



**FINAL**

**GUIDANCE FOR PRIVATE FOUNDING MEMBERS AND INDEPENDENT  
AUDIT BODIES:**

**DECLARATION AND CERTIFICATION OF IKAA  
& SELF-CERTIFICATION/STATEMENT OF TOTAL PROJECT COSTS**

*Version 1.0 – February 2023*

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This guidance together with the related documents produced by the JU are aimed at clarifying the implementation of Article 11.2 of Council Regulation (EU) No 2021/2085 of 19 November 2021 (hereinafter the “Single Basic Act” or “the SBA”) regarding the independent audit body’s certificate to be provided by the members of the Europe’s Rail Joint Undertaking other than the Union (hereinafter “the Private Founding Members”)<sup>1</sup> and their constituent or affiliated entities on their respective IKAA.

***REMARK:** it is expected that from Q2 2023, the European Commission services would have made the necessary IT developments allowing each Private Founding Member to submit the annual declaration and the certification of IKAA directly into the EU Portal. Until this is available, the IKAA certificates annexes should be provided based on the JU Excel or Word templates, as presented in this Guidance document.*

*When the IT developments are confirmed ready and available for the Private Founding Members, this Guidance document will be updated accordingly, and its new version will be provided to the Private Founding Members.*

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<sup>1</sup> Private Founding Members are defined in Article 2.5 of the SBA.

## 1. General

The legal basis for valuing the in-kind-contributions is Article 11.2 of the SBA, which establishes:

*“Unless specified otherwise [...], the Private Founding Members shall report by 31 May each year at the latest to their respective governing board on the value of the [in-kind contributions to additional activities - IKAA] made in each of the previous financial years. For the purpose of valuing these contributions, the costs shall be determined **in accordance with the usual cost accounting practices of the entities concerned, to the applicable accounting standards of the country where the entity is established, and to the applicable International Accounting Standards and International Financial Reporting Standards.** The costs shall be certified by an independent audit body appointed by the entity concerned and shall not be audited by the joint undertaking concerned or any Union body. The valuation method may be verified by the Joint Undertaking concerned should there be any uncertainty arising from the certification. In duly specified cases, the governing board may authorise the use of lump sums or unit costs for valuing those contributions.”*

The purpose of this document is to provide guidance to Private Founding Members, on the one hand, to determine the IKAA and, on the other hand, to the Private Founding Members' independent audit body to establish the Certificate on the IKAA.

In accordance with the SBA, IKAA shall be determined according to the usual accounting practices of the entity concerned, to the applicable accounting standards of the country where the entity is established, and to the applicable International Accounting Standards and International Financial Reporting Standards. The use of the entity's internal cost accounting systems for this purpose should be considered the relevant starting point, to be complemented as necessary by the relevant aforementioned standards.

## 2. In-kind contribution

Under the SBA, Article 2, the Private Founding Members' contributions correspond to:

- “in-kind contributions to operational activities” (IKOP) meaning contributions by Private Founding Members, constituent entities or the affiliated entities of either, by international organisations and by contributing partners, consisting of the eligible costs incurred by them in implementing indirect actions less the contribution of that joint undertaking and of the participating states of that joint undertaking to those costs<sup>2</sup>;
- “additional activity” meaning an activity, included in the annual additional activities plan annexed to the main part of the work programme, that does not receive financial support from the joint undertaking but contributes to its objectives and is directly linked to the uptake of results from projects under that joint undertaking or its preceding initiatives or that has a significant Union added value;

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<sup>2</sup> In this document, unless otherwise specified, “Project” and “Indirect Action” (as per HE definition) have the same meaning.

- “in-kind contributions to additional activities” (IKAA) meaning contributions by the Private Founding Members, constituent entities or the affiliated entities of either, and by international organisations, consisting of the costs incurred by them in implementing additional activities less any contribution to those costs from the Union and from the participating states of that joint undertaking.

Article 2 should be read in connection with Recital 29 and 30 of the SBA, in particular with regard to IKAA.

