievement of the Entity's objectives?	Yes, risk assessment has been carried out during the formulation of the strategic plan 2016 - 2020	
2.3	Are risks assessed on a project basis or globally?	The assessment has been carried out on the whole MRC	
2.4	Are risk assessment procedures documented?	Yes, which this has been detailed in our strategic plan and can be downloaded from our website.	
2.5	Does the Entity have a Risk Register?	Yes, in chapter 4.2 of MRC SP 2016-2020 identified ten major risks	
2.6	Does the Entity have risk assessment procedures which:	Yes, it is under the risk management of the MRC	

**Commented [H2]:** Hans I could not find any document on risk assessment.



<ul style="list-style-type: none"> <li>- Identify events and risks affecting the achievement of the objectives?</li> <li>- Analyse the significance of risks and the likelihood of their occurrence?</li> <li>- Determine the actions and follow-up mechanisms needed in response to the risks?</li> <li>- Implement and modify controls to respond to changes in identified risks?</li> </ul>		
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PILLAR 1 - INTERNAL CONTROL		
3 CONTROL ACTIVITIES - questions / criteria	Entity comments	Auditor comments
<b>Key question (level 2):</b> does the Entity deploy effective and efficient <b>control activities</b> ?		
<i>3.1 General.</i>		
<i>Does the Entity have formal and written policies and procedures for control activities?</i>		
3.1.1 Does the Entity deploy control activities <ul style="list-style-type: none"> <li>- through formal, written policies and procedures?</li> <li>- that contribute to the mitigation of risks to the achievement of objectives to acceptable levels?</li> <li>- that are relevant i.e. based on an assessment of risks and of controls required to manage these risks?</li> </ul>	Yes, there is a written policies and procedures control activities which are included in Operation Manuals – Finance, Administration, Procurement and HR.	
3.1.2 Are the following key aspects addressed by the control activities deployed by the Entity: reliability of accounting and reporting (see Section 4 Information and Communication);	As mentioned in the previous questions that MRC operate based on the rule and regulations that set and approved by Joint Committee. The	

*Annex 2a to Terms of Reference for a Pillar Assessment contracted by the European Commission  
- Assessment Questionnaire (indicative questions)*

	safeguarding of assets and information; compliance with rules in procurement and other expenditure processes; prevention, detection and correction of errors, fraud and irregularities.	there are financial and procurement manuals that MRC followed.. Moreover, The Fraud Prevention and Anti-corruption paper is in the preparation process.	
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PILLAR 1 - INTERNAL CONTROL		
3 CONTROL ACTIVITIES (cont'd) - questions / criteria	Entity comments	Auditor comments
<p>3.2 <u>Segregation of duties – general.</u></p> <p>Is there effective segregation of duties for following key functions:</p> <ul style="list-style-type: none"> <li>- authorizing officer (i.e. mandate to authorise transactions for operational and/or financial issues) and accounting officer (i.e. authority to execute payments);</li> <li>- authorization, processing, recording and reviewing of transactions;</li> <li>- operational and financial supervision.</li> </ul>		
3.2.1	Is segregation of duties formally stipulated for example in an operating or procedures manual?	Yes. The segregation of duties are included in Operation Manuals and Memos, especially Finance and Procurement. Staff who involved with the authorising the transactions is not the same person as people who handling the transactions
<p>3.3 <u>Safeguarding of information - documentation, filing and record keeping.</u></p> <p>Does the Entity have adequate and effective procedures for documenting, filing and record keeping and controls over the completeness and accuracy of information?</p>		
3.3.1	What are the main features of the Entity's filing systems (electronic, paper, operating instructions, use of databases and electronic archiving systems)?	Our current filing system is included both electronic and paper based. For the paper based we have store all the files in a secured storage. As per the electronic files we have secured the files in our server and also OneDrive. All filings are to be kept up to 10 years.

3.3.2	Identify and document key features of the filing system / procedures.	For example, HR key features will be staff and consultant contract, staff performance, leave record and payroll. These files are confidential files which lock in a secured room.	
3.3.3	Does the Entity have a specific policy or procedures for the documentation and filing relating to the processes for grants, procurement and financial instruments?  Note: specific requirements may apply such as transparency and confidentiality.	Each Division and Section has their own filing system with a separate share drive and archive shelves, i.e. Finance documents are kept at least 10 years.	

**PILLAR 1 - INTERNAL CONTROL**

<b>3 CONTROL ACTIVITIES (cont'd) - questions / criteria</b>		<b>Entity comments</b>	<b>Auditor comments</b>
<i>3.4 Information processing and computerised information systems.</i>			
<i>Does the Entity have effective procedures and controls over IT systems which maintain the integrity of information and the security of data these systems process?</i>			
3.4.1	Does the Entity have formal and written procedures and controls with regard to its IT systems?	Yes, MRC has IT policy which currently active	
3.4.2	Does the Entity have adequate and effective procedures for initiation, approval, recording, processing and reporting of transactions?		
3.4.3	Does the Entity apply an appropriate mix of manual and automated elements in internal control taking into account the nature and complexity of the Entity's use of information technology and computerised information systems?		
3.4.4	Do the controls over the Entity's IT systems include effective general IT controls and application controls?		

## PILLAR 1 - INTERNAL CONTROL

### Guidance relating to computerised information systems

The Entity's business / activity processes result in transactions that are initiated, recorded, processed and reported by the information system which is either manually or computer operated or through a mix of manual and computer operated procedures.

Is there an appropriate segregation of duties for key accounting functions i.e. for the initiation, approval, recording, processing (i.e. transfer to the general ledger) and reporting in the financial statements?

The use of IT affects the way that control activities are implemented. Controls over IT systems are effective when they maintain the integrity of information and the security of the data such systems process, and include effective general IT controls and application controls.

General IT controls are policies and procedures that relate to many applications and support the effective functioning of application controls. They apply to mainframe, miniframe, and end-user environments. General IT controls that maintain the integrity of information and security of data commonly include controls over the following:

- Data centre and network operations.
- System software acquisition, change and maintenance.
- Program change.
- Access security.
- Application system acquisition, development, and maintenance.

Application controls are manual or automated procedures that typically operate at a business process level and apply to the processing of transactions by individual applications. Application controls can be preventive or detective in nature and are designed to ensure the integrity of the accounting records. Accordingly, application controls relate to procedures used to initiate, record, process and report transactions or other financial data. These controls help ensure that transactions occurred, are authorized, and are completely and accurately recorded and processed. Examples include edit checks of input data, and numerical sequence checks with manual follow-up of exception reports or correction at the point of data entry.

The use of manual or automated elements in internal control also affects the manner in which transactions are initiated, recorded, processed, and reported:

- Controls in a manual system may include such procedures as approvals and reviews of transactions, and reconciliations and follow-up of reconciling items. Alternatively, an Entity may use automated procedures to initiate, record, process, and report transactions, in which case records in electronic format replace paper documents.
- Controls in IT systems consist of a combination of automated controls (for example, controls embedded in computer programs) and manual controls. Further, manual controls may be independent of IT, may use information produced by IT, or may be limited to monitoring the effective functioning of IT and of automated controls, and to handling exceptions. When IT is used to initiate, record, process or report transactions, or other financial data for inclusion in financial statements, the systems and programs may include controls related to the corresponding assertions for material accounts or may be critical to the effective functioning of manual controls that depend on IT.

An Entity's mix of manual and automated elements in internal control varies with the nature and complexity of the Entity's use of IT

PILLAR 1 - INTERNAL CONTROL		
3 CONTROL ACTIVITIES (cont'd) - questions / criteria	Entity comments	Auditor comments
<i>3.5 Prevention, detection and correction of errors, fraud and irregularities.</i>		
<i>Does the Entity have adequate and effective procedures for the prevention, detection and correction of errors, fraud and irregularities?</i>		
3.5.1	Does the Entity consider the potential for errors, fraud and irregularities in assessing risks to the achievement of objectives?	Yes, this is a highly considered by the management of the MRC, therefore, the control mechanism is in place
3.5.2	Does the Entity identify (sensitive) posts with risk of collusion (e.g. bank and cash management, procurement and purchase functions) and are there mitigating measures (e.g. rotation of functions, additional controls)?	Yes, we have segregated duty of each officer to ensure that risk is minimised
3.5.3	Are there procedures for the reporting and follow- up of errors, fraud and irregularities?	Yes. These procedures will be included in the FPAC Mechanism.

PILLAR 1 - INTERNAL CONTROL		
3 CONTROL ACTIVITIES (cont'd) - questions / criteria	Entity comments	Auditor comments
<p><i>3.6 Safeguarding of fixed assets.</i></p> <p><i>Does the Entity have an adequate and effective fixed assets management system in place which ensures the safeguarding of fixed assets and tracks fixed assets for the purposes of financial accounting, preventive maintenance, and theft deterrence?</i></p>		
3.6.1	Does the Entity have a description or a procedures manual of its asset management system?	Yes. Fixed Asset management is included in the Admin Manual.
3.6.2	<p>Obtain a sufficient understanding of the Entity's asset management system i.e. practices and procedures for the acquisition and management of land and buildings, machinery, vehicles, equipment.</p> <p>Note: specific attention should be paid to procurement rules which are applicable for the acquisition of fixed assets (refer to Pillar 4 Procurement).</p>	

Guidance

Document the above procedure with descriptions and references to relevant source material (e.g. systems, flowcharts, manuals etc.) and identify any shortcomings in the Entity's asset management system.

Relevant issues include: roles and responsibilities (segregation of duties) for management of assets, acquisition and purchase procedures, asset registration (use of asset registers, vehicle logbooks), controls and procedures for access, control and monitoring procedures, safeguard and access procedures, asset disposition and transfer of assets.

PILLAR 1 - INTERNAL CONTROL		
3 CONTROL ACTIVITIES (cont'd) - questions / criteria	Entity comments	Auditor comments
<p>3.7 <u>Safeguarding of inventories.</u></p> <p><i>Does the Entity have an adequate and effective inventory (supplies, goods and materials) management system in place which ensures the safeguarding of inventories tracks inventories for the purposes of financial accounting, preventive maintenance, and theft deterrence?</i></p>		
3.7.1	Does the Entity have a description or a procedures manual of its inventory management system?	Yes. Fixed Asset management is included in the Admin Manual. The manual explains more on the procedures and safeguards
3.7.2	<p>Obtain a sufficient understanding of the Entity's inventory management system (practices and procedures for the acquisition, purchase and management of supplies such as materials, tools, spare parts, office supplies etc.).</p> <p>Note: specific attention should be paid to procurement rules which are applicable for the acquisition of supplies, goods and materials (refer to Pillar 4 Procurement).</p>	

Guidance

Document the above procedure (with descriptions and references to relevant source material (e.g. systems, flowcharts, manuals etc.) and identify any shortcomings in the Entity's inventory management system.

Relevant issues include: roles and responsibilities for the management of inventories, acquisition and purchase procedures, inventory records; safeguard, access and use; control and monitoring procedures, stock takings and reconciliations; use and disposal of stocks



PILLAR 1 - INTERNAL CONTROL		
3 CONTROL ACTIVITIES (cont'd) - questions / criteria	Entity comments	Auditor comments
<p><i>3.8 Bank Management and safeguarding of cash in the bank.</i></p> <p><i>Does the Entity have an adequate and effective bank management system in place which ensures the safeguarding of bank accounts and which allows for the proper accounting of cash collected and used?</i></p>		
3.8.1	Does the Entity have a description or a procedures manual of its bank management system?	Yes. the bank management is included in the Finance Manual.
3.8.2	Does the Entity perform regular (at least on a monthly basis) reconciliations of accounting data held in the Entity's accounts (general ledger account; cash book) with bank account data and in such a way that no material differences are left unexplained?	
3.8.3	Obtain a sufficient understanding of the Entity's bank management system (practices and procedures for the management of bank accounts).	

Guidance

Document the above procedure with descriptions and references to relevant source material (e.g. systems, flowcharts, manuals etc.) and identify any shortcomings in the Entity's bank management procedures.

Relevant issues include inter alia: roles and responsibilities (segregation of duties, access rights, use of a separate treasury function) for management of bank accounts, type of accounts (e.g. interest bearing, currencies used), use of dual signature procedures, regular bank reconciliations, supervision and control, use of dedicated / specific bank accounts for projects; treasury policies .

PILLAR 1 - INTERNAL CONTROL		
3 CONTROL ACTIVITIES (cont'd) - questions / criteria	Entity comments	Auditor comments
<p><i>3.9 Cash Management and safeguarding of cash on hand.</i></p> <p><i>Does the Entity have an adequate and effective cash management system in place which ensures the safeguarding of (petty) cash and which allows for the proper accounting of cash collected and used?</i></p>		
3.9.1	Does the Entity have a description or a procedures manual of its cash management system?	Yes. the cash management is included in the Finance Manual. Cash is handle with care, and MRCs only maintain minimum cash such as petty cash, and we have safe box to store the cash.
3.9.2	Does the Entity perform regular (at least on a monthly basis) reconciliations of accounting data held in the Entity's accounts (general ledger account; cash book) with bank account data and in such a way that no material differences are left unexplained?	
3.9.3	Are there appropriate procedures for holding cash and cash counts?	
3.9.4	Does the Entity clear and reconcile suspense accounts and advances i.e. of cash payments made, from which no expenditures have yet been recorded (at least monthly within 30 days of the end of each month)? Such advances may include travel advances and operational imprest accounts. This may also include transfers to other entities which are classified as expenditures when they are made, even if reporting on any earmarked portion of the transfers is expected periodically.	

PILLAR 1 - INTERNAL CONTROL		
3 CONTROL ACTIVITIES (cont'd) - questions / criteria	Entity comments	Auditor comments
3.9 Cash Management and safeguarding of cash on hand (cont'd)		
3.9.5	Does the Entity clear and reconcile suspense accounts and advances i.e. of cash payments made, from which no expenditures have yet been recorded (at least monthly within 30 days of the end of each month)? Such advances may include travel advances and operational imprest (* note) accounts. This may also include transfers to other entities which are classified as expenditures when they are made, even if reporting on any earmarked portion of the transfers is expected periodically.	
3.9.6	Obtain a sufficient understanding of the Entity's cash management system (practices and procedures for cash management).	

Guidance

Document the above procedure with descriptions and references to relevant source material (e.g. systems, flowcharts, manuals etc.) and identify any shortcomings in the Entity's cash management procedures.

Relevant issues include inter alia: roles and responsibilities (segregation of duties, access rights, use of a separate treasury function) for cash management; procedures for cash handling and limits of cash to be held; regular petty cash counts and reconciliations; management of cash advance (use, authorisation, limits, monitoring and clearance

(\* The imprest system is a form of financial accounting system. The most common imprest system is the petty cash system. The base characteristic of an imprest system is that a fixed amount is reserved, which after a certain period of time or when circumstances require, because money was spent, it will be replenished. This replenishment will come from another account source e.g. petty cash will be replenished by cashing a cheque drawn on a bank account.

PILLAR 1 - INTERNAL CONTROL			
3 CONTROL ACTIVITIES (cont'd) - questions / criteria		Entity comments	Auditor comments
3.10. <u>Recruitment</u>			
<i>Does the Entity have adequate and effective procedures for the recruitment of staff (both permanent and temporary)?</i>			
3.10.1	Does the Entity have a description or a procedures manual of its recruitment system?	Yes. the recruitment system and procedures are included in the Personnel and Procurement Manual.	
3.10.2	Obtain a sufficient understanding of the Entity's recruitment system (practices and procedures for the management of expatriate, local and other staff).		
3.10.3	Perform a walkthrough of the recruitment process starting with the approval of the selection procedure to the signing of the employment contract.		

Guidance

Document the above procedures with descriptions and references to relevant source material (e.g. systems, flowcharts, manuals etc.) and identify any shortcomings in the Entity's recruitment procedures

Relevant issues include: roles and responsibilities for the management of staff; selection and approval procedures; determination and approval of salaries, allowances and other conditions of employment; use of employment contracts; job descriptions.

PILLAR 1 - INTERNAL CONTROL		
3 CONTROL ACTIVITIES (cont'd) - questions / criteria	Entity comments	Auditor comments
<i>3.11. Payroll and Time Management.</i>		
<i>Does the Entity have an adequate and effective payroll and time management system?</i>		
3.11.1	Does the Entity have a description or a procedures manual of its payroll and time management system?	Yes. the payroll and time management is included in the Personnel Manual. We have HR system (CADENA HRM) that manage this.
3.11.2	Obtain a sufficient understanding of the Entity's payroll and time management system i.e. practices and procedures for payroll and time management.	
3.11.3	Are personnel database (* note) and payroll directly linked to ensure data consistency? Are reconciliations performed on a regular basis (in principle monthly)?	
3.11.4	Are payroll and time management systems linked to ensure a correct calculation of salaries and wages where applicable?	
3.11.5	Is authority to change records and payroll restricted and are audit trails available?	
3.11.6	Are there appropriate (approval) procedures for changes to the personnel records?	

