

**Report for an Expenditure Verification  
of a Grant Contract  
External Actions of the European Union  
Contract „The Book Platform” № ENPI  
2011/255-894**

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## Report of Factual Findings

*Yana Genova, Director, „Next Page“ Foundation  
The Next Page Foundation,  
60, Ekzarh Jossif Str., 1000, Sofia, Bulgaria*

31.03.2013г.

Dear Mrs Genova,

In accordance with the terms of reference dated *03.12.2012* 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 *01.01.2013 – 28.02.2013* (Annex 1 of this Report). You requested certain procedures to be carried out in connection with your Financial Report and the European Union financed Grant Contract concerning помощ „*The Book Platform*” ENPI 2011/255-894, 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 European Union, represented by the European Commission, 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 you 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:

**176 831,37 €.**

The Expenditure Coverage Ratio is **93,46%**. This ratio represents the total amount of expenditure verified by us expressed as a percentage of the total expenditure which has been 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 Request for Payment of *31.03.2013*.

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 submission by you to the Contracting Authority in connection with the requirements as set out in Article 15 of the General Conditions of the Grant Contract. This report may not be relied upon by you for any other purpose, nor may it be distributed to any other parties.

The Contracting Authority is not a party to the agreement (the terms of reference) between you and us and therefore we do not owe or assume a duty of care to the Contracting Authority who may rely upon this expenditure verification report at its own

risk and discretion. The Contracting Authority can assess for itself the procedures and findings reported by us and draw its own conclusions from the factual findings reported by us.

The Contracting Authority may only disclose this Report to others who have regulatory rights of access to it in particular 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,

**Auditors' signature:**

**Name of Auditor signing:** *CPA Vasil Kalaidzhiev*

**Auditors' address:** *Metlichina poliana Str. Bl.114A, flat 55, 1404, Sofia, Bulgaria,  
Postal Code 1404*

**Date of signature:** *31.03.2013*

## **Information about the Grant Contract**

On 12.12.2011 „Next Page” Foundation („Beneficiary”), with registration № 111892001 and address: 60, Ekzarh Jossif Str., 1000, Sofia, Bulgaria, signed with the European Commission, which is a representative of the European Union, a Grant Contract „The Book Platform” № ENPI 2011/255-894. The purpose of the Grant Contract is the implementation of Action „The Book Platform”. The project’s idea is in accordance to Eastern Partnership Program, which supports role of culture and sustainable development of the region and promoting regional cooperation between public institutions, civil society, academic and cultural organizations in the region and the European Union. By its nature the project aims to support the development of knowledge and skills and to create international networks for the establishment of intelligent policies for building supportive environment for healthy, sustainable and open book culture in the three countries - Armenia, Georgia and Ukraine.

For the implementation of the activities of the Action above, the "Next Page" Foundation has entered into agreements with partners in Georgia, Armenia and Ukraine. There are two signed contracts with two different partners from Ukraine, because the first partner had given up in the middle of the accounting period (01.01.2012 – 28.02.2013). Partnership contracts are as follows:

- ✓ Partnership agreement with the National Publishers Association of the Republic of Armenia, 25.01.2012
- ✓ Partnership Contract with the Georgian Association of Publishers and Booksellers, 24.01.2012;
- ✓ Partnership Contract with the "Renaissance" Foundation, Ukraine, 08.02.2012
- ✓ Partnership Contract with NGO "Forum of Publishers' Ukraine, 28.09.2012;

The table below presents the Action budget for the entire period of its implementation, and for the first reporting period (01.01.2012 - 28.02.2013).

**Budget for the project implementation**

Costs	Costs for the whole project (EUR)	Costs for the first reporting period (EUR)
Human Resources	273 590.00	142 250.00
Travel	37 860.00	12 750.00
Equipment and supplies	10 950.00	10 950.00
Local office	39 390.00	15 756.00
Other costs, services	131 290.00	74 035.00
Other	5 400.00	2 100.00
<b>Direct eligible costs of the Action (1-6)</b>	<b>498 480.00</b>	<b>257 841.00</b>
Provision for contingency reserve (maximum 5% of 7, subtotal of direct eligible costs of the Action)	24 924.00	9 969.60
<b>Total direct eligible costs of the Action (7+ 8)</b>	<b>523 404.00</b>	<b>267 810.60</b>
Administrative costs (maximum 7% of 9, total direct eligible costs of the Action)	36 638.28	14 655.31
<b>Total eligible costs (9+10)</b>	<b>560 042.28</b>	<b>282 465.91</b>

The first effectively received tranche of the Action is 180 778, 40 €. It represents 80% of 80% of the total eligible costs of the estimated budget for the first reporting period, funded by the European Union.

