Independent Report of Factual Findings on costs declared under the Connecting Europe Facility (CEF)

To
Priit Sauk, Director General
Estonian Transport Administration
Valge 4, 11413 Tallinn Estonia
10 October 2025

Dear Mr Priit Sauk,

As agreed under the terms of reference dated 12 September 2025

with Estonian Transport Administration *('the Beneficiary'),*

we

Grant Thornton Baltic OÜ ('the Auditor'),

established at

Pärnu mnt 22 Tallinn Harjumaa 10141 Estonia,

represented by

Mart Nõmper, partner, sworn auditor,

have carried out the procedures agreed with you regarding the costs declared in the Financial Statement(s)[1] of the *Beneficiary* concerning the grant agreement INEA/CEF/TRAN/M2018/1767529, "Dynamic traffic and truck parking management" ("the action") ('the Agreement'),

with a total cost declared of EUR 1 712 348,94,

and **hereby provide our Independent Report of Factual Findings ('the Report')** using the compulsory report format agreed with you.

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

The scope of the Procedures was defined by the Agency. 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.

[1] By which the Beneficiary declares costs under the Agreement (see template 'Model Financial Statement(s)' in Annex VI to the Agreement).

Had the Auditor carried out additional procedures or an audit of the *Beneficiary'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:

Findings 9 to12 as "unit costs calculated by the Beneficiary in accordance with its usual cost accounting practices" is not applied. Findings 13 to 16 as there were no costs declared for natural persons working with the Beneficiary under a direct contract other than an employment contract. Finding 19 as there were no costs declared for employees not working full-time. Finding 21 and 22 as the Beneficiary did not apply method C. Finding 24 as Beneficiary did not apply Option I. Findings 26 to 28 as no personnel costs were declared related to SME owners and natural persons not receiving a salary. Findings 29 to 32 as time recording system was not used – all persons were working exclusively for the action without time records. Finding 59 as the national law on public procurement transposing the Directives is applicable. Finding 64 and 65 as no costs for providing financial support to third parties were declared. Findings 66 to 70 as no travel and subsistence costs were declared. Finding 72 and 73 as depreciation costs are not declared. Finding 76 to 80 as no costs related to land and building acquisition were declared. Findings 81 to 83 as no other direct costs not covered by categories D.1 to D.4 were declared. Finding 84 as the Beneficiaries accounts are established in euros. Finding 85 as no costs with other currencies that need converting to euros were declared.

Exceptions

Apart from the exceptions listed below, the *Beneficiary* provided the Auditor all the documentation and accounting information needed by the Auditor to carry out the requested Procedures and evaluate the Findings.

No exceptions

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:

No remarks

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* and the Agency, and only to be submitted to the Agency in connection with the requirements set out in Article II.23.2 of the Agreement. The Report may not be

used by the *Beneficiary* or by the Agency for any other purpose, nor may it be distributed to any other parties.

The *Agency* 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 Agency by the *Beneficiary* for the Agreement. Therefore, it does not extend to any other of the *Beneficiary's* Financial Statement(s).

There was no conflict of interest[2] between the Auditor and the Beneficiary in establishing this Report. The total fee paid to the Auditor for providing the Report was EUR 8059,80 (not including EUR 1934,35 of deductible VAT).

We look forward to discussing our Report with you and would be pleased to provide any further information or assistance.

Grant Thornton Baltic OÜ
Mart Nõmper, partner, sworn auditor
10 October 2025
Signature of the Auditor

Annex 1: Implementation contracts list
Annex 2: Certified Financial Statement sampled transactions

[2] 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 or in providing consultancy advice on the related operations or underlying transactions;
- stands to benefit directly should the certificate be accepted;
- has a close relationship with any person representing the beneficiary, the affiliated entity or the implementing body;
- is a director, trustee or partner of the beneficiary, the affiliated entity or the implementing body; or
- is in any other situation that compromises his or her independence or ability to establish the certificate impartially.

Agreed-upon procedures to be performed and standard factual findings to be confirmed by the Auditor

The Agency reserves the right to i) provide the Auditor with additional guidance regarding the procedures to be followed or the facts to be ascertained and the way in which to present them (this may include sample coverage and findings) or to ii) change the procedures, by notifying the Beneficiary in writing. The procedures carried out by the Auditor to confirm the standard factual finding are listed in the table below.

