



Ministerie van Financiën

Agreed-Upon Procedures Report for Twinning Grant Contract ENI/2022/433-380

Definitief

Colofon

Titel	Agreed-Upon Procedures Report for Twinning Grant Contract ENI/2022/433-380
Uitgebracht aan	DG Rijksbegroting
Datum	17 oktober 2024
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Inlichtingen
Auditdienst Rijk

5.1.2e

Agreed-Upon Procedures Report for a Twinning Grant Contract
External Actions of the European Union
Strengthening Parliamentary Oversight in Public Finances
(Number ENI/2022/433-380)

1. Objectives of the Agreed upon Procedures

Purpose of this Agreed-Up Procedures Report

Our report is solely for the purpose of assisting the "Rijksacademie voor Financiën, Economie en Bedrijfsvoering (RAFEB) van het ministerie van Financiën" of The Netherlands [National Academy for Finance and Economics (hereinafter NAFE)] in determining whether the expenditures declared in the financial report for the period from 20/06/2022 to 20/06/2024 are eligible as per provisions of the Twinning Grant Contract and may not be suitable for other purpose.

This report is intended solely for "DG Rijksbegroting (DGRB)/ Directie Begrotingszaken (in particular the [5.1.2e] van het ministerie van Financiën") Directorate General of the Budget/ Budgetary Affairs Directorate in particular [5.1.2e] hereinafter DGBA, the [5.1.2e] ministerie van Financiën [5.1.2e] of he Ministry of Finance (hereinafter [5.1.2e] NAFE), the European Union and the European delegation of Georgia (hereinafter referred to as "the intended user(s)") and should not be distributed to or used by others.

Responsibilities of the Engaging Party the intended user (s) and the Responsible Party

DGBA, [5.1.2e] NAFE and the intended users(s) have acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

"NAFE", is responsible for the subject matter on which the agreed-upon-procedures are performed. DGBA, [5.1.2e] NAFE and the intended user(s) are expected to make their own assessment of the agreed-upon procedures and findings that have been reported by us when drawing their own conclusions from the procedures performed by us.

Our Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with Dutch law, including the Dutch Standard 4400, 'Oprachten tot het verrichten van overeengekomen specifieke werkzaamheden' (agreed-upon procedures engagements¹).

An agreed-upon procedures engagement involves our performing the procedures that have been agreed with DGBA, [5.1.2e] NAFE and the intended user(s) and reporting the findings, which are the factual findings of the agreed-upon procedures performed. We make no presentation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality management

We have complied with the relevant ethical requirements in the Verordening gedrags- en beroepsregels accountants (VGBA, the Dutch Code of ethics for professional accountants).

We have complied with the independence requirements of the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence).

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS, Regulations for quality management systems) and accordingly maintain a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

¹ Based on ISRS4400

2. Background information

2.1. Short description of the action subject to the agreed upon procedures (as provided by the Coordinator)

Contract number and title:	ENI/2022/433-380 Strengthening Parliamentary Oversight in Public Finances
Contract type	Twinning Grant Contract
Financial Report(s) subject to inspection	Twinning final report Dated 2 October 2024 Signed 3 October 2024
Coordinator and other Beneficiary(ies) and affiliated entity(ies)	Coordinator: The National Academy for Finance and Economics - Ministry of Finance The Parliament of Georgia (hereinafter referred to as the Beneficiary) represented by the Cabinet of the Chairman of Parliament of Georgia, Budget and Finance Committee of the Parliament and Budget Office of the Parliament
Location(s) where the Contract is implemented	Parliament of Georgia 8 Rustaveli Ave. 0118 Tbilisi, Georgia
Contract execution period	20 June 2022- 20 June 2024
Contract implementation status	Completed
General and specific objectives of the Contract	Overall Objective(s): The Overall Objective of the project is to strengthen fiscal governance through enhanced budgetary frameworks, external audit, independent monitoring as well as participation and oversight of public finances. Specific Objective: The Specific Objective of the project is to strengthen parliamentary oversight in public finances; with the priority of enhancing independence and institutional capacities of the Parliamentary Budget Office, increasing the efficiency of the cooperation of the Budget and Finance Committee with relevant institutions and other parliamentary entities, as well as civil society.
Synthetic description of the activities, outputs and target group	See Final report (3 October 2024)

