

## Annex VII

### **MODEL TERMS OF REFERENCE FOR THE CERTIFICATE ON THE FINANCIAL STATEMENTS**

- **For options [*in italics in square brackets*]: choose the applicable option. Options not chosen should be deleted.**
- **For fields in [grey in square brackets]: enter the appropriate data**

The model terms of reference for the certificate on the financial statements include templates for:

- the Terms of Reference for an Independent Report of Factual Findings on costs declared under a Grant Agreement financed under the Connecting Europe Facility (CEF), and
- the independent report of factual findings on costs declared under a grant agreement financed under the Connecting Europe Facility (CEF), including its annex.

## **Terms of Reference for an Independent Report of Factual Findings on costs declared under a Grant Agreement financed under the Connecting Europe Facility (CEF)**

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

**Železničná spoločnosť Cargo Slovakia, a.s.**, with its registered seat at: Drieňová 24, 820 09 Bratislava, Slovak Republic, ID No.: 35 914 921, registered in the Commercial Register of District Court Bratislava I, Section: Sa, Insert No.: 3496/B, duly represented by Ing. Martin Vozár, MBA, Chairman of the Board of Directors, and Ing. Miroslav Hopta, Vice-Chairman of the Board of Directors (**‘the Beneficiary’**)

agrees to engage

**BDR, spol. s r.o.**, with its registered seat at: M. M. Hodžu 3, 974 01 Banská Bystrica, Slovak Republic, postal and office address at: Jána Bottu 2, 974 01 Banská Bystrica, Slovak Republic, SKAU license reg. No. 6, ID No.: 00 614 556, registered in the Commercial Register of District Court Banská Bystrica, Section: Sro, Insert No.: 98/S, duly represented by Ing. Ludmila Svätojánska Kiňová, MBA, executive (**‘the Auditor’**)

to produce an independent report of factual findings (**‘the Report’**) concerning the Financial Statement(s)<sup>1</sup> drawn up by the Beneficiary for the CEF grant agreement INEA/CEF/TRAN/M2015/1138222 (**‘the Agreement’**), and to issue a Certificate on the Financial Statements’ (**‘CFS’**) referred to in Article II.23.2 of the Agreement based on the compulsory reporting template stipulated by the Commission.

The Agreement has been concluded under the Connecting Europe Facility (CEF) *Transport* sector between the Beneficiary and the Innovation and Networks Executive Agency (INEA) (**‘the Agency’**), under the powers delegated by the European Commission (**‘the Commission’**).

The Agency is mentioned as a signatory of the Agreement with the Beneficiary only. The Agency is not a party to this engagement.

### **1.1 Subject of the engagement**

The Beneficiary must submit to the Agency the *request for interim payment within 8 months following the end of the reporting period* which should include, amongst other documents, a CFS for each beneficiary, , for which a total contribution of EUR or more is requested, as reimbursement of actual eligible costs and unit costs calculated on the basis of its usual cost accounting practices (see Article II.23.2 of the Agreement). The CFS must cover all reporting periods of the beneficiary, indicated above.

The CFS is composed of two separate documents:

- The Terms of Reference (**‘the ToR’**) to be signed by the Beneficiary and the Auditor;
- The Auditor’s Independent Report of Factual Findings (**‘the Report’**) to be issued on the Auditor’s letterhead, dated, stamped and signed by the Auditor (or the competent public officer) which includes the agreed-upon procedures (**‘the Procedures’**) to be performed by the Auditor, and the standard factual findings (**‘the Findings’**) to be confirmed by the Auditor.

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<sup>1</sup> By which costs under the Agreement are declared (see template ‘Model Financial Statement(s)’ in Annex VI to the Grant Agreement).

If the CFS must be included in the *interim* report according to Article II.23.2 of the Agreement, the request for *interim payment* relating to the Agreement cannot be made without the CFS. However, the payment for reimbursement of costs covered by the CFS does not preclude the Commission, the Agency, the European Anti-Fraud Office and the European Court of Auditors from carrying out checks, reviews, audits and investigations in accordance with Article II.27 of the Agreement.

## 1.2 Responsibilities

The Beneficiary:

- must draw up the Financial Statement(s) for the action financed by the Agreement in compliance with the obligations under the Agreement. The Financial Statement(s) must be drawn up according to the Beneficiary's accounting and book-keeping system and the underlying accounts and records;
- must send the Financial Statement(s) to the Auditor;
- is responsible and liable for the accuracy of the Financial Statement(s);
- is responsible for the completeness and accuracy of the information provided to enable the Auditor to carry out the Procedures. It must provide the Auditor with a written representation letter supporting these statements. The written representation letter must state the period covered by the statements and must be dated;
- accepts that the Auditor cannot carry out the Procedures unless it is given full access to the Beneficiary's staff and accounting as well as any other relevant records and documentation.

The Auditor:

- is qualified to carry out statutory audits of accounting documents in accordance with Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC or similar national regulations/.

The Auditor:

- must be independent from the Beneficiary, in particular, it must not have been involved in preparing the Beneficiary's Financial Statement(s) or providing consultancy advice on the related operations and underlying transactions;
- 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 this ToR;
- must document matters which are important to support the Report;
- must base its Report on the evidence gathered;
- must submit the Report to the Beneficiary.

The Agency 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.

## 1.3 Applicable Standards

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

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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.

- the International Standard on Related Services ('ISRS') 4400 *Engagements to perform Agreed-upon Procedures regarding Financial Information* as issued by the International Auditing and Assurance Standards Board (IAASB);
- the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants (IESBA). Although ISRS 4400 states that independence is not a requirement for engagements to carry out agreed-upon procedures, the Agency requires that the Auditor also complies with the Code's independence requirements.

The Auditor's Report must state that there is no conflict of interests in establishing this Report between the Auditor and the Beneficiary, and must specify - if the service is invoiced - the total fee paid to the Auditor for providing the Report.

#### **1.4 Reporting**

The Report must be written in English language in accordance with Article 4.3 of the Agreement.

Under Article II.27 of the Agreement, the Commission, the Agency, the European Anti-Fraud Office and the Court of Auditors have the right to audit any work that is carried out under the action and for which costs are declared from the European Union budget. This includes work related to this engagement. The Auditor must provide access to all working papers (e.g. recalculation of hourly rates, verification of the time declared for the action) related to this assignment if the Commission, the Agency, the European Anti-Fraud Office or the European Court of Auditors requests them.

#### **1.5 Timing**

The Interim Report must be provided by 31 July 2019 and the Final Report must be provided by 31 July 2020 at the latest.

#### **1.6 Other terms**

##### **Delivery of the reports**

The Auditor shall deliver the Beneficiary the interim report on the July 31, 2019 and the final report on the July 31, 2020 at latest.

The delivery of each report shall be confirmed by the Beneficiary by the acceptance protocol signed by the person authorized to act on behalf of the Beneficiary.

##### **Remuneration**

The overall remuneration for the independent report of factual findings on costs is 8.000,- EUR and shall be invoiced as follows:

- a) 4.000,- EUR (in word four thousand euros) excl. VAT after the interim report is delivered to Beneficiary;
- b) 4.000,- EUR (in word four thousand euros) excl. VAT after the final report is delivered to Beneficiary.

The Auditor shall issue the invoice only after the due and complete delivery of respective report, which shall be confirmed by the Beneficiary by the acceptance protocol for which the payment under this ToR shall be bound and which shall be signed by the person authorized to act on behalf of the Beneficiary.

The invoice shall be issued in accordance with this ToR and shall contain the number of this agreement and all the particulars under the applicable Act No. 222/2004 Coll. on Value Added Tax.

The invoice maturity is 60 (sixty) days from the date of its issue. Auditor shall deliver each invoice within 5 days after the date of its issuance. In the case Auditor fails to deliver the invoice to the Beneficiary on time, the maturity of the invoice shall be extended by the number of days of delay of the Auditor with the delivery of the invoice. In case the invoice is not issued in accordance with this ToR or does not meet the requirements stipulated by this ToR, the Beneficiary shall be entitled to return such invoice to the Auditor without payment within its due date. On the day of issuance of a new or corrected invoice with all required essentials, a new 60-day maturity period shall start to commence. If the maturity date of the invoice falls on a non-working day, the next following business day shall be deemed the maturity date.

The invoice shall be paid by the Beneficiary through a bank transfer to the Auditor's account specified in the invoice. The day of payment of the invoice shall be the day of debiting the outstanding amount from the bank account of the Beneficiary. The Beneficiary shall bear all the bank fees, except the bank fees charged by the bank of the Auditor.

