
**TERMS OF REFERENCE
FOR A PILLAR ASSESSMENT OF
AN ENTITY REQUESTING TO BE ENTRUSTED WITH
IMPLEMENTATION OF THE EU BUDGET
UNDER INDIRECT MANAGEMENT**

**THE INTERNATIONAL DEVELOPMENT LAW ORGANIZATION
IDLO**

Entity requesting the assessment:	IDLO, Viale Vaticano, 106, 00165 Rome, Italy
Country:	Intergovernmental Organization, based in Italy
Reference/date of request for services:	RFP No: HQ-2022-000007 / 7 February 2022
Period subject to assessment:	The year (12-month period) ending on the day of the start of the field work (<u>on-site</u> procedures) for the assessment
Start date of the assessment:	21 March 2022
End date of the assessment:	29 August 2022

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1. INTRODUCTION

Context

Article 154 of the Financial Regulation¹ ('FR') applicable to the general budget of the European Union ('EU') sets out the methods of implementing the budget, including 'indirect management'. Under indirect management, the Commission can entrust the implementation of Union funds or budgetary guarantees to the countries, organisations and bodies (further referred to as 'entities') indicated in Article 62 of the FR. The following entities may be concerned:

- third countries or the bodies they have designated e.g. Ministry of Interior, Kingdom of Cambodia;
- international organisations and their agencies e.g. United Nations Development Programme (UNDP);
- public law bodies e.g. Kreditanstalt für Wiederaufbau (KfW);
- bodies governed by private law but with a public service mission, to the extent that they provide adequate financial guarantees e.g. Cassa Depositi e Prestiti (CDP).

When such entities manage EU funds, they are required to guarantee a level of protection of the EU's financial interests equivalent to that required under the FR. More specifically, they must meet requirements with regard to nine 'pillars'. These pillars relate to:

- 1) the internal control system ;
- 2) the accounting system;
- 3) an independent external audit;

as well as rules and procedures for:

- 4) providing financing from EU funds through grants;
- 5) procurement;
- 6) financial instruments²;

and also:

- 7) exclusion from access to funding;
- 8) publication of information on recipients;
- 9) protection of personal data.

Entities wishing to work with EU funds under the indirect management mode must therefore undergo a comprehensive **pillar assessment**. Based on the results of the pillar assessment, the Commission will decide whether: (i) it can entrust budget implementation tasks to the entity and; (ii) it can conclude specific agreements (i.e. indirect management contribution agreements) with the entity. However, if required by the legal base, these conditions can be specified in the agreement with the Commission, or by reference to guidance documents (e.g. the Guide for National Agencies in the case of Erasmus) to ensure harmonised implementation and equal treatment of beneficiaries of an EU programme in all participating countries.

¹ Regulation (EU) 2018/1046

² A reference to 'financial instruments' is deemed to also include budgetary guarantees.

The following are the terms of reference ('ToR') on which the International Development Law Organization (IDLO), an intergovernmental organization with headquarters at 106 Viale Vaticano, Rome 00165, Italy, agrees to engage the auditor to perform a **pillar assessment** of IDLO and to report on this assessment. These ToR are annexed to the entity's request for proposals.

In these ToR and in Annexes 1 to 4, which form an integral part of these ToR, the following terms apply:

- **'Pillar assessment', 'assessment' or 'engagement'** refers to this assurance engagement. In this context, the **pillars** are the broad areas covered by this assessment; these include internal control, accounting, independent external audit, exclusion from access to funding, publication of information on recipients and protection of personal data. The entity will always need to be assessed to check it can meet the requirements in these areas. In addition to the six mandatory pillars listed above, there are three optional pillars, covering procedures and rules for grants, procurement and financial instruments. .
- **'Auditor'** refers to the audit firm contracted to perform this engagement and submit a report on it to the Commission. **'Auditor'** can refer to the person or persons conducting the assessment, usually the engagement partner or other members of the engagement team. The engagement partner is the partner or other person in the firm who: (i) is responsible for the engagement and its performance, and for the report issued on behalf of the firm; and (ii) has the appropriate authority from a professional, legal or regulatory body.
- **'Entity'**, refers to the entity subject to the pillar assessment. The entity is generally³ the contracting authority for this assessment.
- **'Commission'** refers to the European Commission, which may be represented by the relevant service or unit in the relevant Commission Directorate General or an EU Delegation, as appropriate.

2. OBJECTIVES

The auditor is engaged to assess the systems put into place and the controls, rules and procedures applied by the entity for each pillar against the criteria set by the Commission for each pillar. The **objective** of this pillar assessment is to: (i) enable the auditor to report on whether the entity fulfils the requirements set out in points (a) to (f) of Article 154(4) of the Financial Regulation applicable to the General Budget of the European Commission and in Article 29(1) of the Financial Regulation applicable to the European Development Fund for each relevant pillar; and (ii) express a conclusion as to whether the entity:

- has set up and ensures the functioning, in all material respects, of an effective, efficient and economical **internal control system** based on international best practices and in line with the criteria set by the European Commission;
- uses an **accounting system** that provides in all material respects accurate, complete and reliable information in a timely manner, based on international accounting standards and in line with the criteria set by the European Commission;
- is subject to an **independent external audit**, required to be performed in all material respects in accordance with internationally accepted auditing standards by an audit service functionally independent of the entity concerned and in accordance with the criteria set by the European Commission;

³ The Commission may be the contracting authority in duly justified cases.

- applies appropriate rules and procedures in all material respects for providing financing from EU funds through **grants** and in line with the criteria set by the European Commission;
- applies appropriate rules and procedures in all material respects for providing financing from EU funds through **procurement** and in line with the criteria set by the European Commission;
- applies appropriate rules and procedures for **excluding third parties from access to funding** through procurement, grants and/or financial instruments;
- makes public **information on the recipients of funds** in an appropriate and timely manner;
- ensures **protection of personal data** equivalent to that referred to in Article 5 of the FR.

3. STANDARDS AND GUIDANCE

The auditor who performs this pillar assessment must be governed by:

- The IFAC International Framework for Assurance Engagements and International Standard on Assurance Engagements ('ISAE') 3000 for Assurance Engagements other than Audits or Reviews of Historical Financial Information insofar as these can be applied in the specific context of this pillar assessment.
- The IFAC *Code of Ethics for Professional Accountants*, 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;
- The IFAC *International Standards on Quality Control (ISQCs)*, which establish standards and provide guidance on an auditor's system of quality control.

4. REQUIREMENTS FOR THE AUDITOR

4.1 General principles

The auditor must be an **independent external** auditor who is a registered member of a national accounting or auditing body or institution which in turn is a member of the International Federation of Accountants (IFAC) and who is certified to perform audits.

The auditor must be functionally independent of the entity concerned. Hence the internal auditor of an entity subject to assessment is not eligible to perform a pillar assessment.

By agreeing to these ToR the auditor confirms that s/he 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 gives a commitment 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 State⁴.

- 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).

Where permitted by the underlying legal base (e.g. Erasmus), the auditor may be the Independent Audit Body as designated in accordance with Article 155(1) of the Financial Regulation.

4.2 Qualifications, experience and team composition⁵

Qualifications and experience

The auditor must employ sufficient staff with: (i) appropriate professional qualifications and suitable experience with IFAC standards, in particular the ISAE 3000 for Assurance Engagements other than Audits or Reviews of Historical Financial Information; and (ii) with experience in performing institutional or compliance assessments and/or performing systems audits or equivalent engagements of entities comparable in size and complexity to the entity in question.

In addition, the engagement team as a whole shall have:

- Experience with institutional or compliance assessments and/or systems audits or equivalent engagements of EU funded programmes and projects funded by national and/or international donors and institutions. It is desirable that the leader of the fieldwork team i.e. either the manager (category 2) or the senior auditor (category 3) has experience with systems audits of EU funded external aid actions and / or other EU funded actions, and/or institutional or compliance assessments of organisations in the development aid sector and/or economic sector.
- Fluency in English is required.

Team composition

The team of auditors required for this pillar assessment shall be composed of a category 1 auditor who has the ultimate responsibility for the assessment, and an engagement team composed of an appropriate mix of category 2-4 auditors. It is the responsibility of the auditor to propose and use an engagement team composed of an appropriate mix of auditors for this engagement.

The Commission distinguishes four categories of auditors.

Category 1 — Audit partner

An audit partner shall be a highly qualified expert with a relevant professional qualification and assuming or having assumed senior and managerial responsibilities in public audit practice.

⁴ Directive 2006/43 of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts (amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253 EEC), as amended by Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014.

⁵ Where the audit body is not from the private sector, equivalent levels of seniority, qualifications and experience should be applied.

That person should be a member of a national accounting or auditing body or institution, and must have at least 12 years' professional experience as a professional auditor or accountant in public audit practice. Experience with working with the recipient countries of EU external aid will also be taken into account.

An audit partner, or another person in a position similar to that of a partner, is the person in the audit firm who is responsible for the audit and its performance, and for the report that is issued on behalf of the firm. The audit partner has the appropriate authority from a professional, legal or regulatory body and is authorised to certify accounts by the laws of the country in which the audit firm is registered.

Category 2 — Audit manager

Audit managers should be qualified experts with a relevant university degree or professional qualification. They should have at least 6 years' experience as a professional auditor or accountant in public audit practice including relevant managerial experience of leading audit teams.

Category 3 — Senior auditor

Senior auditors should be qualified experts with a relevant university degree or professional qualification and at least 3 years' professional experience in public audit practice.

Category 4 — Assistant auditor

Assistant auditors should have a relevant university degree and at least 6 months' professional experience in public audit practice.

Curricula vitae (CVs)

The auditor shall provide the contracting authority with CVs of the partner or other person in the audit firm who is responsible for the pillar assessment and for signing the report, and also provide the CVs of the managers, senior auditors and assistant auditors proposed as part of the engagement team. CVs will include appropriate details on the type of engagements carried out by the staff, indicating capability and capacity to undertake the assessment, and will also include details on relevant specific experience. The contracting authority will examine the CVs before it signs an order form or other applicable contractual document for this engagement and reserves the right to reject them if they are not considered suitable for the requirements of the engagement.

5. Scope

5.1 Location and period covered by the assessment

This pillar assessment will be performed at the IDLO HQ at Viale Vaticano 106, Rome, Italy. The auditor should confirm the location(s) of the assessment with the contracting authority **prior** to the start of the fieldwork and ensure that relevant supporting documents as well as key staff will be available during the assessment. The auditor should take into account that the entity normally requires meetings to prepare the assessment and to discuss the draft report and that this may involve additional travelling (see Section 7).

The **period to be covered by the assessment** should normally be the year (i.e. 12-month period) ending on the day of the start of the assessment field work, i.e. the day on which the auditor effectively starts on-site (i.e. at the location where the entity is established) assessment procedures and tests.

5.2 Engagement context

Use of Annex 1 Engagement context — Key information for a pillar assessment

The auditor shall obtain a preliminary understanding of the **engagement context** on the basis of **Annex 1 Engagement context — Key information for a pillar assessment**. The understanding must be sufficient for the auditor to submit a meaningful offer to the contracting authority.

Use of Annex 2a Assessment questionnaire

The entity shall provide a completed **Annex 2a** to the auditor as soon as possible **after** the auditor has been contracted by the contracting authority but **prior to** the start of the auditor's assessment procedures.

In a second phase, **Annex 2a** will become a support tool to be used by the auditor when designing, planning and performing the assessment procedures and to take into account the criteria that the European Commission deems essential or important for the entity undergoing assessment to comply with.

The completed **Annex 2a** questionnaire is an essential source of assessment information and evidence for the auditor. However, it is by no means the only source to be used by the auditor to plan and perform assessment procedures and to draw conclusions. All information completed and provided by the entity is provisional, and is subject to the assessment procedures the auditor deems necessary. The auditor must not rely on information before having ensured through assessment procedures that information is sufficiently accurate and complete for the purpose of the assessment and for arriving at informed conclusions for key questions.

Hence the auditor can modify, complete and add information in the findings column as it sees fit. The auditor may also add additional questions if it considers this is necessary to arrive at an informed conclusion on key questions.

The auditor must take into account the specific engagement circumstances and apply professional judgement throughout the assessment process. The auditor remains fully responsible at all times for designing, planning and performing the assessment procedures it deems necessary in addition to the questions and procedures in the **Annex 2a** questionnaire.

The auditor will use the information in the **Annex 2a** questionnaire and the results of the assessment procedures to complete **Annex 2 Assessment questionnaire and criteria** (see Section 5.4 below) and to draw a conclusion for each pillar being assessed.

5.3 Nature, extent and timing of procedures and tests for each pillar

For each pillar, the auditor must assess the **design** of relevant systems, controls, rules and procedures. This means that the auditor should perform procedures and tests on the basis of which it should arrive at a conclusion whether the system, controls, rules and procedures are present i.e. existing.

Moreover, the auditor must assess the **operating effectiveness** of systems, controls, rules and procedures for all relevant pillars (see Section 2 — Objectives above) except for the 'independent external audit' pillar, for which the auditor only assesses the design of the procedures for external audit.

The design and operating effectiveness of relevant systems, rules and procedures must be assessed against the criteria defined by the Commission for each pillar (see Section 5.4 below). For this purpose, the auditor must use the questionnaires provided by the Commission.

The auditor determines the nature, extent and timing of all the procedures and tests it deems necessary to perform in order to arrive at a conclusion with regard to the design and operating effectiveness of systems, controls, rules and procedures.

5.4 Criteria and materiality

For each pillar there are three levels of criteria which have been defined by the European Commission through the formulation of (key) questions in **Annex 2 Assessment questionnaire and criteria** and in **Annex 2a Assessment questionnaire**).

To determine what is a material weakness or deficiency in systems, controls, rules and procedures, the auditor must take into account the criteria and the levels of importance (i.e. scoring thresholds) defined by the Commission as these factors might influence the Commission's decision to entrust budget implementation tasks under indirect management to the entity.

Level 1 (Financial Regulation)

For each pillar there is **one** overarching level 1 question (in **Annex 2 Assessment questionnaire and criteria**) set on the basis of the Financial Regulation. This question is fundamental. Only two types of conclusions are possible:

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

Level 2 (Pillar key components)

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

The auditor must apply professional judgement to **attribute a score on a scale of 0 to 10 to each level 2 component** in **Annex 2 Assessment questionnaire and criteria** based on the information and evidence obtained from applying **Annex 2a**.

Level 3 (Assessment questionnaire with blocks of questions)

Annex 2a Assessment questionnaire includes blocks of questions that relate to the pillar key components at level 2. These blocks of detailed questions are non-exhaustive. This means that the auditor should use at least these (blocks of) questions to determine a score for each component at level 2.

The auditor can formulate additional questions and perform additional tests and procedures, as it deems necessary or appropriate. The auditor fully applies professional judgement for all questions in **Annex 2a** in order to attribute scores to the pillar key components at level 2.

5.5 Limitations in the scope

The auditor will inform the contracting authority of any **limitations in the scope** of work identified before or during the assessment, and discuss with the contracting authority what action may be required and whether or how the assessment can be continued.

6. Assessment procedures

The auditor should perform the assessment in accordance with **Annex 3 Assessment procedures**, which cover documentation and evidence, planning, fieldwork and reporting. Annex 3 includes assessment procedures that the auditor should apply and procedures that the auditor may opt to use. The auditor's attention is drawn to the specific aspects set out in Sections 6.1 to 6.3 below. The auditor should exercise due professional care and judgement and determine the nature, timing and extent of assessment procedures to fit the objectives, scope and context of the assessment.

6.1 Documentation and evidence

The auditor should, in accordance with ISAE 3000, prepare documentation and obtain sufficient appropriate evidence to support assessment findings and to draw reasonable conclusions on which to base the conclusion of the assessment for each pillar. The auditor uses professional judgement to determine whether evidence is sufficient and appropriate (see Annex 3.1).

6.2 Planning and fieldwork

Start of the assessment

The assessment's official starting date is the date of signature of the contracting authority's order form or other applicable contractual document for the assessment. The auditor must then agree as soon as possible a date to start the fieldwork with the entity.

