**TERMS OF REFERENCE**

**FOR EXTERNAL AUDITOR/AUDITING COMPANY**

**Project title: “Knowledge Triangle for a Low Carbon Economny’ (KALCEA)” FINANCED FROM THE [EU FUNDS WITHIN THE FRAMEWORK OF THE ERASMUS + PROGRAMME]**

1. **Introduction**

KALCEA aims to create a systematic and structural approach for implementation of knowledge triangle principles, including sharing of knowledge, information and skills for joint exploitation of research capacities for sustainable growth based on innovation in WBC. We want to create institutional integration of education, research and innovation. To fully implement the wider objective, the following specify project objectives are defined:

1. To create a structured multi-country network between the HEIs and industry sector in WBC countries with aims to exploit the full value of collaboration and cooperation (open innovation), making an impact to academia, business and society.

2. To set-up 5 Knowledge - Innovation Centres at WBC HEIs with aim to manage knowledge triangle activities in WBC, supported by the innovative cooperation platform

3. To create and implement professional programme in cooperation with industry sector in the field of Sustainable energy in 3 WBC HEIs involved

4. To increase awareness on knowledge triangle importance in Albania, Bosnia and Kosovo.

Higher education institutions (HEIs) are the key actors of the knowledge triangle (KT), because they provide key inputs for each segment of the KT and therefore it is necessary to institutionally incorporate KT dimensions into their internal organization and strategic documents. This is recognized as one of the problems in the relevance part. To fully implement KT activities, it is necessary to have established structured sustainable cooperation between the higher education institutions, industry sector and research institutions, which is clearly defined through the first project objective and related deliverables. Networking of the partners will enable common implementation of research and educational activities. Skilled staff, at the universities, are the basis for research and development activities requested by the industry sector. So, academic staff and students will participate in those research projects and in that way they will improve the position of the HEIs in the society; students will gain new knowledge and skills requested by the market. Furthermore, they will gain knowledge on the different methodologies applied in the industry sector. Moreover, new research activities and developments will be incorporated in the educational programmes, which will make them more attractive for potential students. So, synergy between the HEIs and industry sector will be the source of new developments and innovation. Those activities will be supported by the innovative platform that will further strength cooperation and support HEIs and industry sector through matchmaking and knowledge sharing. This is expected to further lead to new job openings in the market and improved educational programmes at HEIs (learning based on research developments). By introducing learning based on the research, HEIs will become more attractive to potential students and current students at all three levels (BSc, Master and PhD). They will also become more open to new ideas, to new methods and to new ways of cooperating, which will make them more attractive.

By establishing the Knowledge and Innovation Centres (KIC) the existing institutional capacities of the HEIs will be increased with aim to create conditions for implementation of the knowledge triangle activities. KICs will provide space where ideas, skills, and knowledge from different partners in the field of energy can be transferred effectively to the innovation. Academic staff at WBC HEIs will be trained in the KT principles, importance of KT, innovation, which will further improve their skills and knowledge on KT. KICs will support the cooperation of the HEIs, industry sector and research institutions, in joint exploitation of educational and research activities for society development based on innovation.

Awareness of knowledge triangle importance will be increased though the trainings, examples of good practice and case studies given by partners from the Programme countries institutions. At least 25 individuals from 7 WBC HEIs will be trained.

Society needs will also be met as well, since the strong interaction between education, research and innovation presents a key driver for knowledge-based society. Companies will gain new partners/knowledge in solving their challenges, though the knowledge transfer and collaborative projects. This will improve their position on the market, which will further lead to new job opportunities, and will allow them to provide innovative products and services addressing current and future societal needs. Furthermore, professional trainings that will be organised will increase capacities of the companies from the Energy sector. At least 25-30 professionals will be trained on the topic defined in the WP4. Organised professional trainings will also increase the capacities of HEIs and academic staff, since they will also be trained on the topics defined. PhD students will also be included in those trainings which will further improve their knowledge and skills.

Taking into consideration all mentioned and defined dissemination activities, awareness of importance of KT principles for the point of view of HEIs, industry sector and society will be significantly increased.

All institutions from WBC involved in the application are fully committed to the defined project objectives and activities, since the project is in line with Strategies defined at the national and institutional level. Furthermore, some of the institutions have already started with the activities that will create environment for full implementation of KT activities, since it is requested by the University authorities and strategic documents (IBU, EUT, UNMO). University authorities gave full support to this project and they will be actively involved in project activities as creation of the network, creation of the related policies, set-up of KICs. This makes the proposal realistic and feasible in the national and institutional context.

