
<Annex 5 Pillar Assessment Report >

<AUDITOR'S LETTERHEAD>

EUROPEAN COMMISSION
EUROPEAID DEVELOPMENT AND COOPERATION
DIRECTORATE GENERAL ('DEVCO')
[DRAFT, PRE-FINAL OR FINAL] REPORT

[date]

<for the final report this is the date on which the final Independent Auditor's Report is signed;
for a draft or pre-final report this is the date on which these reports are sent for consultation>

PILLAR ASSESSMENT
OF THE MEKONG RIVER COMMISSION

Entity subject to Assessment:	[Entity name]
Country:	[Country where the Entity is established]
Commission service :	[DEVCO Service/Unit or EU Delegation]
Audit Framework Service Contract:	2010/ S1-000108 (Lot N° 2) / 2014/xx-xxx Lot N° 1
CRIS Audit N°	[as per CRIS Audit]
Auditor:	[Audit firm and office having responsibility for the assessment]
Period subject to assessment:	[date] to [date] [this should normally be the year (12 months period) ending on the day of the start of the field work (<u>on-site</u> procedures) of the assessment]
Dates of assessment fieldwork:	[[date] to [date]

The European Commission has requested this report. The views expressed in this report are those of the external auditor and in no way reflect the official opinion of the European Commission. This report is intended solely for the information and use of the European Commission for the purpose of its control of the use of EU funds. It may be disclosed to those EU official authorities having regulatory right of access to it, such as the European Court of Auditors, the Internal Audit Service and the European Anti Fraud Office. This report should not be used by any other party or for other than its intended purpose.

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INSTRUCTIONS FOR USING THIS MODEL REPORT

This model report for a **Pillar Assessment** provides a report format and structure for the Auditor and it also includes guidance for the content of the report sections.

- All grey shaded text in <Italic> is guidance which should be removed.
- All text which is **not** grey shaded can be used by the Auditor for drawing up the report. The Auditor can modify text as he/she sees fit **except for the prescribed text of the Independent Auditor's report.**

The prescribed text and wording of the Independent Auditor's Assurance Report should be respected at all times and not be changed.

This instruction page should be removed from the report

Independent Assurance Report

Pillar Assessment

European Commission, EuropeAid Development and Co-operation Directorate General

<or: Delegation of the European Union in country>

Rue de la Loi / Wetstraat 41 <or: address of EU Delegation concerned>

B-1040 BRUSSELS

We have carried out a Pillar Assessment ('Assessment') of [name]; the 'Entity'. The objective of the Assessment is to provide reasonable assurance to the European Commission as to whether the Entity fulfils the requirements set out in points (a) to (d) of the first subparagraph of Article 60.2 of the Financial Regulation applicable to the General Budget of the European Commission and Article 29.1 of the Financial Regulation applicable to the European Development Fund with regard to the following Pillars:

- 1 Internal Control System
- 2 Accounting System
- 3 Independent External Audit
- 4 Grants <remove if not applicable>
- 5 Procurement <remove if not applicable>
- 6 Financial Instruments <remove if not applicable>
- 7 Sub-Delegation <remove if not applicable>

The scope of our work and our conclusions for each of the respective Pillars are set out below.

Respective responsibilities of the Entity's management and the Auditor

The Entity's management are responsible for ensuring that the systems, controls, rules and procedures connected with the Pillars are in accordance with internationally accepted standards and with the criteria set by the European Commission for each Pillar. Entity's management is also responsible for providing information, documents and access to systems and Entity staff to the Auditor insofar this is necessary and relevant for the purpose of this assessment.

Our responsibility is to assess the systems put into place and the controls, rules and procedures applied by the Entity for each Pillar against the criteria for each Pillar and to report our findings in accordance with the Terms of Reference for this assessment.

These Terms of Reference specify that we must carry out our work in accordance with the *International Standard for Assurance Engagements 3000* (issued by the International Federation of Accountants) on *Assurance Engagements other than Audits or Reviews of Historical Financial Information* insofar as this standard can be applied in the specific context

<Draft / final> Pillar Assessment Report of <name of Entity>; Date of Report <date>

of this Pillar Assessment. This standard requires us to observe applicable ethical standards in the conduct of our work.

Scope of work for all Pillars

The scope of our engagement includes an assessment of each Pillar and of the systems put in place and controls, rules and procedures applied by the Entity.

