



EUROPEAN CLIMATE, INFRASTRUCTURE AND
ENVIRONMENT EXECUTIVE AGENCY (CINEA)

CINEA.A - Programme Support & Resources
A.2 - Legal Affairs, External audits and Administrative Finance

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[REDACTED]

Subject: Financial Audit Notification Letter - Project: Project: 2014-EU-TM-0401-M (Tunnel Euralpin Lyon Turin) - CEF-T-03-22

Dear [REDACTED]

Pursuant to provisions of the Regulation N°1316/2013, I hereby inform you that the European Climate, Infrastructure and Environment Executive Agency (formerly the Innovation and Networks Executive Agency (INEA))¹ (hereafter "the Agency") has decided to carry out a financial audit relating to the above-mentioned Connecting Europe Facility (CEF) project.

The cost declaration to be audited is the sixth interim payment for the project, as referenced in our letter [REDACTED] of 03/12/2021.

The audit will concentrate on the verification of the costs declared and will be performed by auditors of the Agency. Given the current situation with the Coronavirus, the audit may take place remotely - making use of electronic data transfer or online communication. The audit will respect all measures taken against coronavirus at regional / national / international level in this respect

The audit team will need up to five working days and intend to perform the audit during the week starting 26 April 2022.

¹ As of 1st of April 2021, the European Climate, Infrastructure and Environment Executive Agency (CINEA) became the legal successor for the Innovation and Networks Executive Agency (INEA), as established by Commission Implementing Decision (EU) 2021/173 of 12 February 2021

During the fieldwork, the auditors will need to have access to all the data necessary to complete their assignment. I would like to thank you in advance for your cooperation in providing all the relevant supporting documentation prior to the audit, as set out in the attached annex in order to facilitate an efficient audit.

The annexed explanatory note sets out in detail the data required to be provided in advance of the audit (Pre-Information I) and the data to be available for the start of the fieldwork (Pre-Information II). The explanatory note refers to 3 Appendices which are templates to be completed and returned to the audit team by email (contact details below) within 3 weeks of receipt of this letter.

I would urge you to pay close attention to the requirements set out in the explanatory note, which should help you considerably in your preparation for the audit. Please note that a failure to provide the requested data according to the deadlines set out would constitute a failure to substantiate the declared costs and may lead to cost rejections.

In order to facilitate the performance of the audit please ensure that the auditors have complete and unhindered access to all necessary data in order to efficiently complete their assignment. The audit team will subsequently contact you to confirm the details for the start of the audit, its likely duration and any other planning and documentation issues.

It would be helpful if arrangements could be made for the appropriate staff who deal with procurement, accounting, internal control and project cost recording systems in particular in relation to the EU funded project, to be available for the duration of the audit.

If you should have any further questions concerning the nature, conduct, timing or any

Yours faithfully,

Enclosure: Explanatory Note on the Audit Process and the Information to be prepared by the Grant Beneficiary / Implementing Body Prior to the Audit Fieldwork

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Explanatory Note on the Audit Process and Information to be prepared by the Grant Beneficiary / Implementing Body Prior to the Audit Fieldwork

Purpose and Scope of the Audit

CINEA intends to verify the use made of the Community's financial contribution in the framework of the CEF action that your organization is carrying out with support of the EU.

The scope of such audits includes the review of the CEF beneficiaries' accounting systems and supporting documentation as regards the declared eligible costs. The primary objective of a financial audit is to verify whether the costs declared to the Agency in order to obtain the granted aid are **eligible** with regard to the regulation in place² and the rules described in each Grant Agreement subject to audit.

To facilitate an efficient audit on-the-spot, it is of high importance that the beneficiary ensures that **all relevant documentation is made available as and when requested**.

As detailed below, certain information should be supplied before the audit (Pre-information I), and other information should be available on the first day of the audit fieldwork (Pre-Information II).

In case the same project is subject to previous / subsequent grant agreements and cost declarations, the relevant **supporting documents should be available for the whole project** – in case of any doubt please clarify with the audit team.

Audit Process

The audit team will select a sample of transactions and a sample of procurement procedures for detailed review. This sample will be communicated at least 3 weeks in advance of the audit fieldwork³, in order to allow sufficient time for the necessary information to be gathered.

The audit fieldwork will last up to 5 working days and will cover a review of the relevant internal controls, procurement procedures, financial transactions and accounting records.