The project and its results will contribute effectively to the objectives of the CBHE action by creating a mechanism for implementation of the knowledge triangle (KT) principles in WBC which will further improve capacities of WBC HEIs to follow EU strategies and initiatives above mentioned. It will be realized by the creation of the structured cooperation/network of higher education institutions, industry sector representatives and research institutions in all partner countries involved in the application, what will further enable continuous cooperation in research, education and innovation. Furthermore, the capacities at all WBC HEIs will be improved by the set-up of Knowledge-Innovation Centers (KIC) and working research teams, which will closely cooperate in the KT activities. Cooperation between the HEIs and industry sector will be realized through collaborative projects to be developed and the implementation of innovative professional programmes. One innovative professional programme in Sustainable energy will be developed and realized in cooperation with the industry sector which will improve “green” skills. WBC HEIs will promote their new structures and capacities for innovative research at national, regional and international level. Policy on research and innovation will also be developed at all WBC HEIs involved.

All mentioned activities/deliverables, will improve the quality of HEIs and enhance their position on the market and in the society, and this is defined as one of the CBHE objectives. The strong involvement of non-academic organizations on all levels of defined outputs in the proposal and their direct involvement with students and academic staff creates valuable synergies for the KT academia-business-society, what is identified as priority in CBHE objectives.

Building the new model of cooperation and by implementing KT activities will further support modernization, accessibility and internationalization of HEIs in all partner countries involved in the application.

By achieving all project results, sustainable cooperation will be established between all institutions involved in the application, and this fully supports the processes of internationalization at WBC universities. Internationalization will be also enhanced through the study visits of WBC staff to Programme country institutions and vice-versa. Academic staff and professionals from 8 countries will closely corporate with the aim to achieve all defined project deliverables. Innovative cooperation platform will also be created, and it will be used as tool for cooperation between the members of the network in research, education and innovation. Organization of trainings in KT, innovation and KIC functioning will increase the capacities of all HEIs involved. Students will gain new knowledge and skills by participating in collaborative projects developed in cooperation with industry sector, what will improve their position at the market. These activities will improve the level of competences and skills of the academic staff and students what is directly connected with CBHE objectives.

The consortium consists on1 6partners, which are located in different countries of Europe, specifically:

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| --- | --- |
| **PARTNER** | **COUNTRY** |
| National and Kapodistrian University of Athens | Greece |
| Technical University of Vienna | Austria |
| Riga Technical University | Latvia |
| University of Novi Sad | Serbia |
| Creative Thinking Development | Greece |
| University of East Sarajevo | Bosnia and Herzegovina |
| International Burch University | Bosnia and Herzegovina |
| University Dzemal Bijedic Mostar | Bosnia and Herzegovina |
| Albenecon | Albania |
| University of Pristina in Kosovaska Mitrovica | Kosovo |
| Universum College | Kosovo |
| European University of Tirana | Albania |
| Polytechnic University of Tirana | Albania |
| Aleksander Moisiu University Durres | Albania |
| Kompanija ZD IRCE a. d Istonco Sarajevo | Bosnia and Herzegovina |

1. **Background Information**

European University of Tirana is a leading university and research centre in Albania, established in full compliance with the criteria of the Bologna Charter, including study programmes in the three levels of study: BA; MA and Doctorates. UET engages in high quality teaching and research as well as exchange programmes and capacity building projects with local and international partners in the following major disciplines: economy, finance, business, law, social sciences, political sciences, and communication and information technology. UET is already participating in projects funded by the European Commission, such as: Life Long Learning Programme – Jean Monnet Chair (for the first time in Albania) LLP – Tempus Project (3 Tempus project) Erasmus Mundus; European Programme for Science and Technology (COST); Erasmus + KA1 Credit Mobility (six projects); Erasmus+ KA2/Capacity Building for Higher Education Institutions (two projects).

UET is particularly interested in the link between study programmes, research and labour market as well as the community. As such, UET has established the Labour Market Boards per each Department which are composed of highly qualified professionals from the governmental sector, private enterprises and businesses; CSOs, HEIs etc. The purpose of the board is to provide feedback and insights in regards to the needs/demands of the labour market so as UET can link education, research and study programmes with the labour market and needs of the society. In addition, they serve as a network for job opportunities for students. In addition, the UET Alumni Association and the Student Services work towards the link between education and the job market.