Preparatory meeting with the entity

The entity shall schedule a preparatory meeting with the auditor (see Annex 3.2.1), which will be held at IDLO HQ, Viale Vaticano 106, Rome, Italy. The entity will inform the Commission about this meeting, which may be attended by Commission representatives.

Procedures for assessment planning and fieldwork

The auditor's procedures should include obtaining an understanding of the engagement context, which is sufficient to design and perform further assessment procedures. This includes:

- obtaining evidence regarding the design of systems, controls, rules and procedures (Annex 3.3.1);
- performing tests of the operational effectiveness of systems, controls, rules and procedures (Annex 3.3.2);
- sampling and other means of selecting items for testing where appropriate (Annex 3.3.3);
- using the work of internal auditors where applicable (Annex 3.3.4).

6.3 Reporting

Use of the pillar assessment model report in Annex 4

The use of the model report for a pillar assessment in Annex 4 is compulsory.

Language

The report should be presented in English.

Findings

There are two types of findings:

- **Main findings** are findings that relate to material weaknesses or deficiencies in systems, controls, rules and procedures. 'Material' means that the auditor considers that these factors are so important for the Commission that they might influence its decision to entrust budget implementation tasks under indirect management to the entity. Hence, where material findings are found for a pillar this must lead the auditor to express an adverse conclusion for that pillar.

Main findings also include cases where several findings which taken individually do not relate to a material weakness or deficiency but when taken in the aggregate involve a finding of material weakness or deficiency. The combined impact of such findings is so significant (i.e. material) that this must lead the auditor to the conclusion that the entity does not meet the requirements for the pillar concerned (i.e. the conclusion is 'No').

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

Findings must be reported in accordance with the (table) formats specified in the model report for a pillar assessment in Annex 4. Main findings as well as other findings by the Auditor may be the basis for supervisory measures to be taken by the Commission in accordance with Article 154(5) of the Financial Regulation.

Recommendations

There are two types of recommendations:

- **Critical recommendations** relate to material weaknesses and deficiencies in systems, controls, rules or procedures and to cases where the Commission's criteria and/or internationally accepted standards for pillars are not complied with (on a regular basis).
- **Other recommendations** relate to all other findings that are not of a material nature. In these cases, the weaknesses and deficiencies in systems, controls, rules or procedures have no major and immediate impact on the objectives of these systems, controls, rules or procedures. Nevertheless, it is relevant for the entity to implement the suggested measures, as this would give it an opportunity to improve its systems, controls, rules or procedures and to achieve greater effectiveness and/or efficiency.

Recommendations must be reported in accordance with the (table) formats specified in the model report for a pillar assessment in Annex 4.

Conclusions

The assessment report should include a conclusion for each pillar. There are two types of conclusions. Conclusions must either be formulated in the positive form (i.e. 'has set up', 'uses', 'is subject to' or 'applies') or by using an adverse formulation (i.e. 'has not set up', 'does not use', 'is not subject to' or 'does not apply').

The use of a conclusion of the qualified type (i.e. using the 'except for' formulation) is not possible in a pillar assessment.

Date of the assessment report

The date of draft and pre-final reports should be the date when these reports are sent for consultation. The date of the final assessment report should be the date when the final independent auditor's report is signed (Annex 3.4.2).

Procedures and timetable for submitting draft and final assessment reports

The auditor should comply with the procedures and timetable for the consultation and submission of the draft and final assessment report, as set out in Annex 3.4.3 and 3.4.4.

The auditor's attention is specifically drawn to the following:

- The auditor should submit a **draft report** to the entity within **21 calendar days after the day of the closing meeting** (i.e. the end of field work).
- The period between the **assessment closing meeting** and the submission to the entity of the **final assessment report** should **not exceed 105 calendar days** or 15 weeks. The auditor should explain and document any reporting delays in the working papers.

7. OTHER MATTERS

7.1 Information on practices for calculation and reporting of costs

Any information provided by an entity for the purposes of this assessment on the methodology used for the calculation and reporting of costs shall not be considered as approved by the Commission with regards to the budget of any specific action. Such approval is only possible where the specific procedures established in the Commission decision on the ex-ante assessment of unit costs and flat rates (also known as 'Simplified Cost Options') have been followed. In the absence of an ex-ante assessment of Simplified Cost Options, the eligibility of costs for any specific action shall be determined exclusively by reference to the provisions of the relevant Agreement(s) with the entity

7.2 Follow-up

The contracting authority may request that the auditor provide further assistance as part of the follow-up on the final assessment report. The contracting authority may also request that the auditor re-assess one or more pillars if the final assessment report concluded that the entity did not comply with the requirements for the pillar(s) concerned.

These ToR do not cover any further assistance provided by the auditor in connection with the contracting authority's follow-up on the final assessment report; if such assistance is required the contracting authority will need to issue an addendum to the order form or to the other applicable contractual document for such an engagement.

7.3 Various matters

Annexes

Annex 1	Engagement context — Key information for a pillar assessment
Annex 2	Assessment questionnaire and criteria
Annex 2a	Assessment questionnaire
Annex 3	Assessment procedures
Annex 4	Pillar assessment report

IMPORTANT: Annexes 1 to 4 form an integral part of the present terms of reference.

Annex 1: Engagement context — Key information for a pillar assessment

ENTITY SUBJECT TO ASSESSMENT	International Development Law Organisation
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PILLAR	PILLAR SUBJECT TO ASSESSMENT (1)
1 INTERNAL CONTROL	YES
2 ACCOUNTING	YES
3 EXTERNAL AUDIT	YES
4 GRANTS	YES
5 PROCUREMENT	YES
6 FINANCIAL INSTRUMENTS⁶	NO
7 EXCLUSION FROM ACCESS TO FUNDING	YES
8. PUBLICATION OF INFORMATION ON RECIPIENTS	YES
9. PROTECTION OF PERSONAL DATA	YES

(1) The entity should state here YES or NO to indicate whether the pillar is subject to assessment.

Pillars 1, 2, 3, 7, 8 and 9 are always subject to assessment⁷.

Pillars 4 to 6 may be subject to assessment, depending on the nature of the budget implementation tasks to be entrusted.

⁶ The reference to ‘financial instruments’ is deemed to also include budgetary guarantees.

⁷ In the exceptional case that neither the rules and procedures for grants, nor for procurement nor for financial instruments are assessed (i.e. none of the pillars 4 to 6), there is no need to assess the rules and procedures for exclusion and publication (i.e. pillars 7 and 8).

CONTACT DETAILS**Entity: International Development Law Organsiation**

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Delegation of the European Union in Italy

Address		Country	
Phone		Fax	

Key contact

Name		Function	
Email		Phone/Fax	

Key contact

Name		Function/unit	
Email		Phone/Fax	

PILLAR 1 — INTERNAL CONTROL

Please provide a description (maximum 5 pages) of the internal control system addressing:

- The control environment
 - integrity and ethical values
 - organisational structure and assignment of authority
 - governance oversight structure
- Risk assessment
- Control activities including:
 - segregation of duties (including measures for avoiding conflicts of interest)
 - information processing and computerised information systems (including general IT controls, application controls, data integrity and audit trails)
 - prevention, detection and correction of errors, fraud and irregularities
 - bank/cash management
 - payroll and time management
- Information and communication
 - internal reporting
 - external reporting: financial statements; reporting to donors
- Monitoring
 - monitoring of (the components of) the internal control system
 - internal audit function.

THE CONTROL ENVIRONMENT

Integrity And Ethical Values

The IDLO control environment is based on the principles of good governance that cover all aspects of operations. IDLO expects the highest levels of professionalism and conduct from all who work with and for the organization. IDLO has a Code of Conduct, Employee Regulations and Rules, a Human Resources Manual, and a Supplier Code of Conduct, all of which provide a set of value-based principles for employees, partners, and suppliers to guide the standards of conduct they are expected to uphold in their interactions with each other, the organization, and the wider community. The Code of Conduct and Employee Regulations and Rules are incorporated in the contract of every employee. Failure to comply with the Code of Conduct, the Employee Regulations and Rules, the HR Manual, or other ethical values related policies therein may result in disciplinary action up to and including termination of employment.

Organizational Structure And Assignment Of Authority

As an international intergovernmental organization, IDLO has a set of governing rules and principles, adopted by its Member Parties, that define its organizational and governance structure. The constitutional document is the Agreement for the Establishment of the International Development Law Organization (“Establishment Agreement”). The Establishment Agreement creates the Assembly of Parties, IDLO’s highest decision-making body, which is composed of representatives of all Member Parties, and the Standing Committee, a body of 7 Member Parties elected by the Assembly that provides appropriate oversight of the Organization on behalf of the Parties between sessions of the Assembly. The Establishment Agreement text is publicly available on the IDLO website.

Governance Oversight Structure

The Member Parties have also established an Audit and Finance Committee, appointed by the Assembly of Parties, and composed of 5 to 7 Member Parties, to assist the Assembly of Parties through the Standing Committee in their oversight responsibilities with respect to audit and compliance, the implementation of financial reporting, and maintenance of effective and efficient financial performance.

Day-to-day organizational management is delegated to the Director-General (DG), who is elected by the Assembly of Parties for a four year-term of office, renewable once. The DG manages and administers the Organization and reports to the Assembly and the Standing Committee. The DG appoints a Senior Leadership Team composed of senior personnel that advise and support the DG in the administration of the Organization.

RISK ASSESSMENT

IDLO proactively manages the financial, operational and security risks associated with the context in which it operates. All risks are documented, evaluated, managed, and reviewed in line with IDLO's Risk Management Policy. While employees at all levels and locations of IDLO are responsible for identifying, communicating, and implementing risk mitigation strategies, senior management is responsible for managing risks, encouraging a proactive risk management culture, and ensuring risks are meticulously documented, reported, managed, reviewed, and escalated whenever necessary. An overall Risk Register is maintained, and results are presented to the Audit and Finance Committee on an annual basis.

IDLO's risk management process is an integral part of management, embedded in the organizational culture and practices, and is tailored to the business processes of the organization. It comprises communication, consultation, establishing context, risk assessment and risk mitigation.

CONTROL ACTIVITIES

IDLO has set up and ensures the functioning in all material respects of an effective, efficient, and economical internal control system based on international best practices. The DG, through delegated authority to the principal financial officer, ensures that financial controls are in place and operating effectively to prevent material misstatements due to error or fraud from occurring and from going undetected. IDLO's detailed financial policies and procedures are designed to deliver effective financial administration and to ensure the exercise of economy, efficient use of resources, and proper custody of IDLO's physical assets. Separate accounting records are maintained for all program and special funds and are kept in sufficient detail to form the basis of IDLO's financial statements. Disbursements are made based on supporting vouchers and other documents to ensure that the services or goods have been received and that payment has not previously been made. A limited number of officers are designated who may incur obligations and make payments on behalf of IDLO.

Regular procedures include ongoing examination and/or review of financial transactions to ensure the regularity of the receipt, custody, and disposal of IDLO's funds, ensuring that IDLO expenditures are in conformity with the budget, donor conditions, and applicable rules.

Segregation of Duties

Duties are segregated among different employees to reduce the risk of error or fraud. Responsibilities for authorising transactions (approvals), recording transactions (accounting), and handling the related asset (custody) are separated. Budget Holders are designated to approve payments from specified budgets, but cannot exercise certifying functions or bank signatory functions for transactions where they are the Budget Holder. A finance officer is responsible for examining proposed obligations to ensure that the appropriate Budget Holder has authorised the obligation, as no obligation shall be established without prior certification by a Budget Holder.

To further ensure segregation of duties, finance officers do not act as a Budget Holder for transactions being approved.

Information Processing and Computerised Information Systems

Information Technology is an essential part of processing and safeguarding information. This spans all operations of the organization from Finance, HR, Procurement all the way to Governance. All systems are password protected and only authorised employees can access information as required to perform their duties. Data is stored in the cloud and is backed up electronically. Further, IDLO has firewall protection to prevent external attempts to access information. All critical systems such as Finance, HR, and Procurement, maintain a log of transactions that provide a clear audit trail.

Financial transactions are processed and recorded through the automated Enterprise Resource Program Navision to ensure accuracy. Financial documents are filed electronically at all IDLO locations on SharePoint (cloud based) in real-time. Originals are filed as paper copies and archived on-site at IDLO HQ, at least on a quarterly basis. The HR Management System (HRMS) introduced in July 2019, stores all human resources information. Grant and sub-grant documents are linked to the Programs Database and Sub-Project Database and filed (in pdf) online on SharePoint.

All actions relating to procurement are documented in accordance with the applicable policies for document retention and are stored electronically. A procurement module, introduced in 2021, has improved document retention, storage, and retrieval.

Preventative and Detective Controls

IDLO employs preventative controls designed to prevent errors, irregularities, or undesirable events from occurring. These include systems for approval, authorisation, and verification of transactions to ensure they conform to established rules, regulations, and procedures as well as safeguarding physical and electronic assets through restricted access. For example, finance officers are responsible for ensuring that vouchers and other documents, passed by Budget Holders for payment, are properly supported by evidence that goods or services have been received in accordance with the contractual agreement establishing the obligation; that the documentation comprises duly certified original vouchers; that payment has not previously been made; and that the supporting documents do not have irregularities which might indicate that the payment is not properly due.

Detective controls include daily and monthly review by the finance unit and budget holders of transaction and budget reports. Irregularities are reported to the Head of Finance who can initiate follow-up action including investigation and appropriate corrective and/or disciplinary action.

Bank/cash management

Finance officials as designated by the DG are authorised to make payments only when approved by a Budget Holder and reviewed by a finance officer. Payments are normally made by electronic or written bank instructions that are duly authenticated. All bank instructions are signed by two employees. Bank reconciliations are done on a monthly basis. Cash handling is generally limited to petty cash, except in countries where IDLO is unable to maintain a bank account, and is subject to periodic and surprise counts as well as weekly reconciliations.

Payroll and time management

The payroll process in IDLO is a shared function between HR and Finance. HR obtains and collates relevant information from a new employee to establish his/her personnel records in the HRMS and then reviews information before sending details to Finance. On a monthly basis, Finance receives the approved payroll from the HR department and discharges payments globally. Finance also processes related payments for benefits such as insurance and Provident Fund.

Project budgets include all costs related to employees required for project implementation. These costs are budgeted in accordance with IDLO's standard employment model, (including local and international salary scales and applicable benefits). Full time project employees are budgeted and reported according to their estimated level of effort on either an individual or multiple projects criteria. When allocation is spread across various projects the split is expressed as an estimated percentage (FTE) against each specific project. These percentages are approved by donors as part of the overall budget approval. Costs are reported as a straight-line allocation of the approved cost. For core funded employees directly supporting project implementation, days are estimated to reflect the anticipated level of effort (usually based on experience with similar types of projects). Estimations are approved by the donor as part of the overall project approval process. Time is subsequently charged on a straight-line allocation against the approved budget. Employee time is allocated against projects, as approved per budget. Employees who are assigned to a specific project(s) have their costs charged to the said project(s). Employees who offer a set number of days to a project are charged as per the agreed project time on a daily rate basis.

INFORMATION AND COMMUNICATION

Internal Reporting

IDLO disseminates information about the impact of its interventions, including findings and lessons learned, to ensure transparency and accountability as key requisites for maintaining and enhancing the confidence of donors, governing bodies, and partners. Internal reporting is prepared by Country Managers and/or Program Managers at country level, covering all projects implemented in their respective countries. Such reports are filed and submitted on IDLO's Intranet. IDLO's internal reporting through financial statements include statements of financial position, financial performance, changes in equity and a cashflow statement.

Internal reporting is, prepared and completed on a quarterly basis with the intended purpose of informing the DG and her office, relevant Directors, and the relevant Regional/Thematic Program Manager about the status of financial transactions.

External Reporting: financial statements; reporting to donors

IDLO provides financial reporting directly to donors, to the IATI platform, and to the general public on its website. Annual financial statements are produced on the basis of International Public Sector Accounting Standards (IPSAS) and are subject to external audit.

IDLO holds an internal dedicated function within the Programs Department responsible for ensuring quality and timely reporting to its program donors. Further, an instituted workflow and user-friendly toolkit of guidelines and templates for reporting are present within IDLO and assists the organization in reporting to its program donors.

