

# CFS TERMS OF REFERENCE

*(To be filled out by the external licensed audit expert<sup>1</sup> (in French: Expert-réviseur agréé / in German: zugelassene/r Revisionsexperte/in / in Italian: Perito revisore abilitato), printed on their own letterhead and signed manually or electronically. The Terms of Reference (ToR) need to be signed by both the SERI funded partner and the external audit expert). The Agreed-Upon Procedures checklist and the Independent Report of Factual Findings need to be signed by the external audit expert. The scanned PDF should be submitted by the SERI funded partner within the final financial reporting through the webform).*

This document sets out the **'Terms of Reference (ToR)'** under which

[insert name and address of the SERI funded partner] ('the SERI funded partner')  
agrees to engage

[insert legal name and address of the auditor] ('the auditor')

to establish an Independent Report of Factual Findings ('the Report') concerning the financial interim report and the final financial report ('the financial statements') drawn up by the SERI funded partner for the contractual agreement concluded between the SERI and the SERI funded partner [insert SERI number of the contractual agreement, title of the project, acronym and duration from/to], and

to issue a CFS consisting of

- the Auditor's Independent Report of Factual Findings ('the Report') to be issued on the Auditor's letterhead, dated and signed (either manually or electronically) by the auditor (or the competent public officer).
- the Agreed-Upon Procedures to be performed by the auditor, and the standard factual findings to be confirmed by the auditor.
- the financial interim report and the final financial report drawn up by the SERI funded partner.
- the Terms of Reference ("the ToR") to be signed by the SERI funded partner and the auditor
- and based on the SERI template CFS Agreed-Upon Procedures checklist.

## 1. Background and subject matter

Under Article 4.1 of the contractual agreement concluded between the SERI and the SERI funded partner, all SERI funded partners that request a total financial contribution of CHF 500'000 or more (including indirect costs and calculated on the basis of its usual accounting practices) have to submit a certificate on the financial statements (CFS) covering the entire project duration as set out in the contractual agreement together with the final financial report. The CFS has to be carried out by an external licensed audit expert (in French: Expert-réviseur agréé / in German: zugelassene/r Revisionsexperte/in / in Italian: Perito revisore abilitato). For public institutions, this may also be done by the competent financial control unit. In the following, the person carrying out the audit is referred to as the auditor.

The purpose of the CFS is to provide the SERI with findings to assess whether costs declared on the basis of actual costs or costs according to usual cost accounting practices (if any) and, if relevant, also revenues, comply with the conditions set out in the Grant Agreement and the

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<sup>1</sup> Please note that for public institutions, this may also be done by the competent financial control unit (see also Art. 4.1 of the contractual agreement between the SERI and the SERI funded partner).

legal basis stipulated in Art. 2 of the contractual agreement concluded between the SERI and the SERI funded partner.

The CFS must be included in the final financial report according to Article 4.1 of the contractual agreement. The request for payment of the balance relating to the contractual agreement cannot be made without having submitted the CFS. The payment for reimbursement of costs covered by the CFS does not preclude the SERI or any other competent authority from carrying out further checks, reviews, audits and investigations.

The present Terms of Reference (ToR) set out the procedures to be performed, define the scope and applicable standards of the CFS and who may deliver it.

## 2. Scope and applicable standards

The CFS is an Independent Report of Factual Findings based on Agreed-Up Upon Procedures (AUP).

The engagement is to perform **Agreed-Up Upon Procedures (AUPs)** regarding the **eligibility** of the **costs** (and, if relevant, also revenues) declared under **contractual agreement concluded between the SERI and the SERI funded partner [insert SERI project number] — [insert project acronym]**. It is not an assurance engagement; the external licensed audit expert does not provide an audit opinion, nor expresses assurance.

The auditor must comply with these Terms of Reference and with<sup>2</sup>:

- the International Standard on Related Services (ISRS) 4400 (revised) Agreed-Up Upon Procedures Engagements as issued by the International Auditing and Assurance Standards Board (IAASB)
- the International Code of Ethics for Professional Accountants (including International Independent Standards) issued by the International Ethics Standards Board for Accountants (IESBA), including the independence requirements
- the International Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of financial statements, and Other Assurance and Related Services Engagements (or equivalent).

The CFS must be issued according to the highest professional standards. The external licensed audit expert must comply with the present ToR, including the Agreed-Up Upon Procedures checklist and report template — without modifying them. The work must be planned in a way that the engagement can be performed effectively. The external licensed audit expert must use the evidence obtained from the procedures performed as the basis for the report. Matters which are important for the findings and evidence that the work was carried out in accordance with the ToR must be documented. The findings must be described in sufficient detail and include the affected amounts, to allow the SERI funded partner and the SERI to ensure appropriate follow-up.

