ATTACHMENT 3 OF THE FRAMEWORK AGREEMENT

AGREEMENT ON THE VERIFICATION CLAUSE OF THE EU-WORLD BANK GROUP FRAMEWORK AGREEMENT

I - Interpretation of verification provisions

As regards the verification clause, including as incorporated in Section 16.06 (ii) of the Attachment 2 to the Framework Agreement, it is agreed that all financial information relevant to the Projects and activities financed by the European Union shall, upon request, 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. If so requested by the European Union, each World Bank Group entity will, where appropriate, request its external auditors to respond directly to the European Union in respect of such clarification.

As regards the checks to which reference is made in Section 16.07 of the Attachment 2 to the Framework Agreement, it is understood that representatives of the European Union will be given access to the site of the Project or the headquarters of the World Bank Group, taking into account, in the case of the Commission, the guidelines for on-the-spot verification under point II below. World Bank Group staff will supply all relevant financial and operational information and will explain to the European Union 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 such on-the-spot checks is to allow representatives 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. It is understood that such on-the-spot checks will be limited to information on the use of the financing provided by the European Union and is without prejudice to the immunities of the World Bank Group entities as set forth in their respective Articles of Agreement or Conventions.

Any question of application and interpretation of and any dispute arising from this Attachment shall be resolved by amicable means between the European Union and the relevant World Bank Group entity, without prejudice to Article 14 of the Framework Agreement.

Each party to this Attachment is to bear its own costs under the arrangements.

II - Guidelines for on-the-spot verification missions by Commission services to World Bank Group entities

Purpose of verification missions

Commission services which are responsible for financing or co-financing Projects administered by the World Bank Group entities are required by the Financial Regulation to verify the legality and regularity of the expenditure and that it is in accordance with the principles of sound financial management. These provisions - the verification clause - are

contained in the Administration Agreements concluded between the Commission and the World Bank Group entity concerned.

Preparation of the mission

Requests by the Commission for on-the-spot verification missions shall be sent to the Bank's Concessional Finance and Global Partnerships Vice Presidency.

In order to ensure that this Attachment functions satisfactorily, it is important that the missions are carefully prepared, that sufficient notice, at least two months, is given and that the organization to be visited is informed in advance of the Projects to be verified. The Commission and the relevant World Bank Group entity to be visited shall agree in advance on procedural matters. These matters include timing and scope of the mission, questions the mission wishes to review with the management of the relevant World Bank Group entity, nature of the financial information, level of sampling and whether missions are to visit headquarters locations and/or field offices. This is without prejudice to common terms of reference that may be agreed between the Commission and the World Bank Group as a tool to facilitate the conduct of these missions.

This will ensure that the necessary documentation, which may not be readily available, can be prepared. It will also enable the internal and external auditors to be advised so that the internal auditor, and where possible, the external auditor, is available to assist the mission team.

Access to original documentation held by a World Bank Group entity will, subject to such entity's document retention policy, be ensured. The relevant entity will assist the mission team in seeking access to original documentation held by third parties.

Coordination for mission programmes

It is essential that the mission team takes full account of the findings of previous missions to the same organization by other Commission services and the European Court of Auditors. The Commission is taking steps to ensure that the different services are aware of the mission programmes of all the Commission services, including other Directorates General, and of the European Court of Auditors, in order that each service takes appropriate account of the programmes of the other services. It is important to avoid duplication and overlap. The Commission is also exploring the possibility of obtaining and distributing the audit programmes of the World Bank Group entities themselves in order to rationalize the overall audit operation.

Conduct of the mission

The mission should be conducted in a spirit of partnership with the internal auditor and the operational and accounting services of the World Bank Group entities. The mission will be carried out by Commission representatives in a reasonable manner and without creating an undue burden on the World Bank Group entity's regular operations.

The object is not to carry out a full-scale audit of the organization but to verify, by sample-checking, how the European Union funds have been used.

In carrying out these checks, the mission team will work as far as possible in close collaboration with the internal and external audit services of the relevant World Bank Group entity, which will allow the visual verification by Commission controllers of original justifying vouchers such as invoices, replies to calls for tender, proof of payments, curricula vitae, justifying vouchers in the case of sub-contracting etc.

The mission team has access to all original documents, without exception, for verification purposes. Documents will only be photocopied if this is necessary and copies will not be taken of documents which the relevant World Bank Group entity considers particularly sensitive.

In cases where the mission team identifies serious problems of mismanagement, irregularity, weaknesses in the control systems and procedures, or where they consider it necessary to take photocopies of particularly sensitive documents, they will request the external auditor to examine the matters in accordance with the first paragraph of point I of this Attachment 3.

Procedure for dealing with problems arising during a mission

If problems arise concerning access to documentation or any other aspect of this Attachment, the mission team should contact immediately the responsible Director at Commission headquarters in order that difficulties may be resolved without delay and the mission completed on time.