Costs, included in the first reporting period of the Action, for the Beneficiary and for each country – partner are as follows:

**Reported costs for the period 01.01.2012г. - 28.02.2013**

№	Country	Reported costs (amount)	
		Local currency	EUR
1	Bulgaria	BGN 205 601.46	105 123.97
2	Armenia	AMD 14 958 749.49	28 871.76
3	Georgia	GEL 66 278.95	31 116.88
4	Ukraine	UAH 121 172.03	11 718.77
		<b>Total:</b>	<b>176 831.37</b>

## **Procedures performed and Factual Findings**

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

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.

We have not encountered any difficulties or problems, arise in defining the scope of the expenditure verification.

The total expenditure verified by us amounts to 176 831,37 € and is summarised in the table below. The overall Expenditure Coverage Ratio is 93,46%.

The following table presents a summary of the financial report in Annex 1 showing each (sub) heading, the total amount of expenditure reported by the Beneficiary, the amount of the verified total cost and the percentage of covered expenses.

## Summary table, abstract of the financial statement in Annex 1

Position (Subposition)	Expenditure reported by the Beneficiary (EUR)	Amount of the verified total cost (EUR)	Percentage of covered expenses (%)
<b>1. Human Resources</b>			
<b>1.1 Salaries (gross amounts, local staff)</b>			
Subtotal 1.1.1. Technical	23 157.24	23 157.24	100.00%
Subtotal 1.1.2 Administrative/ support staff	36 746.20	36 746.20	100.00%
<b>Subtotal 1.1 Salaries (gross amounts, local staff)</b>	<b>59 903.44</b>	<b>59 903.44</b>	<b>100.00%</b>
<b>1.2 Salaries (gross amounts, expat/int. staff)</b>			
<b>Subtotal 1.2 Salaries (gross amounts, expat/int. staff)</b>	<b>21 731.15</b>	<b>21 731.15</b>	<b>100.00%</b>
<b>1.3 Per diems for missions/travel</b>			
1.3.1 Abroad (staff assigned to the Action)	1 874.28	1 874.28	100.00%
1.3.2 Local (staff assigned to the Action)	193.42	193.42	100.00%
1.3.3 Seminar/conference participants	0.00	0.00	0.00%
<b>Subtotal 1.3 Per diems for missions/travel</b>	<b>2 067.71</b>	<b>2 067.71</b>	<b>100.00%</b>
<b>Subtotal 1. Human Resources</b>	<b>83 702.30</b>	<b>83 702.30</b>	<b>100.00%</b>
<b>2. Travel</b>			
2.1. International travel	10 168.68	10 168.68	100.00%
2.2 Local transportation	330.31	330.31	100.00%
<b>Subtotal 2. Travel</b>	<b>10 498.99</b>	<b>10 498.99</b>	<b>100.00%</b>
<b>3. Equipment and supplies</b>			
3.1 Purchase or rent of vehicles	0.00	0.00	0.00%
3.2 Furniture, computer equipment	2 491.99	2 491.99	100.00%
3.3 Machines, tools...	0.00	0.00	0.00%
3.4 Spare parts/equipment for machines, tools	0.00	0.00	0.00%
3.5 Other (please specify)	0.00	0.00	0.00%
<b>Subtotal 3. Equipment and supplies</b>	<b>2 491.99</b>	<b>2 491.99</b>	<b>100.00%</b>
<b>4. Local office</b>			
Subtotal 4. Local office - Armenia	6 267.57	6 267.57	100.00%
Subtotal 4. Local office - Georgia	6 651.67	6 651.67	100.00%
Subtotal 4. Local office - Ukraine	7 893.47	7 893.47	100.00%
<b>Subtotal 4. Local office - Armenia, Georgia, Ukraine</b>	<b>20 812.71</b>	<b>20 812.71</b>	<b>100.00%</b>
<b>5. Other costs, services</b>			
<b>Subtotal 5.1. Publications</b>	<b>4 904.44</b>	<b>4 904.44</b>	<b>100.00%</b>
<b>5.2 Studies, research</b>			
Subtotal 5.2. Studies, research - Armenia	4 993.15	4 993.15	100.00%
Subtotal 5.2. Studies, research - Georgia	4 066.67	4 066.67	100.00%
Subtotal 5.2. Studies, research - Ukraine	0.00	0.00	0.00%
<b>Subtotal 5.2. Studies, research - Armenia, Georgia, Ukraine</b>	<b>9 059.81</b>	<b>9 059.81</b>	<b>100.00%</b>
5.3 Auditing costs	0.00	0.00	0.00%
5.4 Evaluation costs	0.00	0.00	0.00%
<b>Subtotal 5.5. Translation, interpreters</b>	<b>7 551.37</b>	<b>7 551.37</b>	<b>100.00%</b>
5.6 Financial services (bank guarantee costs etc.)	0.00	0.00	0.00%
5.7 Costs of conferences/seminars	0.00	0.00	0.00%
<b>Subtotal 5.7. Costs of conferences/seminars</b>	<b>20 163.45</b>	<b>20 163.45</b>	<b>100.00%</b>
<b>Subtotal 5.8. Visibility actions</b>	<b>4 150.19</b>	<b>4 150.19</b>	<b>100.00%</b>
<b>Subtotal 5. Other costs, services</b>	<b>45 829.26</b>	<b>45 829.26</b>	<b>100.00%</b>
<b>6. Other</b>			
<b>Subtotal 6. Other</b>	<b>1 927.72</b>	<b>1 927.72</b>	<b>100.00%</b>
7. Subtotal direct eligible costs of the Action (1-6)	165 262.97	165 262.97	100.00%
8. Provision for contingency reserve (maximum 5% of 7, subtotal of direct eligible costs of the Action)	0.00	0.00	0.00%
<b>9. Total direct eligible costs of the Action (7+ 8)</b>	<b>165 262.97</b>	<b>165 262.97</b>	<b>100.00%</b>
10. Administrative costs (maximum 7% of 9, total direct eligible costs of the Action)	11 568.41	0.00	0.00%
<b>11. Total eligible costs (9+10)</b>	<b>176 831.37</b>	<b>165 262.97</b>	<b>93.46%</b>