2.2. Basic financial information of the Contract (at the time of the fieldwork)

2.2.1 Expenditure

Budget Headings	Budgeted Expenditure (amount)	Reported Expenditure (amount)
1. "Resident Twinning Advisor and related cost"	451.782,50 EUR	446.715,00 EUR
2. " Horizontal activities related costs"	135.510,74 EUR	69.214,56 EUR
3. " Components Mandatory Result Total"	463.398,00 EUR	461.160,54 EUR
Total direct eligible costs	1.050.691,24 EUR	977.090,10 EUR
Indirect costs	63.041,47 EUR	58.625,41 EUR
Total eligible costs (excluding contingency reserve)	1.113.732,71EUR	1.035.715,51 EUR
Contingency reserve	26.267,28 EUR	0,00 EUR
Total eligible costs	1.139.999,99 EUR	1.035.715,51 EUR

2.2.2 Contributions

Source of Contribution	Budgeted Contribution (amount)	Actual Contribution (amount)
EU	1.140.000,00 EUR	1.035.715,51 EUR
Coordinator	0	0
Other Beneficiary(ies) and affiliated entity(ies)	0	0
Other Donor 1	0	0
Total	1.140.000,00 EUR	1.035.715,51 EUR

2.2.3 Revenues

Revenue Types	Budgeted Revenues (amount)	Actual Revenues (amount)
Total	N/A	N/A

2.3. Financial Reports subject to agreed-upon procedures

See Annex 1.

3. Sample

The sample has been selected following the instructions provided in Annex 2 of the Terms of Reference. An overview of the population of transactions and the sample is presented below:

Report EU Twinningproject Georgia		
	Population	Inspected sample Value (% coverage)
Number of transactions budget heading I	N/A	20 44,59%
Value of transactions EUR	446.715 EUR	199.206,51 EUR
Number of transactions Budget heading II	N/A	15 52,78%
Value of transactions EUR	69.214,56 EUR	36.534,31 EUR
Number of transactions Budget heading III	N/A	15 28,43%
Value of transactions EUR	461.160,54 EUR	131.125,28 EUR

A complete list of the transactions included in the population is included in Annex 3.

4. Background Procedures

Short description of the procedures

Because the agreed-upon procedures established in the Annex 2 to the Terms of Reference in some cases seemed to be non-compatible with the Dutch Standard 4400, 'Opdrachten tot het verrichten van overeengekomen specifieke werkzaamheden' (agreed-upon procedures engagements) we have coordinated with DG Rijksbegroting) and the 5.1.2e 5.1.2e ministerie van Financiën" how to make these procedures more compatible with Dutch Standard 4400. For the procedures where this is the case, we have described in our agreed upon procedures report which activities we have performed to meet the requirements of the agreed-upon procedures in annex 2. We intend to contact the European Delegation in a short term to discuss these adjustments, also because of future reports.

We performed the agreed upon procedures at the office of the National Academy for Finance and Economics, Zeestraat 86-90 The Hague, the Netherlands. The relevant representatives were present, and they were cooperative; The supporting documentation was available in full.

Procedures and findings

We have performed the procedures described below, which we agreed upon with DGBA and 5.1.2e NAFE in the terms of engagement dated 14-10-2024. Furthermore, below are our findings, including details of any exceptions.

A. Financial report

The following finding(s) has/have been identified:

Finding No.: 1	
A.1	Procedure performed: The financial report reconciles with the breakdown of expenditures
Description of the finding:	
<p>We have reconciled the breakdown of expenditures (expenditures of budget Q 1-8 final 3-10-2024) with the final report of October 3rd, 2024. Five differences were observed in: 'II. BUDGET HEADING: Horizontal activities related costs, Twinning Project Support Cost' In the breakdown of expenditures, a number of units of 38,5 whereas the final report has a number of units of 39.</p> <ol style="list-style-type: none"> 1. 'III. BUDGET HEADING: Components Mandatory Result, component 1, Other Costs (interpretation/translation, venue costs)'. In the breakdown of expenditures, a number of units of 4 whereas the final report has a number of units of 3733,57. 2. 'III. BUDGET HEADING: Components Mandatory Result, component 1, Study visit (max. 12 - one interpreter included)'. In the breakdown of expenditures, a number of units of 1 whereas the final report has a number of units of 30264. 3. 'III. BUDGET HEADING: Components Mandatory Result, component 2, Other Costs (interpretation/translation, venue costs)'. In the breakdown of expenditures, a number of units of 4 whereas the final report has a number of units of 6442,97 4. 'III. BUDGET HEADING: Components Mandatory Result, component 2, Study visit (max. 12 - one interpreter included)'. In the breakdown of expenditures, a number of units of 2 whereas the final report has a number of units of 43920. 	
Amount (EUR): N/A	
Systemic finding: The agreed upon procedures do not include the examination of a finding is systemic.	
Root cause of the finding: The agreed upon procedures do not include the examination of the root cause of the finding	