IDLO produces periodic donor reports, depending on the contractual reporting requirements set by different donors, and upon completion of a project. The donor report provides a review of the project progress against the outcomes and budget, achievements, and the activities implemented throughout the reporting period. IDLO maintains guidelines for both internal and external reporting.

MONITORING

IDLO has an internal audit function. An Internal Audit and Compliance Officer reports directly to the DG and is guided by the Internal Audit Committee. The Internal Audit and Compliance Officer is a certified auditor who carries out internal audit assignments in field locations, at the Headquarters, or at other IDLO Offices in conformity with the standards of professional practice of the Institute of Internal Auditors.

The Internal Auditor does not hold operational responsibility or authority over any of the organization's activities audited. Also, the Internal Audit function has full, free, and unrestricted access to any of the organization's activities, records, physical properties, and personnel relevant to a review, but subject to strict accountability for safekeeping and confidentiality thereof. Each assignment results in a summary of findings and recommendations for addressing systematic weaknesses. The Internal Audit and Compliance Officer attends meetings of the Audit and Finance Committee and reports on key findings and recommendations.

Please provide a description (maximum 5 pages) of the accounting system:

- Accounting system and policies
- Budgeting
- Accounting and budgeting for projects, activities, (trust) funds and financial instruments.

ACCOUNTING SYSTEM AND POLICIES

IDLO financial statements are prepared in accordance with the International Public Sector Accounting Standards (IPSAS). The annual financial statements are submitted to IDLO's external auditor for review and are made publicly available on the IDLO website once approved by the Standing Committee.

IDLO uses the NAVISION financial system as part of an Enterprise Resource Programme to capture financial transactions and maintain accurate records. Furthermore, IDLO holds a detailed Chart of Accounts that properly reflects operations and activities. The costs of providing the various programs and other activities are summarised on a functional basis in the statement of revenues and expenses. IDLO prepares consolidated financial statements that reflect financial transactions from all its operations across the world. IDLO does not produce country by country financial statements.

IDLO financial statements are prepared in Euros. Where cash is held in a currency other than the currency in which the accounts are prepared, the amount is recorded both in the national currency and the equivalent in Euros converted at the rate of exchange established under the applicable policy.

BUDGETING

The DG prepares a Management Plan and an Operating Budget that are submitted to the governance bodies for approval. When approved, they act as a road map for operations in the upcoming year. IDLO uses output-based budgeting (OBB), where the budget describes outputs in terms of the major activities to be undertaken and their associated expenses. In general, the budget includes a description of the objectives identified for the work to be financed, the assumptions having budgetary implications, expectations for growth, an estimated operating statement, and tables of capital expenditure and organizational costs (broken down by department). Anticipated program expenditure and revenue are broken down by region. The IDLO Operating Budget is prepared in a transparent and comprehensive way, where costs are detailed with additional justification linked to IDLO's yearly objectives provided in the Management Plan.

PROJECT BUDGETING

IDLO employs separate, individual budgets for every project/program it administers. Proposed project concepts are accompanied by a high-level financial outline that is pre-reviewed by the budget unit to assist in the decision-making process. Once a project has been approved for development, a full budget is produced. The budgeting process is an integral part of the project cycle, and actual expenditure is reported against the budget during implementation. Project budgets are presented on an output basis, as defined in the program logic model, work plan and/or technical proposal, and are

drafted using a standard template. The budget is supported by notes, referred to as “budget notes/assumptions,” that describe expenditure and assumptions in the calculation and/or any information that may be deemed necessary to enable comprehensive understanding of the budget. Project budgets are cleared by the Budgeting and Reporting Manager before they are approved by the Principal Financial Officer. Budget templates are used for reporting to donors.

Currently, IDLO does not make use of trust funds and/or financial instruments.

PILLAR 3 — INDEPENDENT EXTERNAL AUDIT

Please provide a description (maximum 5 pages) of the external audit function, addressing:

- The regulatory framework for external audit
- The external auditor of the entity and audit standards

In accordance with the Establishment Agreement, a full financial audit of IDLO is conducted on an annual basis by an independent accounting firm selected by the Standing Committee taking into account the recommendation of the Audit and Finance Committee. The external auditor is selected in accordance with IDLO procurement procedures and a new tender must be undertaken every three to five years. If the same audit firm is selected for consecutive periods, the firm is required to use different personnel on its auditing team. The External Auditor conducts annual audits of IDLO's financial statements in accordance with the auditing standards promulgated by the International Standards on Auditing (ISA). The External Auditor makes observations with respect to the regularity and efficiency of IDLO's financial procedures, accounting system, internal financial controls and, in general, the administration and management of IDLO. The External Auditor is completely independent and is solely responsible for the conduct of audits.

The External Auditor's report on the financial statements is presented to the Audit and Finance Committee for its review along with findings and recommendations in the form of a management letter. IDLO management reviews and prepares management comments and implements follow up action on recommendations. The Audit and Finance Committee reviews management follow up on audit recommendations.

The Audit and Finance Committee may request the External Auditor to perform special inquiries on issues falling within the scope of the Committee's responsibilities.

The External Auditor also conducts individual project audits according to the terms agreed with donors for the duration of the contracted period. Project audit reports are shared with the donors.

Please provide a description (maximum 5 pages) of the entity's grants system, addressing:

- The legal and regulatory framework
- Grants principles, covering in particular measures to avoid conflicts of interest throughout the grants award process
- Types of grants used
- Organisation (tasks and responsibilities)
- Documentation and filing of the grants process
- Grants procedures, including:
 - publication of call for proposals
 - submission of proposals
 - security and confidentiality of proposals
 - receipt, registration and opening of proposals
 - selection and evaluation procedures
 - awarding of grants
 - notification and publication
 - grant agreements and contracts.

THE LEGAL AND REGULATORY FRAMEWORK

IDLO provides sub-grants to ‘Implementing Partners’ (not-for-profit organizations, agencies, or other legal entities) to support implementation of a component of an IDLO program or project (a ‘Sub-Project’). IDLO’s work with its Implementing Partners is governed by the IDLO Guidelines for Working with Implementing Partners and an accompanying Toolkit of business processes, application forms, and templates, which provide practical guidance on the policies, processes, and procedures (including financial) to be followed and supporting documentation required throughout the Sub-Project (SP) phases, from selection of an Implementing Partner to sub-grant award to evaluation of an SP. The Toolkit also provides a clear division of internal functional roles and responsibilities throughout the SP process to maximise internal controls and accountability.

The Guidelines and accompanying Toolkit further provide eligibility rules, minimum requirements, definitions, and forms of sub-grants, including maximum sub-grant duration; indicative maximum budget; request for contribution of resources; sample type of activities; and outline the obligations and rights, including easily accessible and transparent means of redress of IDLO Implementing Partners throughout the sub-granting. The Guidelines are intended for all IDLO employees engaged in working with potential and contracted Implementing Partners, and the Guidelines, Toolkit, and template forms, are also made available on a dedicated section of the IDLO website.

IDLO uses a standard template for a sub-grant agreement, which is reviewed regularly and amended, as needed, to account for any new/changing issues and circumstances. The sub-grant agreement identifies the sub-grant beneficiary/recipient and defines the scope and nature of the assignment, including the subject, maximum amount of funding, period of performance and responsibilities/obligations of the sub-grantees. Sub-grant agreements set out the conditions, rules and criteria that must be respected during the contract.

Implementing Partners have a responsibility to keep IDLO informed about the progress of sub-grant implementation, and of any problems or issues which may affect the terms of their agreement with IDLO. IDLO's sub-grant management system also includes a set of financial rules/principles, which include details on eligible and allowable expenses.

GRANTS PRINCIPLES

Several key principles are integrated in IDLO's grant award system:

Transparency. IDLO publishes open Calls for Concept Notes on the dedicated page of its website, as well as in local and/or national media and fora. As noted above, IDLO's website also includes comprehensive information about the sub-grant process as well as information about grants awarded.

Equal treatment. Sub-grant applications received are evaluated by an SP Evaluation Panel and - as needed - in consultation with other external stakeholders, against clear and published award criteria. SP Evaluation Panel members are required to sign a Declaration of No Conflict of Interest, Impartiality and Confidentiality. Irrespective of whether a sub-grantee is selected through a direct or open Call for Concept Notes, the selection is based on the quality of the application, a successful sanction list check, and a subsequent successful Organizational Assessment. Communication with sub-grant applicants is allowed during these phases, in line with IDLO's guiding partnership principles of cross learning, transparency, and information-sharing.

Non-cumulation. The Guidelines provide basic rules on non-cumulation, where the candidate sub-grantees can neither receive more than one grant for the same action, nor can the same costs be financed twice. An Applicant Declaration is submitted by potential Implementing Partners together with the concept note stating that they are eligible to be considered for funding in accordance with the minimum requirements outlined in the Guidelines, and that same activities and costs related to the Call for Concept Notes have not been already funded.

Non-Retroactivity. The Guidelines include a basic rule which states that an Implementing Partner shall not begin implementation of the sub-grant before the sub-grant agreement is signed or enters into effect, and that no funds can be released before the sub-grant agreement is signed by both Parties. Hence, only project-related costs incurred after the signing of the SP agreement will be covered by the sub-grant. Only in exceptional cases, when justified, will IDLO consider and/or accept deviations from these standards.

Co-Financing. The Guidelines include a basic rule that IDLO does not finance the entire costs of SP implementation and that, therefore, it is mandatory for applicants to contribute resources in cash or in-kind to the sub-grant. Such co-financing may take the form of the applicant's own resources, income generated by the sub-grant, and financial or in-kind contributions from third parties. Exceptions to this rule are limited and clearly explained in the Guidelines.

No-profit rule. Implementing partners may not earn or keep any profit resulting from IDLO financial assistance. In addition, the Guidelines include a basic rule that for-profit organizations are not eligible to become IDLO Implementing Partners.

Conflicts of interest. A basic condition for working as an IDLO Implementing Partner is the principle of being free from conflicts of interest. This means having no financial or personal interest with IDLO that may infringe upon the principles of transparency, independence, and fairness of IDLO policies and procedures.

TYPES OF GRANTS USED

IDLO provides direct financial contributions to Implementing Partners for them to support implementation of a specific component of an IDLO program or project. Such sub-grants are based on the costs actually incurred by the Implementing Partners for carrying out the relevant activities.

ORGANIZATION (TASKS AND RESPONSIBILITIES)

The IDLO Employee Duties and Responsibilities document included in the Toolkit provides IDLO employees across the Organization, engaged directly or indirectly in working with potential and contracted Implementing Partners, with a clear division of roles and responsibilities throughout the SP process to increase efficiency and maximise transparency and accountability. In general, the overseeing Manager of the Program Team managing the award of a grant provides all final clearances and approvals related to the sub-grant, while the sub-grant agreements/amendments are signed according to the IDLO Delegation of Authority Policy. The document includes a provision that any major and/or sensitive issues related to any sub-grant shall be brought to the attention of the IDLO Senior Leadership Team (SLT) by the line Director. The Program Coordination Unit plays a support and monitoring role throughout the life of a SP, facilitating cross-departmental consultation and review by relevant support functions throughout the sub-granting process. However, it is typically the Program Team that interfaces directly with the sub-grant applicants externally. The Program Coordination and Communications Units jointly maintain updated relevant information under the dedicated page of the IDLO website, including publication of the open Call for Concept Notes and sub-grant awards.

On the more programmatic side, an IDLO SP Steering Committee may be established to meet at regular intervals to provide support, guidance and oversight of progress being made on the delivery of sub-grant outputs and achievement of sub-grant objectives. This may include monitoring timelines, staffing and budget, and mitigating any risks. The IDLO SP Steering Committee is normally composed of IDLO employees with relevant expertise, including in finance, monitoring, programs, and legal, who are chaired by the relevant Program Team.

DOCUMENTATION AND FILING OF THE GRANTS PROCESS

The Guidelines and Toolkit are made available both internally (on IDLO's e-platform/SharePoint) and externally (on IDLO's website). The draft sub-grant agreement and specific applicable annexes are available only to selected candidates once they have successfully completed the Organizational Assessment and proposal phase.

All documents received from candidate Implementing Partners during the initial stages of the sub-granting process, are saved on IDLO's SharePoint and information is included in IDLO's Implementing Partners / SP Database on IDLO's Intranet site. Disclosure of information and documents submitted by the potential Implementing Partner, following sub-grant agreement signature, is allowed upon request

and conditional upon written consent by the Implementing Partner, subject to terms of the sub-grant agreement and the exclusions set out in the IDLO Transparency Policy.

GRANTS PROCEDURES

Publication of Call for Proposals. The open Call for Concept Notes is published on the dedicated page of the IDLO website, as well as in local/national media and fora. The Guidelines also provide the possibility to award grants undergoing a 'Direct' Call for Concept Notes procedure, according to strictly defined, limited, and duly justified exceptional situations, which are outlined in the Guidelines.

Submission of proposals. IDLO has procedures in place for the receipt, registration and keeping of concept notes made by sub-grant applicants, including in its electronic/IT systems (e.g., Implementing Partner/SP Database). All concept notes received from candidate Implementing Partners are channelled through a central email, assigned a registration code, before being passed onto the SP Evaluation Panel. Deadlines for the submission of concept notes are clearly defined in the Call for Concept Notes; concept note submission periods vary in line with the scope of the sub-grant, although sub-grant applicants typically have between two or three weeks to submit their proposals to IDLO. Answers to requests for additional information on the process for submission of concept notes submitted by candidate Implementing Partners through the General Inquiry Form, are published on IDLO's website and are made available for other applicants for reference.

Security and confidentiality of proposals. IDLO's grant award system includes rules which ensure security and confidentiality of concept notes received. The processing of personal data collected, stored, and transferred by IDLO in the context of its work with Implementing Partners is governed by the IDLO Personal Data Protection Policy and Transparency Policy. Further, the procedures and best practices for efficient and systematic control of the maintenance, use and disposition of documents created or received by IDLO is governed by the IDLO Document Retention Policy. Access to the sub-grant folders on IDLO's Intranet is limited to specific IDLO employees to ensure integrity, confidentiality, and the protection of personal data.

Receipt, registration and opening of proposals. IDLO's grant award system defines procedures for the receipt and registration of concept notes. Currently, the sub-grant process is managed through SharePoint forms. IDLO receives concept notes from sub-grant applicants via email, pre-selected Implementing Partners are registered in IDLO's Implementing Partner / SP Database on IDLO's Intranet, and non-editable versions of proposals are stored in SharePoint.

Eligibility criteria. IDLO's grant award system provides five basic eligibility criteria which are transparent and non-discriminatory, namely (1) legal registration; (2) authority to operate a bank account; (3) financial reliability; (4) no conflicts of interest; and (5) compliance with contractual terms and conditions, and local laws and policies. Supplemental selection criteria include relevance, expected results and budget, contribution of resources, risk analysis and mitigation strategy, gender sensitivity, sustainability, and institutional capacity. Further, the Organizational Assessment phase of the sub-grant process allows IDLO to assess the candidate sub-grantee's capacity, reputation, and experience, and to identify any related strengths and weaknesses. As specified in the Guidelines, another criterion which creates grounds for exclusion, relates to international sanctions addressing terrorism financing and money laundering. If the sub-grantee or its key personnel appear on any of the sanctions lists, IDLO will not consider a relationship with the sub-grantee. Further, IDLO only enters into sub-grants with local partners that help advance IDLO's geographic and thematic strategic priorities and objectives, and that do not therefore deviate from IDLO's core mandate, activities and focus.

Selection and evaluation procedures. Concept notes are screened and evaluated by an SP Evaluation Panel, whose members are appointed in writing by the overseeing Manager, with representation from across the Organization, both at Headquarters and in the relevant Country Office. External experts may support the SP Evaluation Panel pursuant to a decision by the overseeing Manager. Concept notes received, are subject to administrative checks, where the conclusions drafted are documented in a Pre-Selection Evaluation Grid, thus including a scoring of the key aspects of evaluation. Furthermore, a Pre-Selection Evaluation Report is completed, which encompasses all unsuccessful and successful applicants with their corresponding average scores. All applicants, including those rejected, are informed in writing of the sub-grant award decision. Final selection of a candidate Implementing Partner is subject to the successful passing of the sanctions lists check, Organizational Assessment, and following clearance of the full proposal package (including budget).