If this certificate relates to an Affiliated Entity or Implementing Body, any reference here below to 'the Beneficiary' is to be considered as a reference to 'the Affiliated Entity' or 'Implementing Body' respectively.

The 'result' column has three different options: 'C', 'E' and 'N.A.':

- 'C' stands for 'confirmed' and means that the Auditor can confirm the 'standard factual finding' and, therefore, there is no exception to be reported.
- 'E' stands for 'exception' and means that the Auditor carried out the procedures but cannot confirm the 'standard factual finding', or that the Auditor was not able to carry out a specific procedure (e.g. because it was impossible to reconcile key information or data were unavailable),
- 'N.A.' stands for 'not applicable' and means that the Finding did not have to be examined 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 then the related Finding(s) and Procedure(s) are not applicable. For instance, for 'beneficiaries with accounts established in a currency other than the euro' the Procedure related to 'beneficiaries with accounts established in euro' is not applicable. Similarly, if no additional remuneration is paid, the related Finding(s) and Procedure(s) for additional remuneration are not applicable.

Sampling Requirements and Reporting of Sampled Transactions

The sampling requirements for each cost category are defined in section A-F of the table below. The sampled transactions overall ***must*** cover at least 10% of the total declared costs on the financial statement.

If, following the sampling instructions in each section of the table below, an overall financial coverage of 10% of declared costs is not obtained, additional transactions should be tested to achieve this minimum financial coverage. The method used to select the additional transactions is at the discretion of the auditor.

In order for CINEA to identify the sampled transactions, and verify the overall coverage target, the auditor ***must*** provide the sampled transactions from the certified financial statement at Annex 2.

There is no requirement to separately identify transactions sampled under different cost categories.

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
A	**ACTUAL PERSONNEL COSTS AND UNIT COSTS CALCULATED BY THE BENEFICIARY IN ACCORDANCE WITH ITS USUAL COST ACCOUNTING PRACTICE**		
	The Auditor draws a sample of persons whose costs were declared in the Financial Statement(s) to carry out the procedures indicated in the consecutive points of this section A. (*The sample should be selected randomly so that it is representative. Full coverage is required if there are fewer than 10 people (including employees, natural persons working under a direct contract and personnel seconded by a third party), otherwise the sample should have a minimum of 10 people, or 10% of the total personnel cost declared , whichever number is the highest)* The Auditor sampled 1 people out of the total of 1 people.		
A.1	**PERSONNEL COSTS** <u>For the persons included in the sample and working under an employment contract or equivalent act (general procedures for individual actual personnel costs and personnel costs declared as unit costs)</u> To confirm standard factual findings 1-6 listed in the next column, the Auditor reviewed following information/documents provided by the Beneficiary: o a list of the persons included in the sample indicating the period(s) during which they worked for the action, their position (classification or category) and type of contract; o the payslips of the employees included in the sample; o reconciliation of the personnel costs declared in the Financial Statement(s) with the accounting system (project accounting and general ledger) and payroll system;	1) The employees i) were directly hired by the Beneficiary in accordance with its national legislation or seconded to the beneficiary by a third party against payment, ii) under the Beneficiary's sole technical supervision and responsibility and iii) remunerated in accordance with the Beneficiary's usual practices.	C
		2) Personnel costs were recorded in the Beneficiary's accounts/payroll system.	C

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	○ information concerning the employment status and employment conditions of personnel included in the sample, in particular their employment contracts or equivalent; ○ the Beneficiary's usual policy regarding payroll matters (e.g. salary policy, overtime policy, variable pay); ○ applicable national law on taxes, labour and social security and ○ any other document that supports the personnel costs declared. The Auditor also verified the eligibility of all components of the retribution (see Article II.19.1 and II.19.2.a) of the Agreement) and recalculated the personnel costs for employees included in the sample.	3) Costs were adequately supported and reconciled with the accounts and payroll records.	C
		4) Personnel costs did not contain any ineligible elements.	C
		5) There were no discrepancies between the personnel costs charged to the action and the costs recalculated by the Auditor.	C
		6) The personnel costs declared were incurred within the reporting period and free from non-eligible costs set out in Article II.19.4 of the Agreement.	C

