

**COMMON MARKET FOR
EASTERN AND SOUTHERN AFRICA**



RE-ADVERTISED

**REQUEST FOR TECHNICAL AND FINANCIAL
PROPOSALS**

**EXPENDITURE VERIFICATION OF A GRANT
CONTRACT FOR THE PROJECT CAPACITY
BUILDING PROJECT FOR IMPLEMENTATION
OF THE REGIONAL INTEGRATION OF THE
MADAGASCAR REPUBLIC**

RFP Ref: CS/ADMIN/20/06.26-3/SM

**DEADLINE OF SUBMISSION: 9TH SEPTEMBER
2020**

1. Background

The Common Market for Eastern and Southern Africa (COMESA) is a regional integration grouping of 21 African States which have agreed to promote regional integration through trade development and to develop their natural and human resources for the mutual benefit of all their peoples. More information can be obtained from the website <http://www.comesa.int>

The Common Market for Eastern and Southern Africa (COMESA) intends to engage an audit firm to perform an expenditure verification and to report on the project Capacity building project for implementation of the regional integration of the Malagasy Republic -, financed by the European Union through the Regional Integration Support Mechanism (RISM).

2. Scope

The Auditor shall carry out the specific procedures listed in Annex 2A to the terms of reference (ToR) and shall submit to the Contracting Authority a final expenditure verification report with regard to the specific verification procedures performed.

3. Terms of Reference

The specific ToRs are provided in this Request for Proposals.

4. Eligibility of Consultants

This consultancy is open to all reputable audit firms based and registered in **Madagascar** Republic which have sufficient experience in undertaking expenditure verifications with regard to the Financial Reporting for Grant Contracts.

5. Commencement and Completion of Work

The assignment is expected to commence on or about 1st October 2020.

6. AMENDMENTS OF PROPOSAL DOCUMENTS

At any time prior to the deadline for submission of Bids, COMESA for any reason, whether at its own initiative or in response to a clarification requested by a prospective Bidder, may modify the Proposal Documents by issuing an addendum.

All addenda shall be addressed to all the bidders who have been invited to participate in this tender.

In order to afford prospective Bidders reasonable time in which to take the amendments into account in preparing their offers, COMESA may, at its discretion, extend the deadline for the submission of Proposals.

7. EVALUATION AND COMPARISON OF PROPOSALS

To assist in the examination, evaluation and comparison of Bids, COMESA may ask the Bidder for clarification of its Bid. The request for clarification and the response

shall be in writing and no change in price or substance of the Proposal shall be sought, offered or permitted.

COMESA will examine the Proposals to determine whether they are complete, whether any computational errors have been made, whether the documents have been properly signed, and whether the Proposals are generally in order.

Arithmetical errors will be rectified on the following basis: If there is a discrepancy between the unit price and the total price that is obtained by multiplying the unit price and quantity, the unit price shall prevail, and the total price shall be corrected. If the Bidder does not accept the correction of errors, its Proposal will be rejected. If there is a discrepancy between words and figures, the amount in words will prevail.

Prior to the detailed evaluation, the Procurement Committee will determine the substantial responsiveness of each Proposal to the Request for Proposals (RFP). For purposes of these Clauses, a substantially responsive Proposal is one, which conforms to all the terms and conditions of the RFP without material deviations. COMESA's determination of a Proposal's responsiveness is based on the contents of the Proposal itself without recourse to extrinsic evidence.

A Proposal determined as not substantially responsive will be rejected by the COMESA and may not subsequently be made responsive by the Bidder by correction of the non-conformity.

The bids will be evaluated as follows:

- The envelopes containing the sealed technical and financial offers will be opened.
- The envelope marked "TECHNICAL PROPOSAL" will be opened and the technical proposal will be evaluated.
- If the technical proposal is evaluated as 70 per cent or above the envelope marked "FINANCIAL PROPOSAL" will be opened.
- The Bidder that has offered what is adjudged to be the best technical and financial offer will be offered the contract.
- If the Bidder that offered what was adjudged to be the best technical and financial offer declines to accept the offer then the Bidder that is adjudged to have offered the second best technical and financial offer will be offered the contract.

The bids shall be evaluated based on the Least Cost Selection method. Technical bids shall be evaluated based on the following attributes:

- (i) The overall responsiveness and quality of the proposal in clearly stating an understanding of the work to be performed;
- (ii) Technical ability of the bidder to perform the required services and the methodology to be employed;
- (iii) The experience and reputation of the bidder as represented in the response and the quality of the references;
- (iv) The experience and skills of proposed team

Table 1: Criteria Technical Evaluation

The Technical proposal will be assigned a weight of 80% and the financial proposal will be weighted at 20%.	Maximum
Organisation and methodology	
Rationale	15
Strategy	15
Timetable of activities	10
Total score for Organization and methodology	40
Key Experts	
Qualification and Skills	12
General Professional experience	15
Specific Professional experience	33
Total score for Key staff	60
Total Overall Score	100

Only firms with a score of 70% above at the technical evaluation shall be considered for financial evaluation.

8. Submission of Applications

Bidders are allowed to submit via email, by sending their submissions to the below indicated email. Please Indicate the country of application, and all the other instructions are applicable.

For physical delivery, the bidder shall submit the proposal in **one external envelope containing two separate sealed envelopes, one each for the technical proposal and the financial proposal** by the closing date set forth in point no. 9 through courier services or hand delivery to:

The Chairman – Procurement Committee
COMESA
COMESA SECRETARIAT
BEN BELLA ROAD
P.O BOX 30051
LUSAKA, ZAMBIA
Tel: 260 211 229725 - 32
Email: procurement@comesa.int

The outer envelope should be clearly marked in the top right-hand corner “**RFP: CS/ADMIN/20/06.26/SM – EXPENDITURE VERIFICATION OF A GRANT CONTRACT FOR THE PROJECT CAPACITY BUILDING PROJECT FOR IMPLEMENTATION OF THE REGIONAL INTEGRATION OF THE MALAGASY REPUBLIC**” DO NOT OPEN BEFORE Wednesday 9th September 2020 15:00 at HRS **Zambian time**.