(\* Effective payroll management should be underpinned by a personnel database (in some cases called the 'nominal roll' and not necessarily computerized), which provides a list of all staff, who should be paid every month and which can be verified against an approved establishment list and the individual personnel records (or staff files). The link between the personnel database and the payroll is a key control. Any amendments required to the personnel database should be processed in a timely manner through a change report, and should result in an audit trail. Payroll audits should be undertaken regularly to identify ghost workers, fill data gaps and identify control weaknesses.

<b>PILLAR 1 - INTERNAL CONTROL</b>		
<b>3 CONTROL ACTIVITIES (cont'd) - questions / criteria</b>	<b>Entity comments</b>	<b>Auditor comments</b>
<b>3.11. Payroll and Time Management (cont'd)</b>		
3.11.7	Are there procedures for identifying control weaknesses and/or ghost workers? For example: are (annual) payroll audits performed by an internal audit capability?	
3.11.8	Does the Entity have a system to allocate staff and salaries and related costs to projects?	
3.11.9	What principles (i.e. plausibility of basic assumptions used and allocation keys) does the Entity use to allocate salaries and salary related costs to projects. How is time spent by staff for specific projects approved and recorded?	

Guidance

Document the above procedures with descriptions and references to relevant source material (e.g. systems, flowcharts, manuals etc.) and identify any shortcomings in the Entity's payroll and time management systems.

Relevant issues include: roles and responsibilities for the payroll and time management; recording, calculation and approval of salaries and salary components (fixed / variable; overtime; social security). Special attention should be paid to the Entity's time management system: time keeping procedures and records (use of timesheets), supervision control and approval procedures.

PILLAR 1 - INTERNAL CONTROL		
3 CONTROL ACTIVITIES (cont'd) - questions / criteria	Entity comments	Auditor comments
<p>3.12 <u>Controls for other salary related expenditure and allowances.</u></p> <p>Does the Entity have adequate and effective controls for other salary related expenditure and allowances?</p>		
<b>Key question (level 3):</b>		
3.12.1	Does the Entity have a description or a procedures manual of its controls for other salary related expenditure and allowances?	Yes. the control for other personnel costs is defined in the Finance and HR Manual which defined allowance categories and other benefits
3.12.2	What procedures and controls are in place for the determination and payment of allowances for travelling and accommodation (i.e. per diems)?	
3.12.3	What procedures and controls are in place for the determination and payment of expenditure for training and personnel development?	

PILLAR 1 - INTERNAL CONTROL		
3 CONTROL ACTIVITIES (cont'd) - questions / criteria	Entity comments	Auditor comments
<p>3.13. <u>Acquisition of services and costs of services.</u></p> <p><i>Does the Entity have adequate and effective controls for the acquisition of services and for the accounting of costs for services?</i></p>		
<p>3.13.1 What procedures does the Entity have in place for the contracting of services with external service providers (e.g. studies and research; advertisement, promotion, publication and visibility actions; evaluations; audit, accounting and legal services; technical assistance; translation and interpretation; organisation of conferences and seminars; visibility actions)?</p> <p>Note: specific attention should be paid to procurement rules which are applicable for the acquisition of services (refer to Pillar 4 Procurement).</p>	<p>MRCs procurement guideline is inline with the UN's procurement guidelines. Therefore, MRC has the same policy and procedures of selection consultancy service providers.</p>	



PILLAR 1 - INTERNAL CONTROL		
3 CONTROL ACTIVITIES (cont'd) - questions / criteria	Entity comments	Auditor comments
<p>3.14. <i>Expenditure controls for other (non-salary) expenditure.</i></p> <p>Does the Entity have adequate and effective controls for other (non-salary) expenditure?</p> <p>Note: this includes all costs other than salaries, salary related expenditure and allowances and costs of services. Examples: office costs such as rent, consumables and office supplies, utility costs (electricity, water, gas, fuel), taxes and levies (e.g. sewer and solid waste charges), cleaning and maintenance; communication (telephone, fax, internet); insurance, administration and accounting, printing etc.</p>		
3.14.1	Does the Entity have a description or a procedures manual of its controls for other (non-salary) expenditure?	Yes, MRC has policy on these not salary expenditure which these included in our admin and finance manual.
3.14.2	Obtain a sufficient understanding of the Entity's system for expenditure control (practices and procedures for expenditure control).	

Guidance

Document the above procedures with descriptions and references to relevant source material (e.g. systems, flowcharts, manuals etc.) and identify any shortcomings in the Entity's procedures for expenditure control.

Relevant issues include inter alia: roles and responsibilities for expenditure control; management procedures which ensure that expenditure control is in line with the Entity's procedures; authorisation and approval of expenditure; performance of regular budget/ actual comparisons of expenditure.

PILLAR 1 - INTERNAL CONTROL		
3 CONTROL ACTIVITIES (cont'd) - questions / criteria	Entity comments	Auditor comments
<p>3.15. <u>Monitoring of operating performance.</u></p> <p>Does the Entity have adequate and effective controls for operating performance?</p>		
3.15.1	Does the Entity have a description or a procedures manual of its procedures for monitoring operating performance	Yes, MRC has the M&E system as well as the PAR system that evaluate staff performance and also work based on output and outcome. the description is detailed in the HR manual and the M&E manual
3.15.2	What measures does the Entity have to review operating performance i.e. the progress made on the implementation of activities and projects?	Yes, the description is included in the M&E manual. Furthermore, the system considered the activities based on what is being delivered, why it is being done, who will be involved in its delivery, when it will happen and how it will happen the processes and steps required
3.15.3	Has the Entity adopted quality standards (e.g. ISO)?	Not yet
3.15.4	If external standards are not used are there internal standards?	Internal standards are defined in the M&E manual
3.15.5	Does the Entity have procedures for the evaluation (ex-ante, during implementation and ex-post)?	Yes, the procedure is included in the M&E manual
3.15.6	By whom (internal or external) are these evaluations performed and how are results reported and followed-up?	Internal evaluation by Directors and CEO.

PILLAR 1 - INTERNAL CONTROL		
3 CONTROL ACTIVITIES (cont'd) - questions / criteria	Entity comments	Auditor comments
<p>3.16. <i>Compliance with regulations and rules for using funds.</i></p> <p><i>Does the Entity have adequate and effective controls for ensuring compliance with EU regulations and rules for the funding of the Entity's activities and projects?</i></p>		
3.16.1	Does the Entity have a description or a procedures manual of its procedures to ensure compliance with regulations and rules for using funds?	Yes MRC does have the procedures manual to ensure compliance with regulations and rules for using funds. However, we have two systems one is Basket and Earmarked funded, the expenditure rules are almost the same and also detailed in our Finance Manual.
3.16.2	Does the Entity have procedures in place which ensure that actual expenditure incurred and revenue received for activities and projects is in conformity with applicable rules i.e. conditions set out in contracts and agreements?	
3.16.3	Does the Entity have procedures in place which ensure that specific rules and conditions are well known and respected? Such rules and conditions can relate to inter alia: the eligibility of expenditure, procurement rules (see Pillar 4), origin rules, rules for visibility of EU funded actions, rules for the transfer of assets at the end of a project.	

**PILLAR 1 - INTERNAL CONTROL**

**4 INFORMATION AND COMMUNICATION - questions / criteria**

Guidance

Information is necessary for the Entity to carry out internal control responsibilities to support the achievement of its objectives. Management of the Entity obtains or generates and uses relevant and quality information from both internal and external sources to support the functioning of other components of internal control.

Internal reporting (internal information and communication )

This concerns internal reporting which covers financial reporting and reporting on the qualitative aspects of the implementation of activities and projects **within** the Entity **to** the management of the Entity.

External reporting (external information and communication)

Two flows of external information and communication can be distinguished:

- External reporting outbound: financial reporting and reporting on the qualitative aspects of the implementation of activities and projects by the Entity to external stakeholders.  
This concerns essentially the annual financial statements of the Entity the accountability of the Entity towards its (external) stakeholders.
- External reporting inbound: financial reporting and reporting on the qualitative aspects of the implementation of activities and projects by grant beneficiaries and Sub-Delegates to the Entity.

This concerns the reporting flows from grant beneficiaries and Sub-Delegates to the Entity and the accountability of these actors towards the Entity. Reporting is based on specific rules and conditions set by the Entity in order to comply with the requirements (including reporting requirements) for funding provided by the EU and other donors. These reporting flows constitute a vital element of internal control.

The above two types of external reporting are dealt with at PILLAR II Accounting.

PILLAR 1 - INTERNAL CONTROL		
4 INFORMATION AND COMMUNICATION (cont'd) - questions / criteria	Entity comments	Auditor comments
<p><b>Key question (level 2):</b> 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?</p>		
<p><i>4.1 Internal reporting.</i></p> <p><i>Does the Entity have adequate and effective controls for ensuring that internal reporting provides relevant and quality information to management?</i></p>		
4.1.1	Does the Entity obtain or generate and use relevant, quality information (internal and/or external sources) to compile management reports?	Yes on the monthly and quarterly basis
4.1.2	Does management of the Entity receive regular (monthly, quarterly) reports on progress made on objectives, activities, projects?	Yes on the monthly and quarterly basis
4.1.3	Does the information cover qualitative aspects of implementation such as for example use of performance indicators, implementation status and delays, key problems and issues)?	Yes on the monthly and quarterly basis
4.1.4	Does the information cover financial aspects such as budget – actual comparisons and analyses of expenditure incurred by activity / project?	Yes, financial and budget management report can be issued on the daily basis with the new FMIS
4.1.5	Does the Entity internally communicate information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control?	Yes, before each internal/external audit.

PILLAR 1 - INTERNAL CONTROL		
4 INFORMATION AND COMMUNICATION (cont'd) - questions / criteria	Entity comments	Auditor comments
<p><i>4.2 External reporting (outbound) – financial statements.</i></p> <p><i>Does the Entity prepare and present annual financial statements which are reliable and in line with applicable international standards?</i></p>		
<p>4.2.1 Does the Entity prepare and present annual financial statements which are reliable?</p> <p>Reliable means that the financial statements:</p> <ul style="list-style-type: none"> <li>- represent faithfully the financial position, financial performance, and cash flows of the Entity;</li> <li>- reflect the economic substance of transactions, other events, and conditions and not merely the legal form;</li> <li>- are neutral, i.e. free from bias;</li> <li>- are prudent; and</li> <li>- are complete in all material respects.</li> </ul>		

Guidance

Year-end financial statements are a critical condition for transparency. The ability to prepare year-end financial statements in a timely fashion is a key indicator of how well the accounting system is operating, and the quality of records maintained.

In order to be useful and to contribute to transparency, financial statements must be understandable to the reader, and deal with transactions, assets and liabilities in a transparent and consistent manner. This is the purpose of financial reporting standards. Some countries have their own public sector financial reporting standards, set by government or another authorized body. To be generally acceptable, such national standards are usually aligned with international standards such as the International Public Sector Accounting Standards (IPSAS), of which some are relevant for countries that adopt accrual based accounting, while others are relevant for cash-based systems.

PILLAR 1 - INTERNAL CONTROL		
4 INFORMATION AND COMMUNICATION (cont'd) - questions / criteria	Entity comments	Auditor comments
<p>4.2.2 Does the financial information presented in the financial statements meet following qualities which make it useful for the users:</p> <ul style="list-style-type: none"> <li>- <u>Relevance</u>. Financial information should be relevant to the decision making needs of the users.</li> <li>- <u>Materiality</u>. There should be a focus on financial information which is expected to affect the decisions of the users.</li> <li>- <u>Faithful representation</u>. Financial information should be true and fair and free from misstatement.</li> <li>- <u>Comparability</u>. Financial information should be comparable across periods and across organisations.</li> <li>- <u>Verifiability</u>. Information should communicate the underlying economics of the Entity's activities.</li> <li>- <u>Timeliness</u>. Disclosure of financial information should not be excessively delayed.</li> <li>- <u>Understandability</u>. The financial information must be understandable by users with reasonable knowledge of the Entity's activities.</li> </ul>		
<p>4.2.3 Does the Entity prepare and present annual financial statements which are in line with applicable international standards? What is the applicable financial reporting framework? What are the basic regulations, rules the Entity needs to comply with for the preparation and presentation of its annual financial statements.]</p>	<p>Yes</p> <p>The framework for the preparation and presentation of financial statement is prepared in accordance with the International Federation of Accounts</p>	

**Commented [H3]:** Buntheung, can you please help to add the financial reporting framework, rules and regulations...?

*Annex 2a to Terms of Reference for a Pillar Assessment contracted by the European Commission  
- Assessment Questionnaire (indicative questions)*

		(IFAC). Modified cash basic rules define a number of common reports to be produced annually for stakeholders. Financial statement shall be prepared using the modified cash basic of accounting and the fiscal year is 1 <sup>st</sup> January to 31 <sup>st</sup> December. MRCS accounts are to be prepared in US-Dollars with all receipts and payments.	
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PILLAR 1 - INTERNAL CONTROL		
4 INFORMATION AND COMMUNICATION (cont'd) - questions / criteria	Entity comments	Auditor comments
4.2.4 <i>Other good practice disclosures</i> Do the financial statements of the Entity disclose: <ul style="list-style-type: none"> <li>- the address and legal form of the Entity and jurisdiction under which it operates?</li> <li>- The nature of the Entity's operations and its principal activities?</li> <li>- A reference to the legal and regulatory framework governing the Entity's operations?</li> <li>- The name and identity of the controlling Entity (where applicable)?</li> <li>- Budget actual comparisons of appropriations / commitments and disbursement.</li> <li>- Details of sources of funding (amounts received / receivable and identity of fund providers)</li> <li>- Statements of financial position and of financial performance by type of activity, programme, project, (trust) funds and Financial Instruments for the period covered by the financial statements</li> </ul>		
4.2.5 Does the Entity comply with national accounting (including financial reporting) standards which apply in the country in which the Entity is established? (for example: the World Bank i.e. the International Bank for Reconstruction and development (IBRD) and the International development Association (IDA) comply with US Generally Accepted Accounting Principles (US GAAP).		

PILLAR 1 - INTERNAL CONTROL		
4 INFORMATION AND COMMUNICATION (cont'd) - questions / criteria	Entity comments	Auditor comments
<p>4.2.6. Does the Entity comply with international accounting standards (including financial reporting) or accounting policies and rules prescribed by specific regulations or conventions?</p> <ul style="list-style-type: none"> <li>- International Public Sector Accounting Standards (IPSAS)</li> <li>- International Financial Reporting Standards (IFRSs)</li> <li>- Other specific conventions and rules such as for example the United Nations System accounting Standards (UNSAS)</li> </ul>	<p>IPSAS and IFRS</p>	
<p>4.2.7. What is the accounting basis for preparing and presenting the financial statements of the Entity:</p> <ul style="list-style-type: none"> <li>- Accrual basis</li> <li>- Cash basis</li> <li>- Modified cash or modified accrual basis (i.e. mixed)</li> </ul> <p>Footnote: Accrual basis means a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue and expenses.</p>	<p>Currently on modified cash however we are aiming to move into the Accrual basis</p>	
<p>4.2.8. What is the financial year of the Entity?</p>	<p>1 January to 31 December</p>	

PILLAR 1 - INTERNAL CONTROL		
4 INFORMATION AND COMMUNICATION (cont'd) - questions / criteria	Entity comments	Auditor comments
4.2.9. Do the financial statements of the Entity include the following components: <ul style="list-style-type: none"> <li>- statement of changes in net assets/equity statement of financial position (also referred to as balance sheet or statement of assets and liabilities)</li> <li>- statement of financial performance (also referred to as statement of revenues and expenses, income statement, operating statement, or profit and loss statement)</li> <li>- statement of changes in net assets/equity</li> <li>- cash flow statement ; and</li> <li>- accounting policies and notes to the financial statements.</li> </ul>	Yes, we have follow the reporting guidelines of the reporting requirements of donors and based on the accounting standard.	
4.2.10 Are the financial statements of the Entity submitted for external audit within 6 months of the end of the financial year?	External Audit twice per year – Interim audit in August and Annual audit in January or February of the next year.	
4.3 <u>External reporting (outbound) – specific reporting to donors / fund providers.</u>  <i>Does the Entity have reporting procedures which allow adequate and timely reporting to donors / fund providers (including the EC) on the use of funds for projects, (trust) funds and Financial Instruments provided by them?</i>		
4.3.1 Does the Entity have specific and dedicated reporting procedures for activities, projects or (trust) funds and Financial Instruments financed by the EU or other donors?	Yes, project report following the Financing Agreement signed with DP.	

PILLAR 1 - INTERNAL CONTROL		
4 INFORMATION AND COMMUNICATION (cont'd) - questions / criteria	Entity comments	Auditor comments
<p>4.4 <i>External reporting (inbound) – reporting by Sub-Delegates and grant beneficiaries.</i></p> <p><i>Does the Entity take appropriate measures which ensure to a reasonable extent that Sub-Delegates and grant beneficiaries provide reliable and timely reports on the use of funds provided to them by the Entity?</i></p>		
4.4.1	Does the Entity have specific and dedicated reporting procedures for activities, projects, (trust) funds and Financial Instruments financed by the EU or other donors?	Yes, project report following the Financing Agreement signed with DP.
4.4.2	Does the Entity provide conditions for reporting by Sub-Delegates and grant beneficiaries on the financial and qualitative aspects of the implementation of activities, projects, (trust) funds and Financial Instruments?	No
4.4.3	<p>Are conditions for reporting clearly and properly communicated (e.g. use of terms of reference, use of (web based) guidelines, instructions, brochures etc.)?</p> <ul style="list-style-type: none"> <li>- What are the main reporting conditions?</li> <li>- Are these conditions binding? For example: are conditions set out in (annexes) to agreements or contracts concluded by the Entity with Sub-Delegates and grant beneficiaries?</li> <li>- Are consequences of non-compliance with conditions (e.g. rules for eligibility of expenditure) explained?</li> </ul>	Yes and No, we report based on donor and as agreed with the DP.