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	Further procedures if 'additional remuneration' is paid To confirm standard factual findings 7-8 listed in the next column, the Auditor: o reviewed relevant documents provided by the Beneficiary (legal form, legal/statutory obligations, the Beneficiary's usual policy on additional remuneration, criteria used for its calculation…); o recalculated the amount of additional remuneration eligible for the action based on the supporting documents received (full-time or part-time work, exclusive or non-exclusive dedication to the action, etc.) to arrive at the applicable full time equivalent (FTE)/year and pro-rata rate (see data collected in the course of carrying out the procedures under A.2 'Productive hours' and A.4 'Time recording system').	7) The amount of additional remuneration paid corresponded to the Beneficiary's usual remuneration practices and was consistently paid whenever the same kind of work or expertise was required.	C
		8) The criteria used to calculate the additional remuneration were applied by the Beneficiary regardless of the source of funding used.	C
	Additional procedures in case "unit costs calculated by the Beneficiary in accordance with its usual cost accounting practices" is applied: Apart from carrying out the procedures indicated above to confirm standard factual findings 1-6 and, if applicable, also 7-8, the Auditor carried out following procedures to confirm standard factual findings 9-12 listed in the next column: o obtained a description of the Beneficiary's usual cost accounting practice to calculate unit costs;	9) The personnel costs included in the Financial Statement were calculated in accordance with the Beneficiary's usual cost accounting practice.	N.A
		10) The employees were charged under the correct category.	N.A

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	○ reviewed whether the Beneficiary's usual cost accounting practice was applied for the Financial Statements subject of the present CFS; ○ verified the employees included in the sample were charged under the correct category (in accordance with the criteria used by the Beneficiary to establish personnel categories) by reviewing the contract/HR-record or analytical accounting records; ○ verified that there is no difference between the total amount of personnel costs used in calculating the cost per unit and the total amount of personnel costs recorded in the statutory accounts; ○ verified whether actual personnel costs were adjusted on the basis of budgeted or estimated elements and, if so, verified whether those elements used were relevant for the calculation, reasonable and correspond to objective and verifiable information supported by documents; ○ verified that unit costs were calculated in accordance with the methodology laid down in Commission Decision C(2016) 478 of 3.2.2016 on the reimbursement of personnel costs of beneficiaries of the Connecting Europe Facility.	11) Total personnel costs used in calculating the unit costs were consistent with the expenses recorded in the statutory accounts.	N.A
		12) Any estimated or budgeted element used by the Beneficiary in its unit-cost calculation were relevant for calculating personnel costs and corresponded to objective and verifiable information.	N.A
	<u>For natural persons included in the sample and working with the Beneficiary under a direct contract other than an employment contract, such as consultants.</u> To confirm standard factual findings 13-16 listed in the next column the Auditor reviewed following information/documents provided by the Beneficiary: ○ the contracts, especially the cost, contract duration, work description, place of work, ownership of the results and reporting obligations to the Beneficiary;	13) The natural persons reported to the Beneficiary (worked under the conditions similar to those of an employee: in particular regarding the way the work is organised, the tasks that are performed and the premises where they are performed).	N.A

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	○ the employment conditions of staff in the same category to compare costs and; ○ any other document that supports the costs declared and its registration (e.g. invoices, accounting records, etc.).	14) The results of work carried out belong to the Beneficiary (unless exceptionally agreed otherwise).	N.A
		15) Their costs were not significantly different from those for staff who perform similar tasks under an employment contract with the Beneficiary.	N.A
		16) The costs were supported by audit evidence and registered in the accounts.	N.A
A.2	**PRODUCTIVE HOURS** To confirm standard factual findings 17-22 listed in the next column, the Auditor reviewed relevant documents, especially national legislation, labour agreements and contracts and time records of the persons included in the sample, to verify that:	17) The Beneficiary applied method **B**: the 'total number of hours worked'	C