Besides the remuneration for the performance of the audit according to this ToR, the Auditor shall also be entitled to reimbursement of the proven travel expenses directly related to the audit, respectively related to the fulfilment of its obligations arising out of this ToR, but not more than 2.000,- EUR. The Auditor shall be entitled to charge these expenses to the Beneficiary at the same time as the remuneration for performing the relevant parts of the audit in accordance with the provisions stipulated above, i.e. travel expenses incurred in connection with the preparation and submission of the interim report and, consequently, the travel expenses incurred since the delivery of the interim report to the moment of delivery of the final report.

Should the Beneficiary be in delay with payment of the invoice, the Auditor shall be entitled to claim a default interest of 0.02% of the amount due against the Beneficiary for each day the Beneficiary is in delay.

The Auditor undertakes not to transfer its receivables against the Beneficiary arising from the provisions of this ToR to any third party without Beneficiary's prior written consent. In the event that the Auditor, without the prior written consent of the Beneficiary, transfers the receivable the Auditor has against the Beneficiary to a third party, the Auditor shall pay the Beneficiary a contractual penalty in the amount of the nominal value of the assigned receivable based on the invoice issued and sent to the Auditor by the Beneficiary.

### **Cooperation**

The Beneficiary shall ensure that the Auditor is provided with all information, materials and documents in a timely and precise manner and without special request as necessary to complete the subject hereof in a full and timely manner and is informed about all events and circumstances that may be material for the full and timely completion of the subject hereof. In case the Beneficiary violates its obligations as defined in the previous sentence, it is deemed that all subsequent periods or terms of the Auditor shall be postponed by a period, during which is the Beneficiary in breach of its obligations or in default with provision of its cooperation. The Auditor is not liable for any loss, damage, expenses or costs or defects in the rendered services if the Beneficiary violates its obligations as defined in first sentence of this provision.

### **Protection against the legalisation of proceeds**

The Beneficiary shall provide all materials necessary for the Auditor to perform the services related to the subject hereof on an on-going basis and as specified by the Auditor. With respect to the processing of personal data by the Auditor for the purposes of Act No. 297/2008 Coll. on the Prevention of Legalization of Proceeds of Criminal Activity and Terrorist Financing and on amendments and supplements to certain acts, as amended (**'AML Act'**), the Auditor, as an obliged party, is considered the controller with respect to personal data, and the purpose of such processing is defined by the AML Act; as such, the client's personal data shall be processed for the purpose of handling within the bounds of §19 of Act AML without the consent of the data subject.

Under the AML Act, the Auditor is one of the entities, which is within its own business activity required to perform measures for the purposes of prevention of legalization of proceeds of criminal activity and terrorist financing. The Auditor is also obliged to prepare documents on fulfilment of this obligation for the purposes of inspection performed by Financial Intelligence Unit. One of the statutory obligations while performing this activity is the identification of person or persons, who are authorized to act on behalf of the Beneficiary (client) and identification of ultimate beneficial owner(s) of the Beneficiary (client) and adoption of appropriate measures to verify its identification, including measures to identify the ownership structure and management structure of the client, who is a legal person or property association. Within this statutory obligation the Auditor is entitled to obtain from the Beneficiary (client) following data and documents relating to the person or persons authorized to act on behalf of the Beneficiary (client) and its ultimate beneficial owner(s): name and surname, birth registration number or date of birth, if the birth registration number was not assigned, address of permanent residence or other residence, nationality, type and number of identification document, and documents proving authorization of the identified person to act on behalf of the Beneficiary (client). If necessary, the Auditor is further entitled to request from the Beneficiary (client) the breakdown of its ownership and control structure. The provided data and documents will serve solely for fulfilment of Auditor's obligation against Financial Intelligence Unit.

In accordance herewith, the Beneficiary (client) represents that before signing of this ToR it has filled out Appendix 4 of this ToR – AML Questionnaire – for each natural person authorized to act on its behalf.

### **Personal data protection**

The Auditor undertakes to process all personal data provided in a legal manner, to the extent and in the manner according to applicable legal regulations, in particular in accordance with (i) Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (**'GDPR'**) and (ii) Act No. 18/2018 Coll. on personal data protection and on amendment and supplementation to certain acts as amended (**'Personal Data Protection Act'**).

In order to ensure the protection of personal data, the Auditor undertakes in particular:

- to obtain personal data exclusively for the established purpose,
- to process personal data only to the minimum, necessary extent and only during the necessary time period,
- to keep confidential all the provided data and to ensure that all persons authorized to process personal data are bound by the obligation of confidentiality,
- to protect received documents and files from loss, damage, misuse, theft, unauthorized disclosure, provision or other unacceptable forms of processing,
- to adopt appropriate technical and organizational measures in accordance with GDPR.

Further information on processing of personal data and the rights of the data subjects is given in Appendix 1 of this ToR – Information on processing of personal data.

### **General and Special Terms and Conditions**

The parties accept that all specific areas not covered hereby are governed by the General Terms and Conditions in Appendix 2 of this ToR and the Special Terms and Conditions for Audit Services in Appendix 3 of this ToR, both of which form integral parts of this ToR. Any additional consultations or related services that may be provided at the discretion of the Auditor or at the request of the Beneficiary shall be provided in accordance with the General Terms and Conditions. The General Terms and Conditions must be reviewed carefully as they contain various restrictions and exclusions of the Auditor's liability during the performance of its work, if the scope of the liability is not laid down in the Special Terms and Conditions for Audit Services. In the General Terms and Conditions the Auditor specifies the obligations and responsibilities of both parties.

### **Final provisions**

The parties represent that they agree with all conditions of this ToR, including the General Terms and Conditions and the Special Terms and Conditions for Audit Services, which constitute Appendix 2 and Appendix 3 of this ToR. The provisions of the General Terms and Conditions and Special Terms and Conditions shall not apply to the matters which are expressly ruled by this ToR otherwise. Matters not covered herein, in the General Terms and Conditions and the Special Terms and Conditions for Audit Services, are governed by the Slovak law without giving effect to its conflict-of-law rules. The rights and obligations not explicitly regulated by this ToR shall be governed by the respective provisions of valid legal rules of the Slovak Republic, particularly by provisions of Act No. 513/1991 Coll. Commercial Code as amended and other applicable laws.

All disputes, which arose between the parties on the basis of this ToR or in connection with it shall be decided with final validity by the competent Slovak court according to the law of the Slovak Republic.

Any changes and amendments to the ToR must be in writing form and must be mutually agreed by both parties.

This ToR is completed in two counterparts, one of which is retained by each of the parties after mutual signature hereof.

If it is determined that any of the provision of this ToR is invalid, illegal, ineffective or unenforceable, or it shall be deemed as such, then such provision in the extent in which is invalid, illegal, ineffective or unenforceable shall be regarded as provision, which is not part of this ToR, and the validity, legality, effectivity and enforceability of remaining provisions shall not be affected by this provision. The parties hereby undertake that if such invalidity, illegality, ineffectiveness or unenforceability affects the rights and obligations of the parties, they shall exert maximum effort to replace such invalid, illegal, ineffective or unenforceable provision with a valid, legal and enforceable provision, which intention shall be as close as possible to the intention resulting from the original provision.

This ToR becomes valid on the day of its signing by both Parties and effective on the day following the day of publication hereof in accordance with the provisions of Act No. 211/2000 Coll., on Free Access to Information and on amendments and supplements to certain other acts (the Freedom of Information Act), as amended in the Central register of contracts kept by the Government Office of the Slovak republic.

The following appendices hereto form integral parts hereof:

Appendix 1 – Information on processing of personal data  
Appendix 2 – General Terms and Conditions  
Appendix 3 – Special Terms and Conditions for Audit Services  
Appendix 4 – AML Questionnaire

ToR takes precedence in any disputes between the appendices and provisions hereof.

IN WITNESS WHEREOF, the parties have executed this ToR on the date written below at respective signature.