<b>PILLAR 1 - INTERNAL CONTROL</b>			
<b>4 INFORMATION AND COMMUNICATION (cont'd) - questions / criteria</b>		<b>Entity comments</b>	<b>Auditor comments</b>
4.4.4	Does the Entity monitor / verify whether reporting conditions are respected?	Yes, as mentioned the report is based on donors' requirements, therefore, all conditions set are followed	
4.4.5	Does the Entity obtain and review progress reports made by the Sub-Delegates and grant beneficiaries on a regular basis?	Yes, each project must submit quarterly progress reports to our management as well as donor	
4.4.6	Does the Entity effectively and timely respond to issues that result from the review of these reports? Such issues may include: significant differences in budget to actual comparisons of expenditure, unusual expenditure items, (possible) ineligible expenditure, delays in project implementation, project activities not implemented as foreseen etc.	Yes, once issue is reported, the corrective action is layout by management to address the issue and solve or improve.	

PILLAR 1 - INTERNAL CONTROL		
5 MONITORING - questions / criteria	Entity comments	Auditor comments
<b>Key question (level 2):</b> Does the Entity <b>monitor</b> (the components of) its internal control system regularly and effectively?		
<i>5.1. Monitoring of (the components of) the internal control system (if the Entity has no internal audit function).</i>		
<i>Does the Entity have adequate and effective measures to monitor internal control in case it has no internal audit function?</i>		
5.1.1	What are the main activities that the Entity uses to monitor (the components of) its internal control system?	Monthly workplan, as well as based on the progress report of each program
5.1.2	How does the Entity initiate remedial actions to deficiencies in (the components of) its internal control system?	There will be investigations regarding the case in question. issue will be addressed for solution
<i>5.2. Internal Audit Function.</i>		
<i>Does the Entity have an effective internal audit function?</i>		
<b>5.2.1</b>	<i>Standards and internal audit charter</i> Does the internal audit function comply with the international professional standards and the code of ethics issued by the Institute of Internal Auditors (www.theiia.org)?	TBA and subjected to further discussion

Guidance

Regular and adequate feedback to management is required on the performance of the internal control systems, through an internal audit function or equivalent systems monitoring function. Internal audit functions are in some countries concerned only with pre-audit of transactions, which is then considered part of the internal control activities.

PILLAR 1 - INTERNAL CONTROL		
5 MONITORING (cont'd) - questions / criteria	Entity comments	Auditor comments
<p>5.2.2 <i>Standards and internal audit charter (cont'd)</i></p> <p>Has the internal audit function adopted an internal audit charter which is consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards issued by the Institute of Internal Auditors?</p> <p>Footnote: The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization, including the nature of the chief audit executive's functional reporting relationship with the board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the senior management of the Entity or an oversight body (audit committee) where appropriate.</p>	TBA and subjected to further discussion	
<p>5.2.3 <i>Independence</i></p> <p>How does the internal audit function fits in the Entity's organizational structure?</p>	TBA	
<p>5.2.4 <i>Independence</i></p> <p>Is the internal audit function independent i.e. does it have freedom from conditions that threaten its ability to carry out internal audit responsibilities in an unbiased manner?</p>	TBA	

PILLAR 1 - INTERNAL CONTROL		
5 MONITORING (cont'd) - questions / criteria	Entity comments	Auditor comments
5.2.5 <i>Independence (cont'd)</i> Do the chief audit executive / head of the internal audit function have direct and unrestricted access to senior management and the oversight body as appropriate?	TBA	
5.2.6 <i>Objectives and scope of work</i> What is the nature of the internal audit function's responsibilities?	TBA	
5.2.7 <i>Objectives and scope of work (cont'd)</i> What are the activities performed, or to be performed, by the internal audit function?	TBA	
5.2.8 <i>Objectives and scope of work</i> Does the internal audit charter define the nature of the (assurance) services provided to the Entity?  Note: Assurance services involve the internal auditor's objective assessment of evidence to provide an independent opinion or conclusions regarding an Entity, operation, function, process, system, or other subject matter. The nature and scope of the assurance engagement are determined by International Standards for the Professional Practice of Internal Auditing.	TBA and subjected to further discussion	
5.2.9 <i>Objectives and scope of work</i> Does the internal audit function prepare a risk assessment of the activities and/or organisational functions (e.g. departments, units)?  Note: Evidence of an effective internal audit (or systems monitoring) function would also include a focus on high risk areas.	TBA	
5.2.10 <i>Objectives and scope of work</i> Do the internal audit function elaborate a multi-annual (usually 3- years) audit plan as well as annual operational plans? How and by whom are audit subjects selected and approved?	TBA	



PILLAR 1 - INTERNAL CONTROL		
5 MONITORING (cont'd) - questions / criteria	Entity comments	Auditor comments
5.2.11 <i>Objectives and scope of work (cont'd)</i> Do these plans incorporate an appropriate range of audit types including compliance, financial audits, payroll audits, system including information technology audits, forensic and performance audits?	n/a	
5.2.12 <i>Objectives and scope of work</i> Is the internal audit operational for all activities managed by the Entity?	Yes	
5.2.13 <i>Reporting</i> Are internal audit reports completed and issued to a fixed schedule and are they distributed to senior management and an oversight body or audit committee as appropriate?	Yes	
5.2.14 <i>Reporting (cont'd)</i> Does the internal audit function present regular (i.e. monthly, quarterly) progress reports to the management of the Entity and an oversight body / audit committee as appropriate?	TBA	
5.2.15 <i>Follow up on internal audit findings and recommendations</i> Are findings and recommendations resulting from internal audit duly addressed (to senior management of the Entity and an oversight body / audit committee as appropriate) and resolved?	TBA	
5.2.16 <i>Follow up on internal audit findings and recommendations</i> Does management of the Entity respond promptly to internal audit findings?	TBA	
5.2.17 <i>Follow up on internal audit findings and recommendations</i> Are internal audit recommendations implemented fully and timely?  Note: Evidence of an effective internal audit (or systems monitoring) function would also include action by management on internal audit findings. This is of critical importance since lack of action on findings completely undermines the rationale for the internal audit function.	TBA	

PILLAR 1 - INTERNAL CONTROL		
5 MONITORING (cont'd) - questions / criteria	Entity comments	Auditor comments
<p>5.3. <u>Management's assertion regarding the effectiveness of the internal control system.</u></p> <p>Does management of the Entity make an assertion regarding the effectiveness of the internal control system?</p>		
<p>5.3.1 Does management include a report regarding the effectiveness of its internal control system (i.e. an internal control report) in the annual financial statements / annual report of the Entity?</p> <p>If yes, review the Entity's internal control reports of the last 3 years and the independent auditor's report on management's assertion regarding the effectiveness of the internal control system.</p> <p>If yes, which type of opinion (unqualified, qualified) did the external auditors express on management's assertion regarding the effectiveness of its internal control system</p>	<p>TBA and subjected to further discussion</p>	

PILLAR 2 – ACCOUNTING	
KEY QUESTION (level 1)	Auditor comments
<p><b>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></p>	

Guidance

Accounting policies are the specific principles, bases, conventions, rules, and practices applied by the Entity in preparing and presenting financial statements. A reliable basis means that the Entity applies accounting policies which are relevant to the decision making needs of users; and reliable, in that the financial statements:

- represent faithfully the financial position, financial performance, and cash flows of the Entity;
- Reflect the economic substance of transactions, other events, and conditions and not merely the legal form;
- are neutral, i.e. free from bias;
- are prudent; and
- are complete in all material respects.

**Article 38(3) Rules of application on the financial rules applicable to the general budget of the Union (Equivalence of systems, rules and procedures in indirect management; Article 60 of the Financial Regulation)**

The Commission may accept that the **accounting systems** and the internal control systems used by entities and persons to be entrusted with budget implementation tasks on behalf of the Commission are providing equivalent levels of protection of the financial interests of the Union and of reasonable assurance of achieving the management objectives if they **comply with the principles laid down in Article 32 of the Financial Regulation**.

Article 32 of the Financial Regulation is set out on pages 3 and 4 of this questionnaire (Internal Control System)

PILLAR 2 – ACCOUNTING		
1 ACCOUNTING SYSTEM AND POLICIES – questions / criteria	Entity comments	Auditor comments
1 Accounting system and policies		
<b>Key question (level 2):</b> Does the Entity use an <b>adequate accounting system</b> and does it have clear and written accounting policies?		
1.1	Does the Entity apply accounting policies which: - are <b>relevant</b> to the decision making needs of users and which provide a <b>reliable basis</b> for preparing the financial statements of the Entity? - comply with the applicable national and / or international accounting standards or accounting policies and rules prescribed by specific regulations or conventions?	
1.2	Does the Entity have a manual with accounting policies and procedures including detailed descriptions of accounting procedures for the various types of financial and accounting transactions?	Yes, Finance Manual has details of accounting policy and reporting requirements.
1.3	Does the Entity operate a double-entry bookkeeping/accounting system?  Note: A double-entry accounting system is a set of rules for recording financial information in a <u>financial accounting</u> system in which every transaction or event changes at least two different nominal <u>ledger</u> accounts.	Yes, double entry is our accounting system.
1.4	Does the Entity have a chart of accounts which properly reflects its operations and activities?	Yes, we do have chart of account, and we are currently keep improving it
1.5	Does the Entity perform regular bank reconciliations and cash book reconciliations (where applicable)?	Yes, normally it is a requirement to do the bank reconciliation on a monthly basis

PILLAR 2 - ACCOUNTING		
1 ACCOUNTING SYSTEM AND POLICIES (cont'd) – questions / criteria	Entity comments	Auditor comments
<p>1.6 Does the Entity perform regular reconciliations and clearings of suspense accounts and advances? Are separate (general ledger) accounts kept for the accounting of advance and final payments for different projects?</p> <p>Footnote: reliable reporting of financial information requires constant checking and verification of recording practices. This is an important part of internal control and a foundation for good quality information for management and for external reports. Timely and frequent reconciliation of data from different sources is fundamental for data reliability.</p>	<p>Yes, on a bi-monthly basis</p> <p>Regular reconciliation of bank accounts and advance-accounts are prepared monthly. Clearings of suspense accounts might be prepared on bi-monthly basis.</p>	
<p>1.7 Does the accounting system allow the processing and reporting of accounting and financial information relating to specific projects, activities, (trust) funds and Financial Instruments no matter whether these are financed by the Entity itself and/or external sources (such as the EC)?</p>	<p>Yes, In MRC we have separated funding types Earmarked and Basket funds, which they can be reported separately. Earmarked funds (EMF) we could produce each donor fund reports but basket fund (BKF) can be reported as one whole Basket fund as consolidated.</p>	
<p>1.8 Can the Entity ensure an accounting trail for transactions (income and expenditure) relating to specific projects, activities, (trust) funds and Financial Instruments no matter whether these are financed by the Entity itself and/or external sources (such as the EC).</p>	<p>Yes, definitely this is a basic accounting and this can be done by the systems however, it is really depending on the type of funds</p>	
<p>1.9 How are advance payments made to the Entity by external organisations (e.g. the EC) for funding of specific projects, activities, (trust) funds and Financial Instruments accounted for in the Entity's accounting records?</p>	<p>If the advance payment, this will be recorded as advance against the each donor's account and Records as fund received as EMF or BKF depending on the Funding Agreement.</p>	

Commented [H4]: Buntheung, please confirm

*Annex 2a to Terms of Reference for a Pillar Assessment contracted by the European Commission  
- Assessment Questionnaire (indicative questions)*

1.10	Does the Entity have procedures for 'clearing' advances paid <b>by</b> the Entity to Sub-Delegates and grant beneficiaries (e.g. are advances cleared on the basis of audit reports on the use of funds submitted by Sub-Delegates and grant beneficiaries)?		
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PILLAR 2 - ACCOUNTING		
2 BUDGETING – questions / criteria	Entity comments	Auditor comments
2 Budgeting		
<b>Key question (level 2):</b> does the Entity have a budget system and procedures which result in <b>transparent and reliable budgets</b> for its operations and activities?		
2.1	Are budget procedures formalised (e.g. budget manual or circulars)?	The budget is set in accordance with the Annual Work Plan which each implementing body work with the Strategic Planning team to come up with the work plan and then approve by MRC Joint Committee
2.2	At which intervals are budgets prepared (annual, half-yearly, quarterly)?	Budget is prepared annually, however, we have budget committee meet twice a year to review or revise budget if needed.
2.3	Who are the key actors involved with the budget process?	Strategic Plan team with Directors, CEO and relevant implement units or bodies
2.4	Which accounting and other data sources are used?	History accounting information is used to produce the workplan and also Annual activities plans estimated by each team/division.
2.5	Does the Entity have an appropriate budget classification system (classification criteria could for example include: operational and capital expenditure, activity-based budgets or functional, analytical classification, classification by project / sub-project).	Yes, the we have budget /expenditure categories

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2.6	Do budgets provide a coherent and clear presentation of projected / estimated costs in line with the Entity's activities, operations and projects?	Yes, very close	
2.7	Are budgets transparent and comprehensive and do they properly reflect the operations of the Entity?		
2.8	Are assumptions used to prepare the budgets and to compute projected and estimated expenditure plausible? Are cost allocation keys, which are applied to compute budget cost data, based on logical, consistent and plausible assumption and principles?		

**PILLAR 2 - ACCOUNTING**

<b>2 BUDGETING – questions / criteria</b>		<b>Entity comments</b>	<b>Auditor comments</b>
2.9	Are budget data relevant and reliable to be of real use to the management and / or other users?	Yes, we believe so	
2.10	How and by whom are budgets approved?	By the Budget Committee twice per year.	
2.11	Can the accounting system produce comprehensive reports for actual expenditure incurred in comparison to the initial budget?	Yes, the system has been set to provide the comparison actual and budget.	
2.12	Are reports stating actual total expenditure compared to the originally budgeted total expenditure prepared on a regular basis (quarterly, half yearly) and issued within a reasonable period (1 month) of end of period?	Yes we produce reports on a regular basis, monthly, quarterly and yearly	
2.13	Are differences between actual expenditure and the originally budgeted expenditure examined and properly explained?	Yes, the variance is identified and informed the relevant coordinator to consider the variance accordingly	



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2.14	In case the composition of expenditure varies significantly from the original budget are such variances properly approved?	Yes, with justification memo approved by respective Directors and/or CEO	
2.15	Do reports on budget execution also account for expenditure made from transfers to parts (e.g. offices in other locations) of the Entity which operate in a more or less autonomous / independent way from the Entity's headquarters and /or transfers made to Sub-Delegates?	We only have two locations, which all the reports cover expenditures for both offices as consolidated report	

PILLAR 2 - ACCOUNTING		
3 ACCOUNTING AND BUDGETING FOR SPECIFIC PROJECTS, ACTIVITIES, (TRUST) FUNDS AND FINANCIAL INSTRUMENTS- questions / criteria	Entity comments	Auditor comments
<p>The purpose of the questions in this section is to assess whether the Entity's accounting system can produce reliable and timely reports on the use made by the Entity – and / or by Sub-Delegates and grant beneficiaries - of funds for specific activities, projects, (trust) funds and Financial Instruments. The users of these reports are the Entity's management and / or external parties which have provided funding (such as the EC).</p>		
<p>3 <u>Accounting and budgeting for projects, activities, (trust) funds and Financial Instruments</u></p>		
<p><b>Key question (level 2): 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></p>		
3.1	Does the Entity have an accounting system and procedures which allow generating relevant and reliable information for preparing reports (with financial and qualitative information) on activities, projects, (trust) funds and Financial Instruments financed by the EU or other donors?	Yes, as mentioned earlier that we have the system allow us to generate the report as needed
3.2	Does the accounting system of the Entity allow the generation of financial reports for specific activities, projects, (trust) funds and Financial Instruments or generation of aggregate accounting data which can be directly used to compile financial reports?	Yes, we can report expenditure by activities level

Guidance

An Entity's information system typically includes the use of standard journal entries that are required on a recurring basis to record transactions. Examples might be journal entries to record salary costs in the general ledger.

An Entity's financial reporting process also includes the use of non-standard journal entries to record non-recurring, unusual transactions or adjustments. These may be necessary to account for cost items (including allocation of costs) relating to a specific project which are not covered by standard accounting procedures and journal entries. In manual general ledger systems, non-standard journal entries may be identified through inspection of ledgers, journals, and supporting documentation.

