



SHIFT2RAIL JOINT UNDERTAKING

Decision of the Executive Director

N° SHIFT2RAIL-ED-2016-017

**Adoption of guidance on the valuation and certification of
in-kind contributions of members other than the Union**

THE EXECUTIVE DIRECTOR

Having regard to Council Regulation (EU) No 642/2014 of 16 June 2014 establishing the Shift2Rail Joint Undertaking ("S2R JU")¹, and in particular Article 4 thereof and Article 10 of the Statutes annexed thereto,

Having regard to the decision of the S2R Governing Board of 11 December 2015 adopting the Financial Rules of Shift2Rail Joint Undertaking ('S2R JU'),

THE EXECUTIVE DIRECTOR HAS DECIDED AS FOLLOWS

Article 1

The guidance on the valuation and certification of in-kind contributions of members other than the Union, set out in Annex I, is hereby adopted.

Article 2

This decision shall enter into force on the date of its signature.

Done in Brussels, on 18 November 2016


Carlo BORGHINI
Executive Director

Annex 1: Guidance for Members and Auditors: Declaration and Auditor Certification of IKOP and IKAA

¹ OJ L 177, 17.6.2014, p. 9.

ANNEX I

Guidance for Members and Auditors: Declaration and Auditor Certification of IKOP and IKAA



**GUIDANCE FOR MEMBERS AND AUDITORS:
DECLARATION AND AUDITOR CERTIFICATION OF IKOP & IKAA**

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This guidance together with the related documents produced by the JU are aimed at clarifying the implementation of Article 4.4 of Council Regulation (EU) No 642/2014 of 16 June 2014 (hereinafter “the S2R JU Regulation”) regarding the independent external auditor certificate to be provided by the Members of the Shift2Rail Joint Undertaking other than the Union (hereinafter “the Other Members”)¹ on their respective IKOP and IKAA.

¹ Other Members are those defined in Article 3.1(b) of the S2R JU Statutes, Annex I of the S2R JU Regulation.

1. General

The basis for the calculation of in-kind-contributions is Article 4.4 of the S2R JU Regulation, which establishes:

“For the purpose of valuing the in-kind contributions referred to in point (b) of paragraph 2 of this Article² and Article 16.3(b) of the Statutes, the costs shall be determined according to the usual cost accounting practices of the entities concerned, to the applicable accounting standards of the country where each entity is established, and to the applicable International Accounting Standards/International Financial Reporting Standards. The costs shall be certified by an independent external auditor appointed by the entity concerned. The valuation of the contributions may be verified by the S2R Joint Undertaking should there be any uncertainty arising from the certification. For the purposes of this Regulation, the costs incurred in additional activities shall not be audited by the S2R Joint Undertaking or by any Union body.”

The purpose of this document is to provide guidance to S2R JU Other Members, on the one hand, to determine the IKOP related to a specific S2R JU Project and the IKAA and, on the other hand, to the Other Members’ independent external auditors to establish the Certificate on the IKAA and on the Total Projects’³ Cost for the IKOP.

In accordance with the S2R JU Regulation, IKOP and IKAA shall be determined according to the usual accounting practices of the entity concerned, to the applicable accounting standards of the country where each entity is established, and to the applicable International Accounting Standards/International Financial Reporting Standards. It is recommended to use the entities’ internal cost accounting systems for this purpose.

2. In-kind contribution

Under the S2R JU Regulation, the Other Members’ contributions correspond to:

- IKOP, in-kind contributions by the Other Members consisting of the total costs incurred by them in implementing indirect actions less the contribution of the S2R JU and any other Union contribution to those costs,
- IKAA, the costs incurred by the Other Members in implementing additional activities outside the work plan of the S2R JU, which are complementary to the work plan, in accordance with Annex B of the Membership Agreement and which contribute to the objectives of the S2R JU Master Plan.

² Article 4.2(a) defines the IKOP (in-kind contribution for operational activities), while Article 4.2(b) establishes the IKAA (in-kind contribution for additional activities).

³ In this document, unless otherwise specified, “Project” and “Indirect Action” (as per H2020 definition) have the same meaning.

