

## VERIFICATION CLAUSE

### **APPLICABLE TO HUMANITARIAN AID ACTIONS IMPLEMENTED BY THE INTERNATIONAL COMMITTEE OF THE RED CROSS (ICRC) UNDER INDIRECT MANAGEMENT DELEGATION AGREEMENTS AND FINANCED IN FULL OR IN PART BY THE EUROPEAN UNION<sup>1</sup>**

#### The Overarching Principles

The Parties agree that the overarching principles for the operation of the clause are as follows:

- The Commission acknowledges the mandated primacy of the ICRC oversight and control systems, including the principle of exclusive or single audit by the ICRC External Auditors, and in keeping with internationally-accepted practice in the discipline of financial oversight and control, will endeavour to build reliance on these systems.
- The ICRC recognises the need for the Commission to obtain an assurance that an adequate system of accountability is in place (accounting systems and procedures, reporting, including the oversight mechanisms), to acquire an understanding of that system, and to report to its own institutions on the proper use of European Union funds.
- As an integral part of this process, the Commission may periodically perform an on-site "walk through", with appropriate concrete examples, of these systems.
- The Commission may also request all relevant financial information (drawn from accounts and records) and seek clarifications of information, including verification of underlying documents.

#### Operational Principles

The parties agree that the actual preparation and conduct of checks should be based on the following principles:

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<sup>1</sup> On 21 December 1994, the United Nations (UN) and the European Commission (the Commission) agreed on the text of a financial control clause to be included as an integral provision in all conventions, contracts and financing agreements between the UN and the Commission as of 1 January 1995.

The text of that Agreement is valid – mutatis mutandis – for the verification clause applicable to humanitarian aid operations implemented by international organisations under indirect management Delegation Agreements and financed in full or in part by the European Union. In particular, where the terms ‘operation’, ‘programme’ or ‘project’ are used, either singularly or in combination, they should be read as meaning ‘Action’ as defined in the preamble to this Framework Partnership Agreement. Where the terms ‘conventions’, ‘contracts’ or ‘financing agreements’ are used, they should be read as meaning ‘contribution-specific agreement’ as used in this Framework Partnership Agreement.

The contents of the present verification clause, which reproduces the overarching and operational principles of that Agreement, were agreed in an exchange of letters between the United Nations and the Commission, effective on 6 November 2001, and are equally valid for International Organisations signatory of the present Framework Partnership Agreement. On the basis of these principles, signatory International Organisations shall in their accounting, audit, control and procurement procedures, apply standards offering guarantees equivalent to internationally accepted standards.

- Visits by Commission representatives should be planned and completed in a collaborative manner between the ICRC staff and Commission representatives, keeping in mind the commitment of both the ICRC and the Commission to the effective and efficient operation of their agreement.
- Visits should be co-ordinated and liaised by a specific unit of the ICRC, designated as focal point to ensure efficient conduct of these undertakings.
- These missions are to be planned ahead and procedural matters are to be agreed upon by the Commission and the ICRC concerned in advance. These essentially include such matters as timing and scope of the mission, questions the missions wishes to raise with management of the ICRC, nature of financial information, level of sampling, and whether missions are to visit headquarters locations and/or field offices.
- All staff involved should bear in mind their limited resources in terms of availability and capacity in handling these visits.
- During the mission, Commission representatives will principally work with the senior ICRC staff responsible for the systems in question, who will ensure that the mission as agreed can be properly implemented.
- As part of the process of obtaining an assurance and understanding of control systems, Commission representatives may wish to confer with the ICRC internal audit function in order to understand the overall operation of the internal audit function.
- As part of the process of obtaining an assurance and understanding of control systems, Commission representatives may also wish to confer with the External Auditors of the ICRC concerned, in order to understand the overall operation of the external audit function.
- Subject to considerations of confidentiality, original documents shall be shown to the mission to facilitate the check process. For the most part, copies of such documents will not be taken by the mission. However, requests for copies of such documents will be considered by the ICRC on a case-by-case basis and will be determined by the ICRC management in consultation with, as necessary, its External Auditors.
- Initial and final meetings between the mission and the ICRC senior management are to be conducted at the start and end of the mission.
- The mission will offer to make a draft of its report available to the ICRC management for comments prior to final issuance.

**APPENDIX**

**Arrangement for the verification of humanitarian aid actions between the ICRC and the European Union**

It is agreed between the European Union and the ICRC that for projects and actions implemented by the ICRC under Indirect Management Delegation Agreements and financed in full or in part by the European Union, the following arrangements shall apply to in all conventions, contracts and financing agreements:

- (a) Financial transactions and financial statements shall be subject to the internal and external auditing procedures laid down in the Financial Regulations, Rules and directives of the ICRC. A copy of the audited financial statements shall be submitted to the European Commission by the ICRC.
- (b) The ICRC shall:
  - 1. Keep financial and accounting documents concerning the activities financed by the European Union and,
  - 2. Make available to the competent bodies of the European Union, upon request, all relevant financial information, including statements of accounts concerning the programme/project, where they are executed by the ICRC or by subcontracting.
- (c) In conformity with its Financial Regulation, the European Union may undertake, including on the spot, checks related to the operations financed by the European Union:
  - 1. As regards the clause (b) (2), it is agreed that all relevant financial information shall be supplied to the European Union. It is understood that the information shall be drawn from accounts and records and will be in a form which makes it possible for the European Union to verify the use to which its funds or contributions have been put. It is further agreed and understood that clarifications, including verification of specific documents, may be requested by the European Union. In this event, the ICRC will request the appropriate Board of Auditors to respond as necessary.
  - 2. As regards the checks to which reference is made in clause (c), it is understood that representatives of the European Union will be given access to the site of the project and/or the headquarters of the ICRC or relevant ICRC local branches. ICRC staff will supply all relevant financial information and will explain to the European Union's representatives, with appropriate concrete examples, how the accounts are managed and the procedures used to ensure transparency and accuracy in the accounts and to guard against the misuse of funds and fraud. The purpose of on-the-spot checks is to allow officials from the European Union to be in a position to report to their own institutions and to the European Parliament on the implementation of projects and actions and whether value for money has been obtained.
  - 3. Each part to this agreement is to bear its own costs under the arrangements.