The role of UET in this project is responsible to sub-contracting an Audit Company to all Albanian Partners in the project according to the approved budged of the projects.

The auditor shall ensure that the work has been undertaken:

- in accordance with the International Standard on Related Services (‘ISRS’) 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by the International Auditing and Assurance Standards Board (IAASB) of IFAC;

- in compliance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) of IFAC. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the Agency requires that the auditor also complies with the independence requirements of the Code of Ethics for Professional Accountants.

The external auditor must be qualified to carry out statutory audits of accounting documents in accordance with national legislation implementing the Directive on statutory audits of annual accounts and consolidated accounts or any European Union legislation replacing this Directive.

1. **Period covered by the assignment**

The audit should cover the period of project implementation from **15th November, 2020 to 14th November, 2023 for UET and 3 other Albanian partners** of the consortium.

1. **Objectives and scope of the Audit**

The objective is to audit the Financial Reports submitted for a three year period, starting from 15th of November, 2020 to 14th of November, 2023 and to express an audit opinion according to ISA 800/805 on whether the financial reports of KALCEA Albanian partners is in accordance with EACEA's instruction for financial reporting as stipulated in the grant agreement including appendix between EACEA and UET.

The purpose of the Report is to provide the Agency with a reasonable assurance that the costs as well as the receipts have been declared by the beneficiary[[1]](#footnote-1) in the Final Financial Report in accordance with the relevant legal and financial provisions of the Grant Agreement.

**List of Procedures to be performed and specific guidance**

* + 1. ***General procedures***

1. Terms and Conditions of the Grant Agreement

The auditor obtains an understanding of the terms and conditions of the Grant Agreement by reviewing:

a signed copy of the Grant Agreement, its annexes and other relevant information. Particular attention should be paid to the Description of the Action and the Budget;

the Final Financial Report (which includes a narrative and a financial section).

1. Beneficiary’s legal and VAT status (not applicable for costs reimbursed on the basis of "unit costs")

The auditor confirms the legal status of the beneficiary, and thus determines the treatment of VAT (deductible or not).

Deductible VAT means that VAT is recoverable by the beneficiary under the national ‘VAT system’ (i.e. the system of collection and deduction under the national VAT legislation) is not an eligible cost. The final financial report should exclude deductible VAT amounts.

Conversely, if VAT is NOT deductible, it is an eligible cost for the Final financial statement.

In the framework of his/her work, the auditor is expected to verify the necessary supporting documents provided by the beneficiary and clearly confirm their status as regarding VAT treatment.

Specific rules contained in Article II.19.4 of the Grant Agreement on VAT apply.

1. Final Financial Report and the Grant Agreement

The Final Financial Report must conform to the model annexed to the Grant Agreement;

The Final Financial Report should cover the Action or the Work Programme as a whole, regardless of which part of it is financed by the Agency.

1. Rules for Accounting and Record Keeping

The auditor examines whether the beneficiary has complied with the rules for accounting and record keeping in accordance with Articles II.19, II.20 and II.27.2 of the Grant Agreement;

The accounts kept by the beneficiary for the implementation of the Action must be accurate, up-to-date and exhaustive (including all expenditure and income);

The auditor examines whether the beneficiary has a double-entry book-keeping system;

The income and expenditure relating to the Action must be easily identifiable and verifiable;

1. Exchange Rates (not applicable for costs reimbursed on the basis of "unit costs")

The auditor verifies that amounts of expenditure incurred in a currency other than the euro have been converted in accordance with the provisions of the Grant Agreement (Article I.4.6).

* + 1. ***Verification evidence***

The beneficiary will allow the auditor to carry out verifications on the basis of supporting documents for the accounts, accounting documents and any other document relevant to the financing of the Action.

The beneficiary will allow the auditor access to all documents and databases concerning the technical and financial management of the Action (Article II.27 of the Grant Agreement). **It should also be noted that it is the beneficiary’s responsibility to obtain the accounting documents necessary to enable the auditor to verify costs incurred by co-beneficiaries / project partners.**

Supporting documentation must be available in the form of original documents for the beneficiary (or certified copies of originals for the co-beneficiaries) rather than photocopies or facsimiles.

If the auditor finds that the above criteria for evidence are not sufficiently met, this should be reported as an exception.

* + 1. ***Procedures to verify the conformity of expenditure with the budget and analytical review***
    - The auditor carries out a substantive review of the expenditure headings in the Final Financial Report;
    - The auditor verifies whether there have been amendments to the budget of the Grant Agreement;
    - The auditor verifies that the budget in the Final Financial Report corresponds[[2]](#footnote-2) to the budget of the Grant Agreement (authenticity and authorisation of the initial budget) and that the expenditure incurred was indicated in the budget of the Grant Agreement;
    - The auditor verifies any transfers between budget headings by comparing the initial budget with the budget in the Final Financial Report and checks that the provisions of Articles I.14 and II.13 of the Grant Agreement have been complied with.
    1. ***Selecting expenditure for verification and Expenditure Coverage***

The expenditure claimed by the beneficiary in the Final Financial Report is presented in the budget form provided in the Grant Agreement.

Expenditure headings can be broken down into expenditure subheadings. Expenditure subheadings can be broken down into individual expenditure items or classes of expenditure items with the same or similar characteristics.

**What percentage of expenditure needs to be verified by the auditor?**

The Expenditure Coverage Ratio (‘ECR’) represents the total amount of expenditure verified by the auditor expressed as a percentage of the total amount of expenditure reported by the beneficiary in the Final Financial Report (i.e. funded from EU funds and other sources).

The auditor ensures that the overall ECR is at least 70%. If the exception rate is less than 10% of the total amount of expenditure verified (i.e. 7% of total expenditure), the auditor finalises the verification procedures and continues with reporting.

If the exception rate is greater than 10%, the auditor is required to extend the verification procedures until the ECR is at least 85%.

In addition to reaching the minimum coverage of total expenditure stated in the previous two paragraphs, the auditor must ensure that the ECR for each expenditure heading in the Final Financial Report is at least 10%.

**On what basis should expenditure items be selected for verification?**

In order to both meet the minimum ECR above and ensure that the expenditure verification is systematic and representative:

* value should be the principal factor used by the auditor, i.e. an appropriate number of high value expenditure items should be selected; and
* Otherwise, the population selected for testing should be selected on a random basis in order to produce a representative sample.
  + 1. ***Procedures to verify selected expenditure***

The Report of Factual Findings on the Final Financial Report - Type II is intended to verify the costs incurred by the beneficiary within the framework of the Grant Agreement for an Action reimbursed through a mixed financing system: (1) reimbursement based on eligible costs (or "actual costs") and (2) unit costs.

The following substantive procedures are required to be performed by the auditor in order to verify expenditure for items financed through actual costs and outputs produced for items financed through unit costs. These procedures are different depending on the category of costs:

* + - 1. costs financed through eligible costs actually incurred, or "actual costs": Equipment, Subcontracting and Exceptional costs;
      2. costs financed through a reimbursement on the basis of "unit costs": Staff costs, Travel costs and Costs of stay.

1. Eligibility of costs for "Actual costs"

For the purpose of these guidance notes, this heading refers to the following categories of costs, financed through eligible costs actually incurred, or "actual costs": Equipment, Subcontracting and Exceptional costs.

All costs must be justified by the relevant supporting documents.

The auditor verifies, for each expenditure item selected, that the eligibility criteria set out below have been met.

Costs actually incurred [[3]](#footnote-3)

The auditor verifies that the expenditure for a selected item was actually incurred by and pertains to the beneficiary. For this purpose the auditor examines supporting documentation (e.g. invoices, contracts) and proof of payment. The auditor also examines proof of work done, goods received or services rendered and verifies the existence of assets if applicable.

The auditor verifies that the monetary value of a selected expenditure item is in line with underlying documents (e.g. invoices, payroll documents) and that correct exchange rates are used where applicable.

Cut-off - Implementation period:

The auditor verifies that the expenditure for a selected item was incurred during the period of implementation or eligibility in accordance with Article I.2 of the Grant Agreement. Invoices received during the eligibility period but not yet paid, as well as costs relating to the Final Financial Report, should be reported by the auditor under the 'exceptions'. The costs relating to the Final Financial Report should be reasonable and in line with the provisions of Article II.19 of the Grant Agreement.

Classification:

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

Necessary / connected [[4]](#footnote-4)

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

Sound financial management / economy[[5]](#footnote-5)

For each selected item, the auditor verifies that the price paid for the goods/services does not represent expenditure that has been incurred excessively or recklessly[[6]](#footnote-6).