Within the S2R JU, the IKOP may be implemented as shown below (table 1)⁴:

Declaration Project [name] / Reporting period: [xxxx]												Total Project Cost	IKOP	S2R CO-FINANCING	
		A	B	C	D	E	F	G	H	I	J	K	L	M	N
Participant	Country	Direct Personnel Cost	Other Direct Cost	Direct Cost of sub-contracting	Direct Cost of providing financial support to third parties	Cost of linked contributions not used on beneficiaries's premises	Indirect Cost (=0.25(A+B-E))	Special unit costs covering direct & indirect cost	Total Estimated Eligible Cost (A+B+C+D+E+F+G)	Reimbursement Rate	Max EU Contribution (N*)	Requested EU Contribution	Total Project Cost	IKOP (M = L - K)	Expected requested co-financing to maintain the 44.44% (L*44.44%)
		2,569,000.00					642,250.00		3,211,250.00	70%	2,247,875.00	2,247,875.00	5,058,224.57	2,810,349.57	2,247,875.00
		2,569,000.00					642,250.00		3,211,250.00	100%	3,211,250.00	3,211,250.00	7,226,035.10	4,014,785.10	3,211,250.00
		5,731,166.00	79,498.00				1,458,126.50		7,290,632.50	70%	5,103,442.75	5,103,442.75	11,481,894.56	6,380,451.83	5,103,442.75

The difference between:

- the Total Project Cost⁵ (column L in the table) and
- the Requested EU Contribution (column K, determined on the basis of H2020 rules unless a lower amount is requested) for the Other Member and its Linked Third Parties participating to a Project

constitutes the IKOP (column M).

The costs incurred per Participant should be in accordance with Article 3.4 - Resources to be committed of the relevant Grant Agreement (Annex I, Part B).

In addition, Article 2.2 of each Other Member's Membership Agreement signed with the S2R JU establishes that *"the Member agrees to limit its reimbursement request in each indirect action funded under Article 3.1(a) of the S2R JU Regulation to an amount not exceeding 44.44% of the Member's total costs in implementing that indirect action. The minimum financial contribution to the S2R JU referred to in Article 4.2(a) of the S2R JU Regulation shall thus be respected"*.

As a result, the S2R JU will not be in a position to accept a *"request for the payment of the balance"* (Article 20.4 of the relevant Grant Agreement) which would result in a co-financing amount (Requested EU Contribution – column K) exceeding 44.44% of the Total Project Cost. Although this provision would not be applicable to interim payments, considering the pre-financing already paid to each Other Member, it is strongly recommended that the 44.44% ceiling be applied by the Other Member in each interim payment request. This will avoid issues in the payment of the balance or recovery of previous amounts.

⁴ In the column "Participant" shall be listed the Other Member and their Linked Third Parties and affiliated entities which are contributing to the IKOP for a given Project.

⁵ The Total Project Cost is determined by the Other Members according to their chosen practice

In this respect, column N – S2R JU Co-financing should be used as reference point. Where the automatic calculations in column J – Max EU Contribution would result in an amount above column N, the Other Member should:

- either introduce the necessary adjustments in columns A to E or G so that the costs eligible for co-financing bring column J within the 44.44% threshold, or;
- request a lower co-financing by adjusting the values in column K.

The choice between these two approaches most probably should be driven by the materiality of the difference or any Other Member individual decision.

In order to report the IKAA, the following template, which mirrors Annex B of the Membership Agreement (MA), should be used by each Other Member declaring the annual IKAA (table 2):

Additional Activities Member [name] / Reporting period: 20[xx]					
Planned additional activities Name	Short description of the activity, including foreseen impact	categorisation of the activity.	Type of impact of the activity,	Link with Master Plan; optional at MAAP level.	20xx Declared value as per expected timeframe (MA)
Activity 1		B	Short term impact	P 1 (description)	2,000,000.00
Activity 2		C	Short term impact	P 4 (description)	1,000,000.00
Activity 3		C, D	Short term impact	P 5 (description)	500,000.00
TOTAL IKAA: annual member's investment of additional activities					3,500,000.00

3. Accounting standards

A cost accounting system should perform in line with local and international accounting standards to the extent they are applicable. These standards are mainly applicable on the basis of the figures the cost accounting systems should be traceable with, for example the statutory financial figures.

