# Auditor’s report on agreed-upon procedures, Funding for companies’ R&D Projects

***[For the recipient]***

We have performed the procedures agreed with you listed below, relating to funding decision No. [xxx/xx/xxxx] by Tekes and to the cost statement drafted and signed by [the recipient] [business ID] and totalling **EUR xxx** for the entire project period of [**dd.mm.20yy – dd.mm.20yy**]**[[1]](#footnote-1)**.

The engagement has been carried out in accordance with the International Standard on Related Services ISRS 4400, Engagements to perform agreed-upon procedures regarding financial information, as well as the general terms and conditions for Tekes funding for Companies’ R&D Projects of [date] (hereinafter terms and conditions for funding) and any special terms and conditions of the funding decision.[[2]](#footnote-2)

The accountable project leader is responsible for the cost statement and for ensuring that the costs reported in it arise directly from the project, that they have been allocated to the project in the manner required by the terms and conditions for funding, and that they relate to research, development or innovation activities.

As the procedures listed below do not constitute either an audit in accordance with auditing standards or a review in accordance with the standards on review engagements, we do not express assurance as the aforementioned standards would require.

Had we performed additional procedures, an audit in accordance with auditing standards or a review in accordance with the standards on review engagements, other matters might have come to our attention, which we would have then reported to you.

The following agreed-upon procedures were carried out for the sole purpose of allowing Tekes to assess whether the recipient had acted in accordance with the terms and conditions for funding.

1. We were given access to a description of the recipient’s project accounting, and we interviewed [xx/xx] in order to establish the following:
	* the implementation and reliability of project accounting
	* the integrity of the traceability chain and
	* whether project accounting is in accordance with the terms and conditions of funding.
2. We were given access to a description of the recipient’s working time monitoring for the project, and we interviewed [xx/xx] in order to establish the following:
	* the implementation and reliability of the working time monitoring and
	* whether the working time monitoring is in accordance with the terms and conditions of funding.
3. With regard to the information in the cost statement, the following procedures were carried out. The procedures covered 30% of the wages and salaries reported for the project and 15% of the payment of wages and salaries reported for the project.
	* We compared the sum reported in section “Total wages and salaries paid during the reporting period” of the wage/salary specification included in the cost statement to the recipient’s payroll accounting and verified that 15% of total wages and salaries had been paid.
	* We compared the number of hours reported in section “Project hours during the reporting period” of the wage/salary specification to the hours reported in the project’s working time monitoring.
	* If Tekes' general terms and conditions require the monitoring of the total working hours of a specific employee, we compared the hours reported under "Total working hours in the reporting period” to the data in the total working hours monitoring for said employee.
4. We were given access to a cost category specification of the costs reported in the cost statement, and we carried out the procedures listed below. The procedures covered 30% of the costs allocated to the project and 15% of the payments of expenses reported. With regard to the selected costs, we assessed whether
	* they were based on project accounting and the recipient’s accounting
	* the expenditure that reported costs were based on had been paid
	* they were accrual-based costs during the project period
	* the expenditure that the reported costs were based on was VAT-exempt
	* they had been itemised according to cost category.

With regard to the following cost categories, we also assessed the following:

* + Travel expenses
		- Were the travel expenses in accordance with the decision of the Finnish Tax Administration?
	+ Material and supplies costs
		- Were material and supplies costs based on invoices?
		- Were the recipient’s internal material and supplies costs based on cost price?
	+ Machinery and equipment purchases
		- Were machinery and equipment purchases based on invoices?
		- We interviewed [xx/project management] about reported project machinery and equipment costs to determine whether the use life of the machinery or equipment was less than three years and whether they were acquired primarily for the use of the project.
	+ Machinery and equipment depreciation/rental costs
		- Were machinery and equipment depreciation costs equal to the depreciations made in accounting?
		- Were machinery and equipment rental costs no more than the purchase price for said machinery and equipment?
		- Whether rental costs did not include administrative, funding, insurance, repair or other similar expenses; or if the aforementioned payments cannot be itemised, are the machinery and equipment rental costs at most 50% of the expenditure reported for the machinery and equipment.
	+ Purchased services
		- Are purchased services based on an invoice?
		- Are purchases from group/associated companies reported without profit?
			* Does the recipient’s final report include an auditor’s report regarding the seller’s costs drawn up by an independent authorised auditor?