Depending on the requirements for the Pillar concerned our assessment has covered the design or the design and operating effectiveness of the relevant systems, controls, procedures and rules.

Our assessment involved comparing factual information and data relating to systems, controls, rules and procedures against the criteria defined by the Commission. These criteria and the levels of importance (materiality) are set out in Chapter 2.3 of our detailed report.

For the purpose of determining what is a material weakness or deficiency in systems, controls, rules and procedures we have taken into account the criteria and the levels of importance defined by the Commission as these factors might influence the decision of the Commission to entrust budget implementation tasks under indirect management to the Entity.

This assessment has primarily looked into the systems, controls, rules and procedures which are in place for the Entity's regular operations. The conclusions of this assessment do not relate to specific actions, projects, contracts or agreements, neither present nor future.

Because of its inherent limitations, internal control and other systems, rules and procedures may not necessarily prevent or detect errors. Also, projections of this historic assessment of the design and effectiveness of systems, controls, rules and procedures to future periods are subject to the risk that these systems, controls, rules and procedures may become inadequate because of changes in conditions, or that the degree of compliance with rules and procedures may deteriorate.

We have taken into account all the available evidence presented to us during our fieldwork which we finalised on [date of closing meeting], including the subsequent comments and information of the Entity and of the European Commission up to the date of this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

PILLAR 1 INTERNAL CONTROL SYSTEM

The scope of our engagement includes an assessment as to whether the Entity has set up and ensured the functioning of an effective and efficient internal control system. Consequently the procedures performed by us covered the design and the operating effectiveness of the internal control system.

Our work was designed to concentrate on the internal control components and controls which the Commission considers important and which are detailed in the Assessment Questionnaires.

Conclusion

<wording to be used for a positive conclusion; remove this part if not applicable>

Overall, in our opinion, based on the work we have performed, the Entity has 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.

<wording to be used for an adverse conclusion; remove this part if not applicable>

We refer to our findings as set out in Section 1.3 Summary of Findings of our detailed report which sets out the material weaknesses and deficiencies in the internal control system.

Overall, in our opinion, because of the material nature of the matters referred to in the preceding paragraph and based on the work we have performed, the Entity has not 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.

PILLAR 2 ACCOUNTING SYSTEM

The scope of our engagement includes an assessment as to whether the Entity uses an accounting system that provides accurate, complete and reliable information in a timely manner. The procedures performed by us covered the design and the operating effectiveness of the accounting system.

Our work was designed to concentrate on those aspects and components of the accounting system which the Commission considers important and which are detailed in the Assessment Questionnaires.

Conclusion

<wording to be used for a positive conclusion; remove this part if not applicable>

Overall, in our opinion, based on the work we have performed, the Entity uses 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.

<wording to be used for an adverse conclusion; remove this part if not applicable>

We refer to our findings as set out in Section 1.3 Summary of Findings of our detailed report which sets out the material weaknesses and deficiencies in the accounting system.

Overall, in our opinion, because of the material nature of the matters referred to in the preceding paragraph and based on the work we have performed, the Entity does not 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.

PILLAR 3 INDEPENDENT EXTERNAL AUDIT

The scope of our engagement includes an assessment as to whether the Entity is subject to an independent external audit, performed in accordance with internationally accepted auditing standards by an audit service functionally independent of the entity concerned. Consequently the procedures performed by us covered the design of the framework of external audit to which the Entity is subject.

Our work was designed to concentrate on those aspects and components of the framework for an independent external audit which the Commission considers important and which are detailed in the Assessment Questionnaires.

Conclusion

<wording to be used for a positive conclusion; remove this part if not applicable>

Overall, in our opinion, based on the work we have performed, the Entity is 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.

<wording to be used for an adverse conclusion; remove this part if not applicable>

We refer to our findings as set out in Section 1.3 Summary of Findings of our detailed report which sets out the material weaknesses and deficiencies in the framework for an independent external audit.

Overall, in our opinion, because of the material nature of the matters referred to in the preceding paragraph and based on the work we have performed, the Entity is not 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.

PILLAR 4 GRANTS

The scope of our engagement includes an assessment as to whether the Entity applies appropriate rules and procedures for providing financing from EU funds through grants. Consequently the procedures performed by us covered the design and the operating effectiveness of the grants system.

Our work was designed to concentrate on those aspects and components of the grants system which the Commission considers important and which are detailed in the Assessment Questionnaires.