In this context:

- **Local country accounting standards** are defined as the set of accounting standards applicable under the legislation of the country where the member is registered.
- **International Accounting Standards and International Financial Reporting Standards** are international recognized standards applicable to account for revenue and expenditure of an entity in accordance with the relevant legislation.

4. A cost accounting system

This section examines the need for a cost accounting system to better support the accounting of the S2R JU Projects.

4.1 Cost accounting system in the meaning of this guidance

A Cost Accounting System is an internal reporting tool for an organization's own management for decision making and margin calculation. An entity should be able to estimate the costs of its products for profitability, analysis, inventory valuation and cost control. Even if a cost accounting system supports the preparation of financial reports periodically, the cost accounting system and generated reports are not necessarily subject to rules and standards like the Generally Accepted Accounting Principles. As a result, there is a wide variety of cost accounting systems among companies and sometimes even in different parts of the same company or organization.

In assessing this, the independent external auditor should consider to evaluate whether the system in place fulfills the basic criteria of a cost accounting system, which is appropriate for allocating cost to individual cost centers/projects. To be able to issue a certificate on the in-kind contribution calculated, the auditor should assess the following basic principles:

- Nature of the costs which are included in the calculation. In order to be able to assess the type of costs used for the calculation of IKOP/IKAA, the Other Member should provide to the independent external auditor a description of the categories of costs covered by the method used/system in place;
- Figures must be traceable to the records in the general ledgers and the system must allow reconciliation to the general ledger. In this context, we refer to the next bullet point with regard to the use of standard cost and unit cost;
- Use of actual cost vs. standard cost vs. unit costs: the S2R JU Regulation does not make a distinction on the different types of approaches to determine IKOP/IKAA, but it is based on the concept that costs are accounted for in accordance with the entity's cost accounting practice, i.e. used by the entity consistently for other purposes as well. In addition, it can be expected, for example, that standard or unit cost should be based on reasonable historical data; any estimates should derive from a reasonable basis in a traceable way, etc.;
- The system needs to be transparent: the accounting data and the respective costs must be obtained in a way that enables the identification of potential exceptional circumstances, which would have an impact on the costs in specific years;
- Allocation of direct and indirect costs: the system must allow a reasonable allocation of cost and a clear identification of type of costs (material cost, personnel costs, etc.) incurred in specific cost centers/projects
- Allocation keys, which are used for distributing the costs on the specific projects, must be reasonable: this means that the parameters to be considered are verifiable e.g. based on documentary evidences depending on the nature of costs. They should

be based on reality, not being excessive or extreme. The method used by the company must be described to the auditors;

- Allocation keys must be consistently applied during the years: this means that any adaptations that are necessary for updating the allocation keys should be described by the company. The cost accounting system should be updated on a regular basis;
- Cost accounting system used must follow the general principles of completeness and reliability.

4.2 Does the accounting system in place meet the criteria of being “usual”?

One could consider a system as being “usual” in this sense in cases where:

- The system is also used by the entity to run its core or specific business and calculate product prices or margins
or
- The system is also used by the entity’s management for establishing targets and monitoring performance of cost centers/departments
or
- The system is also used to allocate cost of the research department (in that the funded project is conducted) to other departments / internal R&D projects /...

In practice, there are a number of different systems in place. As long as the same system/method is used by the Other Member for the purpose of managing the business and/or calculation of product prices, one can generally conclude that the criteria of being usual is fulfilled. Contrary to this, if a system has been customized or adapted for the particular purpose of calculating the IKOP/IKAA in the context of S2R, it clearly does not meet the criteria of being usual in the meaning of this guidance.

5. Reporting process and time schedule

In accordance with Article 4.3 of the S2R JU Regulation, each Other Member shall report the value of IKOP and IKAA each year by 31 January for the contribution incurred in the previous years. The reporting of IKOP and IKAA will be implemented as follows:

- **By 27 January of the year following that in which the IKOP and IKAA were sustained**, the Other Members shall provide S2R JU with:
 - declaration of the IKOP in accordance with the template in Annex 3 of this document per project. Using the same template, the Other Member should indicate the estimated cost of the Project eligible under H2020 filling in columns A to E and G, as necessary;
 - declaration of the IKAA in accordance with the template in Annex 4 of this document and mirroring the level of details of the MA Annex B.