**Signature of the Auditor:**

In \_\_\_\_\_  
[dd Month yyyy]

\_\_\_\_\_  
**BDR, spol. s r.o.**

represented by Ing. Ľudmila Svätojánska Kiňová, MBA  
executive

**Signature of the Beneficiary**

In \_\_\_\_\_  
[dd Month yyyy]

\_\_\_\_\_  
**Železničná spoločnosť Cargo Slovakia, a.s.**  
represented by Ing. Martin Vozár, MBA,  
Chairman of the Board of Directors

\_\_\_\_\_  
**Železničná spoločnosť Cargo Slovakia, a.s.**  
represented by Ing. Miroslav Hopta,  
Vice-Chairman of the Board of Directors



## **Independent Report of Factual Findings on costs declared under the Connecting Europe Facility (CEF)**

*(To be printed on the Auditor's letterhead)*

To

[name of contact person(s)], [Position]

[[Beneficiary's] [Affiliated Entity's] [Implementing Body's] name]

[Address]

[dd Month yyyy]

Dear [Name of contact person(s)],

As agreed under the terms of reference dated [dd Month yyyy]

with [OPTION 1: [insert name of the beneficiary] ('the Beneficiary')] [OPTION 2: [insert name of the affiliated entity] ('the Affiliated Entity'), entity affiliated to the Beneficiary [insert name of the beneficiary] ('the Beneficiary')] [OPTION 3: [insert name of the implementing body] ('the Implementing Body'), entity designated by the Beneficiary [insert name of the beneficiary] ('the Beneficiary') for the implementation of the action],

we

[name of the auditor] ('the Auditor'),

established at

[full address/city/state/province/country],

represented by

[name and function of an authorised representative],

have carried out the procedures agreed with you regarding the costs declared in the Financial Statement(s)<sup>3</sup> of the [Beneficiary] [Affiliated Entity] [Implementing Body] concerning the grant agreement [insert grant agreement reference: number, title of the action and acronym] ('the Agreement'),

with a total cost declared of EUR [total amount],

and **hereby provide our Independent Report of Factual Findings ('the Report')** using the compulsory report format agreed with you.

### **The Report**

Our engagement was carried out in accordance with the terms of reference ('the ToR') appended to this Report. The Report includes the agreed-upon procedures ('the Procedures') carried out and the standard factual findings ('the Findings') examined.

The Procedures were carried out solely to assist the Agency in evaluating whether the [Beneficiary's] [Affiliated Entity's] [Implementing Body's] costs in the accompanying Financial Statement(s) were declared in accordance with the Agreement. The Agency draws its own conclusions from the Report and any additional information it may require.

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<sup>3</sup> By which the Beneficiary declares costs under the Agreement (see template 'Model Financial Statement(s)' in Annex VI to the Agreement).

The scope of the Procedures was defined by the Agency. Therefore, the Auditor is not responsible for their suitability or pertinence. Since the Procedures carried out constitute neither an audit nor a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, the Auditor does not give a statement of assurance on the Financial Statements.

Had the Auditor carried out additional procedures or an audit of the [Beneficiary's] [Affiliated Entity's] [Implementing Body's] Financial Statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to its attention and would have been included in the Report.

### **Not applicable Findings**

We examined the Financial Statement(s) stated above and considered the following Findings not applicable:

*Explanation (to be removed from the Report):*

*If a Finding was not applicable, it must be marked as 'N.A.' ('Not applicable') in the corresponding row on the right-hand column of the table and means that the Finding did not have to be corroborated by the Auditor and the related Procedure(s) did not have to be carried out.*

*The reasons of the non-application of a certain Finding must be obvious i.e.:*

- i) if no cost was declared under a certain category then the related Finding(s) and Procedure(s) are not applicable;*
- ii) if the condition set to apply certain Procedure(s) are not met the related Finding(s) and those Procedure(s) are not applicable. For instance, for 'beneficiaries with accounts established in a currency other than euro' the Procedure and Finding related to 'beneficiaries with accounts established in euro' are not applicable. Similarly, if no additional remuneration is paid, the related Finding(s) and Procedure(s) for additional remuneration are not applicable.*

**List here all Findings considered not applicable for the present engagement and explain the reasons of the non-applicability.**

....

### **Exceptions**

Apart from the exceptions listed below, the [Beneficiary] [Affiliated Entity] [Implementing Body] provided the Auditor all the documentation and accounting information needed by the Auditor to carry out the requested Procedures and evaluate the Findings.

*Explanation (to be removed from the Report):*

- If the Auditor was not able to successfully complete a procedure requested, it must be marked as 'E' ('Exception') in the corresponding row on the right-hand column of the table. The reason such as the inability to reconcile key information or the unavailability of data that prevents the Auditor from carrying out the Procedure must be indicated below.*
- If the Auditor cannot corroborate a standard finding after having carried out the corresponding procedure, it must also be marked as 'E' ('Exception') and, where possible, the reasons why the Finding was not fulfilled and its possible impact must be explained here below.*

**List here any exceptions and add any information on the cause and possible consequences of each exception, if known. If the exception is quantifiable, include the corresponding amount.**

....

*Example (to be removed from the Report):*

- 1. The Beneficiary was unable to substantiate the Finding number 1 on ... because ....*
- 2. After carrying out the agreed procedures to confirm the Finding number 31, the Auditor found a difference of EUR \_\_\_\_\_. The difference can be explained by ...*

### **Further Remarks**

In addition to reporting on the results of the specific procedures carried out, the Auditor would like to make the following general remarks:

*Example (to be removed from the Report):*

- 1. Regarding Finding number 8 the conditions for additional remuneration were considered as fulfilled because ...*
- 2. In order to be able to confirm the Finding number 15 we carried out the following additional procedures: ....*

### **Use of this Report**

This Report may be used only for the purpose described in the above objective. It was prepared solely for the confidential use of the [Beneficiary] [Affiliated Entity] [Implementing Body] and the Agency, and only to be submitted to the Agency in connection with the requirements set out in Article II.23.2 of the Agreement. The Report may not be used by the [Beneficiary] [Affiliated Entity] [Implementing Body] or by the Agency for any other purpose, nor may it be distributed to any other parties.

The Agency may only disclose the Report to authorised parties, in particular to the European Anti-Fraud Office (OLAF) and the European Court of Auditors.

This Report relates only to the Financial Statement(s) submitted to the Agency by the [Beneficiary] [Affiliated Entity] [Implementing Body] for the Agreement. Therefore, it does not extend to any other of the [Beneficiary's] [Affiliated Entity's] [Implementing Body's] Financial Statement(s).

There was no conflict of interest<sup>4</sup> between the Auditor and the Beneficiary [and Affiliated Entity] [and Implementing Body] in establishing this Report. The total fee paid to the Auditor for providing the Report was EUR \_\_\_\_\_ (including EUR \_\_\_\_\_ of deductible VAT).

We look forward to discussing our Report with you and would be pleased to provide any further information or assistance.

[legal name of the Auditor]

[name and function of an authorised representative]

[dd Month yyyy]

Signature of the Auditor

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<sup>4</sup> A conflict of interest arises when the Auditor's objectivity to establish the certificate is compromised in fact or in appearance when the Auditor for instance:

- was involved in the preparation of the Financial Statements or in providing consultancy advice on the related operations or underlying transactions;
- stands to benefit directly should the certificate be accepted;
- has a close relationship with any person representing the beneficiary, the affiliated entity or the implementing body;
- is a director, trustee or partner of the beneficiary, the affiliated entity or the implementing body; or
- is in any other situation that compromises his or her independence or ability to establish the certificate impartially.

Annex 1: Implementation contracts list

Annex 2: Certified Financial Statement sampled transactions

### **Agreed-upon procedures to be performed and standard factual findings to be confirmed by the Auditor**

The Agency reserves the right to i) provide the Auditor with additional guidance regarding the procedures to be followed or the facts to be ascertained and the way in which to present them (this may include sample coverage and findings) or to ii) change the procedures, by notifying the Beneficiary in writing. The procedures carried out by the Auditor to confirm the standard factual finding are listed in the table below.

If this certificate relates to an Affiliated Entity or Implementing Body, any reference here below to 'the Beneficiary' is to be considered as a reference to 'the Affiliated Entity' or 'Implementing Body' respectively.

The 'result' column has three different options: 'C', 'E' and 'N.A.':

- 'C' stands for 'confirmed' and means that the Auditor can confirm the 'standard factual finding' and, therefore, there is no exception to be reported.
- 'E' stands for 'exception' and means that the Auditor carried out the procedures but cannot confirm the 'standard factual finding', or that the Auditor was not able to carry out a specific procedure (e.g. because it was impossible to reconcile key information or data were unavailable),
- 'N.A.' stands for 'not applicable' and means that the Finding did not have to be examined by the Auditor and the related Procedure(s) did not have to be carried out. The reasons of the non-application of a certain Finding must be obvious i.e. i) if no cost was declared under a certain category then the related Finding(s) and Procedure(s) are not applicable; ii) if the condition set to apply certain Procedure(s) are not met then the related Finding(s) and Procedure(s) are not applicable. For instance, for 'beneficiaries with accounts established in a currency other than the euro' the Procedure related to 'beneficiaries with accounts established in euro' is not applicable. Similarly, if no additional remuneration is paid, the related Finding(s) and Procedure(s) for additional remuneration are not applicable.