Conclusion

<wording to be used for a positive conclusion; remove this part if not applicable>

Overall, in our opinion, based on the work we have performed, the Entity applies appropriate rules and procedures in all material respects for providing financing from EU funds through grants and in accordance with the criteria set by the European Commission.

<wording to be used for an adverse conclusion; remove this part if not applicable>

We refer to our findings as set out in Section 1.3 Summary of Findings of our detailed report which sets out the material weaknesses and deficiencies in the grants system.

Overall, in our opinion, because of the material nature of the matters referred to in the preceding paragraph and based on the work we have performed, the Entity does not apply appropriate rules and procedures in all material respects for providing financing from EU funds through grants and in accordance with the criteria set by the European Commission.

PILLAR 5 PROCUREMENT

The scope of our engagement includes an assessment as to whether the Entity applies appropriate rules and procedures for providing financing from EU funds through procurement. Consequently the procedures performed by us covered the design and the operating effectiveness of the procurement system.

Our work was designed to concentrate on those aspects and components of the procurement system which the Commission considers important and which are detailed in the Assessment Questionnaires.

Conclusion

<wording to be used for a positive conclusion; remove this part if not applicable>

Overall, in our opinion, based on the work we have performed, the Entity applies appropriate rules and procedures in all material respects for providing financing from EU funds through procurement and in accordance with the criteria set by the European Commission.

<wording to be used for an adverse conclusion; remove this part if not applicable>

We refer to our findings as set out in Section 1.3 Summary of Findings of our detailed report which sets out the material weaknesses and deficiencies in the procurement system.

Overall, in our opinion, because of the material nature of the matters referred to in the preceding paragraph and based on the work we have performed, the Entity does not apply appropriate rules and procedures in all material respects for providing financing from EU funds through procurement and in accordance with the criteria set by the European Commission.

PILLAR 6 FINANCIAL INSTRUMENTS

The scope of our engagement includes an assessment as to whether the Entity applies appropriate rules and procedures for providing financing from EU funds through financial instruments. Consequently the procedures performed by us covered the design and the operating effectiveness of the financial instruments used by the Entity.

Our work was designed to concentrate on those aspects and components of the financial instruments used by the Entity which the Commission considers important and which are detailed in the Assessment Questionnaires.

Conclusion

<wording to be used for a positive conclusion; remove this part if not applicable>

Overall, in our opinion, based on the work we have performed, the Entity applies appropriate rules and procedures in all material respects, for providing financing from EU funds through financial instruments and in accordance with the criteria set by the European Commission.

<wording to be used for an adverse conclusion; remove this part if not applicable>

We refer to our findings as set out in Section 1.3 Summary of Findings of our detailed report which sets out the material weaknesses and deficiencies in the financial instruments used by the Entity.

Overall, in our opinion, because of the material nature of the matters referred to in the preceding paragraph and based on the work we have performed, the Entity does not apply appropriate rules and procedures in all material respects for providing financing from EU funds through financial instruments and in accordance with the criteria set by the European Commission.

PILLAR 7 SUB-DELEGATION

The scope of our engagement includes an assessment as to whether the Entity has taken measures in all material respects which ensure that Sub-Delegates and Financial Intermediaries <remove if Financial Intermediaries are not applicable>, to which the Entity sub-delegates budget implementation tasks, will implement EU funded actions with systems and procedures that comply with international standards and with the criteria set by the European Commission <remove criteria which are not applicable or entire Pillar if the Pillar is not applicable>.

Consequently the procedures performed by us covered the design and the operating effectiveness of the measures taken by the Entity for this purpose.

Our work was designed to concentrate on those measures taken by the Entity which the Commission considers important and which are detailed in the Assessment Questionnaires.

Conclusion

<wording to be used for a positive conclusion; remove this part if not applicable>

Overall, in our opinion, based on the work we have performed, the Entity has taken measures in all material respects which ensure that Sub-Delegates and Financial Intermediaries <remove if Financial Intermediaries are not applicable>, to which the Entity sub-delegates budget implementation tasks, will implement EU funded actions with systems and procedures that comply with international standards and with the criteria set by the European Commission <remove criteria which are not applicable or entire Pillar if the Pillar is not applicable>.

<wording to be used for an adverse conclusion; remove this part if not applicable>

We refer to our findings as set out in Section 1.3 Summary of Findings of our detailed report which sets out the material weaknesses and deficiencies in the measures with regard to Sub-Delegates and Financial Intermediaries <remove if Financial Intermediaries are not applicable>.