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.

The Grant contract corresponds to the model in Annex G. We got to know all Grant contracts's annexes, particularly the action plan contained in Annex 1 of the Grant contract, the Terms of Reference in Annex II and with rules of public procurement (national and general) in Annex IV. We have found that the nationality and origin rules are identified and understood.

#### Table of errors and exceptions

Nº	Position / Subposition	Error (EUR)	Exception (EUR)
1	No factual findings have arisen from this procedure.		
<b>Total:</b>		<b>0,00</b>	<b>0,00</b>

### 1.2. Financial Report for the Grant Contract

✓ The financial report set out in Annex I of this report on factual findings, meets the requirements in Annex II of the Terms of reference of the Grant contract and corresponds to the model in Annex VI of the Grant contract.

✓ The financial report cover the Action as a whole. We have carried out procedures for the Action implementation in all partner countries and almost all main items in the estimated budget. The above was made despite the fact that the Action is financed as agreed in the Grant Contract, namely 80% of the estimated budget is funded by the Contracting Authority and 20% - from ownership of the Beneficiary;

✓ The financial report have been prepared in the language of the Grant contract;

✓ There are any conditions set out in Article 7.3. of the Terms of Reference of the Grant contract. The financial report, set out in Annex 1 to this report of factual findings, is interim.

#### Table of errors and exceptions

Nº	Position / Subposition	Error (EUR)	Exception (EUR)
1	No factual findings have arisen from this procedure.		
<b>Total:</b>		<b>0,00</b>	<b>0,00</b>

### 1.3. Rules for Accounting and Record keeping

✓ Beneficiary has complied with the accounting rules of Article 16 of the General Conditions of the Grant contract. The Beneficiary has a double-entry book-keeping system. The accounts are kept regularly and in accordance with applicable accounting and tax legislation in Bulgaria (the beneficiary's country). Information from the accounts kept by the Beneficiary for the implementation of the Action is accurate and up to date.

✓ Accounts and costs associated with the activity are easily identifiable and verifiable. We pay attention to the fact that some of the costs are not classified into the correct accounts. However, we feel it is important to note that the costs of the financial report are presented in the exact positions and subpositions. Value discrepancies between the documents and accounting records were not found.

✓ The accounts do not provide information about the interest accrued on funds paid by the Contracting Authority, because these are not charged.

#### Table of errors and exceptions

No	Position / Subposition	Error (EUR)	Exception (EUR)
1	No factual findings have arisen from this procedure.		
<b>Total:</b>		<b>0,00</b>	<b>0,00</b>

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

The correlation between the records in the accounting system and reported costs in the relevant positions and subpositions in the financial report are audited. As we said above, we draw attention to the fact that some of the costs were not classified into the correct accounts. However, we feel it is important to note that the costs of the financial report are presented in the exact headings and subheadings. Value discrepancies between the documents and accounting records were not found.

We would like to draw your attention to the fact that in the report of Beneficiary's partner from Armenia there were not referencing positions in the financial report with the documents incorporated in them. This significantly impeded the costs verification. However valuable differences between the documents and accounting records were not found.