NOTE: If the envelopes are not sealed and marked as per the instructions in this clause, COMESA will not assume responsibility for the proposal's misplacement or premature opening and may – at its discretion – reject the proposal.

This first internal sealed envelope, which will be clearly marked “**TECHNICAL PROPOSAL**” must contain two (2) hard copies of the technical proposal with one marked ‘original’ and the

other marked 'copy'. The second internal envelope, which will be clearly marked "FINANCIAL PROPOSAL", should contain the original and copy of the financial proposal. The envelope containing the financial proposal will ONLY be opened if the technical offer attains the pass score of seventy per cent (70%).

For email submissions, please send two separate attachments in PDF in a single email, one marked Technical proposal and the other marked Financial proposal.

In the event of any discrepancy between the original and the copy, the original shall govern.

The proposals must be submitted with a cover letter containing a confirmation that you have understood the Terms of Reference for the assignment.

9. Closing date of tender

Tenders must be submitted to the COMESA Secretariat on or before **9th September 2020 at 15:00 PM HRS Zambia time**.

10. LATE TENDERS

Any Tender received by COMESA after the deadline for submission of Bids shall be rejected. There shall be no exception to this requirement.

11. Budget will be determined through competitive procedures

12. Pricing

All prices MUST be indicated in EURO.

There will be **no price variation** after signing of contract except upon a mutual written agreement between the two parties;

The price quoted shall be considered as representative of all the services required by COMESA as contained in this Request for Proposal.

Prices must be exclusive of all taxes.

Prices must be valid for 90 days from the date of close of tender.

13. Payment:

Bidders are advised to indicate their payment terms and conditions.

14. Technical Queries

Technical queries related to this tender should be submitted in writing to procurement@comesa.int

15. COST OF TENDERING

The tenderer shall bear all costs associated with the preparation and submission of its tender, and COMESA will in no case be responsible or liable for those costs regardless of the outcome of the tendering process.

16. ETHICAL CONDUCT

COMESA requires that Tenderers observe the highest standard of ethics during the selection and execution of such contracts. For this provision, the Purchaser defines the terms set forth below as follows:

- a) "Corrupt practice" means the offering, giving, receiving, or soliciting of anything of value to influence the action of an officer of the Purchaser in the tendering process; and
- b) "Fraudulent practice" means a misrepresentation of facts to influence the tendering process to the detriment of the Purchaser.

COMESA will reject a proposal for award if it determines that a Tenderer has engaged in corrupt or fraudulent activities in competing for the contract in question.

17. Award of Contracts

COMESA reserves the right to wholly or partially reject or award the contract to any bidder and has no obligation to award this tender to the lowest bidder.

18. NOTIFICATION OF AWARD

Prior to the expiration of the period of tender validity, the Purchaser will notify the successful tenderer in writing that its tender has been accepted.

The notification of award will signify the formation of the contract subject to the signing of the contract between the tenderer and COMESA.

Simultaneously the other tenderers shall be notified that their tenders were not successful.

19. SIGNING OF CONTRACT

The Parties to the contract shall have it signed within thirty (30) days from the date of notification of contract award unless there is an administrative review request.

20. MANDATORY REQUIREMENTS

To be considered responsive and to qualify for the technical evaluation stage, the tenderer must furnish the following information:

- a) *Copy of a valid certificate of registration/incorporation.*
- b) *Copy of the current relevant trade license from the Local Authority.*
- c) *Signed CVs of proposed team for the assignment*

d) *Power of attorney in case of a joint venture.*

e) *Must submit two (2) copies of the tender document (original and copy).*

21. Financial Proposal - Standard Bidding Form

Bidders are advised to use the standard tender Form below as sample format and modify it to cover all relevant costs or charges.

There will be no price variation tender.

Bidders are also advised to disclose any other relevant information on a separate sheet of paper.

Table 2 - Financial proposal Form

		AMOUNT IN Euro
TOTAL PROFESSIONAL FEE		
OTHER RELEVANT EXPENSES		
VAT AND ALL OTHER TAXES		EXCLUSIVE

Amount in words: _____

Submitted by:

Name: _____

Signature: _____

Date: _____

TERMS OF REFERENCE FOR AN EXPENDITURE VERIFICATION OF A GRANT CONTRACT

- EXTERNAL ACTION OF THE EUROPEAN UNION AS DELEGATED TO COMESA

The following are the terms of reference ('ToR') under which the Common Market for Eastern and Southern Africa (COMESA) agrees to engage 'the Auditor' to perform an expenditure verification and to report in connection with a European Union financed Delegation Agreement resulting in a grant contract for an external action concerning the Project Capacity building project for implementation of the regional integration of the Malagasy Republic. Where the 'Contracting Authority' is mentioned in these ToR, this refers to COMESA, which has signed the Grant Contract with the Beneficiary and is providing the grant funding.

1.1. Responsibilities of the Parties to the Engagement

The term "**Beneficiary(ies)**" refers collectively to all recipients of grant funds at country level, including the country level Coordinator (Le Ministre de l'Economie, des Investissements, chargé de l'Intégration Economique) as the budget implementing agent), of the Action. Where applicable the term 'Beneficiary(ies)' includes its affiliated entity(ies).

The Coordinator is responsible for providing quarterly and final financial and narrative report for the action financed by the Grant Contract which complies with the terms and conditions of the Grant Contract and for ensuring that the financial report reconciles to the Beneficiary's accounting and bookkeeping system and to the underlying accounts and records. The Beneficiary is responsible for providing sufficient and adequate information, both financial and non-financial, in support of the financial report.