PILLAR 2 - ACCOUNTING			
3 ACCOUNTING AND BUDGETING FOR SPECIFIC PROJECTS, ACTIVITIES, (TRUST) FUNDS AND FINANCIAL INSTRUMENTS- questions / criteria		Entity comments	Auditor comments
3.3	To which extent does the Entity need to make additional journal entries, adjusting entries and /or other manual processing and manipulation of financial and cost data to prepare complete and reliable reports?	From time to time when irregularities occur, we make additional journal entries in order to adjust general entries. However, this process is transparent and approve by relevant persons	
3.4	To which extend does the Entity use intermediate and / or (cost) allocation tables tracking the financial information presented in project specific information to the Entity's general ledger accounts and/or costing accounts	We regularly use allocation tables in order to track financial information of the Entity.	
3.5	To which extent does the Entity make use of additional software (e.g. spread sheet applications like MS Excel) outside the Entity's regular accounting software to produce financial reports?	We use regular accounting software to produce financial reports. Computer generated and also Semiautomatic generated reports. The system can export the information into excel which we can use to sort or customised the reports	
3.6	Obtain a sufficient understanding of how financial information (i.e. expenditure) for projects is accounted for in the Entity's accounting system (i.e. key assumptions, allocation principles) and how this information has been extracted and included (automatically/manual adjustments) in the financial reports.	Yes, the Financial information has been recorded in our accounting software Microsoft Dynamic. Depending on what kind of report requirement. If ad hoe report, we have to do semiautomatic	
3.7	Does the Entity have a <b>budgeting system and procedures which allow generating relevant and reliable information</b> for preparing budgets on activities, projects, (trust) funds and Financial	Yes, AWP budget is incorporated into the accounting software.	

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Instruments?		
Note: in principle the same questions apply as for the Entity's general budget process.		

PILLAR 3 - INDEPENDENT EXTERNAL AUDIT		
KEY QUESTION (level 1)	Auditor comments	
<p>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?</p> <p><u>Guidance</u></p> <p>A high quality external audit is an essential requirement for creating transparency in the Entity's use of resources including funds provided by donors. Key elements of the quality of external audit comprise the objectives and scope of the audit, adherence to appropriate auditing standards including independence of the external auditor i.e. the audit institution.</p>		
1 REGULATORY FRAMEWORK - questions / criteria	Entity comments	Auditor comments
Key question (level 2): does the Entity have a <b>clear regulatory framework</b> for external audit?		
1.1	<p>Is the Entity subject to an external audit performed by an <u>independent professional external audit firm (private sector)</u> in accordance with standards equivalent to international standards on auditing?</p> <p><u>If yes, complete questions at 2.1 (Principles) and 3 (External Audit Procedures).</u></p>	Yes, we have engaged big 4 to audit our account yearly
1.2	<p>Is the Entity subject to an external audit performed by a <u>National Audit Institution (public sector)</u> in accordance with standards equivalent to international standards on auditing? If yes, complete questions in Section 3 below.</p> <p><u>If yes, complete questions at 2.2 (Principles) and 3 (External Audit Procedures).</u></p>	No
1.3	<p>Is the Entity subject to an external audit performed by <u>an external audit or oversight body which operates under a specific regulatory or institutionalised framework (e.g. external auditor of the UN)</u> in accordance with standards equivalent to international standards on auditing? If yes, complete questions in Section 4 below.</p> <p><u>If yes, complete questions at 2.3 (Principles) and 3 (External Audit Procedures).</u></p>	No

PILLAR 3 - INDEPENDENT EXTERNAL AUDIT		
2 PRINCIPLES – questions / criteria	Entity comments	Auditor comments
<p>2.1 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.</p> <p><b>Key question (level 2):</b> 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>		
2.1.1	<p>Is the audit performed by a professional external audit firm which is a member of an established national accounting or auditing body?</p> <p>Is the national accounting or auditing body a member of IFAC?</p>	
2.1.2	<p>Is the audit performed in accordance with the applicable national standards on auditing and are these standards in compliance with International Standards on Auditing ('ISAs') issued by the International Auditing and Assurance Standards Board (IAASB)?</p>	
2.1.3	<p>Is the Auditor who performs the audit governed by a Code of Ethics which establishes the fundamental ethical principles for Auditors with regard to integrity, objectivity, independence, professional competence and due care, confidentiality, professional behaviour and technical standards?</p> <p>Is this code of Ethics compliant with the IFAC Code of Ethics for Professional Accountants issued by IFAC's International Ethics Standards Board for Accountants (IESBA)?</p>	
2.1.4	<p>Is the fundamental principle of <u>independence</u> fully respected?</p>	

PILLAR 3 - INDEPENDENT EXTERNAL AUDIT		
2 PRINCIPLES (cont'd) – questions / criteria	Entity comments	Auditor comments
<p>2.2 The external audit is performed by a <u>National Audit Institution (public sector)</u> in accordance with standards equivalent to international standards on auditing.</p> <p><b>Key question (level 2):</b> is the Entity subject to an external audit which is:</p> <ul style="list-style-type: none"> <li>- performed by a national audit institution or a supreme audit institution (e.g. a national court of auditors or equivalent body) 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 principles, standards and guidance issued by the International Organisation of Supreme Audit Institutions (INTOSAI)?</b></li> </ul>		
2.2.1	Is the audit performed by a national audit institution which is a member of INTOSAI?	
2.2.2	Is the audit performed in accordance with the applicable national standards on auditing and are these standards in compliance with INTOSAI Standards?	
2.2.3	<p>Is the Auditor who performs the audit governed by a Code of Ethics which establishes the fundamental ethical principles for Auditors with regard to integrity, objectivity, independence, professional competence and due care, confidentiality, professional behaviour and technical standards?</p> <p>Is this code of Ethics compliant with the INTOSAI Code of Ethics (ISSAI 30) or equivalent?</p>	
2.2.4	Is the fundamental principle of <u>independence</u> fully respected?	

PILLAR 3 - INDEPENDENT EXTERNAL AUDIT		
2 PRINCIPLES (cont'd) – questions / criteria	Entity comments	Auditor comments
<p>2.3 The external audit is performed by an external audit or oversight body which operates under a specific regulatory or institutionalised framework (e.g. external auditor of the UN) and which is <b>independent</b> from the Entity in accordance with standards equivalent to international standards on auditing.</p> <p><b>Key question (level 2):</b> is the Entity subject to an external audit which is:</p> <ul style="list-style-type: none"> <li>- performed by an external audit or oversight body 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') or INTOSAI standards?</b></li> </ul>		
2.3.1	Is the audit performed by an external audit or oversight body which operates under a specific regulatory or institutionalised framework? Obtain a brief description of this framework.	
2.3.2	Is the audit performed in accordance with standards equivalent to International Standards on Auditing ('ISAs') or INTOSAI standards?	
2.3.3	<p>Is the Auditor who performs the audit governed by a Code of Ethics which establishes the fundamental ethical principles for Auditors with regard to integrity, objectivity, independence, professional competence and due care, confidentiality, professional behaviour and technical standards?</p> <p>Is this code of Ethics compliant with the principles of the IFAC Code of Ethics for Professional Accountants issued by IFAC's International Ethics Standards Board for Accountants (IESBA), the INTOSAI Code of Ethics (ISSAI 30) or an equivalent Code of Ethics?</p>	
2.3.4	Is the fundamental principle of <u>independence</u> fully respected?	



<b>PILLAR 3 - INDEPENDENT EXTERNAL AUDIT</b>		
<b>3 EXTERNAL AUDIT PROCEDURES - questions / criteria</b>	<b>Entity comments</b>	<b>Auditor comments</b>
<b>Key question (level 2):</b> is the Entity subject to appropriate external audit procedures?		
2.1	<p>To what type(s) of external audit is the Entity made subject (e.g. annual audits of the Entity's financial statements, compliance audits, and other audits)?</p> <p>What are the objectives and scope of these audits? Do audits also cover aspects of legality and regularity related to funding provided by the EC and / or other fund providers?</p> <p>With what frequency are the audits performed?</p> <p>To whom do the Auditors issue their report?</p>	<p>Annual financial audit twice per year. Standard auditing as required by donors.</p> <p>The final report is to share with JC, DPs. The auditor's report also displayed in our website</p>
2.2	By which Auditor(s) are these audit performed (see 1 regulatory framework)?	Big 4 audit companies, currently we have KPMG
2.3	<p>Within how many months of the end of the financial year of the Entity is an audit report on the Entity's financial statements issued?</p> <p>Which type of audit opinion was issued on the financial statements in the last 3 years?</p>	<p>3 - 6 months.</p> <p>Unqualified audit reports for the past 3 years</p>
2.4	Are findings and recommendations resulting from external audits duly addressed (to senior management of the Entity and an oversight body / audit committee as appropriate) and resolved?	Yes, management letter is issued if any to the management of MRC and each recommendation is considered and solution is addressed accordingly.
2.5	Does management of the Entity respond promptly to external audit findings?	Yes, our management take recommendation seriously and improvement is addressed

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		accordingly	
2.6	Are external audit recommendations implemented fully and timely?	Yes, mostly recommendations are implemented fully and timely.	

PILLAR 4 - GRANTS	
KEY QUESTION (level 1)	Auditor comments
<p><b>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></p>	

*Guidance*

The Entity may conclude grant contracts directly with **grant beneficiaries**. A **grant is a financial donation/non-commercial payment given to a specific beneficiary to finance an action carried out by the beneficiary or an operation (i.e. the operating costs) of the beneficiary**.

The Entity should have procedures in place which ensure to a reasonable extent that these grant beneficiaries meet requirements for internal control, accounting and external audit. The principles of a grant system must be stated in a well-defined and transparent legal and regulatory framework that clearly establishes appropriate policies, procedures, accountability and controls. While the grant system operates within its own framework, it benefits from the overall control environment, including public access to information, internal controls operated by the Entity, the Entity's accounting system and external audit.

**Principles in Article 38(2) Rules of application on the financial rules applicable to the general budget of the Union (Equivalence of systems, rules and procedures in indirect management; Article 60 of the Financial Regulation)**

The Commission may accept that **grant** rules and procedures are equivalent to its own if the following conditions are met:

- (a) they comply with the principles of proportionality, sound financial management, equal treatment and non-discrimination;
- (b) they ensure transparency with adequate publication of calls for proposals, direct award procedures being limited to reasonable amounts or being duly justified, and adequate *ex post* publication of beneficiaries taking account of the principle of proportionality;
- (c) they prevent conflicts of interests throughout the entire grant award procedure;
- (d) they provide that grants may not be cumulative or awarded retrospectively, that they must, as a rule, involve co-financing and that they may not have the purpose or the effect of producing a profit for the beneficiary.

1 LEGAL AND REGULATORY FRAMEWORK - questions / criteria		Entity comments	Auditor comments
<b>Key question (level 2):</b> Does the Entity have a <b>clear legal and regulatory framework</b> for providing grants? N/A			
1.1	What types of grants does the Entity provide? Does the framework properly define the term grants and the forms of grants (e.g. maximum amount, percentage of total (eligible) cost of the action, use of lump sum financing etc.)?	TBCBE	
1.2	Are there guidelines for grant applicants and do these guidelines clearly describe procedures and rules from application to the award of grants? <ul style="list-style-type: none"> <li>- Are these guidelines published and easy accessible?</li> <li>- Do the guidelines clearly describe key principles (see below) and key issues such as: eligibility rules, supporting documents required, description of the activities / action?</li> <li>- Do the guidelines include documents such as grant application forms and action budget templates?</li> <li>- Are means of redress available, easily accessible, transparent, non-discriminatory, efficient and effective? Are beneficiaries/applicants informed about their rights throughout the process?</li> </ul>	TBCBE	

PILLAR 4 - GRANTS		
1 LEGAL AND REGULATORY FRAMEWORK (cont'd) - questions / criteria	Entity comments	Auditor comments
1.3 Does the Entity use a standard template for a grant contract? Does the contract allow for the action to be clearly defined? Are all beneficiaries identified in the contract? Does the contract specify at least the subject, the beneficiary/ies, the duration, the maximum amount of funding, a budget of the action or work programme and the responsibilities of the beneficiary/ies?	TBCBE	
1.4 Do these contracts clearly set out the conditions, rules and criteria that must be respected? If a grant is awarded to several entities, are obligations and responsibilities of the coordinator, if any, and of the other beneficiaries and the conditions for adding or removing a beneficiary clearly set out? A grant contract may be amended upon a written request. Amendments, including adding or removing a beneficiary, must not involve any changes that would influence the grant award decision or the equal treatment of applicants. Are these criteria respected? Does the grant system include basic rules for eligible costs (e.g. actual costs incurred by the grant beneficiary)?	TBCBE	

PILLAR 4 - GRANTS		
2 PRINCIPLES - questions / criteria	Entity comments	Auditor comments
<p><b>Key question (level 2):</b> 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>		
2.1	<u>Transparency</u> . Are grant applications published widely and in an easily accessible way? Do grant applicants have sufficient time to submit proposals?	
2.2	<u>Equal treatment</u> . Are grant applications and proposals evaluated by an evaluation committee which is impartial and which uses clear and published criteria? Are selection and award performed on the sole basis of the application? Is communication with grant applicants allowed in these phases?	
2.3	<u>Programming</u> . Does the Entity publish a programme with clearly defined objectives, activities covered by the grants, budget headings with available (indicative) funding and maximum co-financing rates?	
2.4.1	<u>Eligibility criteria</u> . Does the grant award system provide eligibility criteria which are transparent and non-discriminatory? Are eligibility criteria published and easy accessible?	
2.4.2	<u>Eligibility criteria</u> . Are there eligibility criteria for grant applicants (e.g. legal and administrative status, rules on nationality and grounds for exclusion)?	
2.4.3	<u>Eligibility criteria</u> . Are there eligibility criteria for the actions to be financed by the grants (e.g. types of activities, sectors or themes and geographical areas covered by the grant)?	

PILLAR 4 - GRANTS		
2 PRINCIPLES (cont'd)- questions / criteria	Entity comments	Auditor comments
2.5	<p><u>Non-Cumulation</u>. Does the grant award system include basic rules that:</p> <ul style="list-style-type: none"> <li>- a single beneficiary may not receive more than one grant for the same action?</li> <li>- the same costs cannot be financed twice?</li> </ul>	
2.6	<p><u>Non-Retroactivity</u>. Does the grant award system include a basic rule that a grant may only cover costs incurred after the date on which the grant contract or agreement was concluded? Are there exceptions to this rule and are they clearly explained?</p>	
2.7.1	<p><u>Co-Financing</u>. Does the grant award system include a basic rule that grants cannot finance the entire cost of the action or all operating expenditure of a beneficiary? Are there exceptions to this rule and are they limited and clearly explained?</p>	
2.7.2	<p>Is it clear what forms of co-financing are allowed (e.g. income generated by the action, financial or in-kind contributions from third parties)?</p>	
2.8	<p><u>No-profit rule</u>. Does the grant award system include a basic rule that a grant may not generate a profit within the framework of the action?</p>	
2.9	<p><u>Conflicts of interest</u>. Does the grant award system include procedures and rules to prevent conflicts of interest throughout the grant award process?</p>	

PILLAR 4 - GRANTS		
3 GRANTS PROCEDURES - questions / criteria	Entity comments	Auditor comments
<b>Key question (level 2):</b> does the Entity apply <b>appropriate rules and procedures for providing grants</b> ?		
3.1 <u>Publication of call for proposals.</u> Does the Entity apply appropriate rules and procedures for the publication of calls for proposals?		
3.1.1	Are calls for proposals published in national / international media (e.g. press, internet)?	TBCBE
3.1.2	Are relevant documents available and easy accessible (e.g. websites and /or contacts) for grant applicants? Relevant documents may include: guidelines for applicants including important criteria such as eligibility rules for applicants, actions and expenditure, grant application forms, grant agreement or contract templates and annexes etc.)	TBCBE
3.1.3	Does the grant award system provide the possibility to award grants without a call for proposals (i.e. direct award)? Are conditions for a direct award procedure strictly defined and limited to exceptional and duly justified situations e.g. crisis situation, monopoly situations or similar cases?	TBCBE
3.1.4	Does the grant award system provide a support and information function (e.g. are information sessions with potential applicants organised, is there a contact point / helpdesk function, is there a FAQ mechanism, handbooks)?  - Is it possible for grant applicants to address questions after publication of the call for proposals and before the deadline for submitting proposals?  - Are answers to questions of an applicant shared with other applicants?	TBCBE



PILLAR 4 - GRANTS		
3 GRANTS PROCEDURES (cont'd)- questions / criteria	Entity comments	Auditor comments
3.2 <u>Submission of proposals</u> . Does the Entity apply appropriate rules and procedures for the submission of proposals?		
3.2.1	<p>Does the Entity have procedures in place for the receipt, registration and keeping of proposals made by grant applicants?</p> <p>Does the Entity use electronic / IT systems to register and process grant applications? Are there measures and controls in place which ensure integrity, availability and where appropriate confidentiality of documents and the protection of personal data ?</p>	TBCBE
3.2.2	Are deadlines for the submission of proposals communicated to grant applicants?	TBCBE
3.3 <u>Security and confidentiality of proposals</u> . Does the Entity apply rules and procedures which guarantee the security and confidentiality of proposals?		
3.3.1	<p>Does the grant award system include rules which ensure security and confidentiality of proposals submitted, in particular by:</p> <ul style="list-style-type: none"> <li>- ensuring that measures are in place for the security and storage of proposals (e.g. keeping a document register, numbering all documents or having a central storage area for all documents), as well as for limiting access to documents; and</li> <li>- considering electronic security issues and having documented processes for electronic storage and communication (e.g. proposals submitted electronically are safeguarded from access before the closing time; the system has the capacity to reject late proposals automatically)</li> </ul>	TBCBE

PILLAR 4 - GRANTS		
3 GRANTS PROCEDURES (cont'd)- questions / criteria	Entity comments	Auditor comments
3.4 <u>Receipt, registration and opening of the proposals.</u> Does the Entity apply appropriate rules and procedures for the receipt, registration and opening of the proposals?		
3.4.1 Does the grant award system define procedures for the opening of the proposals, in particular by: <ul style="list-style-type: none"> <li>- having an evaluation committee open and authenticate proposals as soon as possible after the designated time;</li> <li>- specifying criteria for the nomination of the members of this committee;</li> <li>- performing the opening of proposals where basic information on the proposals is disclosed and recorded in official minutes;</li> <li>- specifying clear policy defining circumstances under which proposals would be invalidated (e.g. proposals received after the closing time are invalidated unless it is due to a grant awarding Entity error; criteria for the eligibility of tenderers);</li> <li>- ensuring that any clarification of submitted proposals does not result in substantive alterations after the deadline for submission; and</li> <li>- ensuring that a clear and formal report of all the proposals received is produced before passing them to the officers responsible for their evaluation.</li> </ul>	TBCBE	

PILLAR 4 - GRANTS		
3 GRANTS PROCEDURES (cont'd)- questions / criteria	Entity comments	Auditor comments
3.5 <u>Selection and evaluation procedures.</u> Does the Entity apply appropriate rules and procedures for the selection and evaluation of grant proposals?		
3.5.1 <i>Evaluation officers / committee (for evaluation committee guidance see procurement).</i> <ul style="list-style-type: none"> <li>- are selection and evaluation procedures performed by more than one evaluating official or preferably a committee?</li> <li>- are criteria for the nomination of the evaluation committee specified? Depending on the value of the proposals and the level of risk, the committee could include not only officials from different departments with no hierarchical links but also possibly external experts.</li> <li>- Are the role, function, composition, and operating rules of the evaluation committees described? Are the responsibilities of the non-voting chairperson and the voting members of the committee clearly described?</li> <li>- Are there procedures for the keeping of and access to (confidential!) proposal documents?</li> <li>- Are officials in charge of the evaluation not in a conflict-of-interest situation (e.g. through mandatory disclosure) and are they bound by confidentiality requirements. In the case of an evaluation committee, integrity and professional considerations must be taken into account in the selection of members.</li> <li>- Are all relevant aspects of the evaluation included in a written report signed by the evaluation officers/committee?</li> </ul>	TBCBE	

PILLAR 4 - GRANTS		
3 GRANTS PROCEDURES (cont'd)- questions / criteria	Entity comments	Auditor comments
<p>3.5.2 <i>Administrative and formal checks</i></p> <p>Are proposals made subject to administrative and formal checks by the evaluation committee or by other staff in which case the results of their work need to be reviewed by the committee?</p> <p>Do these checks focus on a full and correct completion of the grant application form and the submission of all required supporting documents?</p> <p>Can these checks result in the rejection of an application which means that a proposal is not considered for further evaluation?</p> <p>Is it possible for applicants to provide, within a set deadline, missing information or supporting documents or to provide clarification?</p>	TBCBE	
<p>3.5.3 <i>Eligibility</i></p> <p>Are proposals made subject to eligibility checks by the evaluation committee or by other staff in which case the results of their work need to be reviewed by the committee?</p> <p>Are these checks performed on the basis of a checklist with eligibility criteria? Note: these criteria may include eligibility criteria for grant applicants (e.g. legal and administrative status, rules on nationality and grounds for exclusion) and eligibility criteria for the actions to be financed by the grants (e.g. types of activities, sectors or themes and geographical areas covered by the grant)?</p> <p>Do these checks involve a review of required supporting documents?</p> <p>Can these checks result in the rejection of an application which means that a proposal is not considered for further evaluation?</p>	TBCBE	

PILLAR 4 - GRANTS		
3 GRANTS PROCEDURES (cont'd)- questions / criteria		Findings
3.5.4	<p><i>Financial and operational capacity</i></p> <p>Are proposals made subject to checks on the financial and operational capacity by the evaluation committee or by other staff in which case the results of their work need to be reviewed by the committee?</p> <p>Are these checks performed on the basis of a checklist with criteria?</p> <p>Does the grant award system provide clear, objective and non-discriminatory criteria for assessing that applicants have sufficient financial and operational capacity?</p> <p>Are these criteria specified and notified in the call for proposals?</p> <p>Note: Financial capacity refers to the availability of stable and sufficient sources of financing to ensure operating performance throughout the action period. Operational capacity refers to available professional competence, skills, qualifications and experience to complete the proposed action. Assessments can be made on the basis of the supporting documents to the proposal such as: financial statements and audit reports and proof of actions completed by the applicant.</p> <p>Can these checks result in the rejection of an application which means that a proposal is not considered for further evaluation?</p>	TBCBE
3.5.5	<p><i>Design and content of the Action</i></p> <p>Does the grant award system provide clear procedures, rules and criteria for the evaluation of proposals against set objectives? Key issues may include: design of the action, priorities, type of activities, quality aspects, expected impact, sustainability, efficiency and effectiveness, visibility.</p> <p>Is use being made of an evaluation grid which sets out all relevant evaluation criteria? Do evaluation grids include a scoring of the key aspects of the evaluation?</p>	TBCBE

PILLAR 4 - GRANTS		
3 GRANTS PROCEDURES (cont'd)- questions / criteria	Entity comments	Auditor comments
3.5.6 <i>Conclusions of the evaluation committee</i>  Does the evaluation committee draw up and sign an evaluation report of all proposals ranked by scores attributed to the proposals? Are completed evaluation grids attached to this report?  Do these reports provide clear conclusions as to successful and unsuccessful applicants?	TBCBE	
3.6 <u>Awarding of grants.</u> Does the Entity apply appropriate rules and procedures for the award of grants?		
3.6.1 Is the decision to award a grant taken at an appropriate level (e.g. proposal made by the evaluation committee and formal decision taken by senior management of the Entity)?	TBCBE	
3.6.2 Do grant decisions have an appropriate form (are decision templates available?)?  Do grant decisions specify: total amount of funding, details of the grant beneficiary, and title / description of the action / activity, reasons for the award notably if not in line with the opinion of the evaluation committee, the names of rejected applicants and the reasons for rejection.	TBCBE	
3.6.3 Are there decisions for unsuccessful applications?	TBCBE	

PILLAR 4 - GRANTS		
3 GRANTS PROCEDURES (cont'd)- questions / criteria	Entity comments	Auditor comments
3.7 <u>Notification and ex-post publication.</u> Does the Entity apply appropriate rules and procedures for the notification and publication of the grant awards?		
3.7.1 <i>Notification of grant award to applicants</i> Are successful applicants notified in writing about the grant award soon after the award decision has been taken?  Do successful applicants receive a copy of the grant decision with relevant details (e.g. at least the amount of funding)?  Are unsuccessful applicants notified in writing about the grant award soon after the award decision has been taken and are the reasons for rejecting their application provided?	TBCBE	
3.7.2 <i>Publication of grant award results</i> Are grant awards published soon after the award decision has been taken and in appropriate media (e.g. press, internet)?  Is relevant information of award decisions published yearly?  Are requirements relating to confidentiality, security, protection of rights and freedom of individuals and commercial interests, and particularly the protection of personal data respected?  Does published information include: names and addresses of recipients, amounts awarded, nature and purpose of the actions?	TBCBE	

PILLAR 4 - GRANTS		
3 GRANTS PROCEDURES (cont'd)- questions / criteria	Entity comments	Auditor comments
3.8 <u>Grant contracts</u> . Does the Entity apply appropriate rules and procedures for concluding grant contracts?		
3.8.1	Does the Entity conclude grant contracts with applicants / beneficiaries soon after the award decision has been taken?  TBCBE	
3.8.2	Do grant contracts include conditions and rules for the payment of grants such as supporting documents, suspension/termination/reduction of grants in case of poor /partial/late implementation? Do beneficiaries have the opportunity to make observations on these matters?  TBCBE	
3.8.3	Does the Entity have procedures in place to verify that costs declared by beneficiaries in their payment requests (e.g. a declaration in the form of a financial report) are real, accurate, properly recorded and eligible in accordance with the conditions of the grant contract?  TBCBE	
3.8.4	Does the Entity have procedures in place to suspend/terminate the implementation of a grant or grant payments or the participation of a beneficiary in case substantial errors, irregularities or fraud or breach of contractual conditions have occurred?  TBCBE	
3.8.5	Do grant contracts set out requirements for <b>internal control, accounting</b> (including financial reporting) and <b>external audit</b> ?  TBCBE	
3.8.6	Does the Entity have procedures in place which ensure to a reasonable extent that grant beneficiaries meet the (contractual) requirements for internal control, accounting and external audit?  TBCBE	



PILLAR 5 - PROCUREMENT	
KEY QUESTION (level 1)	Auditor comments
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?	

Guidance

The principles of a procurement system need to be stated in a well-defined and transparent **legal and regulatory framework** that clearly establishes appropriate policies, procedures, accountability and controls. One of the key principles established by this legal framework is the use of transparency and competition as a means to obtain fair and reasonable prices and overall value for money. While the procurement system operates within its own framework, it benefits from the overall control environment, including public access to information, internal controls operated by the Entity, the Entity's accounting system and external audit.

**Principles in Article 38(1) Rules of application on the financial rules applicable to the general budget of the Union (Equivalence of systems, rules and procedures in indirect management; Article 60 of the Financial Regulation)**

The Commission may accept that **procurement** rules and procedures are equivalent to its own if the following conditions are met:

- (a) they comply with the principle of broad competition of tenderers to obtain the best value for money, and negotiated procedures are limited to reasonable amounts or are duly justified;
- (b) they ensure transparency with adequate *ex ante* publication, in particular of calls for tenders, and adequate *ex post* publication of contractors;
- (c) they ensure equal treatment, proportionality and non- discrimination;
- (d) they prevent conflicts of interests throughout the entire procurement procedure.

National law of Member States or third countries transposing Directive 2004/18/EC shall be considered equivalent to the rules applied by the institutions in accordance with the Financial Regulation.

PILLAR 5 - PROCUREMENT		
1 LEGAL AND REGULATORY FRAMEWORK - questions / criteria	Entity comments	Auditor comments
<b>Key question (level 2):</b> Does the Entity have a clear legal and regulatory framework for procurement?		
1.1	Is the legal and regulatory framework organized hierarchically and is precedence clearly established?	Yes, the framework is set and included in the Procurement Manual, which we have adopted from the UN procurement guideline
1.2	Is it freely and easily accessible to the public through appropriate means?	The Procurement Manual is post in MRC website at <a href="http://www.mrcmekong.org/assets/Employment-Tenders/Procurement-manual-version-April2012-approved-by-35thJC.pdf">http://www.mrcmekong.org/assets/Employment-Tenders/Procurement-manual-version-April2012-approved-by-35thJC.pdf</a>
1.3	Does it apply to all procurement undertaken?	Yes for all
1.4	What types of procurement (e.g. works, assets (i.e. equipment etc.) services and supplies) are regulated by this framework?	All procurement activities such as work consultant service, goods, and supplies are regulated by the Procurement Manual

PILLAR 5 - PROCUREMENT		
2 PRINCIPLES – questions / criteria	Entity comments	Auditor comments
<p><b>Key question (level 2):</b> 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?</p> <p>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.</p>		
2.1	<u>Transparency</u> . Does the procurement system provide an adequate degree of transparency in the entire procurement cycle (i.e. invitation to tender, evaluation, award and dispute resolution) in order to promote fair and equitable treatment for bidders i.e. potential suppliers and contractors?	
2.2.1	<u>Equal Treatment</u> . Does the procurement system stipulate procedures which ensure that all eligible bidders have equal opportunity to compete and which ensure non-discrimination?	Yes. Procurement should be carried out by competition with the widest appropriate source of suppliers/service providers/consultants and contractors both in local market and from abroad.
2.2.2	<u>Equal Treatment</u> . Does procurement system contain provisions for equal access for all potential candidates? This includes for example: absence of restriction to certain candidates, publication and advertising measures which ensure the broadest possible participation, provisions which ensure that tender specifications do not contain unjustified obstacles to access for candidates (technically, administratively (e.g. selection, exclusion and award criteria) and with respect to timing and deadlines).	Yes, the invitation is posted on MRC website and DGMarket.org with clear evaluation criteria.
2.2.3	<u>Equal Treatment</u> . Does the procurement system stipulate avoiding unnecessary restrictions on the	No.

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	size, composition or nature of bidders?		
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PILLAR 5 – PROCUREMENT		
2 PRINCIPLES (cont'd) - questions / criteria	Entity comments	Auditor comments
2.2.4	<p><u>Equal Treatment</u>. Does it contain rules for keeping bidding costs low (for example by: not changing bid forms unnecessarily, not requiring information that is of little use, allowing adequate time for bids to be prepared and using electronic bidding systems, if possible).</p>	<p>Yes. The procurement time frame is provided in the manual; the submission period varies from 5 to 30 calendar days depending on the type and value of the tender. Submission via e-mail is also encouraged.</p>
2.2.5	<p><u>Equal Treatment</u>. Are there measures to design tenders in a way which avoids bid rigging? For example: for keeping the identity of bidders undisclosed by using numbers, rather than names, to identify them, encourage participation by many bidders.</p> <p>Guidance: bid rigging occurs when bidders agree among themselves to eliminate competition in the procurement process, thereby denying the public a fair price</p>	<p>Both number and name are used.</p>
2.3	<p><u>Publication of procurement information</u>. Does the procurement system provide for public access to all relevant procurement information e.g. procurement plans, bidding opportunities, contract awards, and information on resolution of procurement complaints?</p> <p><u>Guidance</u></p> <p>Public dissemination of information through appropriate means (e.g. government or agency level websites, procurement journals, national or regional newspapers, on demand from procurement bodies) on procurement processes and its outcomes are key elements of transparency. In order to generate timely and reliable data, a good information system will capture data on procurement transactions and be secure.</p>	<p>Yes. The bidding document is posted on MRC website and DGMarket.org.</p>
2.4	<p><u>Conflicts of interest</u>. Does the procurement system include procedures and rules to prevent</p>	

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	conflicts of interest throughout the procurement procedures?	
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PILLAR 5 - PROCUREMENT		
2 PRINCIPLES (cont'd) - questions / criteria	Entity comments	Auditor comments
2.5.1	<p><u>Use of competitive tendering procedures and best value for money.</u> Does the procurement system provide for competitive tendering procedures which allow obtaining the quality of services, supplies or works wanted at the best possible price?</p>	<p>Yes. MRC would obtain maximum benefit from the goods/works/consultancy and non-consultancy services it procures and/or provides. It is not only the costs but also the mix of quality, cost, resource use, fitness for purpose, timeliness and convenience to judge whether or not.</p>
2.5.2	<p><u>Use of competitive tendering procedures and best value for money.</u> Does the procurement system clearly define the different procurement procedures which can be used and how this is to be justified? Elements to consider:</p> <ul style="list-style-type: none"> <li>- the nature of the procurement: services (e.g. technical assistance and studies), supplies (i.e. equipment and materials) and works (i.e. infrastructure and other engineering works);</li> <li>- the type of the procurement procedure: open and restricted, restricted, competitive negotiated procedure etc.;</li> <li>- the value of the procurement and thresholds for different contracts i.e. services, supplies and works.</li> </ul>	
2.5.3	<p><u>Use of competitive tendering procedures and best value for money.</u> Which of the following types of procurement procedures are foreseen by the procurement system: open (international or local), restricted procedure, framework contracts, dynamic purchasing system, competitive dialogue, negotiated procedure (the use of the negotiated procedure should be limited to reasonable amounts or be duly justified) and single tender procedure etc.?</p>	<p>Following the MRCS Procurement Procedures/Manual</p>

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2.5.4	<u>Use of competitive tendering procedures and best value for money.</u> Are these procedures designed in a way which allows fair and transparent competition?		
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**PILLAR 5 - PROCUREMENT**

**Guidance relating to types of procurement procedures**

**Open procedure**

In 'open' calls for tender (international or local) all economic operators may submit a tender. The contract is given maximum publicity by publishing a notice in national or international newspapers and in any other appropriate media. Any natural or legal person wishing to tender may ask to receive the tender dossier (which may have to be paid for), in accordance with the procedures specified in the contract notice. The tenders are examined, the eligibility and the financial, economic, technical and professional capacity of the tenderers are checked to arrive at a selection, the tenders are compared and the contract is awarded. No negotiation is allowed.