### **Sampling Requirements and Reporting of Sampled Transactions**

The sampling requirements for each cost category are defined in section A-F of the table below. The sampled transactions overall **must** cover at least 10% of the total declared costs on the financial statement.

If, following the sampling instructions in each section of the table below, an overall financial coverage of 10% of declared costs is not obtained, additional transactions should be tested to achieve this minimum financial coverage. The method used to select the additional transactions is at the discretion of the auditor.

In order for INEA to identify the sampled transactions, and verify the overall coverage target, the auditor **must** provide the sampled transactions from the certified financial statement at Annex 2.

There is no requirement to separately identify transactions sampled under different cost categories.

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
A	<b>ACTUAL PERSONNEL COSTS AND UNIT COSTS CALCULATED BY THE BENEFICIARY IN ACCORDANCE WITH ITS USUAL COST ACCOUNTING PRACTICE</b>		
	<p>The Auditor draws a sample of persons whose costs were declared in the Financial Statement(s) to carry out the procedures indicated in the consecutive points of this section A.</p> <p><i>(The sample should be selected randomly so that it is representative. Full coverage is required if there are fewer than 10 people (including employees, natural persons working under a direct contract and personnel seconded by a third party), otherwise the sample should have a minimum of 10 people, or 10% of the total personnel cost declared , whichever number is the highest)</i></p> <p>The Auditor sampled [ ] people out of the total of [ ] people.</p>		
A.1	<p><b>PERSONNEL COSTS</b></p> <p><u>For the persons included in the sample and working under an employment contract or equivalent act (general procedures for individual actual personnel costs and personnel costs declared as unit costs)</u></p> <p>To confirm standard factual findings 1-6 listed in the next column, the Auditor reviewed following information/documents provided by the Beneficiary:</p> <ul style="list-style-type: none"> <li>o a list of the persons included in the sample indicating the period(s) during which they worked for the action, their position (classification or category) and type of contract;</li> <li>o the payslips of the employees included in the sample;</li> <li>o reconciliation of the personnel costs declared in the Financial Statement(s) with the accounting system (project accounting and general ledger) and payroll system;</li> </ul>	1) The employees i) were directly hired by the Beneficiary in accordance with its national legislation or seconded to the beneficiary by a third party against payment, ii) under the Beneficiary's sole technical supervision and responsibility and iii) remunerated in accordance with the Beneficiary's usual practices.	
		2) Personnel costs were recorded in the Beneficiary's accounts/payroll system.	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<ul style="list-style-type: none"> <li>○ information concerning the employment status and employment conditions of personnel included in the sample, in particular their employment contracts or equivalent;</li> <li>○ the Beneficiary's usual policy regarding payroll matters (e.g. salary policy, overtime policy, variable pay);</li> <li>○ applicable national law on taxes, labour and social security and</li> <li>○ any other document that supports the personnel costs declared.</li> </ul> <p>The Auditor also verified the eligibility of all components of the retribution (see Article II.19.1 and II.19.2.a) of the Agreement) and recalculated the personnel costs for employees included in the sample.</p>	3) Costs were adequately supported and reconciled with the accounts and payroll records.	
		4) Personnel costs did not contain any ineligible elements.	
		5) There were no discrepancies between the personnel costs charged to the action and the costs recalculated by the Auditor.	
		6) The personnel costs declared were incurred within the reporting period and free from non-eligible costs set out in Article II.19.4 of the Agreement.	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p><i>Further procedures if 'additional remuneration' is paid</i></p> <p>To confirm standard factual findings 7-8 listed in the next column, the Auditor:</p> <ul style="list-style-type: none"> <li>○ reviewed relevant documents provided by the Beneficiary (legal form, legal/statutory obligations, the Beneficiary's usual policy on additional remuneration, criteria used for its calculation...);</li> <li>○ recalculated the amount of additional remuneration eligible for the action based on the supporting documents received (full-time or part-time work, exclusive or non-exclusive dedication to the action, etc.) to arrive at the applicable full time equivalent (FTE)/year and pro-rata rate (see data collected in the course of carrying out the procedures under A.2 'Productive hours' and A.4 'Time recording system').</li> </ul>	7) The amount of additional remuneration paid corresponded to the Beneficiary's usual remuneration practices and was consistently paid whenever the same kind of work or expertise was required.	
		8) The criteria used to calculate the additional remuneration were applied by the Beneficiary regardless of the source of funding used.	
	<p><i>Additional procedures in case "unit costs calculated by the Beneficiary in accordance with its usual cost accounting practices" is applied:</i></p> <p>Apart from carrying out the procedures indicated above to confirm standard factual findings 1-6 and, if applicable, also 7-8, the Auditor carried out following procedures to confirm standard factual findings 9-12 listed in the next column:</p> <ul style="list-style-type: none"> <li>○ obtained a description of the Beneficiary's usual cost accounting practice to calculate unit costs;</li> </ul>	9) The personnel costs included in the Financial Statement were calculated in accordance with the Beneficiary's usual cost accounting practice.	
		10) The employees were charged under the correct category.	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<ul style="list-style-type: none"> <li>○ reviewed whether the Beneficiary's usual cost accounting practice was applied for the Financial Statements subject of the present CFS;</li> <li>○ verified the employees included in the sample were charged under the correct category (in accordance with the criteria used by the Beneficiary to establish personnel categories) by reviewing the contract/HR-record or analytical accounting records;</li> <li>○ verified that there is no difference between the total amount of personnel costs used in calculating the cost per unit and the total amount of personnel costs recorded in the statutory accounts;</li> <li>○ verified whether actual personnel costs were adjusted on the basis of budgeted or estimated elements and, if so, verified whether those elements used were relevant for the calculation, reasonable and correspond to objective and verifiable information supported by documents;</li> <li>○ verified that unit costs were calculated in accordance with the methodology laid down in Commission Decision C(2016) 478 of 3.2.2016 on the reimbursement of personnel costs of beneficiaries of the Connecting Europe Facility.</li> </ul>	11) Total personnel costs used in calculating the unit costs were consistent with the expenses recorded in the statutory accounts.	
		12) Any estimated or budgeted element used by the Beneficiary in its unit-cost calculation were relevant for calculating personnel costs and corresponded to objective and verifiable information.	
	<p><u>For natural persons included in the sample and working with the Beneficiary under a direct contract other than an employment contract, such as consultants.</u></p> <p>To confirm standard factual findings 13-16 listed in the next column the Auditor reviewed following information/documents provided by the Beneficiary:</p> <ul style="list-style-type: none"> <li>○ the contracts, especially the cost, contract duration, work description, place of work, ownership of the results and reporting obligations to the Beneficiary;</li> </ul>	13) The natural persons reported to the Beneficiary (worked under the conditions similar to those of an employee: in particular regarding the way the work is organised, the tasks that are performed and the premises where they are performed).	



Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<ul style="list-style-type: none"> <li>the employment conditions of staff in the same category to compare costs and;</li> <li>any other document that supports the costs declared and its registration (e.g. invoices, accounting records, etc.).</li> </ul>	14) The results of work carried out belong to the Beneficiary (unless exceptionally agreed otherwise).	
		15) Their costs were not significantly different from those for staff who perform similar tasks under an employment contract with the Beneficiary.	
		16) The costs were supported by audit evidence and registered in the accounts.	
<b>A.2</b>	<b>PRODUCTIVE HOURS</b> To confirm standard factual findings 17-22 listed in the next column, the Auditor reviewed relevant documents, especially national legislation, labour agreements and contracts and time records of the persons included in the sample, to verify that: <ul style="list-style-type: none"> <li>the annual productive hours applied were calculated in accordance with one of the methods described below;</li> </ul>	17) The Beneficiary applied method [ <i>choose one option and delete the others</i> ] <b>[A:</b> 1720 hours] <b>[B:</b> the ‘total number of hours worked’]	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p>○ the full-time equivalent (FTEs) ratios for employees not working full-time were correctly calculated.</p> <p>If the Beneficiary applied method B, the Auditor verified that the correctness in which the total number of hours worked was calculated and that the contracts specified the annual workable hours. If the Beneficiary applied method C, the Auditor verified that the ‘annual productive hours’ applied when calculating the hourly rate were equivalent to at least 90 % of the ‘standard annual workable hours’. The Auditor can only do this if the calculation of the standard annual workable hours can be supported by records, such as national legislation, labour agreements, and contracts.</p> <p><i>Beneficiary's Productive hours' for persons working full time shall be one of the following methods:</i></p> <p><i>A. 1720 hours for persons working full time (or corresponding pro-rata for persons not working full-time);</i></p> <p><i>B. the total number of hours worked by the person for the beneficiary in the year (this method is also referred to as ‘total number of hours worked’ in the next column). The calculation of the total number of hours worked was done as follows: annual workable hours of the person according to the employment contract, applicable labour agreement or national law plus overtime worked minus absences (such as sick leave or special leave);</i></p> <p><i>C. the standard number of annual hours generally applied by the beneficiary for its personnel in accordance with its usual cost accounting practices (this method is also referred to as ‘total annual productive hours’ in the next column). This number must be at least 90% of the standard annual workable hours.</i></p>	[C: ‘annual productive hours’ used correspond to usual accounting practices]	
		18) Productive hours were calculated annually.	
		19) For employees not working full-time the full-time equivalent (FTE) ratio was correctly applied.	
		<p><i>If the Beneficiary applied method B.</i></p> <p>20) The calculation of the number of ‘annual workable hours’, overtime and absences was verifiable based on the documents provided by the Beneficiary.</p>	
		<p><i>If the Beneficiary applied method C.</i></p> <p>21) The calculation of the number of ‘standard annual workable hours’ was verifiable based on</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	'Annual workable hours' means the period during which the personnel must be working, at the employer's disposal and carrying out his/her activity or duties under the employment contract, applicable collective labour agreement or national working time legislation.	the documents provided by the Beneficiary.	
		22) The 'annual productive hours' used for calculating the hourly rate were consistent with the usual cost accounting practices of the Beneficiary and were equivalent to at least 90 % of the 'annual workable hours'.	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
A.3	<p><b>HOURLY PERSONNEL RATES</b></p> <p><u>D) For unit costs calculated in accordance to the Beneficiary's usual cost accounting practice (unit costs):</u></p> <p>The Auditor:</p> <ul style="list-style-type: none"> <li>○ reviewed the documentation provided by the Beneficiary, including manuals and internal guidelines that explain how to calculate hourly rates;</li> <li>○ recalculated the unit costs (hourly rates) of staff included in the sample following the results of the procedures carried out in A.1 and A.2.</li> </ul> <p><u>II) For individual hourly rates:</u></p> <p>The Auditor:</p> <ul style="list-style-type: none"> <li>○ reviewed the documentation provided by the Beneficiary, including manuals and internal guidelines that explain how to calculate hourly rates;</li> <li>○ recalculated the hourly rates of staff included in the sample following the results of the procedures carried out in A.1 and A.2.</li> </ul> <p><i><u>“Unit costs calculated by the Beneficiary in accordance with its usual cost accounting practices”:</u></i>  <i>It is calculated by dividing the total amount of personnel costs of the category to which the employee belongs verified in line with procedure A.1 by the number of FTE and the annual total productive hours of the same category. calculated by the Beneficiary in accordance with procedure A.2.</i></p> <p><i><u>Hourly rate for individual actual personal costs:</u></i></p>	<p>23) The Beneficiary applied  <i>[choose one option and delete the other]:</i></p> <p>[Option I: “Unit costs (hourly rates) were calculated in accordance with the Beneficiary’s usual cost accounting practices”]</p> <p>[Option II: Individual hourly rates were applied]</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<i>It is calculated by dividing the total amount of personnel costs of an employee verified in line with procedure A.1 by the number of annual productive hours verified in line with procedure A.2.</i>	<p><i>For Option I concerning unit costs:</i></p> <p>24) The unit costs re-calculated by the Auditor were the same as the rates applied by the Beneficiary.</p>	
		<p><i>For Option II concerning individual hourly rates:</i></p> <p>25) The individual rates re-calculated by the Auditor were the same as the rates applied by the Beneficiary.</p>	
<b>A.4</b>	<p><b>SME OWNERS AND NATURAL PERSONS NOT RECEIVING A SALARY</b></p> <p>The Auditor:</p> <ul style="list-style-type: none"> <li>o verified that the unit per hour worked on the action was calculated in accordance with the methodology laid down in Commission Decision C(2016)478 of 3 February 2016;</li> <li>o verified that the total number of hours declared, in a year, for one SME owner not receiving a salary is not higher than 1 720 hours.</li> </ul> <p><u>“Unit costs for SME owners and natural persons not receiving a salary”:</u></p> <p><i>The direct personnel costs of SMEs owners not receiving a salary shall be based on a unit cost per hour worked on the action to be calculated as follows:</i></p>	<p>26) For SME owners and natural persons not received a salary, the direct personnel costs have been declared based on a unit costs per hour worked on the action.</p>	
		<p>27) The unit costs declared were calculated in accordance with Commission Decision C(2016)478</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p><i>{Monthly living allowance fixed at EUR multiplied by the country-specific correction coefficient as set out in the Appendix of Commission Decision C(2016)478} divided by 143 hours</i></p> <p><i>The value of the work of the SME owners not receiving a salary shall be determined by multiplying the unit cost by the number of actual hours worked on the Action.</i></p> <p><i>The standard number of annual productive hours per SME owner is equal to 1 720 hours. The total number of hours declared, in a year, in EU and Euratom grants for one SME owner not receiving a salary may not be higher than the standard number of annual productive hours (1 720 hours).</i></p>	28) The total number of hours declared in a year do not exceed 1 720 hours	
A.5	<p><b>TIME RECORDING SYSTEM</b></p> <p>To verify that the time recording system ensures the fulfilment of all minimum requirements and that the hours declared for the action were correct, accurate and properly authorised and supported by documentation, the Auditor made the following checks for the persons included in the sample that declare time as worked for the action on the basis of time records:</p> <ul style="list-style-type: none"> <li>○ description of the time recording system provided by the Beneficiary (registration, authorisation, processing in the HR-system);</li> <li>○ its actual implementation;</li> <li>○ time records were signed at least monthly by the employees (on paper or electronically) and authorised by the project manager or another manager;</li> <li>○ the hours declared were worked within the reporting period;</li> <li>○ there were no hours declared as worked for the action if HR-records showed absence due to holidays or sickness (further cross-checks with travels are carried out in B.1 below) ;</li> <li>○ the hours charged to the action matched those in the time recording system.</li> </ul>	29) All persons recorded their time dedicated to the action on a <b>daily/ weekly/ monthly</b> basis using a <b>paper/computer-based</b> system. <i>[delete the answers that are not applicable]</i>	
		30) Their time-records were authorised at least monthly by the project manager or other superior.	
		31) Hours declared were worked within the reporting period and were consistent with the presences/absences recorded in HR-records.	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p><i>Only the hours worked on the action can be charged. All working time to be charged should be recorded throughout the duration of the REPORTING PERIOD, adequately supported by evidence of their reality and reliability (see specific provisions below for persons working exclusively for the action without time records).</i></p> <p><i>The time recording system should record all working time including absences and may be paper or electronically based. The time records must be approved by the persons working on the action and their supervisors, at least monthly. The absence of an adequate time recording system is considered to be a serious and systematic weakness of internal control.</i></p>	32) There were no discrepancies between the number of hours charged to the action and the number of hours recorded.	
	<p><u>If the persons are working exclusively for the action and without time records</u></p> <p>For the persons selected that worked exclusively for the action without time records, the Auditor verified evidence available demonstrating that they were in reality exclusively dedicated to the action and that the Beneficiary signed a declaration confirming that they have worked exclusively for the action.</p>	33) The exclusive dedication is supported by a declaration signed by the Beneficiary's and by any other evidence gathered.	