In accordance with Article 11.1, the contributions of private members shall consist of financial contribution and of any of the following (as described above):

- IKOP
- IKAA

### 3. Certification principles

In accordance with the Multi-Annual Work Programme, built upon the individual Letter of Commitment of the Private Founding Member, the IKOP and IKAA could be presented accordingly:

“Total Project Costs” – total leverage of 2,263		
HE Eligible costs		IKAA
HE Max Contribution (co-funding) – funding rate 60% and = [44.5% Total Project Costs]	IKOP – 40%	“If Applicable – linked to the project or activities” - Own accounting practice
HE eligible costs		
Funded by the JU		

The value and percentages here above are considered on average, while the individual level of contribution of each Private Founding Member is defined in the respective Letter of Commitment. In accordance with Recital (29) SBA, the Governing Board shall assess both the efforts made and the results achieved by the Private Founding Members contributing to operational activities.

In accordance with the SBA, IKOP is the difference between:

- the Horizon Europe Programme “**HE**” **Eligible Costs** and
- the **HE Maximum EU Contribution** for Private Founding Member participating to a Project,

resulting from the EU-Rail funded actions where the Founding Member is retained.

In accordance with SBA Article 2.9 the **IKAA** corresponds to additional activities that have been included in a plan annexed to the main part of the JU’s Work Programme. The plan(s)

are established based on the input received from the Private Founding Members and are adopted by the Governing Board<sup>3</sup>. It includes estimated annual value of additional activities:

- either linked to the JU objectives;
- or linked to JU projects.

To be noted that actions which are implemented via Lump Sum Grants do not have obligations regarding actual cost reporting and financial audits (Certificate of Financial Statement and ex-post audits).

In addition, in their Letter of Commitment, each individual Private Founding Member has indicated the level of IKOP and IKAA they will deliver, should they be awarded a grant. In fact, on the basis of the setting up of EU-Rail and as indicated in the Multi-Annual Work Programme, this resulted in a maximum funding rate of 60% at individual level for indirect action, or 44.5% of Total Project Costs, when considering the total amount of the projects, including IKOP and IKAA.

Nevertheless, some Private Founding Members expressed their willingness to contribute more IKOP and/or IKAA. When the Letters of Commitment would be added together, this would result in a lower funding rate due to the additional contributions. Consequently, the final contributions per Private Founding Member agreed with the expected leverage effect calculated at Programme level corresponding to a total leverage of 2.263.

Individually, a Private Founding Member participating in a consortium to which a grant is awarded, needs to achieve the level of contribution defined in their Letter of Commitment by the end of the Programme.

Also to be noted that 60% action funding rate is considered as overall average; within such average rate, eligible entities – i.e. research centres – may in fact benefit of the rates established in Horizon Europe Regulation.

As a result, the JU will not be in a position to accept a “*request for the payment of the balance*” in a project which would result in a co-funding amount (HE Maximum EU Contribution) exceeding 60%, or 2.263 of the TPC at Programme level, for

- the HE Eligible costs of an “isolated” project or,
- the cumulative HE Eligible Costs at the end of the last indirect action. This means that cumulatively the 44.5% threshold, or 2.263 at Programme level, shall be complied with

unless such targets are already achieved in previous actions at Programme level and new projects would not reduce the indicated target leverage effect.

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<sup>3</sup> IKAA plans adopted by the GB are published on the EU-Rail website under the section “Annual Work Programmes”: <https://rail-research.europa.eu/about-europes-rail/europes-rail-reference-documents/europes-rail-annual-work-plan-and-budget/>

#### 4. Statement on Total Project Cost

With regard to actions implemented via Lump Sum Grants, considering:

- the absence of Certificate of Financial Statements and ex-post audits,
- the need to ensure the sound financial management of the Programme,
- the need to allow the Authorizing Officer to rely on reasonable assurance on the value of IKOP to be validated as Net Assets in the balance sheet of the JU,

each Private Founding Member shall provide the JU by the deadline of 31 May n+1 with a Statement<sup>4</sup> on the Total Project Cost of any action in which it participates, consolidating its affiliated entities and constituent entities.