**Restricted procedure**

In 'restricted' calls for tender, all economic operators may ask to submit a tender but only those who satisfy the selection criteria may be invited to do so. The selection criteria and the tasks to be undertaken are described in the published contract notice. A 'long list' of all the candidates replying to the notice is cut down to a shortlist of the best qualified, on the basis of their replies. The contract is given maximum publicity by publishing a notice in national or international newspapers and in any other appropriate media. Tender dossiers are sent to the shortlisted candidates. Once tenders have been analysed, they are compared and the successful tenderer is chosen. No negotiation is allowed.

**Framework contracts**

A framework contract is an agreement between one or more contracting authorities and one or more economic operators, the purpose of which is to establish the terms governing specific contracts which may be awarded during a given period, particularly as regards the duration, subject, price, maximum value, implementation rules and the quantities envisaged. Framework contracts with several economic operators are called 'multiple' framework contracts; they take the form of separate contracts but they are all concluded in identical terms. The specifications must state both the minimum and the maximum number of operators with which the contracting authority intends to conclude contracts.

The duration of such contracts may not exceed a certain number of years (e.g. 4), save in exceptional cases justified in particular by the subject of the framework contract. Contracting Authorities may not make undue use of framework contracts or use them in such a way that the purpose or effect is to prevent, restrict or distort competition. Specific contracts based on framework contracts are awarded under the terms of the framework contract and must obey the principles of transparency, proportionality, equal treatment, non-discrimination and fair competition.

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**PILLAR 5 - PROCUREMENT**

**Guidance relating to types of procurement procedures (cont'd)**

**Dynamic purchasing system**

A dynamic purchasing system is a completely electronic process for making commonly used purchases, for a limited period, which is open to any economic operator who meets the selection criteria and has submitted a technically compliant indicative tender. No specific threshold applies.

For each individual contract, the contracting authority publishes a contract notice and invites all contractors admitted to the system to bid. The contract is awarded to the most economically advantageous tender (i.e. the sole award criterion is the best value for money).

**Competitive dialogue**

In the case of particularly complex contracts, where the contracting authority considers that neither direct use of the open procedure nor the arrangements governing the restricted procedure will result in the best value for money, it may use the competitive dialogue. A contract may be considered as 'particularly complex' if the contracting authority is objectively unable either to specify the technical means of satisfying its needs or objectives or to specify the legal or financial makeup of the project. No specific threshold applies.

Contracting authorities must publish a contract notice setting out or attaching their needs and requirements. They must open a dialogue with the candidates satisfying the selection criteria in the contract notice. The dialogue may cover all aspects of the tender; however, it is conducted separately with each candidate on the basis of their proposed solutions and ideas. The contracting authority must ensure equal treatment of tenderers and keep the tenders confidential. It is therefore not allowed to pick the best solutions from different tenderers.

The minimum number of candidates invited to tender is three. If fewer than three candidates meet the selection criteria, the Contracting Authority may continue the procedure with the one or two who do meet the criteria. The Contracting Authority may not make up the number with other economic operators who did not take part in the procedure or candidates who do not meet the selection criteria.

During the dialogue, contracting authorities must treat all tenderers equally and ensure that the solutions proposed or other information received in the dialogue is kept confidential unless the candidate agrees to disclosure. The Contracting Authority must prepare a report justifying the manner in which dialogue was conducted.

## PILLAR 5 - PROCUREMENT

### Guidance relating to types of procurement procedures (cont'd)

#### Competitive dialogue (cont'd)

After informing the participants that the dialogue has been concluded, contracting authorities must ask them to submit their final tenders on the basis of the solutions presented and specified during the dialogue. The tenders must contain all the information required and necessary for the performance of the project. At the request of the Contracting Authority, these tenders may be clarified, specified and fine-tuned, provided this does not have the effect of changing basic aspects of the tender or of the invitation to tender, variations in which could distort competition or have a discriminatory effect. At the request of the Contracting Authority, the tenderer offering best value for money may be asked to clarify aspects of the tender or confirm commitments contained in the tender provided this does not have the effect of amending substantial aspects of the tender or of the call for tenders and does not risk distorting competition or causing discrimination.

The Contracting Authorities may specify prices or payments to the participants in the dialogue. The contract is awarded to the technically compliant tender which is the most economically advantageous (i.e. the sole criterion is the best value for money). The standard templates must be adapted as required.

#### Negotiated procedure/single tender procedure

A contract may be awarded directly (using the 'single tender procedure' or 'negotiated procedure') in defined circumstances (e.g. in cases where the contract to be concluded does not exceed a certain value or where exceptional circumstances justify a direct award). In case of negotiated procedure an evaluation committee must be nominated in order to proceed with the negotiation. In all cases, the contracting authority must draft a report explaining how participant(s) in the negotiations were selected and the price set, and the grounds for the award decision. The contracting authority should ensure that basic principles relating to procurement procedures such as checking compliance with eligibility rules (nationality rules), selection and exclusion criteria are duly applied.

**Note:** in accordance with article 38.1(a) of the rules of application of the Financial Regulation the use of the negotiated procedure should be limited to reasonable amounts or be duly justified.

PILLAR 5 - PROCUREMENT		
3 PROCUREMENT PROCEDURES - questions / criteria	Entity comments	Auditor comments
<b>Key question (level 2):</b> does the Entity apply <b>appropriate rules and procedures for procurement?</b>		
3.1 <u>Invitation to tender</u> . Are there appropriate rules and procedures for the invitation to tender and for each type of procurement (e.g. open, restricted and negotiated procedures)?		
3.1.1	<p>Does the procurement system ensure a sufficient level of transparency in the procurement opportunity:</p> <ul style="list-style-type: none"> <li>- for open tendering: make the information on the procurement publicly available, including related evaluation criteria; and</li> <li>- for restricted/selective and negotiated/limited methods: publish information on how to qualify in a readily available medium within a timeframe and in a manner that would reasonably allow eligible suppliers to apply.</li> </ul>	
3.1.2	<p>Does the procurement system set out rules for the publication of a tender notice which include:</p> <ul style="list-style-type: none"> <li>- information on the nature of the product or service to be procured, specifications, quantity, timeframe for delivery, realistic closing dates and times, where to obtain documentation, and where to submit tenders;</li> <li>- a clear and complete description of selection and award criteria that is non-discriminatory and cannot be altered afterwards;</li> <li>- details on the management of the contract and the plan and method for payment and possibly the guarantees when required; and</li> <li>- details of the contact point for enquiries.</li> </ul>	<p>Yes, in the Procurement Manual. In addition, following the current template all requirements are included in the tender dossier and remain posted on MRC website during the submission period. If any changes the amendment notice is also posted with the tender as additional information.</p>

PILLAR 5 - PROCUREMENT		
3 PROCUREMENT PROCEDURES (cont'd) - questions / criteria	Entity comments	Auditor comments
<p>3.1.3 Does the procurement system provide rules to communicate to potential suppliers in the same timeframe and in the same manner, in particular by:</p> <ul style="list-style-type: none"> <li>- encouraging information exchange on a formal basis (e.g. contact points for enquiries, information sessions, on-line module to observe clarification meetings, on-line posting of questions and answers);</li> <li>- ensuring that questions for clarification are promptly responded to and that this information is transmitted to all interested parties;</li> <li>- communicating changes immediately, preferably in the same channel originally used; and</li> <li>- publishing information, preferably on-line, to allow for external monitoring and public scrutiny</li> </ul>	<p>Yes. During the submission period, questions received from potential bidders are grouped and answered in the form of an additional information which will be posted on MRC website with the tender dossier.</p>	

PILLAR 5 - PROCUREMENT		
3 PROCUREMENT PROCEDURES (cont'd) - questions / criteria	Entity comments	Auditor comments
<p><u>3.2 Selection and evaluation procedures and award of contracts.</u></p> <p>Does the Entity apply appropriate rules and procedures for evaluation and award?</p> <p>Are there rules which ensure that the evaluation process is properly performed and not biased and in a confidential way?</p> <p>Does the Entity apply appropriate criteria for evaluation?</p> <p>Are there clear criteria for selecting the best value for money tender e.g. lowest price, price/quality ratio or other?</p>		
<p><u>3.2.1 Security and confidentiality of information</u></p>		
<p>3.2.1.1</p> <p>Does the procurement system include rules which ensure security and confidentiality of information submitted, in particular by:</p> <ul style="list-style-type: none"> <li>- ensuring that measures are in place for the security and storage of tendering documents (e.g. keeping a document register, numbering all documents or having a central storage area for all documents), as well as for limiting access to documents; and</li> <li>- considering electronic security issues and having documented processes for electronic storage and communication (e.g. tenders submitted electronically are safeguarded from access before the closing time; the system has the capacity to reject late tenders automatically).</li> </ul>	<p>Yes. All Proposals/Quotations received in hard copy or by e-mail are recorded in the Procurement Registration Book in the order of the date and time of the reception. Proposals are requested to be sealed in hard copy and pass word protected in soft copy (Financial Proposal only).</p>	

PILLAR 5 - PROCUREMENT		
3 PROCUREMENT PROCEDURES (cont'd) - questions / criteria	Entity comments	Auditor comments
<i>3.2.2 Procedures for the opening of the tender</i>		
<p>3.2.2.1 Does the procurement system define a clear procedure for the opening of the tender, in particular by:</p> <ul style="list-style-type: none"> <li>- having a team (or evaluation committee) open, authenticate and duplicate sealed tenders as soon as possible after the designated time, immediately followed by public opening, if possible;</li> <li>- specifying criteria for the nomination of the members of this team;</li> <li>- performing the opening of tenders, preferably before a public audience where basic information on the tenders is disclosed and recorded in official minutes;</li> <li>- specifying policy defining circumstances under which tenders would be invalidated (e.g. tenders received after the closing time are invalidated unless it is due to a procuring agency error; criteria for the eligibility of tenderers);</li> <li>- ensuring that any clarification of submitted tenders does not result in substantive alterations after the deadline for submission; and</li> <li>- ensuring that a clear and formal report of all the tenders received is produced (including their date and time of arrival, as well as the comments received from tenderers) before passing them to the officers responsible for their evaluation.</li> </ul>	<p>Yes. During the submission period, an Evaluation Panel will be nominated. MRC being a special regional organisation, the Panel should compose of technical staff from at least 3 member countries, 1 international staff and from at least 2 divisions.</p> <p>Copies will be distributed to Panel members for their technical evaluation. Original is kept by Procurement Unit.</p>	

PILLAR 5 - PROCUREMENT		
3 PROCUREMENT PROCEDURES (cont'd) - questions / criteria	Entity comments	Auditor comments
<i>3.2.3 Selection and shortlisting criteria</i>		
3.2.3.1	Does the procurement system provide clear, objective and non-discriminatory criteria for: <ul style="list-style-type: none"> <li>- assessing that tenderers have sufficient financial, economic, technical and professional capacity; and</li> <li>- selecting and shortlisting candidates and tenderers who meet these criteria.</li> </ul>	Yes. Evaluation criteria in included in the tender dossier.
3.2.3.2	Are these selection criteria specified and notified in the contract notices?	Yes, partly. The contract notices provide reasons of failures (technical or financial compliance only).
3.2.3.3	Does the procurement system provide clear and objective criteria for assessing the economic and financial capacity of tenderers?  Examples of criteria: balance sheet data for the last 3 years, turnover / revenue / operating income data for the last 3 years, staff employed for the last 3 years.	Yes, partly depending on the nature of the purchase. For goods, the business licence and authorised dealer/distributor certificate are required.
3.2.3.4	Does the procurement system provide clear and objective criteria for assessing the technical and professional capacity of tenderers?  Examples of criteria: services provided, supplies delivered and works carried out in the past 3 years; samples, descriptions, photos, specifications of products and / or equipment delivered.	Yes. References are often required for the works and non-consultancy services.
<i>3.2.4 Evaluation and award criteria</i>		
3.2.4.1	Does the procurement system provide clear, objective and non-discriminatory criteria for a detailed evaluation of the technical and financial aspects of the tenders?	Yes. Technical and financial evaluation criteria are included in the tender dossier
3.2.4.2	Are there clear and objective criteria and rules for the determination of the results of the	Yes. The evaluation method and criteria are included in the tender



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	evaluation (e.g. quoting of key criteria for each candidate or tenderer)?	dossier.	
3.2.4.3	Are contracts awarded on the basis of clear and notified award criteria? Are contracts awarded to the tender which quotes the lowest price or under the best-value-for-money procedure (i.e. the most economically advantageous tender)?	Yes. After Technical and Financial evaluation by the Evaluation Panel, an Evaluation Report providing award recommendation is issued to CEO for his final approval.	

<b>PILLAR 5 - PROCUREMENT</b>		
<b>3 PROCUREMENT PROCEDURES (cont'd) - questions / criteria</b>	<b>Entity comments</b>	<b>Auditor comments</b>
<i>3.2.5 Evaluation officers / committee</i>		
3.2.5.1	Are evaluations undertaken with more than one evaluating official or preferably a committee?	Yes. For consultancy service and some big good tenders by the Evaluation Panel.
3.2.5.2	Are criteria for the nomination of the evaluation committee specified? Depending on the value of the procurement and the level of risk, the committee could include not only officials from different departments but also possibly external experts	Yes following the thresholds provided in the Procurement Manual
3.2.5.3	Are the role, function, composition, and operating rules of the evaluation committees described? Are the responsibilities of the non-voting chairperson and the voting members of the committee clearly described? Is there a secretary to the committee responsible for carrying out all administrative tasks connected with the evaluation procedure?	All panel are voting members including the Chairperson. The Procurement staff is the Ex-Officio of the Panel.
3.2.5.4	Are there appropriate procedures for the keeping of and access to (confidential!) tender and proposal documents?	Yes. Only Procurement and the Evaluation Panel have access to the bidding document during the evaluation process.
3.2.5.5	Are officials in charge of the evaluation not in a conflict-of-interest situation (e.g. through mandatory disclosure) and are they bound by confidentiality requirements. In the case of an evaluation committee, integrity and professional considerations must be taken into account in the selection of members and involve a member that is external to the procurement team when possible.	Yes, Panel members have to sign the declaration of their objectivity and confidentiality.
3.2.5.6	Are all relevant aspects of the evaluation included in a written report signed by the evaluation	Yes. Main aspects of the technical evaluation and the financial

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	officers/committee?	evaluation are presented in the Evaluation Report.	
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**PILLAR 5 - PROCUREMENT**

**Guidance relating to evaluation committees**

**Appointment and Composition**

Tenders should be opened and evaluated by evaluation officers or an evaluation committee formally appointed by the contracting authority comprising a non-voting chairperson, a non-voting secretary and an odd number of voting members. The evaluators must be provided with detailed information of the timetable foreseen and workload involved as evaluator. Evaluators must be available during the scheduled evaluation period. Replacement evaluators should be appointed for each procedure to prevent delays in case of unavailability. Voting members must have a reasonable command of the language in which the tenders are submitted. Voting members must have the technical and administrative ability to give an informed opinion on the tenders. The identity of the evaluators should be kept confidential.

**Impartiality and confidentiality**

Members of the evaluation committee must sign a declaration of impartiality and confidentiality. Any member who has or might have an actual or potential conflict of interest with any tenderer or applicant must declare it and immediately withdraw from the evaluation committee.

During the procurement procedure, all contacts between the contracting authority and candidates, applicants or tenderers must be under conditions ensuring transparency and equal treatment. No information about the examination, clarification, or evaluation of tenders, or proposals, or decisions about the award of a contract, may be disclosed before the approval of the evaluation report by the contracting authority. Any attempt by a tenderer, candidate or applicant to influence the process in any way (whether by making contact with members of the Evaluation Committee or otherwise) may result in the immediate exclusion of its tender or proposal from further consideration.

Apart from the tender opening session, the proceedings of the evaluation committee are confidential. In order to keep the proceedings confidential, attendance at Evaluation Committee meetings is strictly limited to the members of the committee appointed.

Apart from the copies given to the evaluators, the tenders or proposals must not leave the room/building in which the committee meetings take place before the conclusion of the work of the evaluation committee. They must be kept in a safe place when not in use.

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**PILLAR 5 - PROCUREMENT**

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**Guidance relating to evaluation committees (cont'd)**

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**Responsibilities of evaluation committee members**

The Chairperson is responsible for coordinating the evaluation process and for ensuring its impartiality and transparency. The voting members of the evaluation committee have collective responsibility for decisions taken by the Committee.

The secretary to the committee is responsible for carrying out all administrative tasks connected with the evaluation procedure. These include inter alia: keeping minutes of evaluation committee meetings, keeping relevant records and documents, drawing up evaluation reports. Any request for clarification requiring communication with the tenderers or applicants during the evaluation process must be conducted in writing.

**Timetable**

The evaluation committee must be formed early enough to ensure that are available in time to prepare and conduct the evaluation process. The tenders must be evaluated in time to allow the procedure to be completed within the validity period of the tenders. It is very important that all tenderers, whether successful or unsuccessful, receive information without delay.

Once the evaluation has been completed, the contracting authority should promptly take the award decision by approving the evaluation reports.

