

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

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

Správa železnic, státní organizace (‘the Beneficiary’) agrees to engage
BDO CA s.r.o. (‘the Auditor’)

to produce an independent report of factual findings (‘the Report’) concerning the Financial Statement(s)¹ drawn up by the Správa železnic, státní organizace (Beneficiary) for the CEF grant agreement **INEA/CEF/TRAN/M2017/1481374, Removing selected bottlenecks on pre-identified sections on the Core Network Corridors**, 16/04/2019–31/12/2022 (‘the Agreement’), and to issue a Certificate on the Financial Statements’ (‘CFS’) referred to in Article II.23.2 of the Agreement based on the compulsory reporting template stipulated by the Commission.

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

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

1.1 Subject of the engagement

The beneficiary must submit to the Agency the *request for interim payment within 8 months following the end of the reporting period* which should include, amongst other documents, a CFS for which a total contribution of EUR 325 000 or more is requested, as reimbursement of actual eligible costs and unit costs calculated on the basis of its usual cost accounting practices (see Article II.23.2 of the Agreement). The CFS must cover all reporting periods of the beneficiary.

The CFS is composed of two separate documents:

- The Terms of Reference (‘the ToR’) to be signed by the Beneficiary and the Auditor;
- The Auditor’s Independent Report of Factual Findings (‘the Report’) to be issued on the Auditor’s letterhead, dated, stamped and signed by the Auditor 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.

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

1.2 Responsibilities

The Beneficiary:

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

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

The Auditor:

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

The Auditor:

- must be independent from the Beneficiary, in particular, it must not have been involved in preparing the Beneficiary's Financial Statement(s) or providing consultancy advice on the related operations and underlying transactions;
- must plan work so that the Procedures may be carried out and the Findings may be assessed;
- must adhere to the Procedures laid down and the compulsory report format;
- must carry out the engagement in accordance with this ToR;
- must document matters which are important to support the Report; must base its Report on the evidence gathered; must submit the Report to the Beneficiary.

The Agency sets out the Procedures to be carried out by the Auditor. The Auditor is not responsible for their suitability or pertinence. As this engagement is not an assurance engagement, the Auditor does not provide an audit opinion or a statement of assurance.

1.3 Applicable Standards

The Auditor must comply with these Terms of Reference and 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 Agency requires that the Auditor also complies with the Code's independence requirements.

² Supreme Audit Institutions applying INTOSAI-standards may carry out the Procedures according to the corresponding International Standards of Supreme Audit Institutions and code of ethics issued by INTOSAI instead of the International Standard on Related Services ('ISRS') 4400 and the Code of Ethics for Professional Accountants issued by the IAASB and the IESBA.

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

1.4 Reporting

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

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

1.5 Timing

The Report must be provided by 16/08/2021.

1.6 Other terms

Contract specification: ToR is issued for activity 2 "Rehabilitation of the Dětmarovice (including) – Petrovice u Karviné state border (including) rail section" only.

Contact person for the Beneficiary Správa železnic, státní organizace:

- Mr Jaroslav Cetkovský
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Contact persons authorised to carry out the audit: BDO

CA s.r.o.:

- Mr Miroslav Hořický
- Mr Kamil Kunz
- Ms Michaela Žejšková

BDO CA s.r.o. by

Ing. Miroslav Hořický

Date: 7.7.2021

Signature of the Auditor

Správa železnic, státní organizace (Beneficiary)

Represented by Mojmír Nejezchleb, Deputy
Director General

Date: 7.7.2021

Signature of the Beneficiary