#### Table of errors and exceptions

No	Position / Subposition	Error (EUR)	Exception (EUR)
1	No factual findings have arisen from this procedure.		
<b>Total:</b>		<b>0,00</b>	<b>0,00</b>

## 1.5. Exchange Rates

We have found that the amounts of expenditure incurred in a currency other than the euro have been converted at the exchange rate, that consists of the average of the rates published in InforEuro the month covered by the financial report, as provided in Article 15.8 of the Terms of Reference of the Grant contract. The table below shows the average exchange rates for the first reporting period (01.01.2012 - 28.02.2013).

**Exchange rates for the period 01.01.2012г. - 28.02.2013**

№	Country	Exchange rate	
1	Bulgaria	BGN/EUR	1,96
2	Armenia	AMD/EUR	518,11
3	Georgia	GEL/EUR	2,13
4	Ukraine	UAH/EUR	10,34

**Table of errors and exceptions**

№	Position / Subposition	Error (EUR)	Exception (EUR)
1	No factual findings have arisen from this procedure.		
<b>Total:</b>		<b>0,00</b>	<b>0,00</b>

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

### 2.1. Budget of the Grant Contract

We have performed an analytical review of the expenditure positions in the financial report and the forecast budget for the first reporting period.

We have found that the budget of the financial report comply with the budget of the Grant Contract, except some positions. The table below shows the positions in which there is a gap between the budget and financial report.

№	Position (Subposition)	Amount in budget (EUR)	Amount in Financial report (EUR)	Difference (EUR)
1.1.2.	Administrative/ support staff	29400	33200	-3800
1.2.	Salaries (gross amounts, expat/int. staff)	30060	35070	-5010
4	Local office - Armenia	5700	6650	-950
4	Local office - Georgia	5556	6482	-926
4	Local office - Ukraine	4500	5250	-750

The amount in the budget is planned for 12 months. The Beneficiary has requested an extension of two months of the reporting period. We have found that the difference, shown in above table, is in a result of the extension of the reporting period and the amount of that difference is the salaries of the persons for the two additional months.

The costs incurred are shown in the budget of the Grant contract.

### Table of errors and exceptions

Nº	Position / Subposition	Error (EUR)	Exception (EUR)
1	No factual findings have arisen from this procedure.		
<b>Total:</b>		<b>0,00</b>	<b>0,00</b>

## 2.2. Amendments to the Budget of the Grant Contract

On 23.11.2012 the Beneficiary has requested an extension of the reporting period. This request was adopted on 03.12.2012 and the closing date for the first reporting period of the Action changed from 31.12.2012 to 28.02.2013. The total value of the estimated expenditure of the budget remains the same. The Beneficiary did not want changes to the budget, according to Art. 9.1 of the Terms of Reference of the Grant contract. The Beneficiary had not transferred any funds between positions and subpositions (according to Art. 9.2 of the terms and conditions of the Grant contract).

### Table of errors and exceptions

Nº	Position / Subposition	Error (EUR)	Exception (EUR)
1	No factual findings have arisen from this procedure.		
<b>Total:</b>		<b>0,00</b>	<b>0,00</b>

## 3. PROCEDURES TO VERIFY SELECTED EXPENDITURE

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

We have quantified the amount of the verification exceptions found and the potential impact on the EU contribution, should the Commission declare the expenditure item(s) concerned ineligible (where applicable taking into account the percentage of funding of the Commission and the impact on indirect expenditure (e.g. administrative costs)). We have reported all exceptions found including the ones of which we cannot quantify the amount of the verification exception found and the potential impact on the EU contribution.

Below are listed the findings of our procedures are performed in conjunction with Annexes 2A and 2B of the ToR for this Expenditure Verification.

### 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.

We have checked for each selected item of expenditure eligibility criteria listed below.

(1) *Costs actually incurred (Article 14.1)*

We have found that the actual costs incurred relate to the Beneficiary. For this purpose, we have checked the supporting documents (such as invoices, contracts) and proofs of payment of such costs (cash and bank documents). We also have considered the evidence for the work done on the Action (such as attendance lists of workshops, protocols for received documents and other). We have checked also the availability of computer equipment acquired in connection with the Action.

In the course of the above verification we did not find any costs, that are not actually incurred and we did not find costs that are not actually paid. We also did not find any shortages or surpluses of assets acquired in connection with the Action.

(2) *Cut-off - Implementation period (Article 14.1a)*

We have found that the costs, shown in the financial report occurred during the implementation period.