B. Budget

Finding No.:	
B.1	Procedure performed: For variations between budget headings above 25% formal authorizations have been requested and obtained from the Contracting Authority
<p>Description of the finding:</p> <p>We made a reconciliation between the budget in the signed twinning contract (page 21) and the budget in the version of October 3, 2024 of the final report (pages 30-31). Budget adjustments on budget headings are smaller than 25%.</p>	
<p>Amount (EUR): N/A</p>	
<p>Systemic finding: The agreed upon procedures do not include the examination of a finding is systemic.</p>	
<p>Root cause of the finding: The agreed upon procedures do not include the examination of the root cause of the finding</p>	

C. Eligibility of expenditures

All findings from the 50 observations in our selection are included in the annex 3.3 of this report's summary overview.

Finding No.:	
C1.1	<p>The expenditure was incurred by and pertains to the Coordinator and other Beneficiary(ies) and affiliated Entity(ies).</p> <p>Procedure performed in accordance with our client:</p> <p>Determine if the description in the source file of the selected expenditure corresponds with the description of the budget rule in the rolling work plan.</p> <p>Determine if the source document of the expenditure is addressed to the Coordinator (RAFEB) and is initialed by RTA respectively the Member-State project leader.</p>
<p>Description of the finding:</p> <p>No exceptions were found in our selection.</p>	
<p>Amount (EUR): N/A</p>	
<p>Systemic finding: The agreed upon procedures do not include the examination of a finding is systemic.</p>	
<p>Root cause of the finding: The agreed upon procedures do not include the examination of the root cause of the finding</p>	

Finding No.:	
C1.2	Procedure performed: The expenditure was incurred during the contractual eligibility period.
Description of the finding: No exceptions were found in our selection.	
Amount (EUR): N/A	
Systemic finding: The agreed upon procedures do not include the examination of a finding is systemic.	
Root cause of the finding: The agreed upon procedures do not include the examination of the root cause of the finding	

Finding No.:	
C1.3	The expenditure is necessary for the implementation of the contractual activities, reasonable and justified. Procedure performed in accordance with our client: Determine if the description on the source document of a selected expenditure corresponds with the description of the budget rule in the rolling work plan.
Description of the finding: No exceptions were found in our selection.	
Amount (EUR):N/A	
Systemic finding: The agreed upon procedures do not include the examination of a finding is systemic.	
Root cause of the finding: The agreed upon procedures do not include the examination of the root cause of the finding	

Finding No.:	
C1.4	<p>a. The expenditure is recorded in the accounting system of the Coordinator and other Beneficiary(ies) and affiliated Entity(ies).</p> <p>b. The expenditure is identifiable and verifiable (backed up by sufficient supporting documentation)</p> <p>Procedure performed in accordance with our client: We will trace the source documents of the selected expenditures.</p>
Description of the finding: No exceptions were found in our selection.	
Amount (EUR): N/A	
Systemic finding: The agreed upon procedures do not include the examination of a finding is systemic.	
Root cause of the finding: The agreed upon procedures do not include the examination of the root cause of the finding	

Finding No.: 2	
C1.5	<p>The expenditure complies with the requirements of applicable tax and social legislation.</p> <p>Procedure performed in accordance with our client: With regard to the declared expenditure for which there is no lump sum. We will verify if agreements are made with regard to the payment of taxes.</p>
Description of the finding: (Observation 2 + 5 + 7 + 10 + 12 + 15 + 17 + 19 +20): In article 9 of the contract with the RTA Assistant, respectively the RTA Language Assistant it is stated that the RTA (Language) Assistant is responsible for the payment of owed taxes and social contributions.	
Amount (EUR): N/A	
Systemic finding: The agreed upon procedures do not include the examination of a finding is systemic.	
Root cause of the finding: The agreed upon procedures do not include the examination of the root cause of the finding	

Finding No.:	
C2.1	<p>The expenditure is indicated in the contractual estimated budget.</p> <p>Procedure performed in accordance with our client:</p> <p>To verify if the description on the source document of the selected expenditure corresponds to the description of the budget rule in the rolling work plan.</p>
<p>Description of the finding: No exceptions were found in our selection</p>	
<p>Amount (EUR): N/A</p>	
<p>Systemic finding: The agreed upon procedures do not include the examination of a finding is systemic.</p>	
<p>Root cause of the finding: The agreed upon procedures do not include the examination of the root cause of the finding</p>	