Overall, in our opinion, because of the material nature of the matters referred to in the preceding paragraph and based on the work we have performed, the Entity has not taken measures in all material respects which ensure that Sub-Delegates and Financial Intermediaries <remove if not applicable>, to which the Entity sub-delegates budget implementation tasks, will implement EU funded actions with systems and procedures that comply with international standards and with the criteria set by the European Commission <remove criteria which are not applicable or entire Pillar if the Pillar is not applicable>.

Distribution and Use

The European Commission has requested this report and it is intended solely for the information and use of the European Commission and the Entity.

Auditors' signature <person or firm or both, as appropriate>.

Name of Auditor signing <person or firm or both, as appropriate>.

Auditor's address <office having responsibility for the audit>.

Date of signature <not be used for draft reports. The date when the **final** report is signed.>

1 Executive Summary

1.1 Conclusions

We provide below a summary of our conclusions for each pillar for **use of the Commission** for internal reporting (CRIS Audit).

PILLAR	CONCLUSION
1 Internal control system	
Has the Entity set up set up and ensured the functioning in all material respects of an effective and efficient internal control system and in accordance with the criteria set by the European Commission?	YES / NO
2 Accounting System	YES / NO
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?	
3 Independent external audit	YES / NO
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?	
4 Grants	YES / NO / NA
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?	
5 Procurement	YES / NO / NA
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?	
6 Financial Instruments	YES / NO / NA
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?	
7 Sub-Delegation	YES / NO / NA
Has the Entity taken measures in all material respects which ensure that Sub-Delegates and Financial Intermediaries <remove if Financial Intermediaries are not applicable> to which the Entity sub-delegates budget implementation tasks, will implement EU funded actions with systems and procedures that comply with international standards and with the criteria set by the European Commission?	YES / NO / NA

1.2 Roadmap

<Suggested length of the Roadmap: maximum 2 pages>

We have concluded that the Entity does not fully comply with the requirements of Pillar(s) [specify Pillar(s)].

We have found important deficiencies and weaknesses in <briefly describe the main weaknesses and deficiencies for the Pillar(s) concerned in accordance with the findings in Section 1.3>.

We have made a number of critical recommendations to remedy these key weaknesses <briefly describe the critical recommendations for the Pillar(s) concerned in accordance with the recommendations in Section 1.3>.

We suggest that the Entity implements these recommendations for the Entity to become eligible for being entrusted with budget implementation tasks under indirect management by the European Commission.

For this purpose we propose an action plan i.e. Roadmap including a timetable to address and remedy the deficiencies and weaknesses. This Roadmap including the timetable for implementing our proposed measures has been discussed and agreed with the Entity <The roadmap should, to the extent possible, be agreed with the Entity prior to the issuing of the Auditor's final report. If this is not possible the reasons should be clearly explained>.

Roadmap

<Describe here the Roadmap by addressing following key aspects for each Pillar concerned:

- A brief **narrative** of the main findings i.e. material weaknesses or deficiencies in systems, controls, procedures and rules;
- A brief **narrative** of the proposed action plan to remedy these weaknesses or deficiencies.

The action plan should clearly set out which proposed measures (i.e. critical recommendations) will be implemented and how they will be implemented as well as a clear and realistic timetable.>

1.3 Summary of Findings and Recommendations

We provide below a summary of our findings and recommendations for each Pillar.

Findings

Main findings are findings which relate to material weaknesses or deficiencies in systems, controls, rules and procedures. Material means that we consider that these factors are so important for the Commission that they might influence the decision of the Commission to entrust budget implementation tasks under indirect management to the Entity. Hence, where we have found material findings for a Pillar this has led us to express an adverse conclusion for the Pillar.

Main findings also include cases where several findings which taken individually do not relate to a material weakness or deficiency but which taken in the aggregate involve a finding of material weakness or deficiency. The combined impact of such findings is considered so important (i.e. material) that this has led us to the conclusion that the Entity does not meet the requirements for the Pillar concerned (i.e. the conclusion is 'No').

Other findings are all non-material findings which we believe should be brought to the attention of the Entity. These findings relate to weaknesses and deficiencies in systems, controls, rules and procedures which, individually or in the aggregate, involve a less immediate level of risk that objectives for the Pillar concerned are not achieved.

Recommendations

Critical recommendations relate to material weaknesses and deficiencies in systems, controls, rules or procedures and to cases where the criteria defined by the European Commission and /or internationally accepted standards for Pillars are not complied with (on a regular basis).