(3) *Budget (Article 14.1b)*

We have found that the costs listed in the financial report are indicated in the budget for the period. Exceptions can be made only about:

- ✓ Senior expert 3: Translation and promotion of translations (difference amounted to 1 550.00 €);
- ✓ Local (staff assigned to the Action) (difference amounted to 193.42 €)

The above mentioned difference – payment of the Senior expert 3 is a result of the fact that the Beneficiary has paid for this service, because they has been done, despite of the fact that they are not planned in the budget **for the first twelve months of the project**. The second case – Local (staff assigned to the Action), is a Local Partner own financial contribution.

We have found that the services are really implemented and are related to the Action.

(4) *Necessary (Article 14.1c)*

We have checked whether the costs referred in the financial report are required to the implementation of the Action and whether this costs should be made for the implementation of the agreed actions observing the nature of the costs and the supporting documents.

We have found that there are not any accounted costs, which are not necessary for the implementation of the Action.

(5) *Records (Article 14.1d)*

We have found that the costs, shown in the financial report, are included in the Beneficiary's accounting system in accordance to the applicable accounting standards in

Beneficiary's country – Bulgaria. The Beneficiary's usual cost accounting practices is taken under attention.

(6) *Justified (Article 14.1e)*

We have found that the costs shown in the financial report are substantiated by evidences.

The text below describes in details the particular groups of evidence:

- ✓ Accounting records are reasonable;
- ✓ Procedures for procurement are properly and fully documented. (see more details in section 3.1., item 9);
- ✓ The Beneficiary has entered into contracts to provide services (such as for interpreters) which are properly documented.
- ✓ The Beneficiary has reported trips in the partner countries and participation in seminars, which contain all the necessary documents as proof of actual travel – tickets, boarding passes and evidence for participation in seminars – attendance lists, photos;
- ✓ All costs reported by the Beneficiary in the attached financial report are based on relevant supporting documents – invoices, receipts, contracts, remuneration notes and other;
- ✓ All costs reported by the Beneficiary in the attached financial report are actually paid, as evidenced by statements from the bank account of the beneficiary, as well as its cash accounts;
- ✓ The expenses reported in the attached financial report, if it is applicable, include VAT. These are eligible costs, because the Beneficiary has no VAT registration and therefore it will not recover it from the state budget.
- ✓ The remuneration of staff and persons employed in civil contracts are properly calculated according to the applicable accounting and tax legislation in Bulgaria. Time schedules are prepared and duly completed in accordance with the completed activities in the Action.
- ✓ The Beneficiary allowed full access to all supporting documents for costs of the Action and all assets acquired in connection with the Action.

(7) *Valuation*

We have found that the cash amount of selected expenditure positions corresponds to the primary documents (as invoices, statements of the bank accounts, remuneration notes and other) and that the correct exchange rates had been used where it is applicable.

(8) *Classification*

We have checked the nature of the expenditures, included into the financial report and we have found that the expenditures were classified in the correct positions or subpositions of the financial report.

(9) *Compliance with Procurement, Nationality and Origin Rules*

We have checked the procurement rules – Nationality and Origin Rules – which apply public procurement for a certain expenditure (sub) position, class of expenditure items or expense item. We have checked whether the costs were incurred in accordance with these rules by considering the basic documents of the process of procurement. We have found that the tender documents contain the necessary documents, such as offers from tenderers, evaluation reports, the independence requirements of the commission, which chose the contractor for the subject of the public procurement had been met, there are signed contracts with the selected contractors after the date of their election. The commission has made its choice on basis of most economically advantageous tender (ie, the tender offering the best price-quality ratio). Contractors have issued the relevant supporting documents (invoices, etc.) for the services they render. The part of them that is paid at the end of the reporting period are included in the financial report.

During the verification we did not find any acts of non-compliance with procurement rules we did not find failure of one or more risk indicators listed in Annex 2B of Terms of reference of that expenditure verification.

(10) *Table of errors and exceptions*

**Table of errors and exceptions**

<b>Nº</b>	<b>Position / Subposition</b>	<b>Error (EUR)</b>	<b>Exception (EUR)</b>
1	No factual findings have arisen from this procedure.		
<b>Total:</b>		<b>0,00</b>	<b>0,00</b>

**3.2. Eligibility of Direct Costs (Article 14.2)**

Expenditures on selected items are recorded at the direct expense headings from 1 to 6 of the financial report. The pointed expenditures are covered by the direct costs as defined in Article 14.2 of the General Conditions of the Grant contract.