Finding No.:	
C2.2	<p>The expenditure is recorded in the correct budget line.</p> <p>Procedure performed in accordance with our client:</p> <p>To verify if the description on the source document of the selected expenditure corresponds to the description of the budget rule in the rolling work plan.</p>
<p>Description of the finding: No exceptions were found in our selection.</p>	
<p>Amount (EUR): N/A</p>	
<p>Systemic finding: The agreed upon procedures do not include the examination of a finding is systemic.</p>	
<p>Root cause of the finding: The agreed upon procedures do not include the examination of the root cause of the finding</p>	

Finding No.:	
C3 + C4	Procedure performed: Personnel related expenditures comply with the eligibility criteria set out in the general conditions and relevant annexes to the Specific Contract.
Description of the finding: Not applicable for expenditures under the simplified cost option method. No findings have been identified.	
Amount (EUR): N/A	
Systemic finding: The agreed upon procedures do not include the examination of a finding is systemic.	
Root cause of the finding: The agreed upon procedures do not include the examination of the root cause of the finding	

Finding No.:	
C5 + C6	Procedure performed: Travel related expenditures comply with the eligibility criteria set out in the general conditions and relevant annexes to the Specific Contract.
Description of the finding: Not applicable for expenditures under the simplified cost option method. No findings have been identified.	
Amount (EUR): N/A	
Systemic finding:	
Root cause of the finding: The agreed upon procedures do not include the examination of the root cause of the finding	

Finding No.:	
C7	Procedure performed: Equipment costs related expenditures comply with the eligibility criteria set out in the general conditions and relevant annexes to the Specific Contract.
Description of the finding: Not applicable for expenditures under the simplified cost option method. No findings have been identified.	
Amount (EUR): N/A	
Systemic finding: The agreed upon procedures do not include the examination of a finding is systemic.	
Root cause of the finding: The agreed upon procedures do not include the examination of the root cause of the finding	

Finding No.:	
C8	Procedure performed: Service, supply and works contracts related expenditures comply with the eligibility criteria set out in the general conditions and relevant annexes to the Specific Contract.
Description of the finding: Not applicable for expenditures under the simplified cost option method. No findings have been identified.	
Amount (EUR): N/A	
Systemic finding: The agreed upon procedures do not include the examination of a finding is systemic.	
Root cause of the finding: The agreed upon procedures do not include the examination of the root cause of the finding	

Finding No.:	
C9	Procedure performed: Subcontracting related expenditures comply with the criteria set out in the general conditions and relevant annexes to the Specific Contract.
Description of the finding: Not applicable for expenditures under the simplified cost option method. No findings have been identified.	
Amount (EUR): N/A	
Systemic finding: The agreed upon procedures do not include the examination of a finding is systemic.	
Root cause of the finding: The agreed upon procedures do not include the examination of the root cause of the finding	

Finding No.: 3	
C.7.1 + C.8.1 + C.9.1	Procedure performed: For the expenditure items concerned, the Coordinator has complied with the contractual requirements for procurement as set out in Annex IV of the Grant Contract.
Description of the finding: Not applicable for expenditures under the simplified cost option method. For the recruitment of the RTA Assistants no open tender procedure was launched. (Observation 2 + 5 + 7 + 10 + 12 + 15 + 17 + 19 +20) RAFEB asked the EU Delegation Georgia for advice about the recruitment of RTA Assistants. Following the advice of the EU Delegation, a vacancy was put on a website in Georgia (see file mail May 2022).	
Amount (EUR): N/A	
Systemic finding: The agreed upon procedures do not include the examination of a finding is systemic.	
Root cause of the finding: The agreed upon procedures do not include the examination of the root cause of the finding	

Finding No.:	
C.10	Procedure performed: Expenditure declared under the simplified cost options respects the contractual requirements.
<p>We have traced the source documents of the selected expenditures and compared the unit-costs with the unit-costs mentioned in the twinning grant contract and the budget of this twinning project .</p> <p>Description of the finding: No exceptions were found in our selection.</p>	
Amount (EUR): N/A	
Systemic finding: The agreed upon procedures do not include the examination of a finding is systemic.	
Root cause of the finding: The agreed upon procedures do not include the examination of the root cause of the finding	

D. Non-eligible costs

Finding No.:	
Cluster D.1	Procedure performed: 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).
<p>Description of the finding: No exceptions were found in our selection.</p>	
Amount (EUR): N/A	
Systemic finding: The agreed upon procedures do not include the examination of a finding is systemic.	
Root cause of the finding: The agreed upon procedures do not include the examination of the root cause of the finding	