Awarding of grants. The decision to award a grant involves several steps. First, the SP Evaluation Panel screens concept notes and shortlists those that successfully move onto the next step of the selection process. The overseeing Manager then reviews and clears the proposal package prior to the drafting of an SP Agreement. Ultimate approval requires sign-off by senior management, including Programs, Finance, and the Office of General Counsel, and signature by the DG, or her delegate according to IDLO's Delegation of Authority Policy.

Notification and publication. All applicants, including those unsuccessful, are notified in writing of the sub-grant award decision soon after the award decision has been taken. IDLO can share additional information on the award decision upon request. Unsuccessful applicants can, within 10 working days following notification of the unsuccessful application, request further information relating to their application and the outcome of the assessment process by using the Unsuccessful Applicant Inquiry Form available on the dedicated section of the IDLO website. IDLO will ensure that the unsuccessful applicant receives a written response to any inquiry submitted. Soon after the award decision has been taken, grant awards are published in an appropriate media, including on IDLO's website and on the International Aid Transparency Initiative (IATI) Registry, unless an exception applies in accordance with the criteria stipulated in IDLO's Transparency Policy. Relevant information of award decisions is published on a rolling basis and as SP Agreements are signed/executed. Information includes the name of the recipient, amounts awarded, SP duration, and SP title and description.

Grant agreements and contracts. Soon after the award decision has been taken, IDLO concludes a sub-grant agreement with the selected Implementing Partner, which includes conditions and rules for the verification of costs, payments, conditions for suspension/termination/reduction of sub-grants in such cases of misappropriation of funds, delays and/or non-performance, and requirements relating to internal and external audits and financial record-keeping. The sub-grant agreement defines the roles, rights, and obligations of the parties with respect to the SP and provides for the disbursement of sub-grant funds to the Implementing Partner once the sub-grant agreement is signed by all parties. The draft sub-grant agreement, pursuant to an internally approved template, is also shared with the Implementing Partner to allow for observations, comments, and feedback before final signature. IDLO has procedures in place for the review of regular narrative and financial monitoring (including spot visits and internal audit) and reporting by the Implementing Partner.

PILLAR 5 — PROCUREMENT

Please provide a description (maximum 5 pages) of the entity's procurement system addressing:

- The legal and regulatory framework
- Procurement principles, particularly:
 - transparency measures such as *ex ante* publication of calls for tenders and *ex post* publication of contractors
 - measures to avoid conflicts of interest throughout the procurement process
- Types of procurement used (works, services, supplies)
- Types of competitive procurement procedures used
- Organisation (tasks and responsibilities)
- Documentation and filing of the procurement process
- Procurement procedures:
 - invitation to tender
 - selection and evaluation procedures and award of contracts
 - complaints system.

THE LEGAL AND REGULATORY FRAMEWORK

IDLO's procurement policy is set forth in the Procurement Policies and Procedures (PPP) and is based on the concept of maintaining the highest standards of stewardship and accountability of resources entrusted to it by its Member Parties and other Donors. All IDLO staff with a responsibility to manage the procurement function are to do so by adhering to the principles of fairness, competition, and transparency. Further, the authority to engage in procurement activities, revocation of delegation and approval to enter contractual obligations, under the PPP, is delegated by the DG.

Contract awards are accorded based on competition, management of tender submission, evaluation of submission, procurement process review and award. Each of these areas are covered extensively in the PPP.

Competition is key and forms the norm for procurement activities in IDLO. It is only in exceptional cases that Direct Contracting is allowed. There are various tender methods that are used depending on monetary thresholds, complexity, and nature of the requirement. The policy ties in with the IDLO's internal control framework. Segregation of duties is maintained to enhance good governance and avoid concentration of decisions/conflict of interest with a role/person in the entire supply chain.

To ensure transparency, eliminate undue influence, and provide best overall value for money in contract awards, an independent Procurement Review Committee (PRC) is set up at HQ to oversee and ensure that Supplier selection is fair, competitive, and in compliance with the PPP. The PRC takes decisions or makes recommendations to the relevant Authorised Official.

To mitigate risk, IDLO has a set of contract templates developed by the Office of the General Counsel (OGC) that ensures consistency.

PROCUREMENT PRINCIPLES

Public advertising of tenders is the standard to be undertaken to ensure maximum competition and transparency. All open procurement tenders in the methods of RFQ, ITB and RFP are regularly published on the IDLO website. Access to tender publication on the IDLO website is with the Headquarters Procurement Unit (HQPU). The tenders are additionally published on local procurement platforms by the relevant Country Office Procurement Focal Points.

In case of restricted bidding (i.e., for security reasons), a justification must be submitted to the Global Lead for Procurement Services for their prior approval. It is the responsibility of the Procurement Focal Point to provide a list of Suppliers retrieved through consultation of sources as per the PPP. Restricted tenders are issued to the List of Suppliers by the HQPU through the Global Tenders Mailbox on behalf of the Procurement Focal Point.

In line with the IDLO Transparency Policy, the HQPU publishes a list of successful Suppliers awarded Framework Agreements and Contract Awards above the EUR 50,000 threshold.

In accordance with the IDLO Supplier Code of Conduct, IDLO suppliers are expected to disclose to IDLO any situation that may appear as a conflict of interest and disclose to IDLO if any IDLO official or professional under contract with IDLO, may have an interest of any kind in the supplier's business or any kind of economic ties with the supplier. This statement is additionally disclosed on the front page of each tender document.

To avoid conflict of interest at the evaluation stage of the procurement process, all Tender Evaluation Panel members are required to sign a Declaration of No Conflict of Interest, and an Impartiality and Confidentiality form. It is the responsibility of the Procurement Focal Point to collect the signed Declarations, check for completeness and have them included as part of the procurement case file. Each member of the PRC is required to sign annually a Declaration of No Conflict of Interest, and an Impartiality and Confidentiality form.

TYPES OF PROCUREMENT USED (WORKS, SERVICES, SUPPLIES)

The use of competitive tendering procedures sets the basis for all IDLO purchasing and contracting activities. However, Direct Procurement is used only in exceptional cases underlined in the PPP. Requests for Procurement of Goods and/or Services are initiated via a Purchase Requisition. Goods and/or Services are procured through the appropriate solicitation method (RFQ, ITB, RFP) as determined by the Procurement Focal Point in line with the value thresholds set forth in the PPP and taking into consideration the nature of the goods or services sought.

TYPES OF COMPETITIVE PROCUREMENT PROCEDURES USED

IDLO offers a range of competitive procurement procedures, namely, Requests for Quotation (RFQ), Invitations to Bid (ITB) and Requests for Proposal (RFP).

In the case of a RFQ, the method of solicitation is employed when the defined requirements for supplies or services are clear and specific. An ITB, conversely, is utilised for the procurement of high value goods and services with objectively measurable quantitative and qualitative specifications. Finally, an RFP is employed when the goods and services cannot be expressed quantitatively and qualitatively or are complex requirements that may be met by a variety of ways.

ORGANIZATION (TASKS AND RESPONSIBILITIES)

Overall responsibility for procurement and for implementation of the provisions of the PPP lies with the Director of Finance and Support Services (DFSS). The HQPU in DFSS is responsible for: applying procurement policy and establishing procedures; providing advice and guidance to other IDLO departments, units and offices regarding procurement policies and procedures; and interpreting the provisions of the PPP with input, as appropriate, from the OGC.

As the officer entrusted to administer the Organization, pursuant to the Agreement for the Establishment of IDLO, the DG has original delegated authority to undertake all actions related to the procurement of goods and/or services on behalf of IDLO, and accordingly is not subject to any procurement authorisation limit. The DG has delegated authority to act under the PPP to certain IDLO personnel up to specified limits.

DOCUMENTATION AND FILING OF THE PROCUREMENT PROCESS

Procurement actions, including bid files, are documented in line with the PPP. Files are kept by IDLO and made available for audit review. Documents are retained in accordance with IDLO's document retention policies. Procurement and contract files are required to be kept by respective Country Offices and Headquarters Departments.

Procurement Focal Points are required to submit procurement case submissions that require approval by the GPL, DFSS or PRC through designated procurement submission folders located in the organization-wide intranet. The Folders serve as a document repository system inclusive of all supporting documentation related to each procurement process by Country Office/Headquarters Department, thus simplifying and streamlining record-keeping.

The newly developed NAV Procurement Automation System additionally serves as an automated document repository system inclusive of all documentation from procure to pay.

PROCUREMENT PROCEDURES

Invitations to tender

The PPP contains rules ensuring transparency and equal treatment with respect to invitations to tender. As set out above, public advertising of tenders is the standard to be undertaken to ensure maximum competition and transparency. All open procurement tenders in the methods of RFQ, ITB and RFP are regularly published on IDLO Procurement website. Access to tender publication on IDLO website is with the HQPU. The tenders are additionally published on local procurement platforms by the relevant Country Office Procurement Focal Points.

The PPP details the information required in bids and provides bid templates for various types of processes such as RFQ, RFP, and ITB. They include specifications, delivery periods, payment terms, general terms and conditions and a contact point for any clarifications for the bid.

Selection and evaluation procedures and award of contracts

Evaluation criteria for bids and proposals, as well as the methodology used for evaluation and any weighting or threshold or mandatory requirements, assigned to the evaluation criteria, are established by the Requester and the technically competent unit(s) or officer(s) and are reviewed and accepted by the Procurement Focal Point prior to the issuance of the tender document. The proposed evaluation

criteria and methodology aim to ensure selection of the supplier who offers the Best Value for Money to IDLO.

The evaluation methodology and criteria, including any mandatory criteria, to be used for the evaluation will be set forth in the solicitation documents. Only the methodology and criteria stated in those documents will be considered during the evaluation and that all criteria will be applied equally to all offers. Once the solicitation has been issued, there may be no changes to the evaluation criteria without an amendment to the bid document and advice to all bidders of the change with sufficient time given for response.

After obtaining final clearance for the recommendation from the requester, and ensuring that any PRC recommendation, if necessary, has been obtained or that ex post review is permitted and justified; the Procurement Focal Point will finalise and document the basis for each award recommendation for submission to the Authorised Official for approval, in accordance with the delegation of authority limits. The Authorised Official will not approve or sign any contractual instrument committing IDLO to the expenditure of funds, without documented confirmation from the Budget Holder, that adequate funds for the procurement activity can be committed.

Complaints system

IDLO provides bidders and others interacting with its procurement processes opportunities to raise concerns and seek redress. A dedicated email address is set to receive complaints and bidders that wish to lodge complaints in connection with an IDLO procurement process, are instructed to complete an IDLO Supplier Bid Protest Form.

In terms of formal dispute resolution, as specified in IDLO's contract templates, all disputes arising between the parties in the performance of duly approved Purchase Orders and Contracts shall be settled in the first instance between the parties. In the event that the dispute cannot be resolved through consultation and then negotiation, the dispute shall be referred to arbitration under the terms and conditions set forth in the UNCITRAL rules. Such settlement of disputes provision shall be referred to in the Contract documentation.

PILLAR 7 — EXCLUSION FROM ACCESS TO FUNDING

Please provide a description (maximum 5 pages) of the entity's exclusion system, addressing:

- The legal and regulatory framework
- Exclusion criteria.
- Procedures. State in particular if the aspects listed above are covered in the procedures and how they are applied.

THE LEGAL AND REGULATORY FRAMEWORK

IDLO has adopted a multi-pronged approach to exclude from funding contractors, Implementing Partners, individuals, entities, and companies which are not in compliance with IDLO policies and rules.

Policies and Guidelines

The legal and regulatory framework for exclusions is set forth in IDLO's policies and guidelines. In particular:

- IDLO policies provide for due diligence, review of prospective partners. For example, IDLO's Anti-Corruption and Anti-Fraud Policy aims to raise awareness of corruption and fraud risks, sets out IDLO's organizational position and expected standards, and provides concrete and practical advice on detecting and preventing corruption and fraud. The Anti-Corruption and Anti-Fraud Policy sets out measures to prevent fraud and corruption, including pre-contract due diligence and key contractual terms including, for example, the submission of original documentation to support expenditures under the contract.
- In accordance with IDLO's Procurement Policies and Procedures, all potential suppliers of IDLO are advised that they are required to abide by the IDLO Supplier Code of Conduct, which reflects well-established principles aligned with those embraced by the United Nations addressing such areas as human rights, labor, environment and anti-corruption. This Supplier Code of Conduct is incorporated in IDLO's commercial contracts.
- Due diligence reviews are supplemented by specific exclusions related to international sanctions. Entities and individuals which appear on any of the UN Security Council, EU and U.S. sanctions lists, or any other sanctions list applicable to the particular project at issue, are not eligible to enter into a contract with IDLO. The requirements and processes for conducting and recording sanctions checks in the course of IDLO's work are set forth in IDLO's Sanctions: Implementation Guide. In addition, in accordance with IDLO's Procurement Policies and Procedures, the results of the sanctions check must be indicated in any procurement award recommendation.
- IDLO's prospective Implementing Partners undergo a specific review and approval process under the IDLO Guidelines for Working with Implementing Partners. Prior to entering into a sub-project agreement with an Implementing Partner, IDLO engages in a multi-unit internal organizational assessment process. This also includes a required sanctions check.

EXCLUSION CRITERIA

The types of criteria that IDLO uses to exclude third parties, including Implementing Partners, vendors, or other service providers from funding, include international sanctions, terrorism funding, child labor and other infringement of child well-being, human trafficking, sexual exploitation, abuse or harassment, and fraud or corrupt behavior. Also, IDLO's standard General Terms and Conditions (GTCs) for contracts allow IDLO to immediately terminate a contract if a supplier provides false or misleading information, offers improper incentives to IDLO employees, becomes insolvent or bankrupt, and liquidates or loses its status as a legal person.

PROCEDURES

Exclusion from funding is implemented through various IDLO procedures. For example:

Review and Selection of Partners

IDLO strives to vet partners and service providers to avoid working with any that do not meet reputational standards or engage in corrupt or fraudulent conduct. Proper procurement processes, as outlined in IDLO's Procurement Policies and Procedures, as well as due diligence in accordance with other relevant policies, supports this. Before retaining a service provider or vendor, or engaging on an Implementing Partner, IDLO conducts due diligence appropriately under the circumstances that is documented and maintained in IDLO's records.

As part of the contracting process, IDLO collects key information from potential vendors, Implementing Partners and individuals in order to carry out standard internal review processes. As noted in the Anti-Corruption and Anti-Fraud Policy, the extent of due diligence required corresponds to the level of perceived risk. Under the Sanctions: Implementation Guide checks which raise a "red flag", where the initial checker is unable to resolve, are reviewed by the Internal Audit and Compliance Officer for a final clearance decision.

As noted above, the extent of due diligence required corresponds to the level of perceived risk. Failure to meet IDLO's conditions for contracting means that such organizations or individuals are not eligible to enter a contract with IDLO.

Contracting Requirements

In addition to the requirement that prospective IDLO partners pass the pre-contracting due diligence review processes outlined above, IDLO's contract templates for procurement, Implementing Partners and human resources, include provisions which allow IDLO to take action where it identifies a breach of standards of conduct or misuse of funds.

- IDLO's standard GTCs are incorporated into all contracts for goods or services, including framework agreements. These GTCs include specific ethics and conduct requirements that permit IDLO to immediately terminate the contract in the case of, for example, non-compliance with the Supplier Code of Conduct and IDLO's Anti-Corruption and Anti-Fraud Policy and provisions relating to various exclusion criteria.
- Vendors and contractors are required to accept IDLO's GTCs and Supplier Code of Conduct as a condition of participating in an IDLO procurement process, as well as the specific terms of final contracts. These instruments provide the framework in which vendors and contractors must operate.

- Similar ethics and conduct requirements are incorporated into sub-project agreements with Implementing Partners. In addition, in the case of actual or suspected misuse of funds, IDLO may investigate, request removal of individuals working under the agreement (including separation), and where misuse is substantiated, receive reimbursement of funds and terminate the agreement.
- IDLO contracts with personnel, incorporate the IDLO Code of Conduct and/or appropriate standards for ethical conduct, and provide that IDLO may terminate the contract if such standards of performance are violated.