B	AWARDED CONTRACTS NECESSARY FOR THE IMPLEMENTATION OF THE ACTION		
B.1	<p><b>Assessment of the procurement process</b></p> <p><b>The Auditor obtained the detail/breakdown of procured costs and sampled [REDACTED] contracts selected randomly</b> for testing of the applied procurement procedure (<i>full coverage is required if there are fewer than 5 contracts, otherwise the sample should have a minimum of 5 contracts, or 10% of the total number of contracts, whichever number is the highest</i>).</p> <p>In order to select the sample, a full schedule of all contracts awarded relevant to the costs declaration certified was made available for the Auditor including the name of the Contracting Authority /Entity, supplier name, subject of the contract, type of procurement procedure applied, level and means of advertisement (including references to contract notices and contract award notices or other means), the initial contract value and the aggregate value including all subsequent amendments to the original contract and date of publication of the relevant tender or at least the date of the award of the contract if no publication took place.</p> <p><b>This schedule should be attached to the CFS as Annex 1</b></p> <p>To confirm standard factual finding 31-59 listed in the next column, the Auditor reviewed the following for the items included in the sample:</p> <p><u>B.1.1) THE NATIONAL LAW TRANSPOSING THE EU DIRECTIVES ON PUBLIC PROCUREMENT PROCEDURES IS APPLICABLE TO THE CONTRACT(S) IN QUESTION</u></p> <p><b>If this is not applicable, go directly to section B.1.2</b></p> <p>From the sampled contracts, the Auditor verified that (35-52):</p> <ul style="list-style-type: none"> <li>the contracted tasks are relevant for the activities (or sub-activities) defined in the Agreement (Article 1 and Annex I of the Agreement);</li> <li>the contracts were not awarded to other Beneficiaries listed in the Agreement (<i>in such cases, the costs should be declared on an actual cost basis by the co-beneficiary and not as a profit generating contract between beneficiaries</i>);</li> </ul>	<p>34) The required information on all contracts signed relevant to the costs declared was provided by the beneficiary in order to select the sample.</p>	
		<p>35) The contracted works/ services/ supplies were linked to the activities covered in the Agreement.</p>	



<ul style="list-style-type: none"> <li>○ there were signed contracts between the Beneficiary and the contractor;</li> <li>○ there was evidence that the contract was executed by the contractor (i.e. services were provided, works/supply were delivered).</li> <li>○ the procurement procedure used was in compliance with the national law transposing the EU legal framework (EU Directive(s) on public procurement);</li> <li>○ the respective EU public procurement thresholds were not bypassed by artificial contract splitting by the beneficiary;  <i>(This can be considered by examining the list of all contracts signed (obtained under section B.1.1) above), their value and type of procedure. If the subjects of several contracts are so closely linked to another one in the cost claim, that they could or should have been tendered together, and the concerned contracts – usually below EU thresholds - were awarded to the same contractor(s), the auditor provides a clear explanation of why each contract had to be considered as separate procurement exercise);</i></li> <li>○ adequate justification is provided on the use of negotiated procedures with or without prior call for competition under the national law transposing the relevant EU public procurement Directives;</li> <li>○ Publicity was ensured during the tendering process in line with the national legislation (contract notice, contract award notice is available or level of publicity is satisfactory if prior publication in the Official Journal is not needed).</li> <li>○ the deadline for submitting requests to participate/tenders was consistent with the national / European legal framework;</li> <li>○ the procedure was sufficiently transparent and non-discriminatory (the selection and award criteria enabled fair competition and did not unfairly favour any bidder);</li> <li>○ the selection and award criteria were predefined in the contract notice / tender specifications and were not changed during the evaluation process;</li> <li>○ the evaluation was sufficiently documented, with a clear audit trail leading to the selection of the contractor recommended by the evaluation process;</li> </ul>	36) The contracts were not signed with other co- Beneficiaries	
	37) The Beneficiary provided original signed contracts with the contractor.	
	38) The Beneficiary provided adequate evidence that the services/ works were provided by the contractors.	
	39) The contract(s) in question falls within the scope of application of the national law transposing the EU Directives on public procurement procedures.	
	40) No indications of artificial contractual splitting aimed at avoiding the application of the national law transposing the EU Directives on public procurement procedures were observed based on the review of the complete contract listing.  <i>(When indications are noted the Auditor explains the reasons provided by the</i>	

	<ul style="list-style-type: none"> <li>○ exclusions / rejections during the tender evaluation were compliant with the tender specifications and could be validated by the Auditor;</li> <li>○ the amount, duration and conditions of the contract signed following the award process were consistent with the provisions stipulated in the procurement documents;</li> </ul> <p>In the case of post contract award amendments, the Auditor verified that (60-63):</p> <ul style="list-style-type: none"> <li>○ the beneficiary has produced documented technical and legal justification for the amendment, and its compliance with the requirements of the applicable national law transposing the EU Directives on public procurement procedures;</li> <li>○ the amendments signed were compliant with national law transposing the EU Directives (a strict interpretation of the requirements of the national transposing the Directives is required as the use of negotiated procedures without prior call for competition always constitute an exception and shall be justified under Article 31 of Directive 2004/18/EC or Article 40 of Directive 2014/17/EC by the party seeking to rely on their use) or the amendments are compliant with Article 72 of Directive 2014/24/EU or Article 89 of Directive 2014/25/EU if the national transposing these Directives was applicable to the contract in question;</li> <li>○ amendments do not introduce changes which are materially different in character from the conditions of the original contract showing the intention to renegotiate essential terms of the contract;</li> </ul>	<p><i>Beneficiary under the caption "Exceptions" of the Report. The Agency will analyse this information to evaluate whether these costs might be accepted as eligible).</i></p>	
	<ul style="list-style-type: none"> <li>○ amendments do not introduce conditions which, had they been part of the initial award procedure, would have allowed for the admission of tenderers other than those initially admitted or would have allowed for the acceptance of a tender other than the one initially accepted;</li> <li>○ the scope of the contract has not been extended considerably to encompass services not covered initially;</li> </ul>	<p>41) The procurement procedure selected was in compliance with the national law transposing the EU Directives on public procurement</p> <p>(justification was provided on the use of negotiated procedures with or without prior call for competition under the national law transposing the relevant EU public procurement Directives)</p>	
		<p>42) The conditions for publication according to national law transposing the EU law were respected (contract notice / contract award notice where applicable) .</p>	

	<ul style="list-style-type: none"> <li>○ the economic balance of the contract has not changed in favour of the supplier in a manner which was not provided for in the terms of the initial procurement documents.</li> <li>○ Where the national law transposing Directives 2014/24/EU or 2014/25/EU is applicable and a new contractor replaces the one to which the contract was initially awarded the amendment is in line with Article 72(1)(d) of Directive 2014/24/EU or Article 89(1)(d) of Directive 2014/25/EU: there is either (1) an unequivocal review clause or option or , (2) a universal or partial succession of the initial contractor and the new contractor fulfils the criteria for qualitative selection without modifying substantially the contractor or (3) the contracting authority assumes itself the role of the main contractor.</li> <li>○ Where the national law transposing Directives 2014/24/EU or 2014/25/EU is applicable the value of the modification is below the applicable threshold and 10 % of the initial contract value for service and supply contracts and 15% of the initial contract value for works contracts.</li> </ul>	43) The deadlines to request participation, submit tenders, or ask for information were compliant with the requirements of the applicable national law transposing the EU Directives on public procurement.	
		44) The procurement procedures applied were transparent and non-discriminatory.	
		45) The selection and award criteria were published in the contract notice / tender specifications. No changes to the exclusion / selection / award criteria were made after the submission of tenders.	
		46) The evaluation was based on pre-defined criteria. The award decision was consistent with the results obtained and the contract was awarded to the best ranked tender.	

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47) In case of tenders excluded/rejected during the evaluation process the exclusion/rejection was justified and consistent with the requirements in the contract notice / tender specifications (exclusion, selection and award criteria).	
48) The amount, duration and conditions of the contract signed following the award process were consistent with the winning tender and tender specifications.	
49) The contractual amendments signed were compliant with national law transposing the relevant EU Directives.	
50) In case of amendments, the beneficiary has produced documented technical and legal	

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justification for the amendment, and its compliance with the requirements of the applicable national law transposing the EU Directives on public procurement.	
51) In case of amendments the scope of the contract has not been extended considerably to encompass services not covered initially.	
52) In case of amendments the economic balance of the contract has not changed in favour of the supplier in a manner which was not provided for in the terms of the initial procurement documents.	