Our other recommendations relate to all other findings which are not of a material nature. In these cases the weaknesses and deficiencies in systems, controls, rules or procedures have no major and immediate impact on the objectives of these systems, controls, rules or procedures. Nevertheless, we believe that it is relevant for the Entity to implement the suggested measures as it would have the opportunity to improve systems, controls, rules or procedures and to achieve greater effectiveness and/or efficiency.

Each of our recommendations is detailed in Chapters 3 to 8.

We suggest that the Entity implements our critical recommendations as set out in the roadmap in Section 1.2 of this report.

PILLAR 1 – INTERNAL CONTROL SYSTEM	
<i>Main findings / critical recommendations</i>	
No°	Description of the finding / recommendation
1	<i>Finding:</i> <short description of the finding; maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation; maximum 2 lines>
2	
3	
Etc.	
<i>Other findings / other recommendations</i>	
No°	Description of the finding / recommendation
1	<i>Finding:</i> <short description of the finding; maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation; maximum 2 lines>
2	
3	
Etc.	

Note: N° and description of the finding / recommendation must correspond with the detailed finding / recommendation in Section 3.3.1 respectively Section 3.3.2

PILLAR 2 – ACCOUNTING SYSTEM	
<i>Main findings / critical recommendations</i>	
No°	Description of the finding / recommendation
1	<i>Finding:</i> <short description of the finding; maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation; maximum 2 lines>
2	
3	
Etc.	
<i>Other findings / other recommendations</i>	
No°	Description of the finding / recommendation
1	<i>Finding:</i> <short description of the finding; maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation; maximum 2 lines>
2	
3	
Etc.	

Note: N° and description of the finding / recommendation must correspond with the detailed finding / recommendation in Section 4.3.1 respectively Section 4.3.2

PILLAR 3 – INDEPENDENT EXTERNAL AUDIT	
<i>Main findings / critical recommendations</i>	
No°	Description of the finding / recommendation
1	<i>Finding:</i> <short description of the finding; maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation; maximum 2 lines>
2	
3	
Etc.	
<i>Other findings / other recommendations</i>	
No°	Description of the finding / recommendation
1	<i>Finding:</i> <short description of the finding; maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation; maximum 2 lines>
2	
3	
Etc.	

Note: N° and description of the finding / recommendation must correspond with the detailed finding / recommendation in Section 5.3.1 respectively Section 5.3.2.

PILLAR 4 – GRANTS	
<i>Main findings / critical recommendations</i>	
No°	Description of the finding / recommendation
1	<i>Finding:</i> <short description of the finding; maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation; maximum 2 lines>
2	
3	
Etc.	
<i>Other findings / other recommendations</i>	
No°	Description of the finding / recommendation
1	<i>Finding:</i> <short description of the finding; maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation; maximum 2 lines>
2	
3	
Etc.	

Note: N° and description of the finding / recommendation must correspond with the detailed finding / recommendation in Section 6.3.1 respectively Section 6.4.2

PILLAR 5 – PROCUREMENT	
Main findings / critical recommendations	
No°	Description of the finding / recommendation
1	<i>Finding:</i> <short description of the finding; maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation; maximum 2 lines>
2	
3	
Etc.	
Other findings / other recommendations	
No°	Description of the finding / recommendation
1	<i>Finding:</i> <short description of the finding; maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation; maximum 2 lines>
2	
3	
Etc.	

Note: N° and description of the finding / recommendation must correspond with the detailed finding / recommendation in Section 7.3.1 respectively Section 7.3.2.

PILLAR 6 – FINANCIAL INSTRUMENTS	
<i>Main findings / critical recommendations</i>	
No°	Description of the finding / recommendation
1	<i>Finding:</i> <short description of the finding; maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation; maximum 2 lines>
2	
3	
Etc.	
<i>Other findings / other recommendations</i>	
No°	Description of the finding / recommendation
1	<i>Finding:</i> <short description of the finding; maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation; maximum 2 lines>
2	
3	
Etc.	

Note: N° and description of the finding / recommendation must correspond with the detailed finding / recommendation in Section 8.3.1 respectively Section 8.3.2.