**Table of errors and exceptions**

<b>Nº</b>	<b>Position / Subposition</b>	<b>Error (EUR)</b>	<b>Exception (EUR)</b>
1	No factual findings have arisen from this procedure.		
<b>Total:</b>		<b>0,00</b>	<b>0,00</b>

**3.3. Provision for Contingency Reserve (Article 14.3)**

No factual findings have arisen from this procedure

**Table of errors and exceptions**

<b>Nº</b>	<b>Position / Subposition</b>	<b>Error (EUR)</b>	<b>Exception (EUR)</b>
1	No factual findings have arisen from this procedure.		
<b>Total:</b>		<b>0,00</b>	<b>0,00</b>



**3.4. Administrative costs (Article 14.4)**

We have found that indirect costs for covering the administrative overheads (position 10 of the financial report) does not exceed 7% of total direct eligible costs of the Action.

**Table of errors and exceptions**

<b>Nº</b>	<b>Position / Subposition</b>	<b>Error (EUR)</b>	<b>Exception (EUR)</b>
1	No factual findings have arisen from this procedure.		
<b>Total:</b>		<b>0,00</b>	<b>0,00</b>

**3.5. Contributions in kind (Article 14.5)**

We have found that the costs of the financial report do not include contribution in kind.

**Table of errors and exceptions**

<b>Nº</b>	<b>Position / Subposition</b>	<b>Error (EUR)</b>	<b>Exception (EUR)</b>
1	No factual findings have arisen from this procedure.		
<b>Total:</b>		<b>0,00</b>	<b>0,00</b>

**3.6. Non-eligible costs (Article 14.6)**

We have found that the costs included in the financial report are not ineligible under Article 14.6 of the General Conditions. Costs, where applicable, include VAT. We have found that the beneficiary (and where applicable the partners) can not reclaim these taxes through a collective system, and / or restore a posteriori, because Beneficiary is not registered for VAT.

**Table of errors and exceptions**

<b>Nº</b>	<b>Position / Subposition</b>	<b>Error (EUR)</b>	<b>Exception (EUR)</b>
1	No factual findings have arisen from this procedure.		
<b>Total:</b>		<b>0,00</b>	<b>0,00</b>

**3.7. Accepted costs**

We have found that the beneficiary (and where applicable the partners) can not reclaim these taxes through a collective system, and / or restore a posteriori, because Beneficiary is not registered for VAT.

**Table of errors and exceptions**

<b>Nº</b>	<b>Position / Subposition</b>	<b>Error (EUR)</b>	<b>Exception (EUR)</b>
1	No factual findings have arisen from this procedure.		
<b>Total:</b>		<b>0,00</b>	<b>0,00</b>



### 3.8. Revenues of the Action

We have checked whether the revenue due for the Action (including grants and funding received from other sources and other revenues generated by the Beneficiary in the context of the Action Plan, such as accrued interest) are divided and disclosed in the financial report. For this purpose, we have consulted with the Beneficiary and have checked the documentation received by the Beneficiary. We have found that no additional revenue from other sources needs to be identified in the financial report.

We are not supposed to look at the completeness of the reported income.

#### Table of errors and exceptions

<b>Nº</b>	<b>Position / Subposition</b>	<b>Error (EUR)</b>	<b>Exception (EUR)</b>
1	No factual findings have arisen from this procedure.		
	<b>Total:</b>	<b>0,00</b>	<b>0,00</b>

# **Annex 1**

## **Financial Report for the Grant Contract**









## **Annex 2**

# **Terms of Reference Expenditure Verification**

**TERMS OF REFERENCE FOR AN EXPENDITURE VERIFICATION OF  
A GRANT CONTRACT  
EXTERNAL ACTIONS OF THE EUROPEAN UNION**

The following are the terms of reference ('ToR') on which **the Next Page Foundation**, Registration N 111892001, 60, Ekzarh Jossif Str., 1000, Sofia, Bulgaria, here and after '**the Beneficiary**' agrees to engage **VAS Audit Ltd**, Registration N 175421509, Metlichina poliana Str. Bl.114A, flat 55, 1404, Sofia, Bulgaria 'the Auditor' to perform an expenditure verification and to report in connection with a European Union financed Grant Contract for External Actions concerning The Book platform project, Contract № ENPI 2011/255-894, (the 'Grant Contract'). Where in these ToR the 'Contracting Authority' is mentioned this refers to the European Union, represented by the European Commission, which has signed the Grant Contract with the Beneficiary and is providing the grant funding. The Contracting Authority is not a party to this agreement.

**4. RESPONSIBILITIES OF THE PARTIES TO THE ENGAGEMENT**

'The **Beneficiary**' refers to the organisation that is receiving the grant funding and that has signed the Grant Contract with the Contracting Authority.