Finding No.:	
Cluster D.2	<p>Expenditure specifically considered ineligible by the contractual conditions is not included in the financial report.</p> <p>Procedure performed in accordance with our client: With regard to the selected expenditure, we will verify if the description as included in the source document does not exist in article 14.11 of the general conditions of the twinning contract; with regard to sub e of article 14.11 we will let the management declare that there is no double funding.</p>
Description of the finding:	
The RAFEB confirmed on October 16th, 2024, that there are no costs in the declaration that are funded by another EU program.	
Amount (EUR): N/A	
Systemic finding: The agreed upon procedures do not include the examination of a finding is systemic.	
Root cause of the finding: The agreed upon procedures do not include the examination of the root cause of the finding	

E. Ex-change rate

Finding No.:	
Cluster E.1.	<p>The correct exchange rates are used where applicable according to the contractual conditions.</p> <p>Procedure performed in accordance with our client: With regard to the selected expenditure stated in foreign currency, we will recalculate the amount to Euros based on the foreign currency rate as stated in the financial administration.</p>
Description of the finding:	
No exceptions were found in our selection.	
Amount (EUR): N/A	
Systemic finding: The agreed upon procedures do not include the examination of a finding is systemic.	
Root cause of the finding: The agreed upon procedures do not include the examination of the root cause of the finding	

F. Contingency reserve

Finding No.:	
Cluster F.1	<p>The contingency reserve has been established in accordance with the contractual conditions and its use authorized by the Contracting Authority.</p> <p>Procedure performed in accordance with our client: Not applicable since there are no costs declared on the budget line contingency reserve.</p>
<p>Description of the finding: n/a</p>	
<p>Amount (EUR): N/A</p>	
<p>Systemic finding: The agreed upon procedures do not include the examination of a finding is systemic.</p>	
<p>Root cause of the finding: The agreed upon procedures do not include the examination of the root cause of the finding</p>	

G. Indirect costs

Finding No.:	
Cluster G.1	<p>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.</p> <p>Procedure performed in accordance with our client: Recalculate the amount of the indirect costs in the final declaration based on the percentages (of the direct costs) that are recorded in the contract.</p>
<p>Description of the finding: Total direct costs according to the final report of October 3th, 2024 (page 31), amounts to: € 977.090,10.</p> <p>In the twinning contract, it is stated that the 6% of the direct costs are allowed to be declared as indirect costs (based on the general conditions, article 14.8 and special conditions article 3.3).</p> <p>According to the twinning contract, 6% of € 977.090,10 = € 58.625,41 is allowed to be declared as indirect costs. This is the exact amount included in the final report.</p>	
<p>Amount (EUR): N/A</p>	
<p>Systemic finding: The agreed upon procedures do not include the examination of a finding is systemic.</p>	
<p>Root cause of the finding: The agreed upon procedures do not include the examination of the root cause of the finding</p>	

H. Revenues

Finding No.:	
Cluster H.1	Procedure performed: The revenues generated by the Coordinator 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.
Description of the finding: Based on the signed twinning contact there are no other financiers for this project. The RAFEB confirmed by email d.d. 16-10-2024 that there are no other costs included in the declaration that are being funded by other EU programs.	
Amount (EUR): N/A	
Systemic finding: The agreed upon procedures do not include the examination of a finding is systemic.	
Root cause of the finding: The agreed upon procedures do not include the examination of the root cause of the finding	

I. Systemic findings

The errors identified as a result of the application of procedures **A** to **I** are systemic according to the definition provided in the Guidelines for application of agreed-upon procedures.

Procedure performed in accordance with our clients:

The agreed upon procedures do not include the examination of a finding is systemic.

No proceedings are fulfilled on this subject. We report factual findings that emerge from the procedures A till I. The assessment whether these findings are of systematic character is not in scope of a 4400 engagement.

5. Summary of findings

Reference	Procedure	N° of findings	Value EUR	N° of systemic findings
A	Financial Report	1	N/A	N/A
B	Budget	0	N/A	N/A
C	Eligibility of expenditures	2	N/A	N/A
D	Non-eligible costs	0	N/A	N/A
E	Exchange rate	0	N/A	N/A
F	Contingency reserve	0	N/A	N/A
G	Indirect costs	0	N/A	N/A
H	Revenues	0	N/A	N/A
Total		3		

6. Engagement team

The engagement team consists of:

5.1.2e

Den Haag, 18 October 2024

5.1.2e

Annex 3.1: Financial reports provided by the Coordinator

Annex 3.2: Table of transactions - provided as Excel file

Annex 3.3: Table of differences - provided as Excel file

Annex 3.4: Procedures performed - provided as Excel file.