Total Project Cost is intended as the sum of the total costs to deliver an action, including the:

- actual cost per action recorded in the Private Founding Member accounting system, which should mirror the HE eligible costs declared in the Lump Sum Grant to deliver the action,
- IKAA.

There is no requirement to detail such costs per nature or type, but only report it by entity contributing to it.

To be noted that while Lump Sum Grants are not subject to financial audits,

- in accordance with LS Grant Agreement, ex-post controls, checks, reviews, and audit are possible for:
  - o the proper implementation of the action (e.g. technical review);
  - o compliance with the other obligations of the grant (e.g. IPR, ethics, visibility of the JU funding, etc.);
- additional checks, reviews, and audits for the respect of principles laid down in the SBA (objective of the leverage effect → 2.263 ratio)

In this respect, the Private Founding Members in accordance with the Lump Sum Grants shall keep relevant records in accordance with their methods, such as:

- o technical documents;
- o publications, prototypes, deliverables;
- o documents showing who did what
- o any relevant evidence that the work was done as detailed in Annex 1 of the grant agreement.

In the case actions would be implemented via non-Lump Sum Grants, the obligation by the Private Founding Members to state the value of the Total Project Cost might be waived, subject to the necessary previous assessment of the information available.

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<sup>4</sup> Annex 4 of the present guidance document

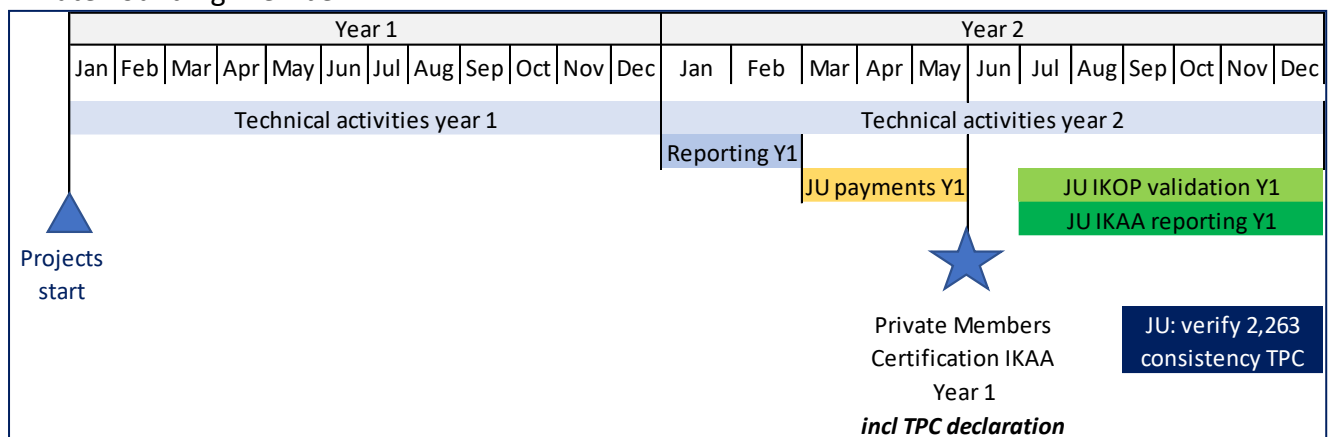
## 5. Annual IKAA Report

In accordance with Article 11.2 SBA, each Private Founding Member shall submit to the JU by 31 May n+1

- the annual IKAA<sup>5</sup> Report, which shall consolidate the IKAA delivered by the Private Founding Member and its constituent and affiliated entities. It shall be provided indicating the IKAA related to a specific action and the IKAA related to the overall objectives of the JU, mirroring the IKAA Plan submitted by the Private Founding Member to the JU, which has been the basis for the inclusion in the Work Programme. The IKAA actual costs may differ from the IKAA Plan and the necessary justifications shall be accompanying the IKAA report;
- a certificate of an independent audit body on the costs declared as IKAA in the Annual IKAA Report.

