

**Terms of Reference for an Independent Report of Factual Findings on costs declared under a Grant Agreement financed by [Clean Sky 2] [Bio Based Industries][ECSEL][Fuel Cells and Hydrogen 2][Innovative Medicines Initiative 2][Single European Sky Air Traffic Management Research (SESAR)][Shift2Rail] JU under the Horizon 2020 Research and Innovation Framework Programme**

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

**Politechnika Gdańska**- *the Beneficiary*

agree to engage

**[insert legal name of the auditor]** (‘the Auditor’)

to produce an independent report of factual findings (‘the Report’) concerning the Financial Statement(s) drawn up by the *[Beneficiary] [Linked Third Party]* for the Horizon 2020 grant agreement 876124, ‘**Building the fully European supply chain on RFSOI,**

**enabling New RF Domains for Sensing, Communication, 5G and beyond**’ — ‘**BEYOND5**’ and duration 01/06/2020 to 31/12/2024- the Agreement, and to issue a Certificate on the Financial Statements’ (‘CFS’) referred to in Article 20.4 of the Agreement based on the compulsory reporting template stipulated by the European Commission (‘the Commission’).

The Agreement has been concluded under the Horizon 2020 Research and Innovation Framework Programme (H2020) between the Beneficiary and the *[Clean Sky 2][Bio Based Industries][ECSEL][Fuel Cells and Hydrogen 2][Innovative Medicines Initiative 2][Single European Sky Air Traffic Management Research (SESAR)][Shift2Rail]* Joint Undertaking (“the JU”).

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

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

The coordinator must submit to the JU the final report within 60 days following the end of the last reporting period which should include, amongst other documents, a CFS for each beneficiary and for each linked third party that requests a total contribution of EUR 325 000 or more, as reimbursement of actual costs and unit costs calculated on the basis of its usual cost accounting practices (see Article 20.4 of the Agreement). The CFS must cover all reporting periods of the beneficiary or linked third party indicated above.

The Beneficiary must submit to the coordinator the CFS for itself and for its linked third party(ies), if the CFS must be included in the final report according to Article 20.4 of the Agreement.

The CFS is composed of two separate documents:

- The Terms of Reference (‘the ToR’) to be signed by the **Beneficiary**, *[Linked Third Party]* 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.

<sup>1</sup> By which costs under the Agreement are declared (see template ‘Model Financial Statements’ in Annex 4 to the Grant Agreement).

If the CFS must be included in the final report according to Article 20.4 of the Agreement, the request for payment of the balance 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 JU, the Commission, the European Anti-Fraud Office and the European Court of Auditors from carrying out checks, reviews, audits and investigations in accordance with Article 22 of the Agreement.

## 1.2 Responsibilities

The **Beneficiary**, [*Linked Third Party*]:

- 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*] [*Linked Third Party's*] accounting and bookkeeping 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**, [*Linked Third Party's*] staff and accounting as well as any other relevant records and documentation.

The Auditor:

- [*Option 1 by default: 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*].
- [*Option 2 if the Beneficiary or Linked Third Party has an independent Public Officer: is a competent and independent Public Officer for which the relevant national authorities have established the legal capacity to audit the Beneficiary*].
- [*Option 3 if the Beneficiary or Linked Third Party is an international organisation: is an [internal] [external] auditor in accordance with the internal financial regulations and procedures of the international organisation*].
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The Auditor:

- must be independent from the Beneficiary [*and the Linked Third Party*], in particular, it must not have been involved in preparing the **Beneficiary's**, [*Linked Third Party's*] Financial Statement(s);
- 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**, [*Linked Third Party*].

The Commission 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 with2:
  - 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 JU 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 the Linked Third Party*], 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 the language of the Agreement (see Article 20.7).

Under Article 22 of the Agreement, the JU, the Commission, 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 JU, the Commission, the European Anti-Fraud Office or the European Court of Auditors requests them.

**1.5 Timing**

The Report must be provided by [*dd Month yyyy*].

**1.6 Other terms**

[*The [Beneficiary] [Linked Third Party] 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 Auditor]                    | [legal name of the [ <i>Beneficiary</i> ][ <i>Linked Third Party</i> ]] |
| [name & function of authorised representative] | [name & function of authorised representative]                          |
| [ <i>dd Month yyyy</i> ]                       | [ <i>dd Month yyyy</i> ]  |
| Signature of the Auditor                       | Signature of the [ <i>Beneficiary</i> ][ <i>Linked Third Party</i> ]    |

<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.

**Independent Report of Factual Findings on costs declared  
under a grant agreement financed by the [Clean Sky 2] [Bio Based Industries][ECSEL][Fuel  
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Management Research (SESAR)][Shift2Rail] JU under the Horizon 2020 Research and  
Innovation Framework Programme**

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

To  
[ name of contact person(s)], [Position]  
[ [Beneficiary's] [Linked Third Party'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 linked third party] ('the Linked Third Party'), third party linked to the Beneficiary [insert name of  
the beneficiary] ('the Beneficiary')],  
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 agreed-upon procedures ('the Procedures') and provide hereby our Independent  
Report of Factual Findings ('the Report'), concerning the [Beneficiary's] [Linked Third Party's] usual  
accounting practices for calculating and declaring direct personnel costs declared as unit costs ('the  
Methodology').

You requested certain procedures to be carried out in connection with the grant(s)  
[title and number of the grant agreement(s)] ('the Agreement(s)').

### **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 JU in evaluating whether the [Beneficiary's]  
[Linked Third Party's] costs in the accompanying Financial Statement(s) were declared in accordance  
with the Agreement. The JU draws its own conclusions from the Report and any additional  
information it may require.

The scope of the Procedures was defined by the European Commission ('the Commission').  
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] [Linked Third Party'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] [Linked Third Party]* 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. Finding number 30 was not fulfilled because the methodology used by the Beneficiary to calculate unit costs was different from the one approved by the Commission. The differences were as follows: ...*
- 3. 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] [Linked Third Party]*, the JU and the Commission, and only to be submitted to the JU in connection with the requirements set out in Article 20.4 of the Agreement. The Report may not be used by the *[Beneficiary] [Linked Third Party]*, by the JU or the Commission for any other purpose, nor may it be distributed to any other parties. The JU or the Commission 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 JU by the *[Beneficiary] [Linked Third Party]* for the Agreement. Therefore, it does not extend to any other of the *[Beneficiary's] [Linked Third Party's]* Financial Statement(s).

There was no conflict of interest<sup>4</sup> between the Auditor and the Beneficiary *[and Linked Third Party]* 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