- The Beneficiary is responsible for providing a Financial Report for the action financed by the Grant Contract which complies with the terms and conditions of the Grant Contract and for ensuring that this Financial Report can be reconciled 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 Beneficiary accepts that the ability of the Auditor to perform the procedures required by this engagement effectively depends upon the Beneficiary, and as the case may be his partners, providing full and free access to the Beneficiary's staff and its accounting and bookkeeping system and underlying accounts and records.
- 'The **Auditor**' is responsible for performing the agreed-upon procedures as specified in these ToR, and for submitting a report of factual findings to the Beneficiary. 'Auditor' refers to the audit firm contracted for this engagement and in particular to 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.

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 an EU member state in accordance with the principles of public oversight set out in Directive 2006/43/EC of the European Parliament and of the Council (this applies to auditors and audit firms based in an EU member state<sup>1</sup>).
- 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 a third country).

## **5. SUBJECT OF THE ENGAGEMENT**

The subject of this engagement is the two interim and one final Financial Reports in connection with the Grant Contract for the period covering 1.01.2012 – 1.07.2014 and the action entitled the Book platform project , here and after referred to as the 'Action'. Annex 1 to these ToR contains information about the Grant Contract.

## **6. REASON FOR THE ENGAGEMENT**

The Beneficiary 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 Beneficiary under Article 15 of the General Conditions of the Grant Contract. The Authorising Officer of the Commission requires this report as he makes the payment of expenditure requested by the Beneficiary conditional on the factual findings of this report.

## **7. 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. The objective of this expenditure verification is for the Auditor to carry out the specific procedures listed in Annex 2A to these ToR and to submit to the Beneficiary 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 Beneficiary 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.

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<sup>1</sup> Directive 2006/43 of the European Parliament and of the Council of 147 May 2006 on statutory audits of annual accounts and consolidated, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253 EEC.

## **8. 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 and complies with the independence requirements of the IFAC Code of Ethics for Professional Accountants.

## **9. 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 Beneficiary 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.

## **10. REPORTING**

The reports on this expenditure verification should describe the purpose, the agreed-upon procedures and the factual findings of the engagement in sufficient detail in order to enable the Beneficiary and 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 use of the Model Report for an Expenditure Verification of an EU Grant Contract in Annex 3 of these ToR is compulsory. The Auditor will provide to the Next Page Foundation two expenditure verification reports – one after the first project year, but not later than 7.03.2013 and one after the execution of the ‘Grant Contract’, but not later than 1.10.2014.

## 11. OTHER TERMS

The fee for this engagement shall be 6500 euro, including expenses for the Carrier services needed for the verification of the expenses made in Ukraine, Armenia and Georgia.

The payments shall be executed as follows:

2500 euro after presenting of the First expenditure verification reports

4000 euro after presenting of the Final expenditure verification reports

**Arbitration Clause:** All disputes, arising from this contract or related to it, including those arising from or concerning its interpretation, invalidity, performance or termination, as well as the disputes for filling gaps in this contract or its adaptation to newly established facts, shall be referred for resolution to the Court of Arbitration at the Bulgarian Chamber of Commerce and Industry in compliance with its Rules for Litigations, based on arbitration agreements.

The parties below, intending to be legally bound, do hereby agree to the above-stated terms.

**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 an EU grant contract

**For the Beneficiary:**

Signature

Yana Genova

Director, Next Page Foundation

03.12.2012

**For the Auditor:**

Signature

Vasil Kalaidzhiev

CPA Vasil Kalaidzhiev

03.12.2012

## Annex 1 Information about the Grant Contract

Information about the Grant Contract	
Reference number and date of the Grant Contract	ENPI 2011/255-894
Grant contract title	The Book platform
Country	
Beneficiary	<b>Next Page Foundation</b> Registration N 111892001 60, Ekzarh Jossif Str., 1000, Sofia, Bulgaria
Budget line Contract	ENPI
Legal basis for the Contract	Grant Contract
Start date of the Action	1.01.2012
End date of the Action	1.07.2014
Total cost of the Action	560 042 EURO
Grant maximum amount	448 034 EURO
Total amount received to date by the Beneficiary from Contracting Authority	180 778,40 EURO for the first project year
Total amount of the payment request	NA
Contracting Authority	NA
European Commission	Delegation of the European Union to Georgia Address: 38 Nino Chkheidze St. Tbilisi, 0102 Georgia Telephone: (995 32) 294 37 63 / 294 37 69
Auditor	VAS Audit Ltd, address: "Metlichina Poliana" Str., Bl.114A, flat 55, presented by CPA 0409 Vasil Kalaidzhiev

**Annex 2A Listing of Specific Procedures to be performed****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 Beneficiary. The Auditor obtains a copy of the original Grant Contract (signed by the Beneficiary and the Contracting Authority) with its annexes. The Auditor obtains and reviews the Report (which includes a narrative and a financial section) as per Article 2.1 of the General Conditions.