The Coordinator accepts that the ability of the Auditor to perform the procedures required by this engagement effectively depends upon the Beneficiary(ies), and as the case may be its affiliated entity(ies), providing full and free access to its (their) staff and its (their) accounting and bookkeeping system and underlying accounts and records; the Coordinator is therefore responsible for ensuring full and free access of the auditor to its (their) staff and its (their) accounting and bookkeeping system.

'The **Auditor**' is responsible for performing the agreed-upon procedures as specified in these ToR. 'Auditor' refers to the audit firm contracted by the Contracting Authority for performing this engagement and for submitting expenditure verification findings to the Contracting Authority. 'Auditor' can refer to the person or persons conducting the verification, usually the engagement partner or other members of the engagement team. The engagement partner is the partner or other person in the audit firm who is responsible for the engagement and for the report that is issued on behalf of the firm, and who has the appropriate authority from a professional, legal or regulatory body.

The Contracting Authority is responsible for commissioning the expenditure verification. The agreed fees will be paid by the beneficiary. The contracting authority will be the recipient of the expenditure verification report and will also validate the findings reported by the Auditor.

By agreeing these ToR the Auditor confirms that he/she meets at least one of the following conditions:

- The Auditor and/or the firm is a member of a national accounting or auditing body or institution which in turn is member of the International Federation of Accountants (IFAC).
- The Auditor and/or the firm is a member of a national accounting or auditing body or institution. Although this organisation is not member of the IFAC, the Auditor commits him/herself to undertake this engagement in accordance with the IFAC standards and ethics set out in these ToR.

The Auditor and/or the firm is registered as a statutory auditor in the public register of a public oversight body in a third country and this register is subject to principles of public oversight as set out in the legislation of the country concerned (this applies to auditors and audit firms based in the COMESA region).

1.2. Subject of the Engagement

The subject of this engagement is the final financial Report in connection with the Grant Contract for the period covering 28th March 2019 to 30th October 2020 and the action entitled Project to establish an Electronic Single Window and improve the functionalities of ASYCUDA World for the implementation of the regional integration of the Union of Comoros, the 'Action'. Annex 1 to these ToR contains information about the Grant Contract.

1.3. Reason for the Engagement

The Coordinator is required to submit to the Contracting Authority an expenditure verification report produced by an external auditor in support of the payment requested by the Coordinator under Article 15 of the General Conditions of the Grant Contract. The Authorising Officer of the Commission requires this report because the payment of expenditure requested by the Coordinator is conditional on the factual findings of this report.

1.4. Engagement Type and Objective

This expenditure verification is an engagement to perform certain agreed-upon procedures with regard to the Financial Report for the Grant Contract by the Beneficiary(ies). The objective of the expenditure verification is for the Auditor to carry out the specific procedures listed in Annex 2A to these ToR and to submit to the Contracting Authority a report of factual findings with regard to the specific verification procedures performed. Verification means that the Auditor examines the factual information in the Financial Report of the Coordinator and compares it with the terms and conditions of the Grant Contract. As this engagement is not an assurance engagement the Auditor does not provide an audit opinion and expresses no assurance. The Contracting Authority assesses for itself the factual findings reported by the Auditor and draws its own conclusions from these factual findings. The duration of the engagement is set at 21 Days from the date these ToR are signed but not later than 30th November 2020.

1.5. Standards and Ethics

The Auditor shall undertake this engagement in accordance with:

- the International Standard on Related Services ('ISRS') 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by the IFAC;
- the IFAC Code of Ethics for Professional Accountants, developed and issued by IFAC's International Ethics Standards Board for Accountants (IESBA), which establishes fundamental ethical principles for Auditors with regard to integrity, objectivity,

independence, professional competence and due care, confidentiality, professional behaviour and technical standards. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the Contracting Authority requires that the Auditor is independent from the Beneficiary(ies) and complies with the independence requirements of the IFAC Code of Ethics for Professional Accountants.

1.6. Procedures, Evidence and Documentation

The Auditor plans the work so that an effective expenditure verification can be performed. The Auditor performs the procedures listed in Annex 2A of these ToR ('Listing of specific procedures to be performed') and applies the guidelines in Annex 2B (Guidelines for specific procedures to be performed). The evidence to be used for performing the procedures in Annex 2A is all financial and non-financial information which makes it possible to examine the expenditure claimed by the Coordinator in the Financial Report. The Auditor uses the evidence obtained from these procedures as the basis for the report of factual findings. The Auditor documents matters which are important in providing evidence to support the report of factual findings, and evidence that the work was carried out in accordance with ISRS 4400 and these ToR.

1.7. Reporting

The report on this expenditure verification should describe the purpose, the agreed-upon procedures and the factual findings of the engagement in sufficient detail to enable the Contracting Authority to understand the nature and extent of the procedures performed by the Auditor and the factual findings reported by the Auditor. The Auditor will report to the Contracting Authority during the entire period of the engagement.

The use of this Model Report for an Expenditure Verification in Annex 3 of these ToR is compulsory. This report should be provided by the Auditor to the Contracting Authority within 21 Days working days after the day of signature of these ToR.