The date indicated for the reporting is 27 January in order to allow the S2R JU to consolidate the data on IKOP and IKAA and report them to the Governing Board on

time, i.e. 31 January, in accordance with Article 4.3 here above; as well as submit the figures for the S2R JU Provisional Annual Accounts.

- By 28 February of each year, in line with the schedule of reporting period established in each respective Grant Agreement, each Other Member should submit the “periodic financial report” including the costs eligible under H2020 for the Project, sustained during the previous reporting period. This reporting shall be done through the H2020 portal IT tool SYGMA/COMPASS; the S2R JU has requested the competent services to modify the form currently available in the SYGMA/COMPASS adding columns L, M, N of table 1 (see chapter 2 of this document) so that the total value of the Project appears and is tracked in the system; no confirmation is received yet that the changes will be implemented and by when.

6. Certification on IKOP/IKAA

6.1 Certificate submission

In accordance with Article 4.4 of the S2R JU Regulation, the Other Member shall have the costs declared as IKOP and IKAA certified by an independent external auditor that it has appointed. The IKOP and IKAA certification is annual.

Considering that in accordance with Article 16.3(b) of the S2R JU Statutes, IKOP is determined as the *“in-kind contributions by the members other than the Union and their affiliated entities, consisting of the costs incurred by them in implementing indirect actions less the contribution of the S2R Joint Undertaking and any other Union contribution to those costs”*, the aforementioned certificate shall cover the Total Project Cost, independently from the H2020 eligibility criteria.

In terms of timing, the submission of the audit certificate together with the IKOP and IKAA reporting would be the preferred solution. This would enable the S2R JU to recognize each Other Member’s in-kind contribution in the Provisional Annual Accounts since their submission end of January.

Nevertheless, the S2R JU recognizes that it might not always be possible to have the audit certificate within such a short time frame (27 days from the year-end) and consequently it may accept that it is submitted not later than 30 April of year n+1 (in this respect there is the Commission interpretation submitted to the Competitiveness Council). This will result in not recognizing the in-kind contribution of the Other Member in the Provisional Annual Accounts, but ensure that the necessary recognition would take place by the submission of the S2R JU Final Annual Accounts, as long as the control and assurance process established in S2R JU to validate the reliability of the in-kind contributions is applied for the recognition of these costs as net assets⁶.

⁶ Discussions are currently ongoing with the delegated Accounting Officer – the Commission Accounting Officer – on the matter of the adjustments to be introduced in the JU Final Annual Accounts.

Annex 1 of this document contains the proposed Terms of References and Annex 2 the Model Certificate which shall be provided in English.

The Independent External Auditor shall be 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. In certain specific cases – such as some public entities belonging to national administrations – some exceptions are usually accepted and will be treated on a case by case basis.

6.2 Scope of Work

The scope of the work of the Independent External Auditor shall be to certify the Total Projects' Cost and IKAA as declared by the Other Member, defined under

- Article 4.2(a) and (b) of the S2R JU Regulation, complemented by
- Article 16.3(b) of the S2R JU Statutes in relation to their participation to the indirect actions co-funded by the S2R JU.

In doing so, the Independent External Auditor has to certify that:

- in accordance with Article 16.3(b) of the S2R JU Statutes, the Total Cost per Project resulting from the corresponding accounting system of the Other Member, and consequently the IKOP determined as difference compared to co-financing expected to be received from the S2R JU in accordance with Article 16.3(b) of the S2R JU Statutes (where $IKOP = Total\ Project\ Costs - the\ 44.44\%\ corresponding\ to\ the\ requested\ EU\ contribution$), and
- the IKAA resulting from the relevant accounting system of the Other Member

are determined according to the usual cost accounting practices of the entities concerned, to the applicable accounting standards of the country where each entity is established, and to the applicable International Accounting Standards/International Financial Reporting Standards.

In addition, the Independent External Auditor:

- should ensure that the calculation of the in-kind contribution is mathematically correct⁷;
- should bring to the attention of the S2R JU any issue, which, although not material to impact the overall certificate, might be deemed as useful based on its audit professional experience.