The Auditor's Agreed-Up Upon Procedures report on the Certificate on Financial Statement (CFS) must state that there is no conflict of interests in establishing this Report between the auditor and the SERI funded partner, and must specify – if the service is invoiced – the total fee paid to the auditor for providing the report.

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<sup>2</sup> Supreme Audit Institutions applying INTOSAI-standards may carry out the Procedures according to the corresponding International Standards of Supreme Audit Institutions and code of ethics issued by INTOSAI instead of the International Standard on Related Services ('ISRS') 4400 and the Code of Ethics for Professional Accountants issued by the IAASB and the IESBA.

### 3. Responsibilities of the SERI funded partners

The SERI funded partner:

- must draw up the financial interim report and the final financial report for the project financed by the SERI under the contractual agreement concluded between the SERI and the SERI funded partner in compliance with the obligations under the agreement. The financial interim report and the final financial report must be drawn up according to the SERI funded partner's accounting and book-keeping system and the underlying accounts and records.
- must send the financial interim report and the final financial report to the auditor.
- is responsible and liable for the accuracy of the financial interim report and final financial report.
- is responsible for the completeness and accuracy of the information provided to enable the auditor to carry out the procedures. The SERI funded partner must provide the auditor with a written representation letter supporting these statements. The written representation letter must be dated and state the entire period covered by the statements. This period needs to be congruent with the duration set out in the contractual agreement with the SERI.
- accepts that the auditor cannot carry out the procedures unless it is given full access to the SERI funded partner's staff and accounting as well as any other relevant records and documentation.

### 4. Auditors who may deliver a CFS and their responsibilities

The SERI funded partner is free to choose an auditor that:

- is qualified to carry out statutory audits of accounting documents in accordance with the Federal Act on the Licensing and Oversight of Auditors (Auditor Oversight Act, AOA) of 16 December 2005 (SR 221.302).
- must be independent from the SERI funded partner, in particular, it must not have been involved in preparing the SERI funded partner's financial interim report and final financial report. Although ISRS 4400 (revised) states that independence is not a requirement for engagements to carry out Agreed-Upon Procedures, this is one of the qualities to ensure an unbiased approach and therefore required for CFS auditors. Compliance with the IESBA Code's independence requirements is therefore mandatory. However, public institutions can choose an external licensed audit expert or their institution's competent financial control unit. In this latter case, independence is usually defined as independence 'in fact and in appearance' (*e.g. that the public officer is not involved in preparing the SERI funded partner's financial interim report and final financial report*). It is for each public institution to appoint the public officer and ensure their independence. The certificate should refer to this appointment.
- must plan work so that the procedures may be carried out and the Findings may be assessed.
- must adhere to the procedures laid down and the compulsory report format.
- must carry out the engagement in accordance with the ToR.
- must document matters which are important to support the Agreed-Upon Procedures report on the Certificate on Financial Statement (CFS).
- must base its Agreed-Upon Procedures report on the Certificate on Financial Statement (CFS) on the evidence gathered.
- must submit the report on the Certificate on Financial Statement (CFS) to the SERI funded partner.

The SERI sets out the procedures to be carried out by the auditor. The auditor is not responsible for their suitability or pertinence. As this engagement is not an assurance engagement, the auditor does not provide an audit opinion or a statement of assurance.

## 5. Reporting

Under Article 4.1 of the contractual agreement concluded between the SERI and the SERI funded partner, the SERI or any other competent authority have the right to audit any work that is carried out under the action and for which costs are declared from the SERI budget. This also includes work related to this engagement. If requested by the SERI, the auditor must provide access to all assignment-related working papers (e.g., recalculation of hourly rates, verification of the time declared for the project).

## 6. Timing

The CFS must be provided by [insert date].

## 7. Other terms

The right of the SERI or any other competent authority to audit any work related to this assignment (see also Art. 5 of the ToR), is subject to Swiss law.

The auditor's fee amount to CHF [insert amount], VAT excluded.

The **CFS costs** themselves can be charged to the SERI funded project. Therefore, the choice of the auditor has to comply with the cost eligibility criteria, in particular lowest price or best value for money and no conflict of interest, as set out in the Grant Agreement (for the detailed conditions, see [AGA — Annotated Grant Agreement, art 6.2.C\\*](#)).

### **THE AUDITOR:**

Place:

Date:

Signature:

### **THE SERI FUNDED PARTNER:**

Place:

Date:

Signature: