**Engagement letter – Agreed upon procedures**

1. **Objectives and Background**

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services that we will provide. Our engagement will be conducted in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements (ISRS 4400) and we will indicate so in our report. The procedures that we will perform will not constitute an audit or a review made in accordance with International Standards of Auditing or International Standards on Review Engagements and, consequently, no assurance will be expressed.

Our engagement relates to the European Union financed grant contract for an external action concerning “*Building Resilience in Conflict through Dialogue*”, NDICI CRISIS FPI/2021/426-486 (the ‘Action’), jointly implemented by CMI – Martti Ahtisaari Peace Foundation sr (CMI), The Ukrainian Centre for Independent Political Research (UCIPR) and Ukrainian Helsinki Human Rights Union (UHHRU). The implementation period of the Action was 01.01.2022 – 30.09.2023.

The subject of this engagement is the final financial report prepared by UCIPR (‘Reporting Entity’) of their use of funds within the Action during the period covering 01.01.2022 – 30.09.2023. The expenditure verification is an engagement to perform the agreed-upon procedures detailed below.

In connection with the engagement, we will prepare a report on our factual findings based on the agreed upon procedures performed.

1. **Services to be provided**

We have agreed to perform the following procedures and report to you the factual findings from our work:

1. ***The expenditure was incurred and pertains to the Entity***
2. ***The expenditure is recorded in the accounting system of the Reporting Entity***

The expenditure is recorded in the accounting system of the Reporting Entity in accordance with the applicable accounting standards and the Reporting Entity’s usual cost accounting practices.

1. ***Expenditure incurred during the contractual eligibility period***

The expenditure declared in the financial report was incurred during the contractual implementation period of the Action, except for expenditure relating to final reports, expenditure verification, audit and evaluation. Expenditure paid after the submission of the financial report, s listed in the final report along with the estimated date of payments.

1. ***Expenditure indicated in the contractual estimated budget***

The expenditure included in the financial report was indicated in the contractual budget.

The applicable budget ceilings were not exceeded.

The expenditure has been allocated to the correct heading of the Financial Report.

1. ***Expenditure necessary for the implementation of the contractual activities, reasonable and justified***

It is plausible that the direct and indirect expenditures included in the financial report were necessary for the implementation of the contractual activities.

The amount of the expenditure items included in the financial report is reasonable and justified and respects the principle of sound financial management.

1. ***Expenditure identifiable and verifiable***

The expenditure is backed up by sufficient supporting documentation (e.g. invoices, contracts, order forms, pay slips, time sheets) and proof of payment.

Where expenditure was apportioned, the applied allocation key was based on sufficient, appropriate and verifiable underlying information.

The expenditure is backed up by evidence of works done, goods received or services rendered. The existence of assets is verifiable.

1. ***Compliance with Procurement Principles and Nationality and Origin Rules***

For the expenditure items concerned, the Reporting Entity has complied with the contractual requirements for procurement. Contractual nationality and origin rules have been applied, including those on derogations to be awarded by the Commission.

1. ***Expenditure complies with the requirements of applicable tax and social legislation***

For the expenditure items concerned, the Reporting Entity complies with the requirements of tax and social security legislation (for example: employer’s part of taxes, pension premiums and social security charges).

1. ***Financial support to third parties (sub-granting)***

Financial support to third parties is provided for by the contractual conditions and its amount does not exceed the contractual limits.

The expenditure incurred by the third parties meets the relevant eligibility requirements. In particular it was incurred by and pertains to the third party, during the contractual eligibility period, is necessary for the implementation of the contractual activities and is identifiable and verifiable (see definition at point 2.6).

1. ***Other eligibility requirements***

Duties, taxes and charges, (e.g. VAT) included in the financial report cannot be recovered by the Entity unless otherwise provided for in the contractual conditions (accepted costs system). In the latter case these expenses are reported separately and relate to eligible direct expenditure.

The correct exchange rates are used where applicable.

The contingency reserve has been established in accordance to the contractual conditions and its use authorised by the Contracting Authority.

The indirect costs do not exceed the maximum contractual percentage of the eligible direct costs and do not include ineligible expenses or expenses already declared as direct ones.

Contributions in kind are not included in the financial report, unless otherwise provided for in the contractual conditions.

Expenditure specifically considered ineligible by the contractual conditions is not included in the financial report.

Expenditure declared under the simplified cost options respects the contractual requirements.

The revenues generated by the Reporting Entity in the execution of the contract are disclosed in the financial report and deducted from the declared expenditure, unless otherwise provided for in the contractual conditions.

1. **Sample size**

For the purpose of determining what the overall material misstatement or error is, the Expenditure Verifier will apply a materiality threshold of 2% of the total amount of the gross reported expenditure with a confidence level of 95%.

1. **Timetable and fees**

We expect the work to be finalized and reported to you by XX.XX.20X. We estimate the fees to be x – y euros (not including VAT and expenses).