Notifications to Partners and Prospective Partners

Entities are afforded opportunities to challenge exclusion from funding. For example, in accordance with IDLO's Procurement Policies and Procedures, unsuccessful suppliers are notified either directly or through publication, when it is determined that the successful supplier can perform and sign a contract with IDLO. Suppliers that genuinely consider they have been unfairly treated in connection with an IDLO procurement process, may lodge a complaint directly with IDLO by completing an IDLO Supplier Bid Protest Form available on the IDLO website.

Unsuccessful Implementing Partner applicants, may submit an inquiry relating to the application process for the selection of a Concept Note, as issued by IDLO for a specific project, through an inquiry form on the IDLO website.

PILLAR 8 — PUBLICATION OF INFORMATION ON RECIPIENTS

Please provide a description (maximum 5 pages) of the entity's system for publishing information on recipients of funds, addressing:

- The legal and regulatory framework;
- Requirements for publication. State in particular if the following aspects are covered in the procedures and how they are applied:
 - name, locality, nature and purpose, amount;
 - timing;
 - means of publication.

THE LEGAL AND REGULATORY FRAMEWORK

As set out in its Transparency Policy, IDLO is committed to transparency and externally published information, cognisant of the principle/practice that access to timely, comparable, and comprehensive data and information, leads to better reporting of resources, achievements, and improved decision-making, which in turn leads to greater effectiveness of operational processes.

As part of its efforts, IDLO seeks to establish greater trust between its donors, the communities, and individuals with whom it works. IDLO recognises that it has a responsibility to demonstrate to the public, that its operations are not only consistent with its values, but that its resources are employed in an efficient, accountable, and transparent manner. IDLO's Annual Operating Budget and Annual Audited Financial Statements, for example, are publicly available on its website.

In addition to its commitments under its Transparency Policy, IDLO publishes data about the organization and its projects in line with the standards of the International Aid Transparency Initiative (IATI), which seeks to increase the transparency of development cooperation, and improve its effectiveness by making information about aid spending easier to access, use and understand. IDLO publishes both organizational and activity data in line with the IATI Standards through AidStream. IDLO's data covers organizational and activity data from 2015 onwards. IDLO's IATI identifier is XM-DAC-47059.

For IATI, IDLO publishes organizational and project-level data. Organizational data include the name of the organization, the organizational identifier, the organizational type, the total budget and expenditure, and hyperlinks to IDLO's strategic documents and annual reports. Project-level data include project-identification numbers, project titles, project objectives, project target groups, short descriptions of each project, project status, project recipient by country or region, the sector of work, a list of incoming commitments, funds and expenditures, Project status, donor or partner names, hyperlinks to any project-specific information on IDLO's website, and project narrative reports and summary of results, upon request.

REQUIREMENTS FOR PUBLICATION

Publication of new activity data and updates takes place quarterly, while publication of organizational data takes place once a year, based on IDLO's annual audited financial statements. IDLO's activity

publication provides information on the basic activity, participating organizations, location, classifications, and finances, whilst providing relevant documents, including, upon request, activity reports and summary results. IDLO also makes available its annual forward planning budget, Strategic Plan, and Annual Reports.

IDLO also publishes information on the recipients of funds when publishing sub-grant decisions/awards. Soon after the award decision has been taken, grant awards are published in appropriate media, including on IDLO's website and on the IATI Registry, unless an exception applies in accordance with criteria stipulated in IDLO's Transparency Policy. Relevant information of award decisions is published on a rolling basis and as sub-project agreements are signed/executed. Information includes the name of the recipient, amounts awarded, sub-project duration, and sub-project title and description.

IDLO's Transparency Policy stipulates certain criteria for exclusion from external publication. These criteria include confidentiality, security, personal data of employees and legal action involving the organization.

IDLO does not release:

- Information that might affect the safety or security of individuals, staff, partners, beneficiaries, or its operations (in line with IDLO's Personal Data Protection Policy)
- Specific private information that could be traceable to individual staff or partners (unless prior permission is granted)
- Commercially sensitive information, such as supplier contracts, salary information, consultant fees, and resource mobilisation plans
- Confidential internal documents, such as legal documents as well as information that is subject to confidentiality or non-disclosure agreements with partners or donors.

With regard to contracts, IDLO publishes only commercial contracts equal to or exceeding 50,000 Euros.

The exclusions to publication are clearly laid out in IDLO's IATI and Transparency Policies. IDLO reviews its exclusion policy regularly and updates it to reflect any changes.

Please provide a description (maximum 5 pages) of the entity's system of protection of personal data, addressing:

- The legal and regulatory framework
- Requirements for the protection of personal data. State in particular if these requirements are covered in the procedures and how they are applied.

THE LEGAL AND REGULATORY FRAMEWORK

Description of IDLO's system of protection of personal data

IDLO's Personal Data Protection Policy (PDPP) is the legal and regulatory framework for protection of personal data at IDLO. It provides a comprehensive regulatory framework for collecting, processing, and safeguarding personal data consistent with the best standard of protection recognised by intergovernmental organizations. As an international intergovernmental organization, IDLO is not subject to any regional or national laws concerning data protection, including the legal requirements of the EU General Data Protection Regulation (GDPR). However, the Policy is also aligned to the GDPR principles and the standards therein.

The Policy, most recently updated in March 2021, is divided into 7 sections setting out the principles and procedures for the processing of personal data collected, stored, and transferred by IDLO.

Within the Policy, proper designation is set forth on how IDLO should adopt and implement a data protection policy, and how to set up effective mechanisms and procedures to provide appropriate protection for the privacy of individuals, both internal and external to the organization, who provide their personal data to IDLO. Furthermore, clarification on the specific terminology used in the Policy, gives IDLO personnel an essential understanding of the key concepts and actors that come into play in the handling and processing of personal data.

Other important and fundamental principles of data protection, applied by IDLO, are provided within the PPDP. In brief, processing of personal data must be:

1. Lawful, fair, and transparent;
2. Consistent with specified, legitimate purposes; and
3. Limited to what is necessary for those purposes.

Furthermore, personal data held by IDLO should be:

4. Accurate;
5. Stored for only the amount of time necessary; and
6. Held in a manner assuring adequate security.

IDLO takes measures in order to be accountable for data breaches and to inform data subjects of such incidents.

The PDPP outlines the rights recognised under the Policy to the persons whose data is processed by IDLO, juxtaposed to the criteria, consistent with international standards, that IDLO takes into account

and uses to balance against the data subject's interest in deciding whether to satisfy a request. Also, it specifies the internal procedures that IDLO puts in place to respect these rights, including setting up appropriate organizational and technical measures to address, for example, the collection, retention, transfer, and deletion of personal data.

Finally, it thus designates the responsibility of each IDLO Department/Unit and Country Office to ensure compliance with the Policy through designated focal points who receive training on implementation of the Policy, as well as the specific responsibility of the OGC for providing advice on the interpretation or application of the Policy and the Human Resources and Office Services Department (HROS) as the receiver of data subject requests. It also specifies the relevant procedures in the event of a possible breach of the Policy.

Procedures of data protection

To complement the internal legal framework set out with the Policy, IDLO developed operating procedures for the management of data protection obligations under IDLO PDPP. This document describes the main operating procedures and responsibilities to manage the obligations arising from the Policy in the processing of personal data by IDLO. In particular, these operating procedures better define the privacy organization and management of formal appointments, roles and responsibilities within the organization, the management of information notices and consents, the record of processing activities, data subject rights, data breaches as well as training on data protection for all personnel. In addition, IDLO developed guidelines for best practices for personnel with the aim of increasing awareness of the Policy and improving its implementation. These guidelines, together with a mandatory e-learning course to be taken by all employees, help ensure that employees who process personal data within IDLO understand their roles and responsibilities.

IDLO uses templates for commercial contracts, grant agreements and other legally binding documents that contain provisions on the application of IDLO's PDPP, to ensure the latter is duly applied and implemented in the context of implementation of various legal instruments.

IDLO also holds a Document Retention Policy outlining the procedures and best practices for efficient and systematic control of the maintenance, use and disposition of Documents created or received by IDLO, including specific indications for the storage and deletion of documents containing personal data.

ANNEX 2 ASSESSMENT QUESTIONNAIRE AND CRITERIA

PILLAR 1 — INTERNAL CONTROL	
Level 1 (Financial Regulation). Has the entity set up and ensured the functioning in all material respects of an effective, efficient and economical internal control system based on international best practices and in line with the criteria set by the European Commission?	YES / NO
Level 2 criteria/questions (5 components for internal control)	SCORE (0 – 10)
1 Control environment Does the entity's control environment provide an adequate basis for carrying out internal control across the organisation?	.. / 10
2 Risk assessment Does the entity identify risks to the achievement of its objectives across the entity, including assessing the potential for fraud, and are risks analysed as a basis for determining how they should be managed?	.. / 10
3 Control activities Does the entity deploy effective and efficient control activities , including preventing, detecting and correcting irregularities and fraud?	.. / 10
4 Information and communication Does the entity have controls and procedures in place which ensure reliable reporting — both internal and external (inbound and outbound) — in line with applicable requirements and standards?	.. / 10
5 Monitoring Does the entity monitor internal controls regularly and effectively?	.. / 10
Total score	.. / 50
SCORE	

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

Answer to level 1 question is NO if the total score is less than 70 % or the score for one individual component is lower than 2/10 or 20 %.

PILLAR 2 — ACCOUNTING	
Level 1 (Financial Regulation). Does the entity use an accounting system that provides in all material respects accurate, complete and reliable information in a timely manner, based on international accounting standards and in line with the criteria set by the European Commission?	YES / NO
Level 2 criteria/questions (3 components for accounting)	SCORE (0 – 10)
1 Accounting system and policies Does the entity use an adequate accounting system , and does it have clear and written accounting policies?	.. / 10
2 Budgeting Does the entity have a budget system and procedures which result in transparent and reliable budgets for its operations and activities?	.. / 10
3 Accounting and budgeting for specific projects, activities, (trust) funds and financial instruments⁸, where relevant Does the entity have: (i) accounting and budgeting procedures which enable adequate and timely reporting to donors/fund providers (including the European Commission) on the use of funds provided by them for projects, activities, (trust) funds and financial instruments; and (ii) the capacity and processes in place to produce financial statements⁹ ?	.. / 10
Total score	.. / 30

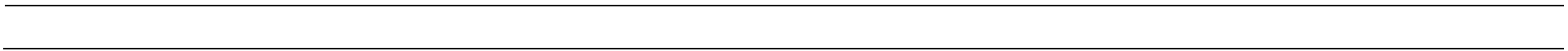
SCORE

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

Answer to level 1 question is NO if the total score is less than 70 % or the score for one individual component is lower than 2/10 or 20 %.

⁸ Reference to 'financial instruments' is deemed to also include budgetary guarantees.

⁹ Cf. Article 209(4) of the 2018 EU Financial Regulation (FR).



PILLAR 3 — INDEPENDENT EXTERNAL AUDIT	
Level 1 (Financial Regulation). Is the entity subject to an independent external audit, required to be performed in all material respects in accordance with internationally accepted auditing standards by an audit service that is functionally independent of the entity, and in accordance with the criteria set by the European Commission?	YES / NO
Level 2 criteria/questions (3 components for independent external audit)	SCORE (0 – 10)
1 Legal and regulatory framework Does the entity have a clear regulatory framework for external audit?	.. / 10
<p>2 Principles. Three possible situations can be distinguished depending on the applicable regulatory framework and the standards on auditing.</p> <p>Key question (level 2) — Applies if the external audit is performed by an <u>independent professional external audit firm (private sector)</u> in accordance with standards equivalent to international standards on auditing. Is the entity subject to an external audit which is:</p> <ul style="list-style-type: none"> - performed by a professional external audit firm which is independent from the entity and which complies with the fundamental principles of professional ethics, which include: integrity, objectivity, professional competence and due care, confidentiality and professional behaviour? - performed in accordance with auditing standards equivalent to the international standards on auditing ('ISAs') issued by the International Auditing and Assurance Standards Board (IAASB)? <p>Key question (level 2) — Applies if the external audit is performed by a <u>national audit institution (public sector)</u> in accordance with standards equivalent to international standards on auditing. Is the entity subject to an external audit which is:</p> <ul style="list-style-type: none"> - performed by a national audit institution or a supreme audit institution (e.g. a national court of auditors or equivalent body) which is independent from the entity and which complies with the fundamental principles of professional ethics, which include: integrity, objectivity, professional competence and due care, confidentiality and professional behaviour? - performed in accordance with auditing standards equivalent to principles, standards and guidance issued by the International Organisation of Supreme Audit Institutions (INTOSAI)? <p>Key question (level 2) — Applies if the external audit is performed by an <u>external audit or oversight body which operates under a specific regulatory or institutionalised framework</u> (e.g. external auditor of the UN) and which is independent from the entity in accordance with standards equivalent to international standards on auditing. Is the entity subject to an external audit which is:</p>	.. / 10

- | | |
|--|--|
| <ul style="list-style-type: none">- performed by an external audit or oversight body which is independent from the entity and which complies with the fundamental principles of professional ethics, which include: integrity, objectivity, professional competence and due care, confidentiality and professional behaviour?- performed in accordance with auditing standards equivalent to the international standards on auditing ('ISAs') or INTOSAI standards? | |
|--|--|

PILLAR 3 — INDEPENDENT EXTERNAL AUDIT (cont'd)

Level 2 criteria/questions (3 components for independent external audit) (cont'd)	SCORE (0 – 10)
3 External audit procedures Is the entity subject to appropriate external audit procedures ?	.. / 10
Total score	.. / 30

SCORE

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

Answer to level 1 question is NO if the total score is less than 70 % or the score for one individual component is lower than 2/10 or 20 %.

PILLAR 4 — GRANTS	
Level 1 (Financial Regulation). Does the entity apply appropriate rules and procedures for providing financing from EU funds through grants and in accordance with the criteria set by the European Commission?	YES / NO
Level 2 criteria/questions (3 components for grants)	SCORE (0 – 10)
1 Legal and regulatory framework Does the entity have a clear legal and regulatory framework for providing grants?	.. / 10
2 Principles Are the following principles integrated in the procedures, rules and criteria of the entity’s grant award system: transparency, equal treatment, eligibility criteria, avoiding double funding, conflicts of interest? These principles must be integrated in the procedures, rules and criteria of the entity’s grant award system in accordance with the overarching principle of proportionality . Principles are not absolute and a limited number of exceptions can be allowed provided that such exceptions are clearly stated, reasonable and justified.	.. / 10
3 Grants procedures Does the entity apply appropriate rules and procedures for providing financing from EU funds through grants and in accordance with the criteria set by the European Commission?	.. / 10
Total score	.. / 30
SCORE <i>Answer to level 1 question is YES if the total score for all 3 components is at least 70 % and the score for each individual component is at least 2/10 or 20 %.</i> <i>Answer to level 1 question is NO if the total score is less than 70 % or the score for one individual component is lower than 2/10 or 20 %.</i>	

PILLAR 5 — PROCUREMENT	
Level 1 (Financial Regulation). Does the entity apply appropriate rules and procedures in all material respects for providing financing from EU funds through procurement and in accordance with the criteria set by the European Commission?	YES / NO
Level 2 criteria/questions (3 components for procurement)	SCORE (0 – 10)
1 Legal and regulatory framework Does the entity have a clear legal and regulatory framework for procurement?	.. / 10
2 Principles Are the following principles integrated in the procedures, rules and criteria of the entity’s procurement system: transparency, equal treatment, public access to procurement information, conflicts of interest and use of competitive tendering procedures and best value for money? These principles must be integrated in the procedures, rules and criteria of the entity’s procurement system in accordance with the overarching principle of proportionality . Principles are not absolute and a limited number of exceptions can be allowed provided that such exceptions are clearly stated, reasonable and justified.	.. / 10
3 Procurement procedures Does the entity apply appropriate rules and procedures for procurement?	.. / 10
Total score	.. / 30

SCORE

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

Answer to level 1 question is NO if the total score is less than 70 % or the score for one individual component is lower than 2/10 or 20 %.