1.8. Terms of Remuneration

TBD

- Annex 1** Information about the Grant Contract
- Annex 2A** Listing of specific procedures to be performed
- Annex 2B** Guidelines for specific procedures to be performed
- Annex 3** Model report for an expenditure verification of a grant contract

For the Contracting Authority:

Chileshe Mpundu Kapwepwe
COMESA Secretary General
Regional Authorising Officer

Signature:

Date:

For the Auditor:

<name and function>

Signature :

Date:

Annex 1 Information about the Grant Contract

Information about the Grant Contract	
Reference number and date of the Grant Contract	CS/CA/3/2019/004
Grant contract title	Capacity building project for implementation of the regional integration of the Malagasy Republic
Country	Madagascar
Coordinator	Project Coordinator: Johnny Jean-Georges RAHARINDRANTO (+261 329 730 819) Email: jean.georges.raharindranto@cir.mg Project Manager: Anna Ravelonahary (+261 340 552 304/344 604 609) Email: rvlnnhr@gmail.com
Beneficiary(ies) and affiliated entity(ies)	- The Ministry of Foreign Affaires -Ministry of Finance & Budget -Ministry of Industry Trade and Crafts -Private Sector groups
Start date of the implementation period of the Action	25 th September 2019
End date of the implementation period of the Action	24 th November 2020
Total eligible cost of the Action	EUR 1,338.795
Grant maximum amount	EUR 1,338.795
Total amount received to date by the Coordinator from Contracting Authority	EUR 294,368
Total amount of the payment request	-
Contracting Authority	Chileshe Mpundu Kapwepwe Secretary General & Regional Authorising Officer Comesa Secretariat, Ben Bella Road P.O BOX 30051, LUSAKA, ZAMBIA Email: secgen@comesa.int Tel: +260211 229725/32

Auditor	Name: TBA Title: Firm: Email: Tel:
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Annex 2A Listing of Specific Procedures to be performed

[This Annex is a standard listing of specific procedures to be performed and it shall not be modified]

1 GENERAL PROCEDURES

1.1. Terms and Conditions of the Grant Contract

The Auditor:

- obtains an understanding of the terms and conditions of the Grant Contract by reviewing the Grant Contract and its annexes and other relevant information, and by inquiry of the Coordinator;
- obtains a copy of the original Grant Contract (signed by the Beneficiary(ies) and the Contracting Authority) with its annexes;
- obtains and reviews the Report (which includes a narrative and a financial section) as per Article 2.1 of the General Conditions;
- verifies whether the Grant Contract is mono or multi-beneficiary (see Grant Contract introduction part; in case of a multi-beneficiary grant the term 'Coordinator' is used);
- verifies whether there is (are) an affiliated entity(ies) to any of the Beneficiary(ies) (see Article 7.1 of the Special Conditions).

Note: the purpose of the latter two procedures is for the Auditor to understand the Beneficiary(ies) responsibilities for reporting and access to staff and documents.

The Practical Guide ('PRAG') provides important information for grant contracts (e.g. basic rules and award procedures). Where necessary or useful reference will be made to the PRAG and / or its annexes.

The PRAG can be found at: <http://ec.europa.eu/europeaid/prag/document.do> (use the CTRL key to use link).

The latest key documents that are specifically related to grant contracts can be downloaded by clicking on PRAG, then on Annexes, then on Grants. The version indicated in the Call for Proposal and signed is the one to be used as reference.

1.2. Financial Report for the Grant Contract

The Auditor verifies that the Financial Report complies with the following conditions of Article 2 of the General Conditions the Grant Contract:

- The Financial Report must conform to the Results Based Financial Reporting template provided to the Beneficiary;
- The Financial Report should cover the eligible costs of the Action as a whole, regardless of which part of it is financed by the Contracting Authority;
- The Financial Report should be drawn up in English and French;
- The proof of the transfers of ownership of equipment, (Article 7.6 of the General Conditions of the Grant Contract) should be annexed to the final Financial Report.

1.3. Rules for Accounting and Record keeping

- The Auditor examines — when performing the procedures listed in this Annex — whether the Beneficiary has complied with the rules for accounting and record keeping of Article 16 of the General Conditions the Grant Contract including and notably:
- The accounts kept by the Beneficiary for the implementation of the Action must be accurate and regular;
- The Beneficiary must have a double-entry book-keeping system;
- The accounts and expenditure relating to the Action must be easily traceable, identifiable and verifiable.

1.4. Reconciling the Financial Report to the Beneficiary(ies)'s Accounting System and Records

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

1.5. Exchange Rates

The Auditor verifies that the financial report for the Action is stated in the currency set out in the Special Conditions and in accordance with Article 15.9 of the General Conditions. The Auditor verifies that costs incurred in other currencies than the one used in the Beneficiary's accounts for the Action have been converted in accordance with the Beneficiary's usual accounting practices and in accordance with Article 15.10 of the General Conditions unless otherwise provided for in the Special Conditions.

Costs incurred in other currencies than the one used in the Beneficiary(ies)'s accounts shall be converted using the monthly Infopreuro on the date of payment or according to its usual accounting practices if so provided for in the Special Conditions.

1.6. Simplified Cost Options

- The Auditor verifies with **Annex III of the Grant Contract** i.e. **Budget for the Action** whether the Beneficiary(ies) have applied for the application of simplified costs i.e. for the application of any or a combination of unit costs, lump sums, flat-rate financing and apportionment. Eligible costs for the Action may be based on any or a combination of actual costs incurred, unit costs, lump sums, flat-rate financing and apportionment. Simplified cost options can apply to one or more of the direct cost headings of the Budget for the Action and Financial Report (i.e. Specific Activity).
- The Auditor obtains an understanding of the conditions set out in:
 - **Article 2.1.c) of the General Conditions.** This Article stipulates that in case of simplified cost options the Report for the Action (narrative and financial) shall provide the qualitative and quantitative information needed to demonstrate the fulfilment of the conditions for reimbursement established in the Special Conditions;

- **Articles 14.3 to 14.5** of the General Conditions; provisions for simplified cost options.
- **Article 7.1** of the Special Conditions for apportionment

If simplified cost options apply, the Auditor performs the specific procedures set out at 3.1.(2) below.

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

2.1. Budget of the Grant Contract

The Auditor carries out an analytical review of the expenditure headings (Specific Activity) in the Financial Report.