While the JU or any other Union body shall not be auditing the IKAA costs, the valuation method may be verified by the Joint Undertaking should there be any uncertainty arising from the certification. In duly specified cases, the Governing Board may authorize the use of lump sum or unit costs for valuing such contributions.

### Private Founding Member



<sup>5</sup> Annex 3 of the present guidance document





## **6. Private Founding Members Accounting**

### **6.1 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 internationally recognized standards applicable to accounting for revenue and expenditure of an entity in accordance with the relevant legislation.

### **6.2 A cost accounting system**

This section examines the need for a cost accounting system to better support the accounting of the EU-Rail Projects.

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.

## **7. Specific guidance for independent audit body**

### **7.1 Assessing the cost accounting system**

In performing its work, the independent audit body should consider evaluating 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 Annual IKAA Report, the independent audit body may consider the following basic principles:

- nature of the costs which are included in the calculation;
- figures must be traceable to the records in the general ledger and the system must allow reconciliation to the general ledger;

- use of actual cost vs. standard cost vs. unit costs: to be noted that in accordance with the SBA the use of lump sums or unit costs for the IKAA shall be authorized by the Governing Board in advance in duly justified cases.;
- 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 Audit Bodies;
- allocation keys must be consistently applied during the years: this means that any adaptations 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.

## **7.2 Assessing if the cost accounting system meets the criteria of being “usual”?**

A system could be considered as “usual” in the following cases:

- 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 costs of the research department (in that the funded project is conducted) to other departments / internal R&D projects /...

In practice, there are several different systems in place. As long as the same system/method is used by the Private Founding 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 IKAA in the context of EU-RAIL, it clearly does not meet the criteria of being usual in the meaning of this guidance.

### 7.3 Independent Audit Body's Certificate submission

Following established practice after having also consulted the European Court of Auditors, i.e. the external auditor of the JU, it was concluded that the following standards provide sound basis for the certification in accordance with SBA article 11.2:

- International Standard on Auditing (ISA805 (Revised));
- International Standard on Assurance Engagements ('ISAE') 3000 (Revised), Accounts or Items of a Financial Statements as promulgated by the IFAC.

The use of other accounting/audit standards is substantially discouraged and may result in the JU raising concerns to the Governing Board on the IKAA certification with the JU not being able to confirm the implementation of the adopted IKAA plans..

The Annexes 1 and 2 include the "Model Report" which encompasses the concept here above of independent audit body's certificate.

Annex 1 contains the proposed Terms of References and Annex 2 the Model Report which shall be provided in English only. Nevertheless, in case an Independent Audit Body would consider applying other ToRs than those included in Annex 1 of this document, with the agreement of the Private Founding Member concerned, the JU shall be consulted ex-ante.

Annex 2 of this document contains the Model Report which shall be provided **in English**.

The Independent Audit Body 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. Where the aforementioned Body would not comply with the above, the JU shall assess how to deal with different approaches.

### 7.4 Scope of Work

The scope of work of an Independent Audit Body shall be providing assurance in respect of the IKAA as declared by the Private Founding Member, defined under and in compliance with articles 2.9, 2.10 and 11.2 of the SBA.

In doing so, the Independent Audit Body has to provide assurance that the IKAA resulting from the relevant accounting system of the Private Founding Member is 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 and International Financial Reporting Standards.

In addition, the Independent Audit Body:

- should ensure that the calculation of IKAA is mathematically correct<sup>6</sup>;

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<sup>6</sup> The total declared Additional Activities (IKAA)

- should bring to the attention of the JU any issue, which, although not material to impact the overall report, might be deemed as useful based on their professional audit experience.