⁷ The total declared Additional Activities (IKAA) and the Total Project cost)

6.3 Conclusion

This guidance material is established by the S2R JU after consultation with its Members. It will be applied with immediate effect on the date of its adoption by the S2R ED. It might be subject to revision during the course of life of S2R to take stock of lessons learnt in its implementation, the result of internal and/or external audits on S2R and its Members as well as any other element which would ensure a cost-efficient/effective approach.

Annex 1: Terms of Reference for the Certification of the IKOP and IKAA

Terms of Reference for an Independent External Audit certification on the declarations of In-kind contribution of S2R JU Other Members in accordance with Article 4.4 of the S2R JU Regulation complemented by Article 16.3 (b) of the S2R JU Statutes

The following are the terms of reference ('ToR') on which

[Name of the Member] 'the Member', signatory of a Membership Agreement with Shift2Rail Joint Undertaking dated reference..... [and its affiliated entities.....,,]

agrees to engage

[name of independent external Auditor] 'the Auditor'

to certify

1. the declaration of the Total Projects' Cost related to the Shift2Rail Joint Undertaking (hereinafter "the S2R JU") projects

[grant agreement number, project name, period]

[grant agreement number, project name, period]

[grant agreement number, project name, period]

[grant agreement number, project name, period]

which will allow to determine the value of the contributions of the Member defined in Article 4.2(a) of the S2R JU Regulation and Annex A of the aforementioned Membership Agreement (hereinafter IKOP),

2. the declaration of the in-kind contributions in implementing additional activities in Article 4.2(b) of the S2R JU Regulation and Annex B of the aforementioned Membership Agreement (hereinafter IKAA),

as prepared by the Member according to Council Regulation (EU) 642/2014 of 16 June 2014 (hereinafter the S2R JU Regulation and S2R JU Statutes), in particular Article 4 of the S2R JU Regulation and complemented by Article 16 of the S2R JU Statutes.

The Total Projects' Cost and IKAA shall be declared by the Member by 27 January of each year using Annexes 3 and 4 to the "*Guidance for Members and Auditors: declaration and auditor certification of IKOP & IKAA*". This report includes the amounts related to costs eligible for the Project under H2020 rules; these costs are still considered estimates at the date of the declaration and their eligibility under H2020 rules is not within the scope of this audit engagement. The Member's IKOP is determined as the difference between the Total Projects' Cost and the co-financing expected to be received from the S2R JU based on the estimated H2020 eligible costs. The auditors shall verify the correctness of the calculation of IKOP (TPC – 44,44% corresponding to the requested EU contribution).

In these ToR, the S2R JU is mentioned in its capacity as signatory of the aforementioned Grant Agreement(s) and Membership Agreement signed with the Member. The S2R JU is not a party to this engagement.

1) Subject of the Engagement

In line with Article 3.1.(b) of the S2R JU Statutes, the Member has formally endorsed the S2R JU Statutes and is bound as such to the rights and obligations stemming directly from the S2R JU Regulation and its Statutes.

In this respect, one of the obligations of the Member, according to Article 4.3 of the S2R JU Regulation, is to declare each year, by 31 January, to the Governing Board of the S2R JU the value of the contributions referred to in Article 4.2(a) and 4.2(b) of the Regulation.

Notwithstanding the provisions of Article 22 of the Grant Agreement on checks, reviews, audits and investigations related to the costs eligible under H2020 Rules for Participation⁸, in accordance with Article 4.4 of the S2R JU Regulation, the declared contribution has to be certified by an independent external auditor. The valuation of the contributions declared may be verified by the S2R JU should there be any uncertainty arising from the certification. The costs incurred in additional activities shall not be audited by the S2R JU or by any Union body.

The subject of this engagement is to certify:

- a. **the Total Projects' Cost related to the implementation of the Grant Agreement(s) referred here above, in accordance with the provisions of Article 4 of the S2R JU Regulation, in particular paragraph 4.4;**
- b. **the cost incurred to implement the IKAA, in accordance with the provisions of Article 4 of the S2R JU Regulation, in particular paragraph 4.4 and Annex B of the aforementioned Membership Agreement.**

2) Responsibilities of the Parties to the Engagement

The Member is responsible for preparing the Total Projects' Cost and IKAA declarations submitted in accordance with the model Annex 3 and 4 respectively to the *"Guidance for Members and Auditors: declaration and auditor certification of IKOP & IKAA"*, according to the provisions of the S2R JU Regulation. The Member shall provide the Total Projects' Cost &

⁸ REGULATION (EU) No 1290/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 December 2013 laying down the rules for participation and dissemination in "Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020)" and repealing Regulation (EC) No 1906/2006 and REGULATION (EU) No 1291/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 December 2013 establishing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) and repealing Decision No 1982/2006/EC, in particular Articles 29 and 30 therein.