<p><b>B.1.2) <u>FOR ALL CONTRACTS, THE AUDITOR VERIFIED THAT (57-58):</u></b></p> <p>To confirm standard factual finding 53-59 listed in the next column, the Auditor reviewed the following for the items included in the sample:</p> <ul style="list-style-type: none"> <li>○ the contracted tasks are relevant for the activities (or sub-activities) defined in the Agreement (Article 1 and Annex I of the Agreement);</li> <li>○ the Beneficiary followed their usual procurement rules;</li> <li>○ supporting documents on the selection and award procedure demonstrate that the selected contractor offered the best value (or lowest price) according to the criteria defined by the beneficiary;</li> <li>○ original tenders of all tenderers were reviewed and consistent with the evaluation documents (entity name / price/submission date) - (Article II.27.2 GA);</li> <li>○ the Beneficiary ensured that there was no conflict of interest when selecting and awarding the contract to the contractor.</li> <li>○ the contracts were not awarded to other Beneficiaries listed in the Agreement (<i>in such cases, the costs should be declared on an actual cost basis by the co-beneficiary and not as a profit generating contract between beneficiaries</i>);</li> <li>○ there were signed contracts between the Beneficiary and the contractor;</li> <li>○ there was evidence that the contract was executed by the contractor (i.e. services were provided, works/supply were delivered).</li> <li>○ In the award of the audited contracts, the principle of sound financial management and basic principles of the Treaty of the Functioning of the European Union are respected (transparency, equal treatment, non-discrimination).</li> </ul> <p>In case there is a cross-border interest, if an adequate level of publicity has been ensured and the provisions of Commission Communication 2006/C 179/02 have been respected.</p>	<p>53) The required information on all contracts signed relevant to the costs declared was provided by the beneficiary in order to select the sample.</p>	
	<p>54) The contracted works/ services/ supplies were linked to the activities covered in the Agreement.</p>	
	<p>55) The contracts were not signed with other co- Beneficiaries</p>	
	<p>56) The Beneficiary provided signed contracts with the contractor.</p>	
	<p>57) The Beneficiary provided adequate evidence that the services/ works were provided by the contractors.</p>	

		58) The principle of sound financial management and basic principles of the Treaty (transparency, equal treatment, non-discrimination) are respected.	
		59) For Beneficiaries acting as Contracting Authorities or Contracting Entities, in case the national law on public procurement transposing the Directives is not or only partially applicable due to exceptions provided by the Directives and there is a cross-border interest, verify if an adequate level of publicity has been ensured in line with Commission Communication 2006/C 179/02.	
<b>B.2</b>	<b>Transaction controls for procurement related costs</b>  <i>In section B.1, the contract award and post contract award process was verified in order to test compliance with Article II.9 of the Grant Agreement. The purpose of this section is to verify if the costs declared arising from the contracting procedures are eligible in line with Article II.19 of the grant agreement.</i>	60) The costs declared were incurred within the reporting period and free from non-eligible costs set out in Article II.19.4 of the Agreement.	

**Based on the contracts sampled in section B.1, the Auditor randomly sampled at least 10% of the total value of costs declared for each procurement procedure selected under section B.1** in order to verify if the declared costs were incurred in compliance with the grant agreement eligibility conditions defined in article II.19 (*full coverage is required if there are fewer than 5 transactions per contract, otherwise the sample should have a minimum of 10% of the total value of costs declared per contract.*)

61) The declared costs were accounted according to the Beneficiary's usual accounting practice	
62) The declared costs were covered by the activities in the Agreement	
63) In the case of contractual amendments, the conditions under B1.1 were respected and the related costs are considered eligible.	



<b>C</b>	<b>COSTS OF PROVIDING FINANCIAL SUPPORT TO THIRD PARTIES</b>		
<b>C.1</b>	<p><b>The Auditor obtained the detail/breakdown of the costs of providing financial support to third parties and sampled [REDACTED] cost items selected randomly</b> (<i>full coverage is required if there are fewer than 5 items, otherwise the sample should have a minimum of 5 item, or 10% of the total costs declared under this category, whichever number is the highest</i>).</p> <p>If the possibility to give financial support to third parties is provided for in the Agreement (Article 17 of the Agreement), the Auditor verified that the following minimum conditions were met:</p> <ul style="list-style-type: none"> <li>a) the maximum amount of financial support for each third party did not exceed EUR 60 000, unless it is the primary aim of the action as specified in Annex I of the Agreement;</li> <li>b) the financial support to third parties was agreed in Annex I of the Agreement and the other provisions on financial support to third parties included in Annex I were respected (i.e. the criteria for determining the exact amount of the financial support, the different types of activity that may receive financial support on the basis of a fixed list, the definition of the persons or categories of persons which may receive financial support, the criteria for giving the financial support);</li> <li>c) in case the financial support takes the form of a prize, the financial support to third parties was given in accordance with the conditions specified in Annex I of the Agreement, including inter alia the conditions for participation, the award criteria, the amount of the prize and the payment arrangements.</li> </ul>	64) Article II.11 applies (Article 17) and all minimum conditions were met.	
		65) The costs declared were incurred within the reporting period and free from non-eligible costs set out in Article II.19.4 of the Agreement.	
<b>D</b>	<b>OTHER ACTUAL DIRECT COSTS</b>		
<b>D.1</b>	<p><b>COSTS OF TRAVEL AND RELATED SUBSISTENCE ALLOWANCES</b></p> <p><b>The Auditor obtained the detail/breakdown of travel and subsistence costs and sampled [REDACTED] cost items selected randomly</b> (<i>full coverage is required if there are fewer than 10 items,</i></p>	66) Costs were incurred, approved and reimbursed in line with the Beneficiary's usual policy for travels.	

<p><i>otherwise the sample should have a minimum of 5 items, or 10% of the total costs declared under this category, whichever number is the highest)</i></p> <p>The Auditor inspected the sample and verified that:</p> <ul style="list-style-type: none"> <li>○ travel and subsistence costs were consistent with the Beneficiary's usual policy for travel. In this context, the Beneficiary provided evidence of its normal policy for travel costs (e.g. use of first class tickets, reimbursement by the Beneficiary on the basis of actual costs, a lump sum or per diem) to enable the Auditor to compare the travel costs charged with this policy;</li> <li>○ travel costs are correctly identified and allocated to the action (e.g. trips are directly linked to the action) by reviewing relevant supporting documents such as minutes of meetings, workshops or conferences, their registration in the correct project account, their consistency with time records or with the dates/duration of the workshop/conference;</li> <li>○ no ineligible costs or excessive or reckless expenditure was declared (see Articles II.19.3 and II.19.4 of the Agreement).</li> </ul>	67) There was a link between the trip and the action.	
	68) The supporting documents were consistent with each other regarding subject of the trip, dates, duration and reconciled with time records and accounting.	
	69) No ineligible costs or excessive or reckless expenditure was declared.	
	70) The costs declared were incurred within the reporting period and free from non-eligible costs set out in Article II.19.4 of the Agreement.	

<b>D.2</b>	<p><b>COSTS FOR EQUIPMENT, INFRASTRUCTURE OR OTHER ASSETS</b></p> <p><b>The Auditor obtained the detail/breakdown of equipment, infrastructure and other assets and sampled <span style="background-color: #cccccc;">      </span> cost items selected randomly</b> <i>(full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 5 items, or 10% of the total costs declared under this category, whichever number is the highest).</i></p> <p>In addition to the verifications listed under point B.1.1) (standard findings 34-52) or, if applicable, also under point B.1.2) (standard findings 53-59), the Auditor performed the following:</p> <ul style="list-style-type: none"> <li>○ If only the depreciation costs are eligible in accordance with Article II.19.2 (c) of the Agreement: the Auditor recalculated the depreciation costs and verified that they were in line with the applicable rules in the international accounting standards and the usual accounting practices of the Beneficiary (e.g. depreciation calculated on the acquisition value);</li> <li>○ The extent to which the assets were used for the action (as a percentage) was supported by reliable documentation (e.g. usage overview table);</li> <li>○ The Auditor verified that no ineligible costs such as deductible VAT, exchange rate losses, excessive or reckless expenditure were declared (see Articles II.19.3 and II.19.4 of the Agreement);</li> <li>○ Costs of contracts for goods, works or services or of subcontracts are considered to be incurred when the contract or subcontract (or part of it) is executed, i.e. when the goods, works or services (including studies) are supplied, delivered or provided (see Article II.19.1 of the Agreement).</li> </ul>	<p>71) <i>[choose one option and delete the other].</i></p> <p><i>[Option 1: Only the depreciation costs for equipment, infrastructure or other assets are eligible in accordance with Article II.19.2 (c) of the Agreement].</i></p> <p><i>[Option 2: The full purchase costs are eligible in accordance with Article II.19.2 (c) of the Agreement].</i></p>	
		<p>72) Where only depreciation costs are eligible, the depreciation method used to charge the asset to the action was in line with the applicable rules of the Beneficiary's country and the Beneficiary's usual accounting policy.</p>	
		<p>73) Where only the depreciation costs are eligible, the amount charged corresponded to the actual usage for the action.</p>	