**Period of validity**

Tenderers are bound by their tenders for the period specified in the letter of invitation to tender and/or in the tender dossier. This period must be sufficient to allow the contracting authority to examine tenders, approve the contract award proposal, notify the successful and unsuccessful tenderers and conclude the contract. The period of validity of tenders should be fixed at an appropriate number of calendar days (e.g. 90 days) from the deadline for the submission of tenders.

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PILLAR 5 - PROCUREMENT		
3 PROCUREMENT PROCEDURES (cont'd) - questions / criteria	Entity comments	Auditor comments
<i>3.2.6 Award of contracts</i>		
<p>3.2.6.1 Does the procurement system provide rules for informing tenderers as well as the wider public on the outcome of the tendering process by:</p> <ul style="list-style-type: none"> <li>- notifying successful and unsuccessful tenderers of the outcome of their tenders , as well as when and where the contract award information is published;</li> <li>- publishing the outcome of the tendering process (e.g. award notices) in a readily available medium. A description of goods or services, the name and address of the procuring Entity; the name and address of the successful supplier, the value of the successful tender or the highest and lowest offers taken into account in the award of the contract, the date of award; and the type of procurement method used should be included. In cases where limited tendering was used, a description of the circumstances justifying the use of limited tendering should also be included;</li> <li>- considering the possibility of publishing the grounds for the award, including the consideration given to qualitative tender elements. Do not disclose commercially-sensitive information about the winning tender or about other tenders, which could favour collusion in future procurements; and</li> <li>- allowing the mandatory standstill period, where one exists, before the beginning of the contract.</li> </ul>	<p>Yes. The notification is applied for all open tenders of more than US\$20,000</p>	

PILLAR 5 - PROCUREMENT		
3 PROCUREMENT PROCEDURES (cont'd) - questions / criteria	Entity comments	Auditor comments
3.2.6.2 Does the procurement system provide rules which offer the possibility of debriefing to suppliers on request by: <ul style="list-style-type: none"><li>- withholding confidential information (e.g. trade secrets, pricing);</li><li>- highlighting the strengths and weaknesses of the unsuccessful tender;</li><li>- for debriefings in writing, ensuring that the written report is approved beforehand by a senior procurement official; and</li><li>- organising oral debriefings, provided that discussions are carried out in a structured manner so that they do not disclose confidential information, and that they are properly recorded.</li></ul>	No. There is no obligation for debriefing.	

PILLAR 5 - PROCUREMENT		
3 PROCUREMENT PROCEDURES (cont'd) - questions / criteria	Entity comments	Auditor comments
<p>3.3 <u>Complaints system</u></p> <p>Does the procurement system provide for an independent administrative procurement review process for handling procurement complaints by participants not only before but also after the award and prior to contract signature?</p> <p>The timely resolution of complaints is necessary to allow contract awards to be reversed if necessary and limit remedies tied to profit loss and costs associated with bid or proposal preparation after contract signatures. A good process also includes the ability to refer the resolution of the complaints to an external higher authority for appeals.</p>		
<p>3.3.1</p> <p>Does the procurement system provide information on how to lodge a complaint related to the procurement process? Are complaints reviewed by a function or body which:</p> <ul style="list-style-type: none"> <li>- Is comprised of experienced professionals, familiar with the legal framework for procurement, and includes members from the private sector, civil society and government?</li> <li>- Is not involved in any capacity in procurement transactions or in the process leading to contract award decisions?</li> <li>- Does not charge fees that prohibit access by concerned parties?</li> <li>- Follows processes for submission and resolution of complaints that are clearly defined and publicly available?</li> <li>- Exercises the authority to suspend the procurement process?</li> <li>- Issues decisions within the timeframe specified in the rules/regulations?</li> <li>- Issues decisions that are binding on all parties (without precluding subsequent access to an external higher authority).</li> </ul>	<p>Yes. Procurement Complain Committee is defined in the Procurement Manual. However, since 2012, there was any complain case that required the PCC's involvement.</p>	



PILLAR 6 - FINANCIAL INSTRUMENTS	
KEY QUESTION (level 1)	Auditor comments
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?	

Guidance

A **Financial Instrument** may take the form of equity or quasi equity investments, loans or guarantees or other risk sharing instruments and it may be combined with grants. Financial instruments are a measure of financial support financed on a complementary basis from the EU Budget in order to address one or more specific policy objectives of the EU.

Financial Regulation and the implementing rules ('RAP') applicable to the general budget of the European Communities.

The Commission may implement Financial Instruments ('FIs') under direct management by entrusting tasks to Entities and their **Financial Intermediaries**. Title VIII of the Financial Regulation and the implementing rules ('RAP') applicable to the general budget of the European Communities set out principles and conditions for the implementation of Financial Instruments.

- Financial instruments under direct and indirect management (Article 139 FR Scope);
- Selection of the entities entrusted with the implementation of financial instruments in indirect management (Article 216 RAP; Article 139 FR);
- Principles and conditions applicable to financial instruments (Article 140 FR);
- Content of the delegation agreement with entities entrusted with the implementation of financial instruments in indirect management (Article 217 RAP; Article 139 FR); and
- Monitoring of financial instruments (Article 225 RAP; Article 140 FR).

## PILLAR 6 - FINANCIAL INSTRUMENTS

### Guidance (continued)

#### International accounting standards for private sector entities

According to IAS (International Accounting Standard) 32 and 39, a Financial Instrument is defined as "any contract that gives rise to a financial asset of one Entity and a financial liability or equity instrument of another Entity".

IAS 32 (Financial Instruments) outlines the accounting requirements for the presentation of FIs, particularly as to the classification of such instruments into financial assets, financial liabilities and equity instruments. The standard also provides guidance on the classification of related interest, dividends and gains/losses, and when financial assets and financial liabilities can be offset. IAS 39 was reissued in December 2003, applies to annual periods beginning on or after 1 January 2005, and is superseded by IFRS 9 Financial Instruments for annual periods beginning on or after 1 January 2015. IFRS 9 Financial Instruments sets out the recognition and measurement requirements for FIs and some contracts to buy or sell non-financial items. The IASB is adding to the standard as it completes the various phases of its comprehensive project on FIs, and so it will eventually form a complete replacement for IAS 39 Financial Instruments: Recognition and Measurement.

#### International accounting standards for public sector entities

For public sector entities IPSAS (International Public Sector Accounting Standards) 28-30 apply. The definitions of a Financial Instruments and of financial assets, financial liabilities and equity instruments are essentially the same as in IAS 32. IFRS 9 has no equivalent in IPSAS and thus do not apply in IPSAS. Financial instruments can be categorized on the basis of their valuation method:

- Financial Instruments valued at current value (usually market price): cash instruments, securities, derivatives, bonds, equity instruments traded on active markets
- Financial Instruments valued at amortised cost: loans, receivables, borrowings, equity instruments without active market.

**PILLAR 6 - FINANCIAL INSTRUMENTS**

1 LEGAL AND REGULATORY FRAMEWORK - questions / criteria	Entity comments	Auditor comments
<p><b>Key question (level 2):</b> Does the Entity have a <b>clear legal and regulatory framework</b> for the use and implementation of FIs?</p> <p>The principles of using financial instruments ('FIs') need to be stated in a well-defined and transparent legal and regulatory framework that clearly establishes appropriate policies, procedures, accountability and controls. While financial instruments operate within their own framework, they benefit from the overall control environment, internal controls operated by the Entity, the Entity's accounting system and external audit.</p>		
<p>1.1 Does the Entity have a legal and regulatory framework for FIs which contains:</p> <ul style="list-style-type: none"> <li>- descriptions of the FIs, including investment strategies or policies, the type of support provided, the criteria for eligibility for Financial Intermediaries and final recipients as well as additional operational requirements transposing the policy objectives of the FI;</li> <li>- the requirements for a target range of values for the leverage effect (the EU contribution to a FI shall aim at mobilising a global investment exceeding the size of the EU contribution according to the indicators defined in advance);</li> <li>- a definition of non-eligible activities and exclusion criteria;</li> <li>- provisions ensuring alignment of interest and addressing possible conflicts of interest;</li> <li>- provisions for the selection of Financial Intermediaries and for the establishment of dedicated investment vehicles, if applicable;</li> <li>- provisions on the liability of the entrusted Entity and of other entities involved in the implementation of the FI;</li> <li>- provisions on the settlement of disputes;</li> <li>- provisions on the governance of the FI;</li> <li>- provisions regarding the use and re-use of the EU contribution (Article 140(6) of the FR)</li> </ul>	<p>TBCBE</p>	

PILLAR 6 - FINANCIAL INSTRUMENTS		
1 LEGAL AND REGULATORY FRAMEWORK (cont'd) - questions / criteria	Entity comments	Auditor comments
1.1 Cont'd <ul style="list-style-type: none"> <li>- provisions for the management of contributions from the EU and of fiduciary accounts, including counterparty risks, acceptable treasury operations, responsibilities of parties concerned, remedial actions in the event of excessive balances on fiduciary accounts, record keeping and reporting;</li> <li>- rules for accounting and financial reporting (separate financial reporting for each FI);</li> <li>- provisions on the duration, possibility of extension, and termination of the FI, including the conditions for early termination and, where appropriate, exit strategies;</li> <li>- provisions on the monitoring of the implementation of support to financial intermediaries and final recipients including reporting by the financial intermediaries;</li> <li>- Where applicable, type and nature of any hedging operations (Article 219 of the FR).</li> </ul>	TBCBE	
1.2 <p>What types of FIs does the Entity use? Obtain a detailed description of:</p> <ul style="list-style-type: none"> <li>- Types of FIs used including explanations of (technical) terms and abbreviations. FIs may include: loans with commercial (market price) interest rates, loans with favourable interest rates and repayment terms, loans with performance-dependent repayment terms, micro-loans, non-refundable grants, guarantees, EU instruments such as the Neighbourhood Investment Facility (NIF) and the Regional Blending Facilities etc.</li> <li>- The risks associated with each FIs, how these risks are managed and what remedial measures are in place. Typical risks may include but are not limited to: exchange rate risks (loans issued and repayable in local currencies and financed through internationally convertible currencies) and credit risks (credit worthiness of borrowers).-</li> </ul>	TBCBE	

PILLAR 6 - FINANCIAL INSTRUMENTS			
1 LEGAL AND REGULATORY FRAMEWORK (cont'd) - questions / criteria		Entity comments	Auditor comments
1.3	How are FIs provided to beneficiaries (borrowers) secured and by which type of liabilities and / or guarantees?	TBCBE	
1.4	Does the Entity have guidelines or operating rules and manuals for the FIs used?	TBCBE	
1.5	Does the Entity make use of standard templates for providing FIs such as model contracts?	TBCBE	
1.6	Do these contracts clearly set out relevant terms and conditions?	TBCBE	

PILLAR 6 - FINANCIAL INSTRUMENTS		
2 PRINCIPLES - questions / criteria	Entity comments	Auditor comments
<p><b>Key question (level 2):</b> 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>. FIs shall be used in accordance with the principles of sound financial management, transparency, proportionality, non-discrimination, equal treatment and subsidiarity and in accordance with their objectives and, where applicable, the duration established in the basic act for the FIs.</p> <p><u>Selection of Financial Intermediaries (Article 139 FR and Article 221 RAP)</u></p> <p>Financial intermediaries shall be selected on the basis of open, transparent, proportionate and non-discriminatory procedures, avoiding conflicts of interests. Financial intermediaries or final recipients of the financial instruments shall be selected with due account of the nature of the financial instrument to be implemented, the experience and the operational and financial capacity of the entities concerned, and/or the economic viability of projects of final recipients. The choice shall be transparent, justified on objective grounds and shall not give rise to a conflict of interest.</p> <p><u>Conditions for Financial Instruments (Article 140 (2) FR)</u></p> <p>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> <p><u>Guidance</u></p> <p>The above principles must be integrated in the procedures, rules and criteria of the Entity's financial instruments 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>		

PILLAR 6 - FINANCIAL INSTRUMENTS		
2 PRINCIPLES (cont'd) - questions / criteria	Entity comments	Auditor comments
<p>2.1 <u>Basic Principles</u>. Are the following basic principles integrated in the procedures, rules and criteria for the use and implementation of the Entity's financial instruments?</p> <ul style="list-style-type: none"> <li>- sound financial management;</li> <li>- transparency;</li> <li>- proportionality;</li> <li>- non-discrimination;</li> <li>- equal treatment;</li> <li>- subsidiarity; and</li> <li>- duration established in the basis act for the FIs.</li> </ul>	TBCBE	
<p>2.2.1 <u>Selection of Financial Intermediaries</u>. What is the Entity's procedure for the selection of Financial Intermediaries?</p>	TBCBE	
<p>2.2.2 <u>Selection of Financial Intermediaries</u>. Are Financial intermediaries selected on the basis of open, transparent, proportionate and non-discriminatory procedures, avoiding conflicts of interests?</p>		
<p>2.2.3 <u>Selection of Financial Intermediaries</u>. Are financial intermediaries or final recipients of the FIs selected with due account of the nature of the FI to be implemented, the experience and the operational and financial capacity of the entities concerned, and/or the economic viability of projects of final recipients?</p> <p>Is the selection transparent, justified on objective grounds and does it not give rise to a conflict of interest?</p>		

PILLAR 6 - FINANCIAL INSTRUMENTS		
2 PRINCIPLES (cont'd) - questions / criteria	Entity comments	Auditor comments
2.3.1	<u>Conditions for FIs.</u> Do FIs address market failures or sub-optimal investment situations, which have proven to be financially viable but do not give rise to sufficient funding from market sources?	TBCBE
2.3.2	<u>Conditions for FIs.</u> Do FI's comply with the principle of additionality (FIs shall not be aimed at replacing those of a Member State, private funding or another Union financial intervention)?	TBCBE
2.3.3	<u>Conditions for FIs.</u> Do FIs not distort competition in the internal market and are they consistent with State aid rules?	TBCBE
2.3.4	<u>Conditions for FIs.</u> Do FIs comply with the condition for alignment of interest (when implementing FIs, the Commission shall ensure that there is a common interest in achieving the policy objectives defined for a FI, possibly fostered by provisions such as co-investment, risk-sharing requirements or financial incentives, while preventing a conflict of interests with other activities of the entrusted entity)?	TBCBE



PILLAR 6 - FINANCIAL INSTRUMENTS		
3 FINANCIAL INSTRUMENT PROCEDURES - questions / criteria	Entity comments	Auditor comments
<b>Key question (level 2):</b> does the Entity apply <b>appropriate rules and procedures</b> for the use and implementation of its <b>financial instruments</b> ?		
3.1 <u>Monitoring</u> . Does the Entity apply appropriate rules and procedures for the monitoring of financial instruments?		
3.1.1	Does the Entity have procedures in place for the monitoring of the use of FIs which build on the reporting and accounts provided by Financial Intermediaries and on the audits available and controls carried out by the Financial Intermediary, taking due account of the management declaration of the financial intermediary and the opinion of independent auditors?	TBCBE
3.1.2	Where no Financial Intermediary exists, does the Entity have procedures in place for the direct monitoring of the use of FIs based on the reporting and accounts provided by final recipients?	TBCBE

Guidance: Monitoring of financial instruments

1. In order to ensure the harmonised monitoring of financial instruments referred to in Article 140(12) of the Financial Regulation, a monitoring system shall be put in place by the authorising officer responsible to contribute to the provision of reasonable assurance that Union funds are used in accordance with Article 32(2) of the Financial Regulation.

2. The monitoring system shall be used to assess the progress of the implementation towards the achievement of the policy objectives reflected in the relevant output and result indicators established pursuant to the ex-ante evaluation, and to analyse the compliance of the implementation with the defined requirements pursuant to Article 140(2) of the Financial Regulation and provide the basis for the Commission's reporting required under Articles 38(5) and 140(8) of the Financial Regulation.

3. In case of indirect management, the monitoring by the Commission shall build on the reporting and accounts provided by entrusted entities and on the audits available and controls carried out by the entrusted entity, taking due account of the management declaration of the entrusted entity and the opinion of the independent audit body referred to in Article 60(5) of the Financial Regulation. The Commission shall review the information provided by the entrusted entities and may carry out controls, including on a sample basis, at the appropriate implementation levels up to final recipients. The monitoring by the entrusted entity shall build on the reporting and accounts provided by financial intermediaries and on the audits available and controls carried out by the financial intermediary, taking due account of the management declaration of the financial intermediary and the opinion of independent auditors. Where, no financial intermediary exists, the entrusted entity shall directly monitor the use of the financial instrument based on the reporting and accounts provided by the final recipients. The entrusted entity shall review, where appropriate on a sample basis, the information provided by the financial intermediaries or final recipients and shall carry out controls as set out in the agreement referred to in Article 217.