IKAA declarations to the Auditor and ensures that the costs so declared can be properly reconciled to the Member's cost accounting system and underlying accounts and records.

Notwithstanding the audit to be carried out, the Member remains at all times responsible and liable for the accuracy of the aforementioned declarations.

- The Member is responsible for providing all statements and supporting information, which will enable the Auditor to perform its work and certify the declared Total Projects' Cost and IKAA. The Member will provide the Auditor with a written representation letter supporting the declaration and all supporting statements, clearly dated and stating the period covered by the statements.
- The Member accepts that the ability of the Auditor to perform the audit required by this engagement effectively depends upon the Member providing full and free access to the Members' staff and its accounting and other relevant records.

'The Auditor' is responsible for performing the procedures necessary to be able to certify the value of the declared Total Project Cost.

The Auditor shall be independent from the Member.

The Auditor shall be 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.

3) Engagement Type and scope

This constitutes an audit engagement to provide a certificate on the annual declarations of the Total Projects' Cost and IKAA sustained during the period [.....] to the Member.

The Auditor shall include in its Report that no conflict of interest⁹ exists with the audited Member in establishing this Report.

⁹ 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 (Forms C) and/or of the Declaration of the Total Projects' Cost and/or the IKAA declaration;
- stands to benefit directly should the certificate be accepted;
- has a close relationship with any person representing the beneficiary;
- is a director, trustee or partner of the beneficiary;
- is in any other situation that compromises his or her independence or ability to establish the certificate impartially.

4) Applicable standards

The Auditor shall undertake this engagement in accordance with these ToR and:

- in accordance with the International Standard on Auditing ('ISA') 805 Special Considerations, Audit of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statements as promulgated by the IFAC;
- in compliance with the *Code of Ethics for Professional Accountants* issued by the IFAC.

5) Reporting

The Certificate on the annual declarations of the Total Projects' Cost and IKAA must be established in the format of the Model Certificate as attached in the Annex 2 to the document "*Guidance for Members and Auditors: declaration and auditor certification of IKOP & IKAA*" and shall be written in English.

In accordance with Article 4.4 of the S2R JU Regulation, the valuation of the contributions may be verified by the S2R JU should there be any uncertainty arising from the certification. The costs incurred in additional activities shall not be audited by the S2R JU or by any Union body.

As established in Recital 23 and Articles 13 and 14 of the S2R JU Regulation the S2R JU, the European Commission, the European Court of Auditors and the European Anti-Fraud Office (OLAF) have the right to conduct audits and/or investigations in order to protect the financial interests of the Union in connection with any agreements funded under the S2R JU Regulation. This includes the declaration related to this engagement. The Auditor must provide access to all working papers related to this assignment, if the S2R JU, the European Commission, the European Court of Auditors and OLAF request them.

6) Timing

The Certificate shall be provided by [insert date].

7) Other Terms

(The Member and the Auditor can use this section to agree other specific terms, such as the Auditor's fees, liability, applicable law, etc. Those specific terms must not contradict the terms specified above.)

Legal name of the Member

Name and function of the authorized representative

Signature, date

Legal name of the Independent auditor

Name and function of the authorized representative

Signature, date

Annex 2: Model Certificate

Model Certificate on the declarations of In-kind contribution of S2R JU Other Members in accordance with Article 4.4 of the S2R JU Regulation complemented by Article 16.3(b) of the S2R JU Statutes

for the period 01/01/20XX to 31/12/20XX [.....]
established by [*Name of Member*]

To: [name and address of the Member]

Dear [name of contact person]

As agreed under the terms of reference dated ()

with (insert name of Member)

we (insert name of the auditor) (the Auditor)

established at (full address)

represented by (insert name and function of authorised representative)

have audited:

1. the accompanying declarations of Total Projects' Cost from [*Name of the private member*] related to the calendar year [....]
2. the accompanying declarations of the in-kind contribution in implementing additional activities (hereinafter IKAA) from [*Name of the private member*] related to the calendar year [....]

and hereby provide our Certificate:

1. on the declaration of Total Projects' Cost;
2. on the declaration of IKAA

using the report format agreed with you.