**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 model in Annex VI of the Grant Contract;
- The Financial Report should cover 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 the language of the Grant Contract;
- The proof of the transfers of ownership of equipment, vehicles and supplies (Article 7.3 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 following rules for accounting and record keeping of Article 16 of the General Conditions the Grant Contract:
- The accounts kept by the Beneficiary for the implementation of the Action must be accurate and up-to-date;
- The Beneficiary must have a double-entry book-keeping system;
- The accounts and expenditure relating to the Action must be easily identifiable and verifiable;
- The accounts must provide details of interest accrued on funds paid by the Contracting Authority.

#### **1.4. Reconciling the Financial Report to the Beneficiary'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.) (See Article 16.1).

#### **1.5. Exchange Rates**

The Auditor verifies that amounts of expenditure incurred in a currency other than the Euro have been converted at the exchange rate which is made up of the average of the rates published in InforEuro for the months covered by the Financial Report, unless otherwise provided in the Special Conditions of the Grant Contract (Article 15.8 of the General Conditions)

### **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 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 Beneficiary has:

- requested an amendment to budget and obtained an addendum to the Grant Contract if such an addendum was required (Article 9.1 of the General Conditions).
- informed the Contracting Authority about the amendment in case the amendment was limited (Article 9.2 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) *Costs actually incurred (Article 14.1)*

The Auditor verifies that the expenditure for a selected item was actually incurred by and pertains to the Beneficiary. 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.

(2) *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.

(3) *Budget (Article 14.1b)*

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

(4) *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.

(5) *Records (Article 14.1d)*

The Auditor verifies that expenditure for a selected item is recorded in the Beneficiary'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.

(6) *Justified (Article 14.1e)*

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 notably the supporting documents as specified in Article 16.2 and 16.3 of the General Conditions of the Grant Contract.

(7) *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.

(8) *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.

(9) *Compliance with Procurement, Nationality and Origin Rules*

Where applicable the Auditor examines which procurement, nationality and origin rules apply for a certain expenditure (sub) heading, a class of expenditure items or an expenditure item. The Auditor verifies whether the expenditure was incurred in accordance with such rules by examining the underlying documents of the procurement and purchase process. Where the Auditor finds issues of non-compliance with procurement rules, he/she reports the nature of such events as well as their financial impact in terms of ineligible expenditure. When examining procurement documentation the Auditor takes into account the risk indicators listed in Annex 2B and he/she reports, if applicable, which of these indicators were found.

**3.2. Eligibility of Direct Costs (Article 14.2)**

If the expenditure for a selected item is recorded under one of the direct costs headings 1 to 6 of the Financial Report, the Auditor verifies that this type of expenditure is covered by the direct costs as defined in Article 14.2 by examining the nature of the expenditure items concerned.

**3.3. Provision for Contingency Reserve (Article 14.3)**

The Auditor verifies that the provision for contingency reserve (heading 8 Financial Report) does not exceed 5% of the direct eligible costs of the Action and that the Beneficiary has obtained prior written authorisation of the Contracting Authority for the use of this contingency reserve.

**3.4. Administrative costs (Article 14.4)**

The Auditor verifies that the indirect costs to cover the administrative overheads (heading 10 Financial Report) do not exceed 7% of the total amount of eligible direct costs of the Action.

**3.5. Contributions in kind (Article 14.5)**

The Auditor verifies that costs in the Financial Report do not include contributions in kind. Contributions in kind are not eligible costs.

**3.6. Ineligible costs (Article 14.6)**

The Auditor verifies that the expenditure for a selected item does not concern an ineligible cost as described in Article 14.6 of the General Conditions. The Auditor verifies whether expenditure includes certain taxes, including VAT. If this is the case the Auditor verifies that the Beneficiary (or, where applicable the partners) cannot reclaim these taxes through an exemption system and/or a refund *a posteriori*. If this is the case, taxes can be considered as eligible costs, provided that the basic act which finances the EU-contribution does not exclude payment of taxes.



**3.7. Accepted costs**

Where the basic act which finances the EU-contribution excludes taxes as eligible costs, these taxes may nevertheless be taken into consideration as co-financing by the grant beneficiary. The Auditor verifies that the beneficiary (or, where applicable, the partners) cannot reclaim these taxes through an exemption system and/or a refund *a posteriori*.

**3.8. Revenues of the Action**

The Auditor examines whether revenues which should be attributed to the Action (including inter alia grants and funding received from other donors and other revenue generated by the Beneficiary in the context of the Action such as for example interest earned) 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. The Auditor is not expected to examine the completeness of the revenues reported.