Following the opening meeting, the audit team will begin with a review of the selected procurement procedures. The detailed schedule of the fieldwork will be agreed at the opening meeting – but please foresee the procurement review as the first major task to complete.

² *Regulation (EU) No 1316/2013 of the European Parliament and of the Council of 11 December 2013 establishing the Connecting Europe Facility; Regulation (EU) No 1315/2013 of the European Parliament and of the Council of 11 December 2013 on Union guidelines for the development of the trans-European transport network.*

³ *This is dependent on the delay for the provision of Pre-information I being respected by the auditee.*

The fieldwork will close with a closing meeting, where any preliminary findings will be explained and open issues / outstanding documentation highlighted.

The draft audit report will be issued approximately 1 month after the end of fieldwork, or after the provision of any missing documentation. Your organisation will have 1 month in order to formulate a response to the draft, which will be added to the report in full. The CINEA audit team, based on your response will finalise the audit report – correcting any factual issues and explaining why any findings that are disagreed with are maintained.

When the final audit report is issued, it will be passed to the relevant operational services of the Agency for the implementation of the findings.

The draft and final audit reports will be issued in electronic format only – no hard copies will be sent.

Working Language of the Audit

The CINEA audit team covers several languages but cannot cover every community language and therefore the audit will be conducted in English or in French by default. We would be grateful if you could ensure an English/French speaking member of staff is available in order to provide any translation / interpretation support as required for the duration of the fieldwork.

PRE-INFORMATION I – Information to be supplied by email to the audit team within 3 calendar weeks of receipt of the audit announcement letter

The provision of this information within 3 weeks of the receipt of this announcement letter is essential, as this will be used as a basis for selecting the sample of transactions and procurement procedures for detailed review during the audit fieldwork. Any delay in providing this information will reduce the time available for CINEA to select and communicate the sample to you, and reduce the time available for you to prepare the required documentation for the audit fieldwork.

1. Contract / Procurement Data

A comprehensive list, in English language of all contracts awarded by your organisation or any other organisation on your behalf in the framework of the implemented CEF project(s). A template for the data required for each contract⁴ is attached at **Appendix I**, which should include:

- Contract purpose,
- Type of contract (works/services/supplies),
- Procurement procedure used (open, restricted, negotiated),
- Contract value awarded,
- Contract value following all subsequent amendments.

A number of questions are also included in Appendix I, in order to gain an understanding of your procurement policy and internal controls.

In case more than one CEF project is audited, please complete an Appendix I per project.

2. General Information and Internal Controls

Please complete the attached Internal Control questionnaire at **Appendix II**, which is a questionnaire covering basic information on your entity and your internal controls for the management of the audited CEF project.

In case more than one CEF project is audited, only one Appendix II needs to be completed.

3. Personnel Cost details

If you have declared personnel costs, please complete the template at **Appendix III** in order to detail the personnel costs declared in your project and follow the guidance it contains.

The data as a minimum should include:

- The individual performed hours (linked to named staff);

⁴ Details of Service / Supply contracts below a value of €80,000 and Works contract below a value of €1,000,000 do not need to be detailed, unless they are material in the context of the audited declared costs.

- The individual hourly rate calculation
- The annual productive hours calculation (how the salary cost was divided in order to attain the hourly rate).

Important: Please note that any hourly rate methodologies made by you using a monthly hourly rate calculation need to be converted to an annual calculation, in order to smooth out any variable pay / bonuses that may relate to activities performed outside the month in question.

Further guidance is set out in Appendix III. In case more than one CEF project is audited, please complete an Appendix III per project.

PRE-INFORMATION II – to be supplied on day one of the audit fieldwork

All documents listed below should be available for the start of fieldwork.

Documents marked * should be available at the start of fieldwork with copies for the audit team to use as working documents. For all other documents, copies may be requested on the spot.

The documents listed below are non-exhaustive and the minimum requirements, further documents may be requested on the spot.

For any questions regarding the documentation to be prepared, please contact the lead auditor referred in the Audit Announcement letter for clarification.