		74) Where the full purchase costs are eligible, the assets purchased are treated as capital expenditure in accordance with the tax and accounting rules applicable to the beneficiary, and are recorded in the fixed assets account of its balance sheet.	
<b>D.3</b>	<p><b>COSTS OF SUBCONTRACTING in line with Article II. 10.2</b></p> <p><b>The Auditor obtained the detail/breakdown of subcontracting costs and sampled [REDACTED] cost items selected randomly</b> (<i>full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 5 items, or 10% of the total costs declared under this category, whichever number is the highest</i>).</p> <p>For the items included in the sample, in addition to the verifications listed under point B.1.1) (standard findings 34-52) or, if applicable, also under point B.1.2) (standard findings 53-59), the Auditor reviewed the following in order to confirm standard factual finding 75 in the next column:</p> <ul style="list-style-type: none"> <li>○ the use of subcontractors was foreseen in Annex I or communicated by the coordinator and approved by the Commission (see Article II.10.2 of the Agreement);</li> <li>○ for Agreements signed under the CEF-Telecom, subcontracting costs were declared in the subcontracting category of Annex III and the Financial Statement.</li> </ul>	75) The use of claimed subcontracting costs was foreseen in Annex I for all sectors of CEF and for CEF Telecom the costs were declared in Annex III and the Financial Statements under the subcontracting category.	
<b>D.4</b>	<p><b>COSTS RELATED TO LAND AND BUILDING ACQUISITION</b></p> <p><b><u>Only applicable for Agreements signed under the CEF-Transport, which specifically provide for the eligibility of land and building acquisition.</u></b></p>	76) Land / building acquisition costs are eligible in accordance with Article 15 of the Agreement.	

	<p><b>The Auditor obtained the detail /breakdown of land and building acquisition costs and sampled [REDACTED] cost items selected randomly</b> <i>(full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 5 items, or 10% of the total costs declared under this category, whichever number is the highest).</i></p> <p>For the purchase of land included in the sample the Auditor verified that:</p> <ul style="list-style-type: none"> <li>○ the costs of purchase of land not built on and land built on were eligible in accordance with Article 15 of the Agreement and did not exceed 10 % of the total eligible costs of the action;</li> <li>○ the costs of purchase of derelict sites and purchase of sites formerly in industrial use which comprise buildings were eligible in accordance with Article 15 of the Agreement and did not exceed 15 % of the total eligible costs of the action;</li> <li>○ the costs did not exceed the limit agreed upon in the Agreement for operations concerning environmental conservation (Article 15 of the Agreement);</li> <li>○ they were correctly identified, and allocated to the proper action.</li> </ul> <p>The Auditor verified that no ineligible costs were declared (Articles II.19.3 and II.19.4 of the Agreement).</p>	77) Costs were allocated to the correct action.	
		78) Costs do not exceed the maximum ceiling as specified in the Agreement.	
		79) Costs were charged in line with the Beneficiary's accounting policy and were adequately supported.	
		80) The costs declared were incurred within the reporting period and free from non-eligible costs set out in Article II.19.4 of the Agreement.	
<b>D.5</b>	<p><b>OTHER DIRECT COSTS NOT COVERED BY CATEGORIES D.1-D.4</b></p> <p><b>The Auditor obtained the detail/breakdown of other direct costs and sampled [REDACTED] cost items selected randomly</b> <i>(full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 5 items, or 10% of the total costs declared under this category, whichever number is the highest).</i></p>	81) The cost allocation of the declared costs was consistent with the activities performed and the activities covered by the Agreement.	

	<p>The Auditor inspected the sample and verified that:</p> <ul style="list-style-type: none"> <li>○ costs are relevant for the activities (or sub-activities) defined in the Agreement (Article 1 and Annex I of the Agreement);</li> <li>○ the declared costs were allocated to the correct activity (or sub-activity) as defined in the Agreement;</li> <li>○ the declared costs were incurred during the reporting period covered by the cost declaration;</li> <li>○ the declared costs were accounted in line with the beneficiary's usual accounting practice;</li> <li>○ The Auditor verified that no ineligible costs such as deductible VAT, exchange rate losses, excessive or reckless expenditure were declared (see Article II.19.4 of the Agreement)</li> </ul>	<p>82) The costs declared were incurred within the reporting period and free from non-eligible costs set out in Article II.19.4 of the Agreement.</p>	
		<p>83) The declared costs were accounted according to the Beneficiary's usual accounting practice.</p>	
<b>E</b>	<b>USE OF EXCHANGE RATES</b>		
<b>E.1</b>	<p><u>a) For Beneficiaries with accounts established in a currency other than euros</u></p> <p><b>The Auditor sampled [REDACTED] cost items selected randomly and verified that the exchange rates used for converting other currencies into euros were in accordance with the following rules established in the Agreement</b> (<i>full coverage is required if there are fewer than 5 items, otherwise the sample should have a minimum of 5 item, or 10% of the total, whichever number is the highest</i>):</p> <p><i>Costs incurred in another currency shall be converted into euro at the average of the daily exchange rates published in the C series of Official Journal of the European Union (<a href="http://www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html">http://www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html</a> ), determined over the corresponding reporting period.</i></p> <p><i>If no daily euro exchange rate is published in the Official Journal of the European Union for the currency in question, conversion shall be made at the average of the monthly accounting rates established by the Commission and published on its website</i></p>	<p>84) The exchange rates used to convert other currencies into Euros were in accordance with the rules established in the Grant Agreement and there was no difference in the final figures.</p>	

	<p>(<a href="http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm">http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm</a>),  determined over the corresponding reporting period.</p> <p>A guide to currency conversion to euro is available from the INEA website:  <a href="https://ec.europa.eu/inea/sites/inea/files/practical_help_to_the_implementation_of_article_ii_23_4_final.pdf">https://ec.europa.eu/inea/sites/inea/files/practical_help_to_the_implementation_of_article_ii_23_4_final.pdf</a></p>		
	<p>b) For Beneficiaries with accounts established in euros</p> <p><b>The Auditor sampled [REDACTED] cost items selected randomly and verified that the exchange rates used for converting other currencies into euros were in accordance with the following rules established in the Agreement ( full coverage is required if there are fewer than 5 items, otherwise the sample should have a minimum of 5 item, or 10% of the total, whichever number is the highest):</b></p> <p><i>Costs incurred in another currency shall be converted into euro by applying the Beneficiary's usual accounting practices.</i></p>	85) The Beneficiary applied its usual accounting practices.	
<b>F</b>	<b>COMPLIANCE WITH ELIGIBILITY PERIOD</b>		
<b>F1</b>	<p><b>a) Regardless of their nature, the Auditor samples the 10 earliest dated and 10 latest dated transactions in the financial statement).</b> If cost items falling into this category have already been sampled under previous checked, and eligibility verified, the test does not have to be repeated.</p> <p>The Auditor inspected the sample and verified that:</p> <ul style="list-style-type: none"> <li>○ the declared costs were incurred during the reporting period covered by the cost declaration;</li> <li>○ the declared costs were accounted in line with the beneficiary's usual accounting practice;</li> <li>○ 'The Auditor verified that no ineligible costs such as deductible VAT, exchange rate losses, excessive or reckless expenditure were declared (see Article II.19.4 of the Agreement)</li> </ul> <p><i>'cost were incurred' is when the generating event that triggers the costs takes place. It must be during the action duration.</i></p>	<p>86) The costs declared were incurred within the reporting period and free from non-eligible costs set out in Article II.19.4 of the Agreement.</p> <p>87) The declared costs were accounted according to the Beneficiary's usual accounting practice.</p>	

	<p><i>If costs are invoiced or paid later than the action completion date (Article 2.2), they are eligible only if the debt existed already during the action duration (supported by documentary evidence) and the final cost was known at the moment of the financial report.</i></p> <p><i>Costs of services or equipment supplied to a beneficiary may be invoiced and paid after the end date of the action if the services or equipment were delivered to the beneficiary during the action duration. By contrast, costs of services or equipment supplied after the end of the action (or after GA termination) are not eligible.</i></p>		
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