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	○ the annual productive hours applied were calculated in accordance with one of the methods described below; ○ the full-time equivalent (FTEs) ratios for employees not working full-time were correctly calculated. If the Beneficiary applied method B, the Auditor verified that the correctness in which the total number of hours worked was calculated and that the contracts specified the annual workable hours. If the Beneficiary applied method C, the Auditor verified that the 'annual productive hours' applied when calculating the hourly rate were equivalent to at least 90 % of the 'standard annual workable hours'. The Auditor can only do this if the calculation of the standard annual workable hours can be supported by records, such as national legislation, labour agreements, and contracts. *Beneficiary's Productive hours' for persons working full time shall be one of the following methods:* ***A.*** *1720 hours for persons working full time (or corresponding pro-rata for persons not working full-time);* ***B****. the total number of hours worked by the person for the beneficiary in the year (this method is also referred to as 'total number of hours worked' in the next column). The calculation of the total number of hours worked was done as follows: annual workable hours of the person according to the employment contract, applicable labour agreement or national law plus overtime worked minus absences (such as sick leave or special leave);* ***C****. the standard number of annual hours generally applied by the beneficiary for its personnel in accordance with its usual cost accounting practices (this method is also referred to as 'total annual productive hours' in the next column). This number must be at least 90% of the standard annual workable hours.*	18) Productive hours were calculated annually.	C
		19) For employees not working full-time the full-time equivalent (FTE) ratio was correctly applied.	N.A
		If the Beneficiary applied method B. 20) The calculation of the number of 'annual workable hours', overtime and absences was verifiable based on the documents provided by the Beneficiary.	C
		If the Beneficiary applied method C. 21) The calculation of the number of 'standard annual workable hours' was verifiable based on the documents provided by the Beneficiary.	N.A

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	'Annual workable hours' means the period during which the personnel must be working, at the employer's disposal and carrying out his/her activity or duties under the employment contract, applicable collective labour agreement or national working time legislation.	22) The 'annual productive hours' used for calculating the hourly rate were consistent with the usual cost accounting practices of the Beneficiary and were equivalent to at least 90 % of the 'annual workable hours'.	N.A

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
A.3	**HOURLY PERSONNEL RATES** I) For unit costs calculated in accordance to the Beneficiary's usual cost accounting practice (unit costs): The Auditor: o reviewed the documentation provided by the Beneficiary, including manuals and internal guidelines that explain how to calculate hourly rates; o recalculated the unit costs (hourly rates) of staff included in the sample following the results of the procedures carried out in A.1 and A.2. II) For individual hourly rates: The Auditor: o reviewed the documentation provided by the Beneficiary, including manuals and internal guidelines that explain how to calculate hourly rates; o recalculated the hourly rates of staff included in the sample following the results of the procedures carried out in A.1and A.2. *"Unit costs calculated by the Beneficiary in accordance with its usual cost accounting practices":* *It is calculated by dividing the total amount of personnel costs of the category to which the employee belongs verified in line with procedure A.1 by the number of FTE and the annual total productive hours of the same category. calculated by the Beneficiary in accordance with procedure A.2.* *Hourly rate for individual actual personal costs:*	23) The Beneficiary applied Option II: Individual hourly rates were applied	C

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	It is calculated by dividing the total amount of personnel costs of an employee verified in line with procedure A.1 by the number of annual productive hours verified in line with procedure A.2.	*For Option I concerning unit costs:* 24) The unit costs re-calculated by the Auditor were the same as the rates applied by the Beneficiary.	N.A
		For Option II concerning individual hourly rates: 25) The individual rates re-calculated by the Auditor were the same as the rates applied by the Beneficiary.	C
A.4	**SME OWNERS AND NATURAL PERSONS NOT RECEIVING A SALARY** The Auditor: o verified that the unit per hour worked on the action was calculated in accordance with the methodology laid down in Commission Decision C(2016)478 of 3 February 2016; o verified that the total number of hours declared, in a year, for one SME owner not receiving a salary is not higher than 1 720 hours. *"Unit costs for SME owners and natural persons not receiving a salary":* *The direct personnel costs of SMEs owners not receiving a salary shall be based on a unit cost per hour worked on the action to be calculated as follows:*	26) For SME owners and natural persons not received a salary, the direct personnel costs have been declared based on a unit costs per hour worked on the action.	N.A
		27) The unit costs declared were calculated in accordance with Commission Decision C(2016)478	N.A