1. General Beneficiary's / Implementing body's information

- Your organisations Financial statements of the last two financial years together with audit report of the statutory auditors (if available)
- Organisation chart*
- Description of cost/profit centre structure (with an indication where the CEF action is carried out)*
- Internal guidelines for the financial/technical management of CEF actions (if available)
- Management accounts/reports of cost/profit centre (where the CEF action is carried out) for the audited period*

2. Receipt of Community's financial contribution:

- Details of the bank account used to receive & manage the EU Funding. Please also specify if this is a general account, or project specific
- Bank statement(s) showing amount and date of advance and/or interim and final payments received (from the Commission / the Agency or administrative bodies acting as co-ordinator)*
- If Co-ordinator bank statement(s)* showing the distribution of the advance/interim/final payments from CINEA to project partners

3. Procurement Review

For the selected procurement procedures please ensure the following information is available for each selected procurement procedure:

- Internal approval to procure
- Tender specifications*
- Publication at national / EU level*
- Q&A with interested parties during the tender preparation phase
- Original submitted offers*
- Tender opening minutes*
- Tender evaluation minutes*
- Recommendation of evaluation committee for contract award*
- Provision of financial guarantees for tender or contract performance

- Details of appeals / complaints from unsuccessful tenderers
- Publication of the contract award at national / EU level*
- Signed contract*
- Detail of all signed contract amendments changing any original contract terms or price (including legal and technical justifying documents)*

Regarding Contract Amendments/Modifications: we remind the beneficiaries subject to Public Procurement legislation of the restrictive interpretation of the justification for the use of contract modifications without tendering (for example based on “unforeseen circumstances”)⁵.

It is essential that when derogating the public procurement rules through the signature of contract modifications, that there is documentation of the decision making process and archiving of the appropriate evidence (for example of the due diligence of the contracting authority at tender phase). In particular, we draw attention to the beneficiary to ensure they have sound legal grounds, compliant with legislation in force at the time of the modification (which are documented and verifiable via the audit) to process a contract modification instead of performing a new tender exercise.

4. Financial audit / Transaction testing:

For the selected financial transactions the following documents should be provided:

For external Costs (invoices from external suppliers):

- Original invoices related to the contract*
- Voucher/Expense account of accounting entries*
- Bank statements showing amount and date of payment*
- Contract with the supplier related to the invoice
- Internal approval documents accepting the invoice / amount to pay
- Evidence of delivery of works, supplies or services provided
- A description of the allocation key if costs were not fully charged to the Project, or spread across different project activities

For Internal Costs (as applicable):

Actual Personnel costs

- A document reconciling the transaction selected (i.e. a line item from the cost declaration) with the individual breakdown of personnel costs supporting the transaction*
- Employment contracts for all (permanent and temporary) project personnel

⁵ Directive 2014/24/EU: Article 72: Modification of contracts during their term / Article 32: Use of the negotiated procedure without prior publication;

Directive 2014/25/EU: Article 89: Modification of contracts during their term / Article 50: Use of the negotiated procedure without prior call for competition.

- Payroll/Salary slips for all project personnel (whole period of cost declaration). The annual salary statement provided to the employee / tax authorities can substitute monthly payslips
- Calculation of related charges (social charges such as pension, sickness, unemployment, etc.) according to national legislation *
- Certified time records for all project personnel involved in the CEF action*
- Bank statements showing amount and date of bank transfer/payment receipts*

Unit Costs for personnel in line with Commission Decision C478 2016

- A description of the methodology applied to calculate the unit cost rate(s) applied*
- Supporting documentation for the calculation of unit cost rate(s)
- Time records demonstrating the number of units charged to CINEA
- Employment contracts for all (permanent and temporary) project personnel

For more information on how the Agency processes personal data obtained during ex-post controls (audits) performed on CEF projects please consult the privacy statement in the Agency website:

https://ec.europa.eu/inea/sites/inea/files/privacy_statement_20161214_cef.pdf

Durable equipment

- Internal guidelines for procurement of durable equipment (if available)
- Purchase order for durable equipment*
- Original invoices for purchase of equipment*
- Voucher/Expense account of accounting entries*
- Bank statements showing amount and date of payments*
- Calculation of depreciation rates, leasing or rental charges, where applicable*
- Inventory register or fixed asset register for the equipment*
- Equipment's usage diary/register (for equipment used by different projects)*

Note: the physical existence and use for the project may be checked during the visit

Travel and subsistence

- Internal guidelines for reimbursement of travel expenses (where applicable)
- List and dates of trips by project personnel*
- Authorised travel request forms
- Original invoices for travel and accommodation expenses*

Voucher/Expense account of accounting entries*