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

2.2. Amendments to the Budget of the Grant Contract

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

- requested an amendment to the budget and obtained an addendum to the Grant Contract if such an addendum was required (Article 9 of the General Conditions).
- informed the Contracting Authority about the amendment if the amendment was within the scope of Article 9.4 of the General Conditions, and an addendum to the Grant Contract was not required.

3. PROCEDURES TO VERIFY SELECTED EXPENDITURE

3.1. Eligibility of Costs

The Auditor verifies, for each expenditure item selected, the eligibility criteria set out below.

(1) Actual costs incurred (Article 14.1)

The Auditor verifies that the actual expenditure for a selected item was incurred by and pertains to the Beneficiary(ies) or its (their) affiliated entity(ies). The Auditor should take into account the detailed conditions for actual costs incurred as set out in Article 14.1.(i) to (iii). For this purpose the Auditor examines supporting documents (e.g. invoices, contracts) and proof of payment. The Auditor also examines proof of work done, goods received or services rendered and he/she verifies the existence of assets if applicable.

At final reporting stage the costs incurred during the implementation period but not yet paid can be accepted as actual costs incurred, provided that (1) a liability exists (order, invoice or equivalent) for services rendered or goods supplied during the implementation period of the action, (2) the final costs are known and (3) these costs are listed in the final Financial Report (Annex VI) together with the estimated date of payment (see

Article 14.1.a).(ii) of the General Conditions). The Auditor verifies whether these cost items have effectively been paid at the moment of the auditor's verification.

(2) Simplified cost options¹ (Article 14.3 – 14.5)

Where simplified cost options apply (see general procedure 1.6) the Auditor verifies:

- which options (i.e. unit costs, lump sums, flat-rate financing or apportionment) apply and to which (sub)cost-headings and/or cost items (Annex III (Budget for the Action) of the Grant Contract);
- which amount(s) or percentage rate(s) have been contractually agreed (Annex III (Budget of the Action) of the Grant Contract);
- which quantitative and/or qualitative information was used to determine and justify the declared costs (e.g. number of staff, number of items purchased; type of costs and activities financed by a lump sum)²;
- only for unit costs, lump sums and flat-rate financing: whether the maximum amounts of simplified cost options for each beneficiary (this includes if applicable simplified cost options of its affiliated entity(ies)) are not exceeded, in accordance with the conditions established in the Contract;
- the plausibility (i.e. necessity, reasonableness, reality) of the quantitative and qualitative information related to the declared costs;
- that the costs covered by lump sums, unit costs, flat-rate financing or apportionment are not included (no double funding) in other direct costs, either actual or under simplified cost options;
- that the total costs stated in the Financial Report have been correctly determined;

Note: the Auditor is not required to verify the actual costs on which lump sums, unit costs or flat-rate financing are based.

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

The Auditor verifies that the expenditure for a selected item was incurred during the implementation period of the Action. An exception is made for costs relating to final reports including expenditure verification, audit and final evaluation reports of the Action and which may be incurred after the implementation period of the Action.

(4) Budget (Article 14.1b)

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

¹ Refer to Annex "E3a2 Checklist for simplified cost options" to the PRAG for additional information.

² In Annex III (Budget for the Action), the second column of worksheet no.2 ("Justification of the estimated costs") for each of the corresponding budget item or heading should:

- describe the information and methods used to establish the amounts or percentages of simplified cost options, to which costs they refer, etc.;
- explain the formulas for calculation of the final eligible amount;
- identify the beneficiary who use the simplified cost option (in case of affiliated entity, specify first the beneficiary), in order to verify the maximum amount for each beneficiary (which includes if applicable simplified cost options of its affiliated entity(ies)).

budget.

(5) Necessary (Article 14.1c)

The Auditor verifies whether it is plausible that the expenditure for a selected item was necessary for the implementation of the Action and that it had to be incurred for the contracted activities of the Action by examining the nature of the expenditure with supporting documents.

(6) Records (Article 14.1d)

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

(7) Applicable legislation (Article 14.1e)

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

(8) Justified (Article 14.1f)

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

(9) Valuation

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

(10) Classification

The Auditor examines the nature of the expenditure for a selected item and verifies that the expenditure item has been classified under the correct (sub)heading of the Financial Report.

(11) Compliance with Procurement Principles and Nationality and Origin Rules

The Auditor verifies whether the Beneficiary has concluded implementation contracts with contractors as set out in the COMESA Financial and Procurement Manuals and Regulations.

The Auditor verifies for the expenditure items concerned whether the Beneficiary has complied with the principles for procurement and the nationality and origin rules as set out in the COMESA Procurement Regulations and Manual.

For this purpose the Auditor inspects the underlying documents of the procurement and purchase process including where applicable proof of nationality and origin.

Where the Auditor finds issues of non-compliance, he/she reports the nature of such issues as well as their financial impact in terms of ineligible expenditure. When examining supporting documents the Auditor takes into account the risk indicators listed at the end of Annex 2B.

3.2. Eligible Direct Costs (Article 14.2)

- (1) The Auditor verifies that expenditure for selected items which are recorded under the Financial Report, are covered by the direct costs as defined in Article 14.2 by examining the nature of these expenditure items.
- (2) The Auditor verifies that duties, taxes and charges, including VAT which are recorded under direct costs are **not recoverable** by the beneficiary(ies) and/ or its(their) affiliated entities (see Article 14.2.g) of the General Conditions). The Auditor obtains evidence that the Beneficiary(ies) and or its affiliated entities cannot reclaim the duties, taxes or charges, including VAT through an exemption system and/or a refund *a posteriori*. For this purpose the Auditor should refer to Annex E3a1 (Information on the tax regime) which provides information on the tax regime applicable to grant contracts (*Note*: the standard template / text is annexed to the PRAG and it can be found at the PRAG website mentioned at procedure 1.1 above).