Subject matter and scope of the opinion

Responsibility of the private Member

The Member is responsible for the preparation and submission to the Shift2Rail Joint Undertaking (hereinafter "the S2R JU") of the declaration of:

1. Total Projects' Cost related to the indirect actions co-funded by the S2R JU;
2. IKAA

in accordance with the Article 4.4 of the S2R JU Regulation complemented by Article 16.3(b) of the S2R JU Statutes, the *guidance for members and auditors – declaration and auditor certification of IKOP & IKAA* and to maintain adequate accounting records and documentation to support and justify the cost and information declared.

The Member is also responsible for such internal control as it determines is necessary to enable the preparation of the declaration of Total Projects' Cost related to projects funded by the S2R JU that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to certify:

1. the value of Total Projects' Cost declared;
2. The value of IKAA declared;

and the additional information presented based on our audit procedures.

Our audit, subject to the "Additional Conditions" mentioned in the next section of this report, comprised assessing whether the amounts declared as:

1. Total Projects' Cost are determined, in all material aspects, in accordance with the S2R JU Regulation,
2. IKAA is determined, in all material aspects, in accordance with the S2R JU Regulation.

Additional Conditions

We conducted our audit taking into account the provisions of the S2R JU Regulation and in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit engagement involves performing procedures to obtain audit evidence about the amounts and disclosures in the Declaration of Total Projects' Cost and IKAA. The audit engagement also includes procedures to obtain audit evidence about the appropriateness of accounting practices used for the preparation of the declaration of Total Projects' Cost and IKAA as well as about the overall presentation of the declaration of Total Projects' Cost and IKAA. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the declaration, whether due to fraud or error.

In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and presentation of the declaration of Total Projects' Cost and IKAA in order to design audit procedures that are appropriate in the circumstances relevant for the scope of this engagement, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system.

Our work is not designed specifically to identify incidences of fraud. Accordingly, fraud may occur and not be detected. We have nevertheless obtained representations made by the member in relation to the authenticity and completeness of the supporting documentation provided to us.

We believe that the audit evidence we have obtained is sufficient with respect to the objectives relevant for our engagement and appropriate to provide a basis for our certification.

Conclusion

Considering the content of the section "Auditor's Responsibility", we conclude that:

1. the Total Projects' Cost are determined, in all material respects, in compliance with the S2R JU Regulation, in particular Article 4, and S2R JU Statutes, in particular Article 16;
2. the IKAA is determined, in all material respects, , in compliance with the S2R JU Regulation, in particular Article 4, and S2R JU Statutes, in particular Article 16.

We would like to point out that this work is limited in its scope to certify that the declared

1. Total Projects' Cost
2. IKAA

are determined in in compliance with the S2R JU Regulation, in particular Article 4, and S2R JU Statutes, in particular Article 16, as described in the section "auditor's responsibility" for the purpose of valuing the in-kind contribution without providing any certainty for other purposes (such as the reported eligible costs funded under Horizon 2020).

Emphasis of Matters

(This section should be used by the auditor to bring to the attention of the S2R JU any matters to be considered as a recommendation and as such to be changed in future calculations.)

Despite the additional explanations provided in this section to be considered as improvement recommendations, our conclusion is not qualified in respect of these matters.

(Place), (Date)

(Name legal entity of Auditor)

(Signature)

(Name Auditor)

Annex I: Signed declaration of Total Projects' Cost related to projects funded by the S2R JU from *[Name of the member]* for the calendar year [...]

Annex II: Signed declaration of IKAA from *[Name of the member]* for the calendar year [...]

Annex 3: Template for the members' annual IKOP declaration

See Chapter 2 of this document. Annex 3 will be communicated in Excel format.

Annex 4: Template for the members' annual IKAA declaration

See Chapter 2 of this document. Annex 4 will be communicated in Excel format.