PILLAR 6 — FINANCIAL INSTRUMENTS ¹⁰	
Level 1 (Financial Regulation). Does the entity apply appropriate rules and procedures in all material respects for providing financing from EU funds/budgetary guarantees through financial instruments / budgetary guarantees, and in accordance with the criteria set by the European Commission?	YES / NO
Level 2 criteria/questions (3 components for financial instruments)	SCORE (0 – 10)
1 Legal and regulatory framework Does the entity have a clear legal and regulatory framework for the use and implementation of financial instruments / budgetary guarantees?	.. / 10
2 Principles Are the following principles and conditions integrated in the procedures, rules and criteria of the entity's financial instruments / budgetary guarantees? <u>Basic principles (Article 209(1) FR).</u> Sound financial management, transparency, proportionality, non-discrimination, equal treatment and subsidiarity. <u>Selection of financial intermediaries (Article 216(3) FR).</u> Financial intermediaries must be selected on the basis of open, transparent, proportionate and non-discriminatory procedures, avoiding conflicts of interest. <u>Conditions for financial instruments and budgetary guarantees (Article 209(2) FR).</u> Financial instruments and budgetary guarantees must comply with the following basic conditions: address market failures or sub-optimal investment situations, additionality, leverage effect and alignment of interest, as well as, where applicable, non-distortion of competition in the internal market and consistency with State aid rules.	.. / 10
3 Financial instruments / budgetary guarantees procedures Does the entity apply appropriate rules and procedures for the use of financial instruments / budgetary guarantees?	.. / 10
Total score	.. / 30

¹⁰ Reference to 'financial instruments' and 'EU funds' is deemed to also include budgetary guarantees.

SCORE

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

Answer to level 1 question is NO if the total score is less than 70 % or the score for one individual component is lower than 2/10 or 20 %.

—PILLAR 6 — FINANCIAL INSTRUMENTS — additional Section 6A (additional questions for budgetary guarantees ¹¹)	
Level 2 criteria/questions (four additional components for budgetary guarantees) Does the entity have a credit risk management system and utilise an internal risk rating system appropriate to the nature, size and? complexity of its activities?	YES/NO
1. Risk policy / strategic framework Does the entity have a sound policy and strategy in place to identify, manage, measure and control risk (focus on credit risk)?	.. / 10
2. Risk governance Does the entity have an appropriate organisational framework to enable effective credit risk management, measurement and control, with sufficient qualitative and quantitative human and technical resources to carry out the required tasks?	.. / 10
e3. Credit risk identification, analysis and monitoring system Does the entity have a well-functioning system of credit risk identification, analysis and monitoring?	.. / 10
4. Internal risk rating system (IRRS) Does the entity utilise an internal risk rating system (IRRS) appropriate to the nature, size and complexity of its activities?	.. / 10
Total score	.. / 40

SCORE

Answer to level 2 question is YES if the total score for all 4 components is at least 70 % and the scores for each component are at least 2/10 or 20 %.

Answer to level 2 question is NO if the total score is less than 70 % or the score for one component is lower than 2/10 or 20 %

¹¹ Only applicable if the entity plans to request a budgetary guarantee from the EU.

PILLAR 6 – FINANCIAL INSTRUMENTS - additional sections 6B and 6C (optional¹²)	
Level 1. Does the Entity implement in the selection/implementation of financial instruments/budgetary guarantees supported by Union funds, standards equivalent to applicable Union legislation and agreed international and Union standards, and therefore: a) does not support actions that contribute to tax avoidance and b) does not enter into operations with entities incorporated or established in non-cooperative jurisdictions for tax purposes?	YES / NO
Level 2 criteria / questions (2 components for controls related to tax avoidance & non-cooperative jurisdictions)	SCORE (0 – 10)
<p>Controls related to Tax avoidance and Non-Cooperative Jurisdictions (NCJs)</p> <p>Does the Entity implement in the selection/implementation of financial instruments/budgetary guarantees supported by Union funds, standards equivalent to applicable Union legislation and agreed international and Union standards¹³ and therefore:</p> <p>1) does not support actions that contribute to tax avoidance and</p> <p>2) does not enter into operations with entities incorporated or established in non-cooperative jurisdictions for tax purposes,</p>	.. / 10
Level 1. Does the Entity implement in the selection/implementation of financial instruments/budgetary guarantees, standards equivalent to applicable Union legislation and agreed international and Union standards, and therefore: c) does not support actions contributing to money laundering and terrorism financing and d) does not enter into new or renewed operations with entities incorporated or established in jurisdictions identified as high risk third countries?	YES / NO
Level 2 criteria / questions (2 components for controls related to anti-money laundering & countering terrorism financing)	SCORE (0 – 10)

¹² In order to implement Union funds through financial instruments, the entity will need to comply with the relevant requirements under the Financial Regulation covered in the additional sections 6B and 6C through appropriate contractual arrangements, even if opting not to undergo the pillar assessment of these sections.

¹³ The EU tax policy and regulatory framework includes, in particular and subject to further developments: Code of Conduct for business taxation, 1.12.1997 OJ C2, 6.1.1998; Council Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States; Council Directive 2003/49/EC on a common system of taxation applicable to interest on royalty payments made between associated companies of different Member States; Commission Recommendation of 6 December 2012 on aggressive tax planning 2012/772/EU; Council directive 2011/16/EU on administrative cooperation in the field of taxation; Commission Anti-Tax Avoidance Package: Next steps towards delivering effective taxation and greater tax transparency in the EU (COM/2016/23), Commission Recommendation (EU) 2016/136 28 January 2016 on the implementation of measures against tax treaty abuse; Council Directive (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market; ECOFIN Council conclusions of 12 February, 8 March, 25 May, 17 June, 8 November and 5 December 2016, 5 December 2017, 23 January and 13 March 2018.

Anti-Money Laundering (AML) & Countering Terrorism Financing (CTF)

Does the Entity implement in the selection/implementation of Financial Instruments/Budgetary Guarantees, standards equivalent to applicable Union legislation and agreed international and Union standards that provide reasonably effective safeguards and therefore:

- 1) does not support actions contributing to money laundering and terrorism financing and
- 2) does not enter into new or renewed operations with entities incorporated or established in jurisdictions identified as high risk third countries¹⁴

.. / 10

Answer to level 1 question is YES if the total score for the relevant section is at least 70%.

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

¹⁴ Taking into account Directive (EU) 2015/849

PILLAR 7 — EXCLUSION FROM ACCESS TO FUNDING	
Level 1 (Financial Regulation). Does the entity apply appropriate rules and procedures for excluding third parties from access to funding through procurement, grants and/or financial instruments¹⁵?	YES / NO
Level 2 criteria/questions (3 components for exclusion from access to funding)	SCORE (0 – 10)
1 Legal and regulatory framework Does the entity have a clear legal and regulatory framework regarding exclusion from funding?	.. / 10
2 Exclusion criteria Are exclusion criteria integrated in the procedures and rules for the award of procurement contracts, grants and/or financial instruments?	.. / 10
3 Exclusion procedures Does the entity effectively apply rules and procedures for exclusion referred to under 2?	.. / 10
Total score	.. / 30

SCORE

Answer to level 1 question is YES if the total score for all 3 components is at least 70 % and the score for individual components 1 or 3 is at least 2/10 or 20 % or the score for individual component 2 is at least 5/10 or 50 %.

¹⁵ The exclusion of third parties must be assessed for grants, procurement and/or financial instruments when the respective pillar (grants, procurement and financial instruments) has been assessed. Reference to 'financial instruments' and 'EU funds' is deemed to also include budgetary guarantees.

Answer to level 1 question is NO if the total score is less than 70 % or the score for individual components 1 or 3 is lower than 2/10 or 20 % or the score for individual component 2 is lower than 5/10 or 50 %.

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PILLAR 8 — PUBLICATION OF INFORMATION ON RECIPIENTS AND OTHER INFORMATION	
Level 1 (Financial Regulation) Does the entity make public information on the recipients of funds in an appropriate and timely manner ¹⁶ ?	YES / NO
Level 2 criteria/questions (3 components for publication of recipients)	SCORE (0 – 10)
1 Legal and regulatory framework Does the entity have a clear legal and regulatory framework on publication of recipients, covering (1) the publication of appropriate information on fund beneficiaries; (2) a reference to a common international standard ensuring protection of fundamental rights and of commercial interests; and (3) regular publication updates?	.. / 10
2 Requirements If the regulatory framework is implemented by an additional set of procedures for publication, do the latter integrate its requirements ?	.. / 10
3 Publication procedures Does the entity effectively apply rules and procedures for publication based on the requirements mentioned under 2?	.. / 10
Total score	.. / 30

¹⁶ The publication of information on recipients must be assessed for grants, procurement and/or financial instruments once the corresponding pillar (grants, procurement and financial instruments) has been assessed.

SCORE

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

Answer to level 1 question is **NO** if the total score is less than 70 % or the score for one individual component is lower than 2/10 or 20 %.

PILLAR 9 — PROTECTION OF PERSONAL DATA	
Level 1 (Financial Regulation) Does the entity ensure protection of personal data equivalent to that referred to in Article 5 of the FR ¹⁷ ?	YES / NO
Level 2 criteria/questions (3 components for protection of personal data)	SCORE (0 – 10)
1 Legal and regulatory framework Does the entity have a clear legal and regulatory framework regarding protection of personal data?	.. / 10
2 Requirements Are requirements integrated in the procedures and rules for the protection of personal data?	.. / 10
3 Procedures	.. / 10

¹⁷ In line with EU Regulation 2018/1725 and EU Regulation No 2016/679.

Does the entity effectively apply rules and procedures (e.g. appropriate technical and organisational measures) for protection of personal data (in the provision of grants/procurement/ financial instruments, as appropriate) based on the requirements mentioned under 2?	
Total score	.. / 30

SCORE

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

Answer to level 1 question is NO if the total score is less than 70 % or the score for one individual component is lower than 2/10 or 20 %.

ANNEX 2A ASSESSMENT QUESTIONNAIRE

PILLAR	PILLAR SUBJECT TO ASSESSMENT (1)
1 INTERNAL CONTROL	YES
2 ACCOUNTING	YES
3 EXTERNAL AUDIT	YES
4 GRANTS	YES
5 PROCUREMENT	YES
6 FINANCIAL INSTRUMENTS ¹⁸	NO
7 EXCLUSION FROM ACCESS TO FUNDING	YES
8 PUBLICATION OF INFORMATION ON RECIPIENTS	YES
9 PROTECTION OF PERSONAL DATA	YES

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

Pillars 1, 2, 3, 7, 8 and 9 are always subject to assessment.

Pillars 4 to 6 may be subject to the assessment, depending on the nature of the implementation tasks to be entrusted.

¹⁸ The reference to ‘financial instruments’ is deemed to also include budgetary guarantees.

PURPOSE AND USE OF THIS DOCUMENT

- 1 In a first phase, the entity will be requested to complete relevant questions in Annex 2a and to submit a completed Annex 2a to the contracting authority (if different to the entity itself) and the auditor.

Attention: the entity is requested to complete questions indicated with 'to be completed by entity', 'TBCBE' in the column with the heading 'Entity comments'. Key questions must only be completed by the auditor based on its professional judgement and the assessment procedures and tests performed.

The contracting authority will provide a completed Annex 2a questionnaire to the auditor as soon as possible after the auditor has been contracted but prior to the start of the auditor's assessment procedures.

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

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

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

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

The auditor remains fully responsible at all times for designing, planning and performing the assessment procedures it deems necessary to arrive at a conclusion for each pillar covered by the assessment. The auditor must take into account the specific engagement circumstances and apply professional judgement throughout the assessment process.

ANNEX 3 ASSESSMENT PROCEDURES

3.1 Assessment documentation and evidence

1 Assessment documentation (working papers)

The auditor should in accordance with ISAE 3000, prepare documentation that provides:

- a sufficient and appropriate record of the basis for the auditor's report; and
- evidence that the assessment was planned and performed in accordance with ISAE 3000 and applicable legal and regulatory requirements.

'Documentation' or 'working papers' mean the record of assessment procedures performed, relevant evidence obtained and conclusions the auditor reached. An 'assessment file' refers to one or more folders or other storage media, in physical or electronic form, containing the records that comprise the assessment documentation or working papers for a specific engagement.

2 Evidence

The auditor should, in accordance with ISAE 3000, ensure that evidence is gathered to support the auditor's conclusion and evidence that the assessment was carried out in accordance with the IFAC *International Framework for Assurance Engagements* and *International Standard on Assurance Engagements ('ISAE') 3000 for Assurance Engagements other than Audits or Reviews of Historical Financial Information*.

The auditor should obtain sufficient appropriate evidence to support assessment findings and to draw reasonable conclusions on which to base the assessment conclusions. The auditor uses their professional judgement to determine whether evidence is sufficient and appropriate.

3 Retention of assessment documentation (working papers)

The auditor should retain documentation for the engagement (including evidence for fees and expenses such as invoices for hotel accommodation, air plane boarding cards, ticket stubs, time sheets, etc.) for inspection by the contracting authority for 5 years from the date of payment by the contracting authority of the auditor's final invoice for this engagement. The contracting authority should, on request and in accordance with the legislation in the country where the office having responsibility for the assessment is based, have access to the assessment documentation within this five-year period.

4 Access to the entity's records and documents

The auditor should have full and unrestricted access at any time to all records and documents (including accounting records, contracts, minutes of meetings, bank records, invoices, etc.), to the entity's employees and locations insofar as this is possible and relevant to the assessment. The auditor may ask the entity for access to its banks (e.g. to request a bank confirmation), consultants and others, or to firms the entity has engaged.

3.2 Planning

1 Preparatory meeting with the entity

The entity normally plans for a preparatory meeting with the auditor. This meeting will take place at the entity's headquarters or another location, depending on which is most appropriate and convenient for both parties. The purpose of this meeting is to discuss the assessment planning, fieldwork and reporting and to clarify outstanding issues. The entity and the auditor may agree on alternative methods to prepare the assessment (e.g. conference calls). During the preparatory meeting, the auditor may request additional information and documents that it considers necessary or useful for the assessment planning and fieldwork.

The entity should inform the Commission about this meeting which may be attended by Commission representatives.

2 Planning activities, assessment plan and assessment work programmes

The auditor should plan the assessment so that it is carried out effectively and efficiently. Adequate planning involves devoting appropriate attention to important assessment areas, identifying and resolving potential problems promptly, and properly organising and managing the assessment so that it is effective and efficient.

The auditor should have an assessment plan (or a similar planning document such as an assessment work plan or a planning memorandum) setting out the assessment approach and key principles of planning, fieldwork and reporting. The auditor should have assessment work programmes that detail and document the assessment tests and procedures.

3.3 Fieldwork

1 Obtaining evidence on the design of systems, controls, procedures and rules

The scope of work should include an assessment of the **design** of relevant systems, controls, procedures and rules that are relevant for the pillar concerned.

Procedures to obtain evidence on the design of systems, controls, procedures and rules may include:

- talking to members of the entity's staff who may have relevant information;
- evaluating whether descriptions, if available, fairly present the systems, controls, procedures and rules that have been designed and implemented by the entity;
- inspecting legal and regulatory documents (e.g. laws, regulations, contracts and agreements), internal instructions and guidance papers (e.g. operating rules, internal control manuals, etc.) and any other document the auditor may consider relevant;
- observing operations and inspecting documents, reports, printed and electronic records of transaction processing, accounting procedures (e.g. bank reconciliation) and other key approval and internal control procedures (e.g. periodical expenditure reports, budget–actual comparisons, review and approval of timesheets, etc.),

documents relating for example to: (i) the entity's regulatory framework for external audit; and (ii) grant and procurement procedures; and

- repeating controls and procedures.

The auditor may wish to use flowcharts or questionnaires to help assess the design of the controls, procedures and rules.

2 Tests of systems, controls and procedures

The scope of work should include an assessment of whether relevant systems, controls, procedures and rules are **operating effectively**.

A system, control, procedure or rule is operating effectively if, individually or in combination with other systems, controls, procedures or rules, it provides reasonable assurance that:

- the entity's objectives (e.g. objectives of the internal control system or of a grant or procurement process) are achieved and, in particular, that risks to the achievement of the objectives are properly managed and controlled;
- the risks of error, irregularities and fraud are prevented, detected and properly and promptly corrected.