In case Article 7 of the Special Conditions provides that duties, taxes and charges, including VAT are not eligible, but the "accepted costs system" is introduced: they remain ineligible costs, but they can be accepted as co-financing. Therefore the Auditor additionally verifies that the tax amount concerned is reported under the financial report, is properly computed, in line with supporting documents (e.g. invoices) and relate to eligible costs and cost items included in the Financial Report.

3.3. Contingency Reserve (Article 14.6)

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

3.4. Indirect costs (Article 14.7)

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

3.5. In kind contributions (Article 14.8)

- (1) The Auditor verifies that the costs in the Financial Report do not include contributions in kind. Any contributions in kind (these should be listed separately in Annex III, Budget for the Action), do **not** represent actual expenditure and are not eligible costs.
- (2) Contributions in kind can be accepted as co-financing and in this case this should be explicitly stipulated in Article 7.1 of the Grant Contract. The Auditor verifies whether such co-financing is applicable and whether it is properly stated in the Financial Report.

3.6. Non-eligible costs (Article 14.9)

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

3.7. Revenues of the Action

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

Annex 2B Guidelines for Specific Procedures to be performed

[This Annex provides standard guidelines for the specific procedures to be performed and these guidelines must not be modified]

1. VERIFICATION EVIDENCE

When performing the specific procedures listed in Annex 2A, the Auditor may apply techniques such as inquiry and analysis, (re)computation, comparison, other clerical accuracy checks, observation, inspection of records and documents, inspection of assets and obtaining confirmations.

The Auditor obtains verification evidence from these procedures to draw up the report of factual findings. Verification evidence is all information used by the Auditor in arriving at the factual findings and it includes the information contained in the accounting records underlying the Financial Report and other information (financial and non-financial).

The contractual requirements that relate to verification evidence are:

- Expenditure should be identifiable, verifiable and recorded in the accounting records of the Beneficiary (Article 14.1.d of the General Conditions of the Grant Contract);
- The Beneficiary(ies) will allow any external auditor to carry out verifications on the basis of supporting documents for the accounts, accounting documents and any other document relevant to the financing of the Action. The Beneficiary gives access to all documents and databases concerning the technical and financial management of the Action (Article 16.3 of the General Conditions);
- Article 16.9 of the General Conditions of the Grant Contract provides a list of the types and nature of evidence that the Auditor will often find in expenditure verifications.

Moreover, for the purpose of the procedures listed in Annex 2A, records, accounting and supporting documents:

- shall be easily accessible and filed so as to facilitate their examination (Article 16.7 of the General Conditions);
- shall be available in the original form or in the form of copies (as set out in the PRAG), including in electronic form.

Guidance: records and accounting and supporting documents should be available in documentary form, whether paper, electronic or other medium (e.g. a written record of a meeting is more reliable than an oral presentation of the matters discussed). Electronic documents can be accepted only where:

- the documentation was first received or created (e.g. an order form or confirmation) by the Beneficiary(ies) in electronic form; or
 - the Auditor is satisfied that the Beneficiary uses an electronic archiving system which meets established standards (e.g. a certified system which complies with national law).
- should preferably be obtained from independent sources outside the entity (an original supplier's invoice or contract is more reliable than an internally approved receipt note);

- which is generated internally is more reliable if it has been subject to control and approval;
- Obtained directly by the Auditor (e.g. inspection of assets) is more reliable than evidence obtained indirectly (e.g. inquiry about the asset).

If the Auditor finds that the above criteria for evidence are not sufficiently met, he/she should detail this in the factual findings.

2. OBTAINING AN UNDERSTANDING OF THE TERMS AND CONDITIONS OF THE GRANT CONTRACT (ANNEX 2A — PROCEDURE 1.1)

The Auditor obtains an understanding of the terms and conditions of the Grant Contract. S/he should **pay particular attention to** Annex I of the Grant Contract (the Description of the Action), Annex II (General Conditions) and **Annex IV (Procurement by grant Beneficiaries in the context of European Union external actions) which provides principles for procurement and nationality and origin rules.. Failure to comply with these principles or rules makes expenditure ineligible for EU financing.**

The Auditor ensures with the Beneficiary that the applicable principles for procurement and the nationality and origin rules are clearly identified and understood. If the Auditor finds that the terms and conditions to be verified are not sufficiently clear he/she should request clarification from the Beneficiary.

3. SELECTING EXPENDITURE FOR VERIFICATION (ANNEX 2A — PROCEDURES 3.1 – 3.7)

The expenditure claimed by the Coordinator in the Financial Reports is generally represented as a Results Based Reporting which will represent **direct** costs of the Action. Expenditure headings can be broken down into expenditure subheadings such as Specific Activity.

. The form and nature of the supporting evidence (e.g. a payment, a contract, an invoice etc.) and the way expenditure is recorded (e.g. journal entries) vary with the type and nature of the expenditure and the underlying actions or transactions. However, in all cases expenditure items should reflect the accounting (or financial) value of the underlying actions or transactions, whatever the type and nature of the action or transaction concerned.

Value should be the principal factor used by the Auditor to select expenditure items or classes of expenditure items for verification. The Auditor selects high-value expenditure items to ensure an appropriate coverage of expenditure.

4. VERIFICATION COVERAGE OF EXPENDITURE (ANNEX 2A — PROCEDURES 3.1 – 3.7)

The Auditor applies the principles and criteria set out below when planning and performing the specific verification procedures for selected expenditure in Annex 2A (procedures 3.1–3.7).