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	{Monthly living allowance fixed at EUR 4 650 multiplied by the country-specific correction coefficient as set out in the Appendix of Commission Decision C(2016)478} divided by 143 hours *The value of the work of the SME owners not receiving a salary shall be determined by multiplying the unit cost by the number of actual hours worked on the Action.* *The standard number of annual productive hours per SME owner is equal to 1 720 hours. The total number of hours declared, in a year, in EU and Euratom grants for one SME owner not receiving a salary may not be higher than the standard number of annual productive hours (1 720 hours).*	28) The total number of hours declared in a year do not exceed 1 720 hours	N.A
A.5	**TIME RECORDING SYSTEM** To verify that the time recording system ensures the fulfilment of all minimum requirements and that the hours declared for the action were correct, accurate and properly authorised and supported by documentation, the Auditor made the following checks for the persons included in the sample that declare time as worked for the action on the basis of time records: o description of the time recording system provided by the Beneficiary (registration, authorisation, processing in the HR-system); o its actual implementation; o time records were signed at least monthly by the employees (on paper or electronically) and authorised by the project manager or another manager; o the hours declared were worked within the reporting period; o there were no hours declared as worked for the action if HR-records showed absence due to holidays or sickness (further cross-checks with travels are carried out in B.1 below) ;	29) All persons recorded their time dedicated to the action on a **daily/ weekly/ monthly** basis using a **paper/computer-based** system.	N.A
		30) Their time-records were authorised at least monthly by the project manager or other superior.	N.A
		31) Hours declared were worked within the reporting period and were consistent with the presences/absences recorded in HR-records.	N.A

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	○ the hours charged to the action matched those in the time recording system. *Only the hours worked on the action can be charged. All working time to be charged should be recorded throughout the duration of the REPORTING PERIOD, adequately supported by evidence of their reality and reliability (see specific provisions below for persons working exclusively for the action without time records).* *The time recording system should record all working time including absences and may be paper or electronically based. The time records must be approved by the persons working on the action and their supervisors, at least monthly. The absence of an adequate time recording system is considered to be a serious and systematic weakness of internal control.*	32) There were no discrepancies between the number of hours charged to the action and the number of hours recorded.	N.A
	<u>If the persons are working exclusively for the action and without time records</u> For the persons selected that worked exclusively for the action without time records, the Auditor verified evidence available demonstrating that they were in reality exclusively dedicated to the action and that the Beneficiary signed a declaration confirming that they have worked exclusively for the action.	33) The exclusive dedication is supported by a declaration signed by the Beneficiary's and by any other evidence gathered.	C

B	**AWARDED CONTRACTS NECESSARY FOR THE IMPLEMENTATION OF THE ACTION**		
B.1	**Assessment of the procurement process** **The Auditor obtained the detail/breakdown of procured costs and sampled contracts selected randomly** for testing of the applied procurement procedure (*full coverage is required if there are fewer than 5 contracts, otherwise the sample should have a minimum of 5 contracts, or 10% of the total number of contracts, whichever number is the highest*). In order to select the sample, a full schedule of all contracts awarded relevant to the costs declaration certified was made available for the Auditor including the name of the Contracting Authority /Entity, supplier name, subject of the contract, type of procurement procedure applied, level and means of advertisement (including references to contract notices and contract award notices or other means), the initial contract value and the aggregate value including all subsequent amendments to the original contract and date of publication of the relevant tender or at least the date of the award of the contract if no publication took place. **This schedule should be attached to the CFS as Annex 1** To confirm standard factual finding 31-59 listed in the next column, the Auditor reviewed the following for the items included in the sample: B.1.1) <u>THE NATIONAL LAW TRANSPOSING THE EU DIRECTIVES ON PUBLIC PROCUREMENT PROCEDURES IS APPLICABLE TO THE CONTRACT(S) IN QUESTION</u> **If this is not applicable, go directly to section B.1.2** From the sampled contracts, the Auditor verified that (35-52): o the contracted tasks are relevant for the activities (or sub-activities) defined in the Agreement (Article 1 and Annex I of the Agreement); o the contracts were not awarded to other Beneficiaries listed in the Agreement (*in such cases, the costs should be declared on an actual cost basis by the co-beneficiary and not as a profit generating contract between beneficiaries*);	34) The required information on all contracts signed relevant to the costs declared was provided by the beneficiary in order to select the sample.	C
		35) The contracted works/ services/ supplies were linked to the activities covered in the Agreement.	C