When designing and carrying out tests of the controls, the auditor should:

- carry out other procedures in addition to inquiries to obtain evidence about:
 - how a system operated or how a control, procedure or rule was applied;
 - the consistency with which the system worked or a control, procedure or control was applied; and
 - by whom or by what means controls, procedures or rules were applied;
- determine means of selecting items for testing that are effective in meeting the procedure's objectives.

When determining the extent of tests of the controls, procedures or rules, the auditor must consider factors such as the characteristics of the population to be tested, the nature of the controls, procedures and rules, the frequency of their application (for example, monthly, daily, a number of times per day), and the expected rate of deviation.

Tests of controls, procedures and rules may include but are not limited to inspection (of records, documents and assets), observation, interviewing the management and others within the entity, confirmation, recalculation and repeating certain procedures.

3 Sampling and other means of selecting items for testing

When designing and performing tests of systems, controls, procedures and rules, the auditor may use sampling or other ways of selecting items for testing. Sampling involves applying the procedures to less than 100 % of items of relevance to the assessment (e.g. a selection of transactions or account balances) such that all sampling units have a chance of being selected. This will provide the auditor with a reasonable basis on which to draw conclusions about the entire population.

Sampling can take either a statistical or non-statistical approach. The auditor may make a well-judged selection of specific items from a population (e.g. high value or key items, all items over a certain amount, items to obtain information or items to test control activities or procedures or rules). Selective examination does not constitute sampling.

While selective examination of specific items will often be an efficient means of obtaining evidence, it does not constitute sampling. The results of procedures applied to items selected in this way cannot be projected or extrapolated to the entire population. Accordingly, selective examination of specific items does not provide evidence on the rest of the population. Sampling, on the other hand, is designed to enable conclusions to be drawn about an entire population on the basis of testing a sample drawn from it.

4 Using the work of internal auditors

When the auditor determines that an internal audit function is likely to be relevant for the assessment they: (a) determine whether and to what extent specific work of the internal auditors can be used; and (b) if using the specific work of the internal auditors, whether that work is adequate for the purposes of the audit. The auditor should comply with *ISA 610 'Using the Work of Internal Auditors'* insofar as this ISA is relevant to the assessment.

5 Written representations

In assurance engagements other than audits or reviews of historical financial information (ISAE 3000) the auditor should obtain representations from the management. A written representation is a statement by the management provided to the auditor to confirm certain matters or to support other assessment evidence.

The auditor may request a letter of representation signed by the member(s) of the entity's management who have the primary responsibility for the entity's systems, controls, procedures and rules.

6 Debriefing memorandum ('aide mémoire')

The auditor will prepare a debriefing memo for discussion at the closing meeting. The memo should outline the main assessment findings that have resulted from the fieldwork and recommendations. A copy of the memo should be sent to the contracting authority's audit task manager.

7 Closing meeting

The auditor should organise a closing meeting with the entity. The entity should inform the Commission about this meeting which may be attended by Commission representatives.

The purpose of this meeting is to discuss the debriefing memo and to obtain the entity's confirmation and initial comments on the auditor's findings and recommendations. The auditor and the entity can agree on the outstanding information to be provided by the entity and, where applicable, a deadline for submission. The auditor can inform the entity about the reporting procedures. The auditor should document any comments (verbal and written) made

by the entity and by Commission representatives and take them into account for the assessment report.

3.4 Reporting

1 Basic reporting requirements and language

The auditor should report the assessment's results in accordance with the IFAC International Framework for Assurance Engagements and ISAE 3000, the practices of his/her audit firm and the requirements of these terms of reference (ToR).

The report should be objective, clear, concise, timely and constructive.

The report should be presented in the language as indicated in Section 6.4 of the ToR. If the language of the report is other than English or French the auditor should also provide an executive summary of the report in English or French.

2 Date of the assessment report

The date of draft and pre-final reports should be the date when these reports are sent for consultation. The date on the cover page of the final assessment report should be the date when the final assessment report is signed.

Facts and events that have come to the auditor's attention before the final report is signed and which have an impact on the findings in that report must be taken into account. However, the auditor is under no obligation to enquire of the entity's management and/or to carry out further procedures after the closing meeting and before the signature of the final report.

3 Procedure for the consultation and submission of the draft report

The auditor should submit a draft report to the contracting authority within 21 calendar days after the day of the closing meeting (i.e. the end of the field work). The draft report should include the entity's comments insofar as these have already been obtained during the assessment fieldwork and the closing meeting.

A paper and an electronic version of the draft report along with a cover letter should be submitted. The word 'draft' should be clearly indicated on all versions.

The entity may send a copy of the **draft** pillar assessment report to the European Commission to seek the Commission's view on specific elements of the draft report¹⁹.

The contracting authority should provide comments to the auditor within 21 calendar days from receipt of the draft report.

The auditor should submit to the contracting authority a revised draft report which takes into account any comments received within 7 calendar days from receipt of the comments.

The contracting authority should submit comments to the auditor within 21 calendar days from receipt of the draft report.

¹⁹ Without prejudice to the supervisory measures that the Commission shall take, in accordance with Article 154(5) of the Financial Regulation

4 Procedure for the consultation and submission of the final report

If no additional fieldwork is required, the auditor should submit a pre-final report to the contracting authority within 7 calendar days from the receipt of comments on the draft report. The word 'pre-final' should be indicated on the cover page of the pre-final report. The contracting authority should inform the auditor in writing whether it accepts the pre-final report within 14 calendar days from receipt of the pre-final report.

The auditor should submit a final report within 7 calendar days from receipt of the comments on the pre-final report.

The auditor should then submit an original paper version and one electronic version of the final report along with a cover note to the entity.

The reports should be provided on the auditor's original letterhead. The word 'final' should be clearly indicated on all versions. The auditor should also send an electronic version of the final report (i.e. a scanned copy (in PDF format) of the signed and dated final report with the auditor's letterhead) to the entity.

The period between the closing meeting and the submission to the contracting authority of the final report should not exceed 105 calendar days or 15 weeks.

The auditor should send an electronic and a paper copy of the **final** pillar assessment report to the European Commission:

European Commission
Directorate-General for International Partnerships
Audit and Control Unit
1040 Bruxelles/Brussel, BELGIQUE/BELGIË

<AUDITOR'S LETTERHEAD>

[DRAFT, PRE-FINAL OR FINAL] REPORT

[date]

<for the final report this is the date on which the final independent auditor's report is signed;

for a draft or pre-final report this is the date on which these reports are sent for consultation>

**PILLAR ASSESSMENT
OF INTERNATIONAL DEVELOPMENT LAW ORGANIZATION**

Entity subject to assessment:	INTERNATIONAL DEVELOPMENT LAW ORGANIZATION
Country:	ITALY
Auditor:	[Audit firm and office responsible for the assessment]
Period subject to assessment:	[date] to [date] [this should normally be the year of the (12-month period) ending on the day of the start

assessment] field work (on-site procedures) of the

Dates of assessment fieldwork: [[date] to [date]]

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INDEPENDENT ASSURANCE REPORT

Pillar assessment

[full name and address of the entity]

We have carried out a pillar assessment ('assessment') of [name]; the 'entity'. The objective of the assessment is to provide reasonable assurance to the European Commission as to whether the entity fulfils the requirements set out in points (a) to (f) of Article 154(4) of the Financial Regulation applicable to the General Budget of the European Commission and Article 29.1 of the Financial Regulation applicable to the European Development Fund with regard to the following pillars:

- 1 Internal control system
- 2 Accounting system
- 3 Independent external audit
- 4 Grants
- 5 Procurement
- 6
- 7 Exclusion from access to funding
- 8 Publication of information on recipients
- 9 Protection of personal data

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

Respective responsibilities of the entity's management and the auditor

The entity's management are responsible for ensuring that the systems, controls, rules and procedures connected with the pillars comply with internationally accepted standards and with the criteria set by the European Commission for each pillar. The entity's management is also responsible for providing information, documents and access to systems and entity staff to the auditor insofar as this is necessary and relevant for the purpose of this assessment.

Our responsibility is to assess the systems put into place and the controls, rules and procedures applied by the entity for each pillar against the criteria for each pillar and to report our findings in accordance with the terms of reference for this assessment.

These terms of reference specify that we must carry out our work in accordance with the *International Standard for Assurance Engagements 3000* (issued by the International Federation of Accountants) on *Assurance Engagements other than Audits or Reviews of Historical Financial Information* insofar as this standard can be applied in the specific context of this pillar assessment. This standard requires us to observe applicable ethical standards in the conduct of our work.

Scope of work for all pillars

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

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

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

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

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

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

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

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

PILLAR 1 INTERNAL CONTROL SYSTEM

The scope of our engagement includes an assessment of whether the entity has set up and ensured the functioning of an effective, efficient and economical internal control system. Consequently the procedures undertaken by us covered the design and the operational effectiveness of the internal control system.

Our work concentrated on the internal control components and controls which the Commission considers important and which are detailed in the assessment questionnaires.

Conclusion

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

Overall, in our opinion, based on the work we have performed, the entity has set up and ensured the functioning in all material respects of an effective, efficient and economical internal control system that is in accordance with the criteria set by the European Commission.

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

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

Overall, in our opinion, because of the material nature of the matters referred to in the preceding paragraph and based on the work we have performed, the entity has not set up and ensured the functioning in all material respects of an effective, efficient and economical internal control system that is in accordance with the criteria set by the European Commission.

PILLAR 2 ACCOUNTING SYSTEM

The scope of our engagement includes an assessment of whether the entity uses an accounting system that provides accurate, complete, reliable and prompt information. The procedures performed by us covered the design and the operational effectiveness of the accounting system.

Our work concentrated on those aspects and components of the accounting system which the Commission considers important and which are detailed in the assessment questionnaires.

Conclusion

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

Overall, in our opinion, based on the work we have performed, the entity uses an accounting system that provides in all material respects accurate, complete, reliable and prompt information in accordance with the criteria set by the European Commission.

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

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

Overall, in our opinion, because of the material nature of the matters referred to in the preceding paragraph and based on the work we have performed, the entity does not use an accounting system that provides in all material respects accurate, complete, reliable and prompt information in accordance with the criteria set by the European Commission.

PILLAR 3 INDEPENDENT EXTERNAL AUDIT

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

Our work concentrated on those aspects and components of the framework for an independent external audit which the Commission considers important and which are detailed in the assessment questionnaires.

Conclusion

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

Overall, in our opinion, based on the work we have performed, the entity is subject to an independent external audit, required to be performed in all material respects in accordance with internationally accepted auditing standards by an audit service functionally independent of the entity and in accordance with the criteria set by the European Commission.

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

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

Overall, in our opinion, because of the material nature of the matters referred to in the preceding paragraph and based on the work we have performed, the entity is not subject to an independent external audit, required to be performed in all material respects in accordance with internationally accepted auditing standards by an audit service functionally independent of the entity and in accordance with the criteria set by the European Commission.

PILLAR 4 GRANTS

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

Our work concentrated on those aspects and components of the grants system which the Commission considers important and which are detailed in the assessment questionnaires.

Conclusion

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

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

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

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

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

PILLAR 5 PROCUREMENT

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

Our work concentrated on those aspects and components of the procurement system which the Commission considers important and which are detailed in the assessment questionnaires.

Conclusion

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

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

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

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

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

PILLAR 6 FINANCIAL INSTRUMENTS²⁰

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

Our work concentrated on those aspects and components of the financial instruments used by the entity which the Commission considers important and which are detailed in the assessment questionnaires.

Conclusion

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

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

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

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

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

²⁰ This includes budgetary guarantees, taxation and AML/CTF requirements. Please provide conclusions for each sub-section (6a, 6b, 6c), in addition to general conclusions for the overall pillar

PILLAR 7 EXCLUSION FROM ACCESS TO FUNDING

The scope of our engagement includes an assessment of whether the entity applies appropriate rules and procedures for excluding third parties from access to funding.

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

Our work concentrated on those exclusion grounds and measures taken by the entity that the Commission considers important and which are detailed in the assessment questionnaires.

Conclusion

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

Overall, in our opinion, based on the work we have performed, the entity applies appropriate rules and procedures for excluding third parties from access to funding in accordance with the criteria set by the European Commission.

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

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

Overall, in our opinion, because of the material nature of the matters referred to in the preceding paragraph and based on the work we have performed, the entity does not apply appropriate rules and procedures for excluding third parties from access to funding in accordance with the criteria set by the European Commission.

PILLAR 8 PUBLICATION OF INFORMATION ON RECIPIENTS

The scope of our engagement includes an assessment of whether the entity makes public information on the recipients of funds in an appropriate and timely manner.

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

Our work concentrated on those requirements that the Commission considers important and which are detailed in the assessment questionnaires.

Conclusion

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

Overall, in our opinion, based on the work we have performed, the entity applies appropriate rules and procedures for making public information on the recipients of funds in an appropriate and timely manner in accordance with the criteria set by the European Commission.

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

We refer to our findings as set out in Section 1.3: Summary of Findings of our detailed report which sets out the material weaknesses and deficiencies in the entity's system of publication of information on recipients.

Overall, in our opinion, because of the material nature of the matters referred to in the preceding paragraph and based on the work we have performed, the entity does not apply appropriate rules and procedures for making public information on the recipients of funds in an appropriate and timely manner in accordance with the criteria set by the European Commission.

PILLAR 9 PROTECTION OF PERSONAL DATA

The scope of our engagement includes an assessment of whether the entity ensures protection of personal data equivalent to that referred to in Article 5 of the Financial Regulation.

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

Our work concentrated on those requirements and measures taken by the entity that the Commission considers important and which are detailed in the assessment questionnaires.

Conclusion

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

Overall, in our opinion, based on the work we have performed, the entity applies appropriate rules and procedures for ensuring protection of personal data in accordance with the criteria set by the European Commission.

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

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

Overall, in our opinion, because of the material nature of the matters referred to in the preceding paragraph and based on the work we have performed, the entity does not apply appropriate rules and procedures for ensuring protection of personal data in accordance with the criteria set by the European Commission.

Distribution and use

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

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

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

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

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

1 EXECUTIVE SUMMARY

1.1 Conclusions

A summary of our conclusions for each pillar is provided below.

PILLAR	CONCLUSION
1 Internal control system	YES/NO
Has the entity set up and ensured the functioning in all material respects of an effective, efficient and economical internal control system and in accordance with the criteria set by the European Commission?	
2 Accounting system	YES/NO
Does the entity use an accounting system that provides in all material respects accurate, complete, reliable and prompt information that is in accordance with the criteria set by the European Commission?	
3 Independent external audit	YES/NO
Is the entity subject to an independent external audit, required to be performed in all material respects in accordance with internationally accepted auditing standards by an audit service functionally independent of the entity and in accordance with the criteria set by the European Commission?	
4 Grants	YES/NO/NA
Does the entity apply appropriate rules and procedures for providing financing from EU funds through grants and in accordance with the criteria set by the European Commission?	
5 Procurement	YES/NO/NA
Does the entity apply appropriate rules and procedures in all material respects for providing financing from EU funds through procurement and in accordance with the criteria set by the European Commission?	
6 Financial instruments	NA
Does the entity apply appropriate rules and procedures in all material respects for providing financing from EU funds through financial instruments and in accordance with the criteria set by the European Commission?	

In particular, does the entity apply appropriate rules and procedures with reference to:	
<ul style="list-style-type: none"> Credit risk management system and use of an internal risk rating system? 	YES/NO/NA
<ul style="list-style-type: none"> Tax avoidance and non-cooperative jurisdictions? 	YES/NO/NA
<ul style="list-style-type: none"> Anti-money laundering and countering terrorism financing? 	YES/NO/NA
7 Exclusion from access to funding	YES/NO/NA
Does the entity apply appropriate rules and procedures for excluding third parties from access to funding through procurement, grants and/or financial instruments?	YES/NO/NA
8 Publication of information on recipients	YES/NO/NA
Does the entity make public information on the recipients of funds appropriately and within a reasonable timeframe?	YES/NO/NA
9 Protection of personal data	YES/NO/NA
Does the entity ensure protection of personal data equivalent to that referred to in Article 5 of the Financial Regulation ²¹ ?	YES/NO/NA

²¹ Without prejudice to EU Regulation 2018/1725 and EU Regulation No 2016/679.