Verification by the Auditor and verification coverage of expenditure items does not necessarily mean a complete and exhaustive verification of all the expenditure items that are included in a specific expenditure heading or subheading. The Auditor should

ensure a systematic and representative verification. Depending on certain conditions (see further below) the Auditor may obtain sufficient verification results for an expenditure heading or subheading by looking at a limited number of selected expenditure items.

The Auditor may apply statistical sampling techniques for the verification of one or more expenditure headings or subheadings of the Financial Report. The Auditor examines whether 'populations' (i.e. expenditure subheadings or classes of expenditure items within expenditure subheadings) are suitable and sufficiently large (i.e. are made up of large numbers of items) for effective statistical sampling.

If applicable the Auditor should explain in the report of factual findings for which headings or subheadings of the Financial Report sampling has been applied, the method used, the results obtained and whether the sample is representative.

The Expenditure Coverage Ratio ('ECR') is the total amount of expenditure verified by the Auditor, expressed as a percentage of the total amount of expenditure reported by the Coordinator in the Financial Report. This amount is reported in Annex V of the Grant Contract.

The Auditor ensures that the overall ECR is at least **65%**. If he/she finds an exception rate of less than 10% of the total amount of expenditure verified (i.e. 6.5%) the Auditor finalises the verification procedures and continues with reporting.

If the exception rate found is higher than 10% the Auditor extends verification procedures until the ECR is at least **85%**. The Auditor then finalises verification procedures and continues with reporting regardless of the total exception rate found. The Auditor ensures that the **ECR for each expenditure heading and subheading** in the Financial Report is at least **10%**.

5. PROCEDURES TO VERIFY SELECTED EXPENDITURE (ANNEX 2A — PROCEDURES 3.1 – 3.7)

The Auditor verifies the selected expenditure items by carrying out procedures 3.1–3.11 listed in Annex 2A and reports all the factual findings and exceptions resulting from these procedures. Verification exceptions are all verification deviations found when performing the procedures set out in Annex 2A.

The Auditor quantifies the amount of verification exceptions found and the potential impact on the EU contribution, should the expenditure item(s) concerned ineligible (taking into account the percentage of funding by the Commission and the impact on indirect expenditure (e.g. administrative costs, overheads)). The Auditor reports all exceptions found, including those for which he/she cannot quantify the amount of the verification exception found and the potential impact on the EU contribution.

Example: if the Auditor finds an exception of €1000 with regard to procurement principles for a grant contract where the EU finances 60% of the expenditure and where indirect costs represent 7% of total direct eligible expenses, the Auditor reports an exception of €1000 and a financial impact of 642€ (€1000 x 60% x 1.07).

RISK INDICATORS PROCUREMENT

- Inconsistencies in the dates of the documents or illogical sequence of dates.
Examples:
 - Tender dated after the award of contract or before the sending of the invitations to tender
 - Tender by the winning tenderer dated before the publication date of the tender or dated significantly later than tenders from other tenderers
 - Tenders by different candidates all having the same date
 - Dates on documents not plausible/consistent with dates on accompanying documentation (e.g. date on the tender not plausible/consistent with the postal date on the envelope; date of a fax not plausible/consistent with the printed date of the fax machine)
- Unusual similarities in tenders by candidates participating in the same tender.
Examples:
 - Same wording, sentences and terminology in tenders from different tenderers
 - Same layout and format (e.g. font type, font size, margin sizes, indents, paragraph wrapping, etc.) in tenders from different tenderers
 - Similar letterhead paper or logos
 - Same prices used in tenders from different tenderers for a number of subcomponents or line items
 - Identical grammar, spelling or typing errors in tenders from different tenderers
 - Use of similar stamps and similarities in signatures
- Financial statement or other information indicating that two tenderers participating in the same tender are related or part of the same group (e.g. where financial statements are provided, the notes to the financial statements may disclose ultimate ownership of the group. Ownership information may also be found in public registers for accounts.)
- Inconsistencies in the selection and award decision process. Examples:
 - Award decisions not plausible / consistent with selection and award criteria
 - Errors in the application of the selection and award criteria
 - A regular supplier of the beneficiary participates as a member of a tender evaluation committee
- Other elements and examples indicating a risk of a privileged relationship with tenderers:
 - The same tenderer (or small group of tenderers) is invited with unusual frequency to tender for different contracts
 - The same tenderer (or small group of tenderers) wins an unusually high proportion of the bids
 - A tenderer is frequently awarded contracts for different types of goods or services
 - The winning tenderer invoices additional goods not provided for in the tender (e.g. additional spare parts invoiced without clear justification, installation costs invoiced although not provided for in the tender).
- Other documentation, issues and examples indicating a risk of irregularities:
 - Use of photocopies instead of original documents

- Use of pro-forma invoices as supporting documents instead of official invoices
- Manual changes on original documents (e.g. figures manually changed, figures 'tippexed', etc.)
- Use of non-official documents (e.g. letterhead paper not showing certain official and/or compulsory information such as commercial registry number, company tax number, etc.)

Annex 3 Model Report for Expenditure Verification Grant Contract

HOW TO USE THIS MODEL REPORT: All text highlighted in yellow in this model report is for instruction only and auditors should remove it after use. Information requested in pointed brackets <.....> (e.g. <name of the Coordinator>) must be filled in by the auditor.

<To be printed on AUDITOR'S letterhead>

Report for an Expenditure Verification of a Grant Contract

External Actions of the European Union

Capacity building project for implementation of the regional integration of the Malagasy Republic - CS/CA/3/2019/004

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Report of Factual Findings

< name of the Contracting Authority>

<Address>

<dd Month yyyy>

Dear **<Name of contact person(s)>**

In accordance with the terms of reference dated **<dd Month yyyy>** that you agreed with us, we provide our Report of Factual Findings ('the Report'), with respect to the accompanying Financial Report for the period covering **<dd Month yyyy — dd Month yyyy>** (Annex 1 of this Report). You requested certain procedures to be carried out in connection with the Financial Report and the COMESA Adjustment Facility financed Grant Contract Regional Integration Implementation Project, SC/CA/EDF10/2016/001, the 'Grant Contract'.