PILLAR 7 – SUB-DELEGATION	
<i>Main findings / critical recommendations</i>	
No °	Description of the finding / recommendation
1	<i>Finding:</i> <short description of the finding; maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation; maximum 2 lines>
2	
3	
Etc.	
<i>Other findings / other recommendations</i>	
No °	Description of the finding / recommendation
1	<i>Finding:</i> <short description of the finding; maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation; maximum 2 lines>
2	
3	
Etc.	

Note: N° and description of the finding / recommendation must correspond with the detailed finding / recommendation in Section 9.3.1 respectively Section 9.3.2.

2 Engagement Context

2.1 Context

Article 58 of the Financial Regulation ('FR') on the financial rules applicable to the General Budget of the European Union ('EU') sets out the methods of implementation of the budget including 'indirect management'. Under indirect management the Commission can entrust budget implementation tasks to the countries, organisations and bodies (further referred to as 'Entities') indicated in Article 58 of the FR. The following Entities may be concerned:

- Third countries or the bodies they have designated. *Example:* Ministry of Interior, Kingdom of Cambodia;
- International organisations and their agencies. *Example:* UNDP (United Nations development Programme);
- Public law bodies. *Examples:* DFID, KfW;
- Bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees. *Example:* British Council.

These Entities shall guarantee a level of protection of the financial interests of the EU equivalent to that required under the FR when they manage EU funds. They must meet requirements with regard to six 'Pillars' relating to the internal control system, the accounting system, an independent external audit and rules and procedures for providing financing from EU funds through grants, procurement and financial instruments. Hence, Entities wishing to work with EU funds under the indirect management mode must therefore be made subject to a comprehensive Pillar Assessment.

Based on the results of the Pillar Assessment the Commission will decide whether it can entrust budget implementation tasks to the Entity and whether it can conclude specific agreements (i.e. Indirect Management Delegation Agreements) with the Entity.

2.2 Description of the Entity subject to the Assessment

<Provide a description of the Entity. Suggested maximum 2 pages.

Main features and characteristics of the Entity, organisational structure, nature of activities and operations etc.>

2.3 Criteria used for the Assessment and Materiality

For each Pillar there are 3 levels of criteria which have been defined by the European Commission through the formulation of (key) questions in *Annex 2 and 2a* of the ToR (*Assessment Questionnaire and Criteria* and *Assessment Questionnaire (indicative questions)*). For the purpose of determining what is a material weakness or deficiency in systems, controls, rules and procedures we have taken into account the criteria and the levels of importance (i.e. the scoring thresholds) defined by the Commission as these factors might influence the decision of the Commission to entrust budget implementation tasks under indirect management to the Entity.

Level 1 (Financial Regulation)

For each pillar there is **one** overarching Level 1 question (in *Annex 2 Assessment Questionnaire and Criteria*) defined on the basis of the Financial Regulation. Only two types of conclusions are possible:

- The answer to the question at level 1 is 'yes'. This means that the Entity complies with the requirements for the Pillar concerned. Our conclusion is formulated in the positive form which is equivalent to an 'unqualified opinion'.
- The answer to the question at level 1 is 'no'. This means that the Entity does not comply with the requirements the Pillar concerned. In this case our conclusion is formulated in the adverse form which is equivalent to what is called an 'adverse opinion' under international standards.

Level 2 (Pillar key components)

Key questions at level 2 relate to criteria which the Commission considers essential. For this purpose key questions and criteria are defined for the key components of each Pillar. Components are essentially 'sub-pillars' which in turn are composed of blocks of indicative questions in *Annex 2a Assessment Questionnaire (indicative questions)*.

We have applied professional judgment to attribute a score on a scale 0 to 10 to each level 2 component in *Annex 2 Assessment Questionnaire and Criteria* based on the information and evidence we have obtained in *Annex 2a*.

Level 3 (Assessment Questionnaire with blocks of indicative questions)

Annex 2a Assessment Questionnaire (indicative questions) includes blocks of **indicative** questions which relate to the Pillar key components at level 2. These blocks of detailed questions have provided directions to us and basically serve as non-exhaustive examples. This means that we can – but do not necessarily have to – use (all) these (blocks of) questions to determine a score for each component at level 2.

We have formulated additional questions and performed additional procedures and tests as we deemed necessary or appropriate. We have fully applied our professional judgment for all questions in *Annex 2a* in order to attribute scores to the Pillar key components at level 2.