With regard to the reviewed costs, we have assessed whether the costs are eligible in accordance with the recipient’s eligibility criteria. We have only assessed the aforementioned issues. We are not qualified to assess whether the costs are expenditure arising from the project, nor whether they are related to research, development or innovation activities. The accountable project leader is responsible for ensuring that the costs shown in the cost statement arise directly from the project and that they are related to research, development or innovation activities. If, in the course of this engagement, we have become aware of other issues related to the eligibility of costs, we have reported on these in connection with the observations below.

1. We interviewed [xx/project management] to establish the calculation principles for computational expenses reported as project costs.
2. We interviewed [xx/project management] to establish whether the recipient had received any other public funding for this project.
3. (We interviewed [xx/project management] to establish whether the recipient has acted in accordance with the legislation concerning public procurements with regard to the costs reported for the project.) [[3]](#footnote-3)

**We have observed the following:**

1. In Item 1, we observed that the recipient’s project accounting had been carried out as follows: [*based on the description of the recipient’s project accounting and the interview, describe how the costs arising from the project can be itemised and how their connection to accounting and the cost statement can be verified*.]
2. In Item 2, we observed that the recipient’s project’s working time monitoring had been carried out as follows: [*based on the description of the recipient’s project’s working time monitoring and the interview, specify whether working time is monitored at an hourly level for each person participating in the project and whether the hours are allocated to the actual days on which the work was done, as well as whether the employee's supervisor or accountable project leader confirms the working hours at least once a month*].
3. In Item 3, we observed that the examined information of the wage/salary specification form included in the cost statement matched with the payroll accounting and working time monitoring [with the exception of the following components...] and that the total wages and salaries examined had been paid.
4. In Item 4, we observed that the costs examined
	* were based on project accounting and the recipient’s accounting
	* were accrual-based costs during the project period
	* were appropriately presented as based on cost categories and that
	* the expenditure on which reported costs were based had been paid and
	* were VAT-exempt.

We also observed that:

* + Travel expenses were in accordance with the decision of the Finnish Tax Administration.
	+ Material and supplies costs were based on invoices, and the recipient’s internal material and supplies charges were based on cost price.
	+ Machinery and equipment costs were based on invoices.
	+ Machinery and equipment depreciation costs were in accordance with the accounting records.
	+ The machinery and equipment proposed for the project had a use life of less than three years and the acquired machinery and equipment was primarily for the use of the project.
	+ Machinery and equipment rental costs were, at most, equal to the purchase price of said machinery and equipment and do not include administration, funding, insurance, repair or other similar expenditure/or cover, at most, 50% of the rental costs.
	+ Purchased services were based on invoices.
	+ Services purchased from group/associated companies were non-profit.
1. In Item 5, we observed that the calculation principles for the computational expenses reported for the project were the following: *[specify the calculation principles used*]
2. In Item 6, we observed that, according to the project’s management, the recipient had / had not received other public funding for the project. [*list any other public funding received*]
3. (In Item 7, we observed that, according to the project’s management, the recipient had / had not complied with the legislation on public procurement in reporting of costs for the project. [*describe any non-compliance with public procurement legislation*])

Our report is intended solely for the purpose set forth in the first and second paragraphs of this report and shall not be used for any other purposes, nor be relinquished to or shared with a third party outside Tekes. Tekes nevertheless has the right to submit the auditor’s report to other authorities for the purposes of supervising funding. This report only applies to the cost statement detailed above; it does not apply to [the recipient]’s complete financial statements.

Date and place

Auditor (A)
HT/KHT/JHT/JHTT AUDITOR X's signature
HT/KHT/JHT/JHTT X's name in print
Address and postcode of Auditor A

1. The auditor confirms the total costs of the project. [↑](#footnote-ref-1)
2. The comparison is carried out based on the general terms and conditions that were in effect at the time when funding was granted. [↑](#footnote-ref-2)
3. This procedure only applies to projects in which the funding received by the company from Tekes or other public funding amounts to more than half of the project costs, or where the beneficiary is a public procurement unit. [↑](#footnote-ref-3)