Objective

Our engagement was an expenditure verification, which is an engagement to perform certain agreed-upon procedures with regard to the Financial Report for the Grant Contract between you and the Common Market for Eastern and Southern Africa (COMESA) the 'Contracting Authority'. The objective of this expenditure verification is

for us to carry out certain procedures to which we have agreed and to submit to you a report of factual findings with regard to the procedures performed.

Standards and Ethics

Our engagement was undertaken in accordance with:

International Standard on Related Services ('ISRS') 4400 *Engagements to perform Agreed-upon Procedures regarding Financial Information* as promulgated by the International Federation of Accountants ('IFAC');

the *Code of Ethics for Professional Accountants* issued by the IFAC. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the Contracting Authority requires that the auditor also complies with the independence requirements of the *Code of Ethics for Professional Accountants*;

Procedures performed

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

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

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

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

Sources of Information

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

Factual Findings

The total expenditure which is the subject of this expenditure verification amounts to EUR <xxxxxx>.

The Expenditure Coverage Ratio is <xx%>. This ratio represents the total amount of expenditure verified by us, expressed as a percentage of the total expenditure which is the subject of this expenditure verification. The latter amount is equal to the total amount of expenditure reported by you in the Financial Report and claimed by you for deduction from the total sum of pre-financing under the Grant Contract as per your Payment Request of <dd Month yyyy>.

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

Use of this Report

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

This report is prepared solely for your own confidential use and solely for the purpose of satisfying the requirements as set out in Article 14 of the General Conditions of the Grant Contract. This report may not be relied upon by you for any other purpose.

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

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

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

Yours sincerely,

Auditor's signature [person or firm or both, as appropriate and in accordance with company policy]

Name of Auditor signing [person or firm or both, as appropriate]

Auditor's address [office having responsibility for the engagement]

Date of signature <dd Month yyyy> [date when the final report is signed]

1 Information about the grant contract

<Chapter 1 should include a brief description of the Grant Contract and the Action, the Coordinator/Beneficiary(ies)/Affiliated entity(ies), and key financial/budget information (maximum 1 page).>

2 Procedures performed and factual findings

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

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

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

<Explain here any difficulties or problems encountered>

The total expenditure verified by us amounts to EUR <xxx> and is summarised in the table below. The overall Expenditure Coverage Ratio is <xx%>.

<Provide here a summary table of the Financial Report in Annex 1, presenting for each (sub) heading the total expenditure amount reported by the Coordinator, the total expenditure amount verified and the percentage of expenditure covered>

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

1. General Procedures

1.1 Terms and Conditions of the Grant Contract

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

<Describe factual findings and specify errors and exceptions. **Procedures 1.1–1.6 in Annex 2A. If there are no factual findings, this should be explicitly stated as follows for each procedure: 'No factual findings have arisen from this procedure'.**>

1.2 Financial Report for the Grant Contract

1.3 Rules for Accounting and Record Keeping

1.4 Reconciling the Financial Report to the Beneficiary's Accounting System and Records

1.5 Exchange Rates

1.6 Simplified Cost Options

2. Procedures to verify conformity of Expenditure with the Budget and

Analytical Review

2.1 Budget of the Grant Contract

2.2 Amendments to the Budget of the Grant Contract

<Describe factual findings and specify errors and exceptions. Procedures 2.1–2.2 in Annex 2A. If there are no factual findings this should be explicitly stated as follows for each procedure: ‘No factual findings have arisen from this procedure’.>

3 Procedures to verify selected Expenditure

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

We have quantified the amount of the verification exceptions found and the potential impact on the COMESA contribution, should COMESA declare the expenditure item(s) concerned ineligible. We have reported all the exceptions found, including the ones for which we cannot quantify the amount or the potential impact on the COMESA contribution.

<Specify the expenditure amounts / items for which exceptions (= deviations between facts and criteria) were found, and the nature of the exception — this means which of the specific condition(s) described in point 3.1– 3.7 of Annex 2A of the ToR were not respected. Quantify the amount of verification exceptions found and the potential impact on the COMESA contribution, should COMESA declare the expenditure item(s) concerned ineligible.>

3.1 Eligibility of Costs

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

<Describe factual findings and specify errors and exceptions. Procedure 3.1 in Annex 2A: eligibility of costs and the eligibility criteria (1) to (9). Example: we found that an expenditure amount of €6 500 included in Specific Activity 3.2.1 of the Financial Report was not eligible. An amount of €2 000 related to expenditure incurred outside the implementation period. Supporting evidence was not available for 3 transactions totalling €1.200. The required procurement rules for purchases of office computers for €3.300 were not respected. (Note: relevant details such as accounting record references or documents should be provided).>

3.2 Eligible Direct Costs (Article 14.2)

3.3 Contingency Reserve (Article 14.6)

3.4 Indirect Costs (Article 14.7)

3.5 In kind contributions Article 14.8)

3.6 Non-eligible costs (Article 14.9)

3.7 Revenues of the Action

<Describe factual findings and specify errors and exceptions. Procedures 3.2–3.7 in Annex 2A>

Annex 1 Financial Report for the Grant Contract

<Annex 1 should include the Beneficiary's financial report for the Grant Contract which is the subject of the verification. The financial report should be **dated** and **indicate** the **period covered**.>

Annex 2 Terms of Reference Expenditure Verification

<Annex 2 should include a **signed** and **dated** copy of the terms of reference for the expenditure verification of this Grant Contract including **Annex 1** (information about the Grant Contract) **and Annex 2A** (Listing of the specific **procedures** to be performed).>