3 Internal Control System

3.1 Description of the Internal Control System

<Describe the main features of the Internal Control System of the Entity. Suggested maximum 2 pages>

3.2 Summary of Work performed and Criteria used for the Assessment

<Provide a summary description of the work i.e. procedures and test performed for the assessment of the Internal Control System Pillar. Briefly describe the criteria used for the assessment of this Pillar. The Auditor may refer to Chapter 2.3 and to the completed Assessment Questionnaire and Criteria in Annex 2 and 3.>

3.3 Findings and Recommendations

Our detailed findings and recommendations are set out below.

<The use of the table format below is compulsory and it must be respected at all times>

3.3.1 Main Findings and Critical Recommendations

Finding / Rec. n°: [number]	Title: [short description of the finding and recommendation]
Description of the finding:	
[describe in detail the finding covering <u>facts, criteria, cause and impact</u>]	
Description of the recommendation:	
[describe in detail the recommendation]	
Comments from the Entity:	
[state whether the Entity agrees or disagrees with the finding / recommendation and describe Entity comments]	
Comments from the Commission:	
[describe Commission comments]	
Further comments of the Auditor:	
[complete only if the Entity does not agree with the finding / recommendation of the Auditor but the Auditor still believes that the finding / recommendation is valid. In that case the Auditor should rebut here the comments of the Entity and justify why the finding is still made]	

3.3.2 Other Findings and Recommendations

Finding / Rec. n°: [number]	Title: [short description of the finding and recommendation]
Description of the finding: [describe in detail the finding covering <u>facts, criteria, cause and impact</u>]	
Description of the recommendation: [describe in detail the recommendation]	
Comments from the Entity: [state whether the Entity agrees or disagrees with the finding / recommendation and describe Entity comments]	
Comments from the Commission: [describe Commission comments]	
Further comments of the Auditor: [complete only if the Entity does not agree with the finding / recommendation of the Auditor but the Auditor still believes that the finding / recommendation is valid. In that case the Auditor should rebut here the comments of the Entity and justify why the finding is still made]	

4 Accounting System

<See Chapter 3 Internal Control System. The same structure and content should be used.>

4.1 Description of the Accounting System

[.....]

4.2 Summary of Work performed and Criteria used for the Assessment

<Provide a summary description of the work i.e. procedures and test performed for the assessment of the Accounting Pillar. Briefly describe the criteria used for the assessment of this Pillar. The Auditor may refer to Chapter 2.3 and to the completed Assessment Questionnaire and Criteria in Annex 2 and 3.>

4.3 Findings and Recommendations

Our detailed findings and recommendations are set out below.

4.3.1 Main Findings and Critical Recommendations

[.....]

4.3.2 Other Findings and Recommendations

[.....]

5 Independent External Audit

<See Chapter 3 Internal Control System. The same structure and content should be used.>

5.1 Description of the Framework for Independent External Audit

[.....]

5.2 Summary of Work performed and Criteria used for the Assessment

<Provide a summary description of the work i.e. procedures and test performed for the assessment of the Independent External Audit Pillar. Briefly describe the criteria used for the assessment of this Pillar. The Auditor may refer to Chapter 2.3 and to the completed Assessment Questionnaire and Criteria in Annex 2 and 3.>

5.3 Findings and Recommendations

Our detailed findings and recommendations are set out below.

5.3.1 Main Findings and Critical Recommendations

[.....]

5.3.2 Other Findings and Recommendations

[.....]

6 Grants

<See Chapter 3 Internal Control System. The same structure and content should be used.>

6.1 Description of the Grants System

[.....]

6.2 Summary of Work performed and Criteria used for the Assessment

<Provide a summary description of the work i.e. procedures and test performed for the assessment of the Grants Pillar. Briefly describe the criteria used for the assessment of this Pillar. The Auditor may refer to Chapter 2.3 and to the completed Assessment Questionnaire and Criteria in Annex 2 and 3.>

6.3 Findings and Recommendations

Our detailed findings and recommendations are set out below.

6.3.1 Main Findings and Critical Recommendations

[.....]

6.3.2 Other Findings and Recommendations

[.....]

7 Procurement

<See Chapter 3 Internal Control System. The same structure and content should be used.>

7.1 Description of the Procurement System

[.....]

7.2 Summary of Work performed and Criteria used for the Assessment

<Provide a summary description of the work i.e. procedures and test performed for the assessment of the procurement Pillar. Briefly describe the criteria used for the assessment of this Pillar. The Auditor may refer to Chapter 2.3 and to the completed Assessment Questionnaire and Criteria in Annex 2 and3.>

7.3 Findings and Recommendations

Our detailed findings and recommendations are set out below.