## **7.5 Conclusion**

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

## **Annex 1: Terms of Reference for reporting of the IKAA**

### **Terms of Reference for an Independent Audit Body's report on the declarations of In-kind contribution to additional activities (Article 11.1(b) SBA, hereinafter IKAA) of Private Founding Members to additional activities of Europe's Rail Joint Undertaking Private Founding Members in accordance with Article 11.2 of Council Regulation (EU) 2021/2085**

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

[Name of the Private Founding Member] 'the Private Founding Member', signatory of a Letter of Commitment with Europe's Rail Joint Undertaking (EU-Rail) dated ..... reference..... [and its constituent or affiliated entities....., ....., .....]

agrees to engage

[name of the independent Audit Body] 'the Auditor'

to certify the declaration of the IKAA submitted by the Private Founding Member of EU-Rail in accordance with Article 11.2 of Council Regulation (EU) 2021/2085 (hereinafter 'SBA').

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

#### 1) Subject of the Engagement

In accordance with Article 11.2 of SBA, the Entity must report by 31 May each year the value of its IKAA made in each of the previous financial years to the Governing Board of the JU (IKAA plan).

In accordance with Article 11.2 of SBA, for the purpose of valuing these IKAA, the costs shall be determined in accordance with the usual cost accounting practices of the Entity, to the applicable accounting standards of the country where the Entity is established, and to the applicable International Accounting Standards and International Financial Reporting Standards.

In accordance with Article 11.2 of SBA, the costs shall be certified by an independent audit body appointed by the Entity and this is the subject of this engagement.

In accordance with Article 11.2 of SBA, the costs shall not be audited by EU-Rail or any Union body. The valuation method may be verified by the JU should there be any uncertainty arising from the certification by the independent audit body.

**The subject of this engagement is to certify the cost incurred to implement the IKAA, in accordance with the provisions of Article 11.2 of SBA and the aforementioned Letter of Commitment.**

## 2) Responsibilities of the Parties to the Engagement

The Member is responsible for preparing the IKAA declarations submitted in accordance with the model template provided in Annex 3 to the *“EU Rail Guidance for Private Founding Members and Independent Audit Bodies: Declaration and certification of IKAA & self-certification/statement of total project costs”*, according to the provisions of SBA. The Member shall provide the 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 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 IKAA.

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 an audit report on the annual declarations of the IKAA sustained during the period [.....] to the Member, in compliance with the provisions of SBA, in particular Article 11.2 thereof.

The Auditor shall include in its Report that no conflict of interest<sup>7</sup> exists with the audited Member in establishing this Report.

### 4) Applicable standards

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

- in accordance with the relevant International Standard on Auditing (ISA805 (Revised)) or with International Standard on Assurance Engagements ('ISAE') 3000 (Revised), 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 Report on the annual declarations of the IKAA must be established in the format of the Model Report (either based on ISA805 (Revised) or on ISAE3000 (Revised)) as attached to these Terms of Reference (provided in the Annex 2 to the document "*EU Rail Guidance for Private Founding Members: Declaration and certification of IKAA & self-certification/statement of total project costs*") and shall be written in English.

### 6) Timing

The Report shall be provided by [insert date].

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<sup>7</sup> A conflict of interest arises when the auditor's objectivity to establish the audit report 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 report 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 report impartially.



## 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 Private Founding 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 2A: Model Report - ISA805 (Revised)

### Model Report on the declarations of In-kind contribution of Private Founding Members in accordance with Article 11.2 of Council Regulation (EU) 2021/2085

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

To: [name and address of the Private Founding Member]

Dear [name of contact person]

As agreed under the terms of reference dated (       )

with (insert name of the Private Founding Member)

we (insert name of the independent Audit Body) (the Auditor)

established at (full address)

represented by (insert name and function of authorised representative)

have audited:

the accompanying declarations of the in-kind contribution in implementing additional activities (hereinafter IKAA) from [*Name of the Private Founding Member*] related to the calendar year [...]

and hereby provide our Report on the declaration of IKAA using the report format agreed with you.

## **Opinion**

We have audited the accompanying declaration of in-kind contributions to additional activities (hereinafter IKAA) of (insert name of the Private Founding Member) (the Member) for the period 01/01/20XX to 31/12/20XX prepared and submitted to the Europe's Rail Joint Undertaking (hereinafter "EU-Rail") in accordance with the Article 11.2 of the Council Regulation (EU) 2021/2085 (hereinafter 'SBA').