Compliance with sub-contracting rules:

Where applicable, the auditor checks that the sub-contracted tasks or activities have been provided for in the initial budget or have been approved by the Agency.

Compliance with procurement rules:

Where applicable, the auditor examines which procurement rules (as provided for by the Grant Agreement) apply for any given expenditure (sub)heading, class of expenditure items or expenditure item. The auditor verifies whether the expenditure was incurred in accordance with such rules by examining the underlying documents of the procurement and purchase process, e.g. tenders/quotes. Where the auditor finds instances of non-compliance with procurement rules, the nature thereof as well as their financial impact in terms of ineligible expenditure should be reported as an exception.

Compliance with eligibility of costs:

The auditor verifies that the expenditure for a selected item does not concern an ineligible cost as described in Article I.9 and II.19.4 of the Grant Agreement.

**Which documents should the beneficiary prepare for the auditor?**

For most transactions in these cost categories, the original third-party invoices (or certified copies for co-beneficiaries), proofs of payment and documents on tendering procedures (when applicable) should be sufficient proof of expenditure.

1. **The reporting**

The scope of the audit shall be stated in the report and the methodology used shall be presented.

The reporting shall be signed by the responsible auditor (not just the audit firm) and title.

The external auditor or competent public officer must use the reporting format attached in Annex 3 to the Engagement Letter (see Section IV).

The Report of Factual Findings on the Final Financial Report – Type IIis composed of two documents:

* the auditor's Report of Factual Findings to be issued on the auditor's letterhead and dated, stamped and signed by the auditor (or competent public officer)
* The cost breakdown relating to the Action (conforming to the template provided by the Agency, i.e. the Excel Final Financial Statement), compiled, dated and signed the beneficiary and countersigned[[7]](#footnote-7) by the auditor (or competent public officer):

<http://eacea.ec.europa.eu/erasmus-plus/beneficiaries-space/capacity-building-in-higher-education_en>

The Report of Factual Findings on the Final Financial Report – Type II must be written in English.

1. **Maximum budget**

EUR <25**00**> with VAT

1. **Timeline**

The submission of the Final Audit Report for the financial auditing will be in December 2023.

1. **Documents and deadline for submitting an offer:**

Applicants are required to submit the following documents:

* Work plan and methodology;
* Legal documents on proving that the external auditor is qualified to carry out statutory audits of accounting documents in accordance with national legislation implementing the Directive on statutory audits of annual accounts and consolidated accounts or any European Union legislation replacing this Directive.
* Legal documents on proving the external auditor experience.
* Offer in EUR.

The proposals **should be submitted no later than 17:00 Tirana time on December 10, 2020 to the following**:

**Address**: Kompleksi Xhura, Rruga Xhanfize Keko, Tirana, Albania

**Email:**ketrina.cabiri@uet.edu.al

Late or unresponsive applications will not be considered.

All applicants are invited to address potential questions until November **30, 2021.**

Applicants will be officially notified on the results of the process.

1. For the purpose of these guidance notes, the term ‘beneficiary’ refers both to the beneficiary (coordinator) and co-beneficiaries (partners). [↑](#footnote-ref-1)
2. Some degrees of flexibility in the implementation of the budget are allowed. The rule proposed in the grant agreement is that changes of up to 10% of each item/heading (+ or -) are allowed without amendment, and will remain eligible. Please verify the rule in the grant agreement (some grant agreements have 15% or 20% flexibility). Any changes within the limit specified in the grant agreement didn’t require the beneficiary's request for amending the grant agreement.

   Changes above the limit did require an amendment of the budget annexed to the grant agreement. If such request was not approved by the Agency, the costs exceeding the limit should be considered ineligible. [↑](#footnote-ref-2)
3. Article II.19 of the Grant Agreement. [↑](#footnote-ref-3)
4. Article II.19 of the Grant Agreement. [↑](#footnote-ref-4)
5. Article II.19 of the Grant Agreement. [↑](#footnote-ref-5)
6. See 'Glossary' for a definition of ‘excessive or reckless expenditure’. [↑](#footnote-ref-6)
7. i.e. by counter-signing, dating and stamping the copy of the list of invoices the auditor (or competent public officer) will confirm that the costs and the revenues declared in the Final Financial Report respect the provisions of the agreed-upon-procedure. [↑](#footnote-ref-7)