	○ there were signed contracts between the Beneficiary and the contractor; ○ there was evidence that the contract was executed by the contractor (i.e. services were provided, works/supply were delivered). ○ the procurement procedure used was in compliance with the national law transposing the EU legal framework (EU Directive(s) on public procurement); ○ the respective EU public procurement thresholds were not bypassed by artificial contract splitting by the beneficiary; *(This can be considered by examining the list of all contracts signed (obtained under section B.1.1) above), their value and type of procedure. If the subjects of several contracts are so closely linked to another one in the cost claim, that they could or should have been tendered together, and the concerned contracts – usually below EU thresholds - were awarded to the same contractor(s), the auditor provides a clear explanation of why each contract had to be considered as separate procurement exercise);* ○ adequate justification is provided on the use of negotiated procedures with or without prior call for competition under the national law transposing the relevant EU public procurement Directives; ○ Publicity was ensured during the tendering process in line with the national legislation (contract notice, contract award notice is available or level of publicity is satisfactory if prior publication in the Official Journal is not needed). ○ the deadline for submitting requests to participate/tenders was consistent with the national / European legal framework; ○ the procedure was sufficiently transparent and non-discriminatory (the selection and award criteria enabled fair competition and did not unfairly favour any bidder); ○ the selection and award criteria were predefined in the contract notice / tender specifications and were not changed during the evaluation process; ○ the evaluation was sufficiently documented, with a clear audit trail leading to the selection of the contractor recommended by the evaluation process;	36) The contracts were not signed with other co- Beneficiaries	C
		37) The Beneficiary provided original signed contracts with the contractor.	C
		38) The Beneficiary provided adequate evidence that the services/ works were provided by the contractors.	C
		39) The contract(s) in question falls within the scope of application of the national law transposing the EU Directives on public procurement procedures.	C
		40) No indications of artificial contractual splitting aimed at avoiding the application of the national law transposing the EU Directives on public procurement procedures were observed based on the review of the complete contract listing. *(When indications are noted the Auditor explains the reasons provided by the*	C

	o exclusions / rejections during the tender evaluation were compliant with the tender specifications and could be validated by the Auditor; o the amount, duration and conditions of the contract signed following the award process were consistent with the provisions stipulated in the procurement documents; In the case of post contract award amendments, the Auditor verified that (60-63): o the beneficiary has produced documented technical and legal justification for the amendment, and its compliance with the requirements of the applicable national law transposing the EU Directives on public procurement procedures; o the amendments signed were compliant with national law transposing the EU Directives (a strict interpretation of the requirements of the national transposing the Directives is required as the use of negotiated procedures without prior call for competition always constitute an exception and shall be justified under Article 31 of Directive 2004/18/EC or Article 40 of Directive 2014/17/EC by the party seeking to rely on their use) or the amendments are compliant with Article 72 of Directive 2014/24/EU or Article 89 of Directive 2014/25/EU if the national transposing these Directives was applicable to the contract in question; o amendments do not introduce changes which are materially different in character from the conditions of the original contract showing the intention to renegotiate essential terms of the contract; o amendments do not introduce conditions which, had they been part of the initial award procedure, would have allowed for the admission of tenderers other than those initially admitted or would have allowed for the acceptance of a tender other than the one initially accepted; o the scope of the contract has not been extended considerably to encompass services not covered initially;	*Beneficiary under the caption "Exceptions" of the Report. The Agency will analyse this information to evaluate whether these costs might be accepted as eligible).*	
		41) The procurement procedure selected was in compliance with the national law transposing the EU Directives on public procurement (justification was provided on the use of negotiated procedures with or without prior call for competition under the national law transposing the relevant EU public procurement Directives)	C
		42) The conditions for publication according to national law transposing the EU law were respected (contract notice / contract award notice where applicable) .	C