(Article 140 of the Financial Regulation; **Article 225 RAP**)

PILLAR 6 - FINANCIAL INSTRUMENTS		
3 FINANCIAL INSTRUMENT PROCEDURES (cont'd) - questions / criteria	Entity comments	Auditor comments
3.2 <u>Loans</u> . Does the Entity apply appropriate rules and procedures for the contracting of loans?		
3.2.1	What are the recording and reporting systems and procedures for loans?	TBCBE
3.2.2	Are these systems and procedures adequate?	
3.2.3	Are loan contracts approved against adequate and transparent criteria?	
3.2.4	Is the contract (general ledger) account reconciled on a regular basis (at least every month) to the contract recording system?	TBCBE
3.3 <u>Guarantees</u> . Does the Entity apply appropriate rules and procedures for the issuing of guarantees?		
3.3.1	What are the recording and reporting systems and procedures for guarantees?	TBCBE
3.3.2	Are these systems and procedures adequate?	
3.3.3	Are guarantees approved against adequate and transparent criteria?	
3.3.4	Is the contract (general ledger) account reconciled on a regular basis (at least every month) to the contract recording system?	TBCBE

PILLAR 6 - FINANCIAL INSTRUMENTS			
3 FINANCIAL INSTRUMENT PROCEDURES (cont'd) - questions / criteria		Entity comments	Auditor comments
3.4 <u>Interest rate rebates / subsidies</u> . Does the Entity have a proper recording and reporting system for providing interest rate rebates / subsidies?			
3.4.1	What are the recording and reporting systems and procedures for interest rate rebates?	TBCBE	
3.4.2	Are these systems and procedures adequate?		
3.4.3	Are interest rate rebates approved against adequate and transparent criteria?		
3.5 <u>Other FI / subject to be completed / added by the Auditor where applicable / appropriate</u>			
3.5.1			
3.5.2			
3.5.3			
3.6 <u>Other FI / subject to be completed / added by the Auditor where applicable / appropriate</u>			
3.6.1			
3.6.2			
3.6.3			

PILLAR 7 – SUB-DELEGATION	
KEY QUESTION (level 1)	Auditor comments
<p>Has the Entity taken measures in all material respects which ensure that Sub-Delegates and Financial Intermediaries <del>remove if Financial Intermediaries are not applicable</del> 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?</p>	

Guidance

The Entity may entrust budget implementation tasks (e.g. sub-delegation of its role of contracting authority for procurement and grant award procedures, contracting and executing payments) to third parties i.e. implementing partners. These third parties or implementing partners will further be referred to as Sub-Delegates or - in the case of financial instruments - Financial Intermediaries.

Sub-Delegates can conclude contracts for works, services and supplies with appropriate contractors and grant contracts with grant beneficiaries. Sub-delegates do not normally carry out project activities themselves but need to comply with standards for internal control, accounting, external audit, procurement and grant award insofar these are relevant for their budget implementation tasks. Where a Sub-Delegatee concludes grant contracts with grant beneficiaries the Sub-Delegatee should have procedures in place which ensure to a reasonable extent that grant beneficiaries meet requirements for internal control, accounting and external audit.

Article 3 of the General Conditions of the EU Indirect Management Delegation Agreement deals with sub-delegation. In this Article the term 'Organisation' corresponds to 'Entity'. Article 3.3 provides that sub-delegation of activities is only possible where the following conditions are met:

- a) the Sub-delegatee is either a national or international public law body or a body governed by private law with a public service mission to the extent that they provide adequate financial guarantees;
- b) the Sub-delegatee has been positively assessed ex ante by the Organisation which carried out a compliance assessment equivalent to the compliance assessment performed by the Commission on the Organisation. This ex-ante assessment is not necessary if the Commission has already positively assessed the Sub-delegatees to work in indirect management.
- c) the Organisation ensures during the implementation of the Action, that the necessary ex-ante and ex-post controls are in place in order to guarantee the sound financial management of the EU contribution.

The purpose of the questions under Pillar 7 Sub-delegatees is to assess whether the Entity (in the above Article referred to as the Organisation) has procedures in place which ensure to a reasonable extent that Sub-Delegates to which the Entity sub-delegates budget implementation tasks, will implement actions with procedures and systems that comply with international standards and in accordance with criteria set by the European Commission.

## PILLAR 7 – SUB-DELEGATION

### Guidance (continued)

The degree of sub-delegation may vary from Entity to Entity depending on the number and the nature of implementation tasks effectively delegated by the Entity to the Sub-Delegatee or – in the case of Financial Instruments – the Financial Intermediary. This must be taken into account by the Auditor for the assessment of the Pillar 'Sub-Delegation'. The degree of sub-delegation is based on the possible combination of two implementation tasks:

- i) Sub-delegation of **contracting** relating to procurement, grants and financial instruments procedures. In this case the Sub-Delegatee concludes contracts for procurement, grants and Financial Instruments with Third parties but it is the Entity who makes the payments to Third parties; **and/or**
- ii) Sub-delegation of **financial management** (payments).

Consequently sub-delegation may range from minimal (or partial) sub-delegation to maximal (or full) sub-delegation as follows:

- *Minimal (or partial) sub-delegation*

Under ex-ante/ex-post controls of the Entity (during the steps of the contracting procedure) the Sub-Delegatee is responsible for contracting either in accordance with its own procurement, grant and/or Financial Instruments procedures or in accordance with the procedures of the Entity. However, the Entity, and not the Sub-Delegatee, has the final decision on the amounts to be paid / recovered and makes all the related payments to Third parties. There is no delegation of financial management to the Sub-Delegatee.

In the case of minimal (or partial) sub-delegation the Entity must have control and supervisory measures in place which ensure that:

- Sub-Delegatees (including Financial Intermediaries) to which the Entity has sub-delegated contracting tasks apply appropriate procedures for providing financing from EU funds through grants, procurements and Financial Instruments. Depending on the case these are the Entity's or the Sub-Delegatee's own procedures.
- Sub-Delegatees (including Financial Intermediaries) to which the Entity has sub-delegated contracting tasks comply with criteria for internal control, accounting and independent external audit insofar these criteria are relevant for the contracting procedures and tasks.

- *Maximal (or full) sub-delegation*

The Sub-Delegatee is responsible for concluding contracts for procurement, grants and Financial Instruments with Third parties – either in accordance with its own procedures or the procedures of the Entity - **and** for the financial management (including payments to Third parties) of these contracts.

In this case the Entity must have control and supervisory measures in place which ensure that:

- Sub-Delegatees (including Financial Intermediaries) to which the Entity has sub-delegated contracting **and** payment tasks apply appropriate procedures for providing financing from EU funds through grants, procurement and Financial Instruments. Depending on the case these are the Entity's or the Sub-Delegatee's own procedures.
- Sub-Delegatees (including Financial Intermediaries) to which the Entity has sub-delegated contracting and payment tasks comply with the Pillars and criteria for internal control, accounting and independent external audit.

**The Auditor's must focus the assessment procedures on the above mentioned control and supervisory measures put in place by the Entity taking into account the degree of sub-delegation.**

PILLAR 7 – SUB-DELEGATION		
0 SUB-DELEGATION – GENERAL - questions / criteria	Entity comments	Auditor comments
<b>IMPORTANT: The term <u>Sub-Delegatee</u> is used throughout sections 0 to 7 of this Pillar and this term also covers the term <u>Financial Intermediary</u> in case of Financial Instruments.</b>		
<b>Key question (level 2):</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?		
0.1	<p>If the Entity sub-delegates budget implementation tasks to Sub-Delegates:</p> <ul style="list-style-type: none"> <li>- State whether Sub-Delegates make use of procurement and/or grant procedures for the implementation of actions. Explain whether these are Entity or Sub-Delegatee procedures or both.</li> <li>- State for Financial Intermediaries which FIs they use and whether they also make use of procurement and/or grant procedures for the implementation of actions. Explain whether these are Entity or Financial Intermediary procedures or both.</li> <li>- State whether Sub-Delegates can be either a national or international public law body or a body governed by private law with a public service mission to the extent that they provide adequate financial guarantees.</li> </ul>	TBCBE
0.2	<p>Does the Entity conclude contracts with Sub-Delegates for the implementation of specific activities, projects, (trust) funds and Financial Instruments? Do such contracts:</p> <ul style="list-style-type: none"> <li>- include conditions for internal control, accounting, independent external audit, grants and procurement?</li> <li>- set out objectives, expected results, activities, budget for the action, accounting and reporting requirements, procurement procedures, eligibility of expenditure, requirements for audit or verification, possible recovery of funds by the Entity or by the EC and other issues (e.g. EU visibility)?</li> </ul>	TBCBE
0.3	What procedures does the Entity have for assessing Sub-Delegates <u>before</u> concluding a contract with them?	TBCBE

PILLAR 7 – SUB-DELEGATION		
1 SUB-DELEGATION – INTERNAL CONTROL - questions / criteria	Entity comments	Auditor comments
<p><b>Key question (level 2):</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, 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 set by the European Commission?</p>		
<i>1.1 Maximal (or full) sub-delegation</i>		
1.1.1	<p>Does the Entity provide conditions for internal control to Sub-Delegates?</p> <p>Are these conditions clearly and properly communicated (e.g. use of terms of reference, use of (web based) guidelines, instructions, brochures etc.)?</p> <p>What are the main conditions and are these conditions binding? Are conditions set out in (annexes) to contracts concluded by the Entity with Sub-Delegates?</p>	TBCBE
1.2.1	How does the Entity monitor / verify whether conditions for internal control are respected by Sub-Delegates?	TBCBE
1.3.1	What controls does the Entity have in place to ensure that Sub-Delegates comply with rules and conditions (e.g. eligibility of expenditure) for funding received from the Entity (and indirectly from the EU)?	TBCBE
<i>1.2 Minimal (or partial) sub-delegation</i>		
1.2.1	What measures and controls does the Entity have to ensure that Sub-Delegates to which the Entity has sub-delegated contracting tasks comply with criteria for internal control insofar these criteria are relevant for the sub-delegated contracting procedures and tasks. For example: do Sub-Delegates have appropriate internal controls for their grant or procurement processes?	TBCBE

PILLAR 7 – SUB-DELEGATION		
2 SUB-DELEGATION – ACCOUNTING - questions / criteria	Entity comments	Auditor comments
<p><b>Key question (level 2):</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, 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?</p>		
<i>2.1 Maximal (or full) sub-delegation</i>		
2.1.1	<p>Does the Entity provide conditions to Sub-Delegates for accounting and budgeting for the financial aspects of the implementation of activities, projects, (trust) funds and Financial Instruments?</p> <p>Are these conditions clearly and properly communicated (e.g. use of terms of reference, use of (web based) guidelines, instructions, brochures etc.)?</p> <p>What are the main conditions and are these conditions binding? Are conditions set out in (annexes) to contracts concluded by the Entity with Sub-Delegates?</p>	TBCBE
2.2.1	<p>How does the Entity monitor / verify that Sub-Delegates</p> <ul style="list-style-type: none"> <li>- have accounting systems which can provide reliable and timely reports on the financial and qualitative aspects of the implementation of activities, projects, (trust) funds and Financial Instruments and of use of funds in accordance with applicable conditions?</li> <li>- have budget systems and procedures which result in transparent and reliable budgets for activities, projects, (trust) funds and Financial Instruments?</li> </ul>	TBCBE
<i>2.2 Minimal (or partial) sub-delegation</i>		
2.2.1	<p>What measures and controls does the Entity have to ensure that Sub-Delegates to which the Entity has sub-delegated contracting tasks comply with criteria for accounting insofar these criteria are relevant for the sub-delegated contracting procedures and tasks. For example: do Sub-Delegates have appropriate accounting systems and procedures for their grant or procurement processes?</p>	TBCBE



PILLAR 7 – SUB-DELEGATION		
3 SUB-DELEGATION – INDEPENDENT EXTERNAL AUDIT - questions / criteria	Entity comments	Auditor comments
<p><b>Key question (level 2):</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, 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?</p>		
<i>3.1 Maximal (or full) sub-delegation</i>		
3.1.1	<p>Does the Entity provide conditions to Sub-Delegates for an independent external audit of the activities, projects, (trust) funds and Financial Instruments which the Sub-Delegatee is implementing?</p> <p>Are these conditions clearly and properly communicated (e.g. use of terms of reference, use of (web based) guidelines, instructions, brochures etc.)?</p> <p>What are the main conditions and are these conditions binding? Are conditions set out in (annexes) to contracts concluded by the Entity with Sub-Delegates?</p>	TBCBE
3.1.2	<p>How does the Entity monitor / verify that Sub-Delegates are made subject to an independent external audit in accordance with internationally accepted auditing standards by an audit service functionally independent of the Sub-Delegatee?</p>	TBCBE
<i>3.2 Minimal (or partial) sub-delegation</i>		
3.2.1	<p>What measures and controls does the Entity have to ensure that Sub-Delegates to which the Entity has sub-delegated contracting tasks comply with criteria for independent external audit insofar these audits pertain or can pertain to these sub-delegated contracting tasks.</p> <p>For example: do the Sub-Delegates' grant or procurement processes fall in the scope of independent external audit?</p>	TBCBE

PILLAR 7 – SUB-DELEGATION		
4 SUB-DELEGATION – GRANTS - questions / criteria	Entity comments	Auditor comments
<p><b>Key question (level 2):</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, 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>?</p>		
<p><i>4.1 Maximal (or full) sub-delegation</i></p>		
4.1.1	<p>Does the Entity provide conditions to Sub-Delegates for grants which the Sub-Delegate provides to third parties / grant beneficiaries?</p> <p>Are these conditions clearly and properly communicated (e.g. use of terms of reference, use of (web based) guidelines, instructions, brochures etc.)?</p> <p>What are the main conditions and are these conditions binding? Are conditions set out in (annexes) to contracts concluded by the Entity with Sub-Delegates?</p>	TBCBE
4.1.2	Does the Entity require that Sub-Delegates use the grant process and procedures of the Entity?	TBCBE
4.1.3	Does the Entity allow Sub-Delegates to use their own grants process and procedures? If yes, what are the conditions?	TBCBE
4.1.4	How does the Entity monitor / verify that Sub-Delegates apply appropriate rules and procedures (equivalent to the procedures used by the Entity) for providing financing from EU funds through grants?	TBCBE
<p><i>4.2 Minimal (or partial) sub-delegation</i></p>		
4.2.1	What measures and controls does the Entity have to ensure that Sub-Delegates to which the Entity has sub-delegated contracting tasks relating to grants apply appropriate rules and procedures (equivalent to the procedures used by the Entity) for providing financing from EU funds through grants?	TBCBE

PILLAR 7 – SUB-DELEGATION		
5 SUB-DELEGATION – PROCUREMENT - questions / criteria	Entity comments	Auditor comments
<p><b>Key question (level 2):</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, 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>?</p>		
<p><i>5.1 Maximal (or full) sub-delegation</i></p>		
5.1.1	<p>Does the Entity provide conditions to Sub-Delegates for procurement?                      Are these conditions clearly and properly communicated (e.g. use of terms of reference, use of (web based) guidelines, instructions, brochures etc.)?                      What are the main conditions and are these conditions binding? Are conditions set out in (annexes) to contracts concluded by the Entity with Sub-Delegates?</p>	TBCBE
5.1.2	<p>Does the Entity require that Sub-Delegates use the procurement procedures of the Entity?</p>	TBCBE
5.1.3	<p>Does the Entity allow Sub-Delegates to use their own procurement procedures? If yes, what are the conditions?</p>	TBCBE
5.1.4	<p>How does the Entity monitor / verify that Sub-Delegates apply appropriate rules and procedures (equivalent to the procedures used by the Entity) for providing financing from EU funds through procurement?</p>	TBCBE
<p><i>5.2 Minimal (or partial) sub-delegation</i></p>		
5.2.1	<p>What measures and controls does the Entity have to ensure that Sub-Delegates to which the Entity has sub-delegated contracting tasks relating to procurement apply appropriate rules and procedures (equivalent to the procedures used by the Entity) for providing financing from EU funds through procurement?</p>	TBCBE

PILLAR 7 – SUB-DELEGATION		
6 SUB-DELEGATION – FINANCIAL INSTRUMENTS - questions / criteria	Entity comments	Auditor comments
<p><b>Key question (level 2):</b> has the Entity taken measures which ensure to a reasonable extent that Financial Intermediaries to which the Entity sub-delegates budget implementation tasks, 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>?</p>		
<i>6.1 Maximal (or full) sub-delegation</i>		
6.1.1	<p>Does the Entity provide conditions to Financial Intermediaries for Financial Instruments?</p> <p>Are these conditions clearly and properly communicated (e.g. use of terms of reference, use of (web based) guidelines, instructions, brochures etc.)?</p> <p>What are the main conditions and are these conditions binding? Are conditions set out in (annexes) to contracts concluded by the Entity with Sub-Delegates?</p>	TBCBE
6.1.2	<p>How does the Entity monitor / verify that Financial Intermediaries apply appropriate rules and procedures (equivalent to the procedures used by the Entity) for providing financing from EU funds through Financial Instruments?</p>	TBCBE
<i>6.2 Minimal (or partial) sub-delegation</i>		
6.2.1	<p>What measures and controls does the Entity have to ensure that Financial Intermediaries to which the Entity has sub-delegated contracting tasks relating to Financial Instruments apply appropriate rules and procedures (equivalent to the procedures used by the Entity) for providing financing from EU funds through Financial Instruments?</p>	TBCBE