1.2 Roadmap

<Suggested length of the roadmap: maximum 2 pages>

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

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

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

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

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

Roadmap

<Describe here the roadmap by addressing the following key aspects for each pillar concerned:

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

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

1.3 Summary of findings and recommendations

See below a summary of our findings and recommendations for each pillar.

Findings

The main findings are the ones that relate to material weaknesses or deficiencies in systems, controls, rules and procedures. 'Material' means that we consider these factors to be so important for the Commission that they might influence the Commission's decision to entrust budget implementation tasks under indirect management to the entity. Therefore, where we have found material findings for a pillar it has led us to express a negative conclusion for it.

The main findings also include cases where several findings which taken individually do not relate to a material weakness or deficiency but which taken together involve a finding of material weakness or deficiency. The combined impact of such findings is considered so important (i.e. material) that it has led us to conclude that the entity does not meet the requirements for the pillar concerned (i.e. the conclusion is 'no').

The other findings are all non-material findings which we believe should be brought to the entity's attention. These findings relate to weaknesses and deficiencies in systems, controls, rules and procedures which, individually or together, carry a less immediate level of risk of the objectives for the pillar concerned not being achieved.

Recommendations

The critical recommendations relate to material weaknesses and deficiencies in systems, controls, rules or procedures and to cases where the European Commission's criteria and/or internationally accepted standards for pillars are not (regularly) complied with.

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

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

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

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

Note: The number and description of the finding/recommendation must correspond with the detailed finding/recommendation in Section 3.3.1 respectively Section 3.3.2.

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

Note: The number and description of the finding/recommendation must correspond with the detailed finding/recommendation in Section 4.3.1 respectively Section 4.3.2.

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PILLAR 3 — INDEPENDENT EXTERNAL AUDIT

Main findings / critical recommendations

No	Description of the finding/recommendation
1	<i>Finding:</i> <short description of the finding, maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation, maximum 2 lines>
2	
3	
Etc.	

Other findings / other recommendations

No	Description of the finding/recommendation
1	<i>Finding:</i> <short description of the finding, maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation, maximum 2 lines>
2	
3	
Etc.	

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

PILLAR 4 — GRANTS

Main findings / critical recommendations

No	Description of the finding/recommendation
1	<i>Finding:</i> <short description of the finding, maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation, maximum 2 lines>
2	
3	
Etc.	

Other findings / other recommendations

No	Description of the finding/recommendation
1	<i>Finding:</i> <short description of the finding, maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation, maximum 2 lines>
2	
3	
Etc.	

Note: The number and description of the finding/recommendation must correspond with the detailed finding/recommendation in Section 6.3.1 respectively Section 6.4.2.

PILLAR 5 — PROCUREMENT

Main findings / critical recommendations

No	Description of the finding/recommendation
1	<i>Finding:</i> <short description of the finding, maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation, maximum 2 lines>
2	
3	
Etc.	

Other findings / other recommendations

No	Description of the finding/recommendation
1	<i>Finding:</i> <short description of the finding, maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation, maximum 2 lines>
2	
3	
Etc.	

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

PILLAR 6 — FINANCIAL INSTRUMENTS

Main findings / critical recommendations

No	Description of the finding/recommendation
1	<i>Finding:</i> <short description of the finding, maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation, maximum 2 lines>
2	
3	
Etc.	

Other findings / other recommendations

No	Description of the finding/recommendation
1	<i>Finding:</i> <short description of the finding, maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation, maximum 2 lines>
2	
3	
Etc.	

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

PILLAR 7 — EXCLUSION FROM ACCESS TO FUNDING

Main findings / critical recommendations

No	Description of the finding/recommendation
1	<i>Finding:</i> <short description of the finding, maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation, maximum 2 lines>
2	
3	
Etc.	

Other findings / other recommendations

No	Description of the finding/recommendation
1	<i>Finding:</i> <short description of the finding, maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation, maximum 2 lines>
2	
3	
Etc.	

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

PILLAR 8 — PUBLICATION OF INFORMATION ON RECIPIENTS

Main findings / critical recommendations

No	Description of the finding/recommendation
1	<i>Finding:</i> <short description of the finding, maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation, maximum 2 lines>
2	
3	
Etc.	

Other findings / other recommendations

No	Description of the finding/recommendation
1	<i>Finding:</i> <short description of the finding, maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation, maximum 2 lines>
2	
3	
Etc.	

Note: The number and description of the finding/recommendation must correspond with the detailed finding/recommendation in Section 10.3.1 respectively Section 10.3.2.

PILLAR 9 — PROTECTION OF PERSONAL DATA

Main findings / critical recommendations

No	Description of the finding/recommendation
1	<i>Finding:</i> <short description of the finding, maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation, maximum 2 lines>
2	
3	
Etc.	

Other findings / other recommendations

No	Description of the finding/recommendation
1	<i>Finding:</i> <short description of the finding, maximum 2 lines>
	<i>Recommendation:</i> <short description of the recommendation, maximum 2 lines>
2	
3	
Etc.	

Note: The number and description of the finding/recommendation must correspond with the detailed finding/recommendation in Section 11.3.1 respectively Section 11.3.2.

2. ENGAGEMENT CONTEXT

2.1 Context

Article 154 of the Financial Regulation²² ('FR') applicable to the general budget of the European Union ('EU') sets out the methods of implementing the budget, including 'indirect management'. Under indirect management, the Commission can entrust budget implementation tasks to the countries, organisations and bodies (further referred to as 'entities') indicated in Article 62 of the FR. The following entities may be concerned:

- third countries or the bodies they have designated e.g. Ministry of Interior, Kingdom of Cambodia;
- international organisations and their agencies e.g. United Nations Development Programme (UNDP);
- public law bodies e.g. Kreditanstalt für Wiederaufbau (KfW);
- bodies governed by private law but with a public service mission, to the extent that they provide adequate financial guarantees e.g. Cassa Depositi e Prestiti (CDP).

When such entities manage EU funds, they are required to guarantee a level of protection of the EU's financial interests equivalent to that required under the FR. More specifically, they must meet requirements with regard to nine 'pillars'. These pillars relate to:

- (1) the internal control system ;
- (2) the accounting system;
- (3) an independent external audit;

as well as rules and procedures for:

- (4) providing financing from EU funds through grants;
- (5) procurement;
- (6) financial instruments²³

and also:

- (7) exclusion from access to funding;
- (8) publication of information on recipients;
- (9) protection of personal data.

Entities wishing to work with EU funds under the indirect management mode must therefore undergo a comprehensive **pillar assessment**. Based on the results of the pillar assessment, the Commission will decide whether: (i) it can entrust budget implementation tasks to the entity and; (ii) it can conclude specific agreements (i.e. indirect management delegation agreements) with the entity.

2.2 Description of the entity subject to the assessment

²² Regulation (EU) 2018/1046

²³ A reference to 'financial instruments' is deemed to also include budgetary guarantees.

<Provide a description of the entity. Suggested maximum: 2 pages.

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

2.3 Criteria used for the assessment and materiality

For each pillar there are three levels of criteria that have been defined by the European Commission through the formulation of (key) questions in **Annex 2 and 2a** of the terms of reference (*Assessment questionnaire and criteria* and *Assessment questionnaire*). To determine what is a material weakness or deficiency in systems, controls, rules and procedures, we have taken into account the criteria and the levels of importance (i.e. the scoring thresholds) defined by the Commission, as these factors might influence the Commission's decision to entrust budget implementation tasks under indirect management to the entity.

Level 1 (Financial Regulation)

For each pillar there is **one** overarching level 1 question (in **Annex 2 Assessment questionnaire and criteria**) defined on the basis of the Financial Regulation. Only two answers are possible:

- The answer to the question at level 1 is 'yes'. This means that the entity complies with the requirements for the pillar concerned. Our conclusion is positive, which is equivalent to an 'unqualified opinion'.
- The answer to the question at level 1 is 'no'. This means that the entity does not comply with the requirements of the pillar concerned. In this case our conclusion is negative, which is equivalent to an 'adverse opinion' under international standards.

Level 2 (Pillar key components)

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

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

Level 3 (Assessment questionnaire with blocks of questions)

Annex 2a Assessment questionnaire includes blocks of questions which relate to the pillars' key components at level 2. These blocks of detailed questions have guided us and are basically non-exhaustive examples. This means that we can — but do not necessarily have to — use (all) these (blocks of) questions to determine a score for each component at level 2.

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

3. INTERNAL CONTROL SYSTEM

3.1 Description of the internal control system

<Describe the main features of the entity's internal control system. Suggested maximum: 2 pages>

3.2 Summary of work performed and criteria used for the assessment

<Provide a summary description of the work, i.e. procedures and tests performed to assess the internal control system pillar. Briefly describe the criteria used to assess this pillar. The auditor may refer to Chapter 2.3 and to the completed Assessment questionnaire and criteria in Annexes 2 and 3.>

3.3 Findings and recommendations

Our detailed findings and recommendations are set out below.

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

3.3.1 Main findings and critical recommendations

Finding / Rec. no: [number]	Title: [short description of the finding and recommendation]
Description of the finding: [describe the finding in detail, covering <u>facts, criteria, cause and impact</u>]	
Description of the recommendation: [describe the recommendation in detail]	
Comments from the entity: [state whether the entity agrees or disagrees with the finding/recommendation and describe the entity's comments]	
Comments from the Commission: [Describe the Commission comments]	
Further comments of the auditor: [complete only if the entity does not agree with the auditor's finding/recommendation despite the auditor still believing that the finding/recommendation is valid. In that case, the auditor should rebut the entity's comments here and justify why the finding is maintained]	

3.3.2 Other findings and recommendations

Finding / Rec. no: [number]	Title: [short description of the finding and recommendation]
Description of the finding: [describe the finding in detail, covering <u>facts, criteria, cause and impact</u>]	
Description of the recommendation: [describe the recommendation in detail]	
Comments from the entity: [state whether the entity agrees or disagrees with the finding/recommendation and describe the entity's comments]	
Comments from the Commission: [Describe the Commission's comments]	
Further comments of the auditor: [complete only if the entity does not agree with the auditor's finding/recommendation despite the auditor still believing that the finding/recommendation is valid. In that case, the auditor should rebut the entity's comments here and justify why the finding is maintained]	

4. ACCOUNTING SYSTEM

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

4.1 Description of the accounting system

[...]

4.2 Summary of work performed and criteria used for the assessment

<Provide a summary description of the work, i.e. procedures and tests performed to assess the accounting pillar. Briefly describe the criteria used to assess this Pillar. The auditor may refer to Chapter 2.3 and to the completed Assessment questionnaire and criteria in Annexes 2 and 3.>

4.3 Findings and recommendations

Our detailed findings and recommendations are set out below.

i. Main findings and critical recommendations

[...]

ii. Other findings and recommendations

[...]

5. INDEPENDENT EXTERNAL AUDIT

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

a. Description of the framework for independent external audit

[...]

b. Summary of work performed and criteria used for the assessment

<Provide a summary description of the work, i.e. procedures and tests performed to assess the independent external audit pillar. Briefly describe the criteria used to assess this pillar. The auditor may refer to Chapter 2.3 and to the completed Assessment questionnaire and criteria in Annexes 2 and 3.>

c. Findings and recommendations

Our detailed findings and recommendations are set out below.

i. Main findings and critical recommendations

[...]

ii. Other findings and recommendations

[...]

6. GRANTS

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

a. Description of the grants system

[...]

b. Summary of work performed and criteria used for the assessment

<Provide a summary description of the work, i.e. procedures and tests performed to assess the grants pillar. Briefly describe the criteria used to assess this pillar. The auditor may refer to Chapter 2.3 and to the completed Assessment questionnaire and criteria in Annexes 2 and 3.>

c. Findings and recommendations

Our detailed findings and recommendations are set out below.

i. Main findings and critical recommendations

[...]

ii. Other findings and recommendations

[...]

7. PROCUREMENT

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

a. Description of the procurement system

[...]

b. Summary of work performed and criteria used for the assessment

<Provide a summary description of the work, i.e. procedures and tests performed to assess the procurement pillar. Briefly describe the criteria used to assess this pillar. The auditor may refer to Chapter 2.3 and to the completed Assessment questionnaire and criteria in Annexes 2 and 3.>

c. Findings and recommendations

Our detailed findings and recommendations are set out below.

i. Main findings and critical recommendations

[...]

ii. Other findings and recommendations

[...]

8. FINANCIAL INSTRUMENTS²⁴

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

a. Description of the financial instruments

[...]

b. Summary of work performed and criteria used for the assessment

<Provide a summary description of the work, i.e. procedures and tests performed to assess the financial instruments pillar. Briefly describe the criteria used to assess this pillar. The auditor may refer to Chapter 2.3 and to the completed Assessment questionnaire and criteria in Annexes 2 and 3.>

c. Findings and recommendations

Our detailed findings and recommendations are set out below.

i. Main findings and critical recommendations

[...]

ii. Other findings and recommendations

[...]

²⁴ Including budgetary guarantees.

9. EXCLUSION FROM ACCESS TO FUNDING

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

Description of the system used for excluding recipients from access to funding

[...]

a. Summary of work performed and criteria used for the assessment

<Provide a summary description of the work, i.e. procedures and tests performed to assess the pillar on exclusion from access to funding. Briefly describe the criteria used to assess this pillar. The auditor may refer to Chapter 2.3 and to the completed Assessment questionnaire and criteria in Annexes 2 and 3.>

b. Findings and recommendations

Our detailed findings and recommendations are set out below.

i. Main findings and critical recommendations

[...]

ii. Other findings and recommendations

[...]

10. PUBLICATION OF INFORMATION ON RECIPIENTS

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

a. Description of the system used for publishing information on recipients

[...]

b. Summary of work performed and criteria used for the assessment

<Provide a summary description of the work, i.e. procedures and tests performed to assess the pillar on publication of information on recipients. Briefly describe the criteria used to assess this pillar. The auditor may refer to Chapter 2.3 and to the completed Assessment questionnaire and criteria in Annexes 2 and 3.>

c. Findings and recommendations

Our detailed findings and recommendations are set out below.

i. Main findings and critical recommendations

[...]

ii. Other findings and recommendations

[...]

11. PROTECTION OF PERSONAL DATA

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

a. Description of the system used for ensuring the protection of personal data

[...]

b. Summary of work performed and criteria used for the assessment

<Provide a summary description of the work, i.e. procedures and tests performed to assess the pillar on the protection of personal data. Briefly describe the criteria used to assess this pillar. The auditor may refer to Chapter 2.3 and to the completed Assessment questionnaire and criteria in Annexes 2 and 3.>

c. Findings and recommendations

Our detailed findings and recommendations are set out below.

i. Main findings and critical recommendations

[...]

ii. Other findings and recommendations

[...]

ANNEXES

Annex 1: People contacted or involved in the assessment

The auditor — [name of the audit firm]	
[Name 1]	[indicate position/title of the person in the audit firm who is ultimately responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, e.g. partner, director or equivalent]
[Name 2; optional]	[optional (if not in conflict with the practices and human resources policies of the audit firm). Indicate the position/title of the person in the audit firm who has been managing the audit, e.g. senior manager]

The entity subject to assessment — [name of the entity]	
[Name 1]	[indicate position/title in the entity, e.g. director, finance manager, accountant, programme manager]
[Name 2]	[as 1]
[Name 3, etc.]	[as 1]

<The following tables should only be completed if and when the Commission has been associated with the assessment and/or has been consulted on a draft version of the assessment report. If not these tables can be removed>

Directorate-General for International Cooperation and Development / Other Directorate-General	
[Name 1]	[indicate position/title and unit in the Commission, e.g. head of finance, contracts and audit]
[Name 2]	[as 1]
[Name 3, etc.]	[as 1]

Delegation of the European Union in [country]	
[Name 1]	[indicate position in the EU Delegation, e.g. head of finance and contracts, programme officer, contracts officer, finance officer, etc.]
[Name 2]	[as 1]
[Name 3, etc.]	[as 1]

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

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

Annex 2: Assessment questionnaire and criteria

*<This Annex must include a copy of **Annex 2** of the terms of reference, i.e. the Assessment questionnaire and criteria **completed by the auditor** >.*

Annex 3: Assessment Questionnaire

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