In our opinion, the accompanying IKAA is determined, in all material respects, in accordance with Article 11.2 of SBA submitted by (insert name of the Private Founding Member) for the period 01/01/20XX to 31/12/20XX.

## **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs), ISA 805 (Revised) Special Considerations, Audit of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statements as promulgated by the IFAC. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the declared IKAA section of our report. We are independent of the Member in accordance with the ethical requirements that are relevant to our audit of the declaration of the IKAA, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Emphasis of Matters**

*(This section should be used by the auditor to bring to the attention of the EU-Rail 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 opinion is not modified in respect of this matter.

## **Responsibility of the Private Founding Member**

The Member is responsible for the preparation and submission to the EU-Rail of the declaration of IKAA in accordance with the Article 11.2 of the Council Regulation (EU) 2021/2085 (hereinafter 'SBA') and to maintain adequate accounting records and documentation to support and justify the cost and information declared.

## **Auditor's Responsibility**

Our objectives are to obtain reasonable assurance about whether the declared IKAA as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this IKAA statement.

Our audit, subject to the “Additional Conditions” mentioned in the next section of this report, comprised assessing whether the amounts declared as IKAA is determined, in all material aspects, in accordance with SBA.

### **Additional Conditions**

We conducted this engagement:

1. 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;
2. in compliance with the Code of Ethics for Professional Accountants issued by the IFAC; and
3. the provisions of SBA.

An audit engagement involves performing procedures to obtain audit evidence about the amounts and disclosures in the Declaration of 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 IKAA as well as about the overall presentation of the declaration of 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 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.

Furthermore, we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

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.

(Name legal entity of Auditor)

(Auditor address)

(Date)

(Signature)

(Name Auditor)

**Annex I:** Signed declaration of IKAA from *[Name of the Private Founding Member]* for the calendar year [...]

## Annex 2B: Model Report – ISAE3000 (Revised)

### Model Report on the declarations of In-kind contribution of Private Founding Members in accordance with Article 11.2 of Council Regulation (EU) 2021/2085

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

To: [name and address of the Private Founding Member]

Dear [name of contact person]

As agreed under the terms of reference dated (        )

with (insert name of the *Private Founding Member*)

we (insert name of the independent Audit Body) (the Auditor)

established at (full address)

represented by (insert name and function of authorised representative)

have been engaged to provide a report of reasonable assurance in respect of the accompanying declarations of the in-kind contribution in implementing additional activities (hereinafter IKAA) from [*Name of the Private Founding Member*] related to the calendar year [....]

and hereby provide our Report on the declaration of IKAA

using the report format agreed with you.

#### **Responsibility of the Private Founding Member**

The Member is responsible for the preparation and submission to the Europe's Rail Joint Undertaking (hereinafter "EU-Rail") of the declaration of IKAA in accordance with the Article 11.2 of the Council Regulation (EU) 2021/2085 (hereinafter 'SBA') and to maintain adequate accounting records and documentation to support and justify the cost and information declared.

#### **Reporting Accountant's Responsibility**

Our responsibility is to express an opinion, based on the procedures performed and evidence obtained, to confirm with reasonable assurance the value of IKAA declared;

and the additional information presented based on our procedures.

Our engagement, subject to the “Additional Conditions” mentioned in the next section of this report, comprised assessing whether the amounts declared as IKAA is determined, in all material aspects, in accordance with Article 11.2 of SBA.

### **Additional Conditions**

We conducted this engagement:

1. in accordance with the International Standard on Assurance Engagements 3000 (Revised): *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board;
2. in compliance with the Code of Ethics for Professional Accountants issued by the IFAC; and
3. the provisions of SBA.

ISAE 3000 requires 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.

A reasonable assurance engagement involves performing procedures to obtain sufficient appropriate evidence to give reasonable assurance over the Declaration. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the Declaration whether due to fraud or error. In making those risk assessments we considered internal control relevant to the Company’s preparation and presentation of the Declaration to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of the Company’s internal control over the preparation and presentation of the Declaration.