7.3.1 Main Findings and Critical Recommendations

[.....]

7.3.2 Other Findings and Recommendations

[.....]

8 Financial Instruments

<See Chapter 3 Internal Control System. The same structure and content should be used.>

8.1 Description of the Financial Instruments

[.....]

8.2 Summary of Work performed and Criteria used for the Assessment

<Provide a summary description of the work i.e. procedures and test performed for the assessment of the Financial Instruments Pillar. Briefly describe the criteria used for the assessment of this Pillar. The Auditor may refer to Chapter 2.3 and to the completed Assessment Questionnaire and Criteria in Annex 2 and 3.>

8.3 Findings and Recommendations

Our detailed findings and recommendations are set out below.

8.3.1 Main Findings and Critical Recommendations

[.....]

8.3.2 Other Findings and Recommendations

[.....]

9 Sub-Delegation

<See Chapter 3 Internal Control System. The same structure and content should be used.>

9.1 Description of the Sub-Delegation

[.....]

9.2 Summary of Work performed and Criteria used for the Assessment

<Provide a summary description of the work i.e. procedures and test performed for the assessment of the Sub-Delegation Pillar. Briefly describe the criteria used for the assessment of this Pillar. The Auditor may refer to Chapter 2.3 and to the completed Assessment Questionnaire and Criteria in Annex 2 and 3.>

9.3 Findings and Recommendations

Our detailed findings and recommendations are set out below.

9.3.1 Main Findings and Critical Recommendations

[.....]

9.3.2 Other Findings and Recommendations

[.....]

10 Other specific Matters

<This Chapter can be used if the Auditor has to report on specific matters on which the Commission would like to be informed for the purpose of managing future specific agreements / contracts the Commission may conclude with the Entity.

This concerns certain specific accounting policies / methods which the Entity may, but does not necessarily have to apply (see ToR Annex 2C Other Questions).>

[provide here a description of the accounting policies / methods (insofar applicable) relating to:

- system and procedures for the computation of average / standard costs (e.g. % ratio's, flat rates or unit costs) to allocate expenditure to actions and projects.
- system and procedures for the computation and allocation of indirect costs to actions and projects.
- policy / method to account for and pay back interest generated by pre-financing / advance payments made by the Commission for an action or project.]

Annexes

Annex 1: Persons contacted or involved in the Assessment

The Auditor – [name of the audit firm]

[Name 1]	[indicate position / title of the person in the audit firm who has ultimate responsibility for the engagement and its performance, and for the report that is issued on behalf of the firm, e.g. Partner, Director or equivalent]
[Name 2; optional]	[optional (if not in conflict with the practices and HR policies of the Audit Firm). Indicate position / title in the audit firm of the person in the audit firm who has been managing the audit. E.g. Senior Manager]

The Entity subject to assessment – [name of the Entity]

[Name 1]	[indicate position / title in the entity e.g. Director, Finance Manager, Accountant, Programme Manager]
[Name 2]	[as 1]
[Name 3 etc]	[as 1]

EuropeAid Development and Co-operation Directorate General

[Name 1]	Audit Task Manager. [to be completed only if the Audit Task manager works at DEVCO. Indicate position and unit in DEVCO]
[Name 2]	[indicate position / title and unit in DEVCO e.g. Head of Finance, Contracts and Audit]
[Name 3 etc]	[as 2]

Delegation of the European Union in [country]

[Name 1]	Audit Task Manager. [to be completed only if the Audit Task manager works in the EU Delegation. Indicate position in the EU Delegation]
[Name 2]	[indicate position in the EU Delegation e.g. Head of Finance and Contracts, Programme Officer, Contracts Officer, Finance Officer etc]
[Name 3 etc]	[as 2]

[Indicate name of any other external organisation or person contacted or involved in the audit such as the Entity's statutory auditors or Technical Assistants. Remove this table if not applicable]

[Name 1]	[indicate position / title in the organisation]
[Name 2 etc]	[as 1]

Annex 2: Assessment Questionnaire and Criteria

<This Annex must include a copy of **Annex 2** of the ToR i.e. the Assessment Questionnaire and Criteria **completed by The Auditor** >.

Annex 3: Assessment Questionnaire (indicative questions)

<This Annex must include a full copy of **Annex 2a** of the ToR the Assessment Questionnaire (indicative questions) **completed by The Auditor**. The Auditor may provide this document as a separate attachment to this report.