Furthermore, we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by the management.

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 evidence we have obtained is sufficient with respect to the objectives relevant for our engagement and appropriate to provide a basis for our report.

### **Opinion**

In our opinion the IKAA is determined, in all material respects, in compliance with Article 11.2 of SBA.

We would like to point out that this work is limited in its scope to provide reasonable assurance that the declared IKAA are determined in compliance with Article 11.2 of SBA, as

described in the section “reporting accountant’s responsibility” for the purpose of valuing the in-kind contribution without providing any certainty for other purposes.

### **Emphasis of Matters**

*(This section should be used by the auditor to bring to the attention of EU-Rail 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 recommendations for improvements, 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 IKAA from *[Name of the Private Founding member]* for the calendar year [...]

### Annex 3: Template for the members' annual IKAA declaration

See Chapter 2 of this document. Annex 3 is using the existing template used by the Private Founding Members to prepare the annual IKAA plan.

[MEMBER XXX] - OVERVIEW ESTIMATED AMOUNT OF IKAA FOR [YEAR XXXX]							
Additional Activities type	Description of the Additional Activities <i>(add several rows if considered necessary - e.g. to split the IKAA per FA)</i>	Country of establishment of the contributor	Link to JU objectives / KPIs * (A)	Estimated annual value (in M€) - Link to JU objectives / KPIs - (A) ***	Link to JU project/ topic (if relevant) ** (B)	Estimated annual value (in M€) Link to JU project/ topic - (B) ***	Estimated annual value (in M€) (A) + (B)
<b>1. Support to additional R&amp;I</b>				0,00		0,00	0,00
(e.g. R&I, including eligible and non-eligible costs, always in addition to grant agreement)					FP1		0,00
					FP2		0,00
					FP3		0,00
					...		0,00
					FP7		0,00
<b>2. Scale up of technologies</b>				0,00		0,00	0,00
(e.g. industrialisation of R&I outputs)							0,00
							0,00
							0,00

IKAA BREAKDOWN PER COUNTRY			
Country	Estimated value (in M€)		
			0,00
			0,00
			0,00
			0,00
			0,00
			0,00
			0,00
			0,00
<b>TOTAL ALL PLANNED IKAA</b>			<b>0,00</b>

(Place), (Date)

(Name Private Founding Member)

(Signature)

(Name authorised representative)



## Annex 4: Template for the members' Total Project Costs self-certification/declaration

### Total Project Costs self-certification

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

To: Europe's Rail Joint Undertaking

Dear [name of JU's Executive Director]

I [*insert name*], representative of [*Name of the Private Founding Member*] in my quality of [*insert function of authorised representative*], having office at [*address*] hereby solemnly affirm and declare that

- a) The value of Total Project Costs (corresponding to EU-Rail's projects and/or linked to JU objectives/projects: HE Max EU Contribution + IKOP + IKAA) incurred in accordance with [*Name of the Private Founding Member*]'s cost accounting practice<sup>8</sup> is equal to:

[*TPC value for the period concerned*]<sup>9</sup>

- b) The costs so declared can be properly reconciled to [*Name of the Private Founding Member*]'s cost accounting system and underlying accounts and records.

I hereby confirm that above declaration is correct.

(Place), (Date)

(Name Private Founding Member)

(Signature)

(Name authorised representative)

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<sup>8</sup> And in accordance with each of the Member's affiliated entities costs accounting practices listed in Annex I

<sup>9</sup> In accordance with the section 4 of this document, the TPC value represents the consolidated value for the Private Founding Member and its affiliated entities and constituent entities. The Annex I of this document should be used to split the TPC value per entities when applicable for the period concerned.

**ANNEX I: TPC value for the period concerned with the detailed split per entities**

**ANNEX I: TPC value for the period concerned with the detailed split per entities**

Name of the Private Founding Member, Affiliated entities and constituent entities	PIC number (in accordance with EC Portal)	EU-Rail objectives	EU-Rail Projects	TPC value for the period concerned
TOTAL				