	○ the economic balance of the contract has not changed in favour of the supplier in a manner which was not provided for in the terms of the initial procurement documents. ○ Where the national law transposing Directives 2014/24/EU or 2014/25/EU is applicable and a new contractor replaces the one to which the contract was initially awarded the amendment is in line with Article 72(1)(d) of Directive 2014/24/EU or Article 89(1)(d) of Directive 2014/25/EU: there is either (1) an unequivocal review clause or option or , (2) a universal or partial succession of the initial contractor and the new contractor fulfils the criteria for qualitative selection without modifying substantially the contractor or (3) the contracting authority assumes itself the role of the main contractor. ○ Where the national law transposing Directives 2014/24/EU or 2014/25/EU is applicable the value of the modification is below the applicable threshold and 10 % of the initial contract value for service and supply contracts and 15% of the initial contract value for works contracts.	43) The deadlines to request participation, submit tenders, or ask for information were compliant with the requirements of the applicable national law transposing the EU Directives on public procurement.	C
		44) The procurement procedures applied were transparent and non-discriminatory.	C
		45) The selection and award criteria were published in the contract notice / tender specifications. No changes to the exclusion / selection / award criteria were made after the submission of tenders.	C
		46) The evaluation was based on pre-defined criteria. The award decision was consistent with the results obtained and the contract was awarded to the best ranked tender.	C

47) In case of tenders excluded/rejected during the evaluation process the exclusion/rejection was justified and consistent with the requirements in the contract notice / tender specifications (exclusion, selection and award criteria).	C
48) The amount, duration and conditions of the contract signed following the award process were consistent with the winning tender and tender specifications.	C
49) The contractual amendments signed were compliant with national law transposing the relevant EU Directives.	C
50) In case of amendments, the beneficiary has produced documented technical and legal	C

	justification for the amendment, and its compliance with the requirements of the applicable national law transposing the EU Directives on public procurement.	
	51) In case of amendments the scope of the contract has not been extended considerably to encompass services not covered initially.	C
	52) In case of amendments the economic balance of the contract has not changed in favour of the supplier in a manner which was not provided for in the terms of the initial procurement documents.	C

B.1.2) <u>FOR ALL CONTRACTS, THE AUDITOR VERIFIED THAT (57-58):</u> To confirm standard factual finding 53-59 listed in the next column, the Auditor reviewed the following for the items included in the sample: o the contracted tasks are relevant for the activities (or sub-activities) defined in the Agreement (Article 1 and Annex I of the Agreement); o the Beneficiary followed their usual procurement rules; o supporting documents on the selection and award procedure demonstrate that the selected contractor offered the best value (or lowest price) according to the criteria defined by the beneficiary; o original tenders of all tenderers were reviewed and consistent with the evaluation documents (entity name / price/submission date) - (Article II.27.2 GA); o the Beneficiary ensured that there was no conflict of interest when selecting and awarding the contract to the contractor. o the contracts were not awarded to other Beneficiaries listed in the Agreement (*in such cases, the costs should be declared on an actual cost basis by the co-beneficiary and not as a profit generating contract between beneficiaries*); o there were signed contracts between the Beneficiary and the contractor; o there was evidence that the contract was executed by the contractor (i.e. services were provided, works/supply were delivered). o In the award of the audited contracts, the principle of sound financial management and basic principles of the Treaty of the Functioning of the European Union are respected (transparency, equal treatment, non-discrimination). In case there is a cross-border interest, if an adequate level of publicity has been ensured and the provisions of Commission Communication 2006/C 179/02 have been respected.	53) The required information on all contracts signed relevant to the costs declared was provided by the beneficiary in order to select the sample.	C
	54) The contracted works/ services/ supplies were linked to the activities covered in the Agreement.	C
	55) The contracts were not signed with other co- Beneficiaries	C
	56) The Beneficiary provided signed contracts with the contractor.	C
	57) The Beneficiary provided adequate evidence that the services/ works were provided by the contractors.	C

		58) The principle of sound financial management and basic principles of the Treaty (transparency, equal treatment, non-discrimination) are respected.	C
		59) For Beneficiaries acting as Contracting Authorities or Contracting Entities, in case the national law on public procurement transposing the Directives is not or only partially applicable due to exceptions provided by the Directives and there is a cross-border interest, verify if an adequate level of publicity has been ensured in line with Commission Communication 2006/C 179/02.	N.A
B.2	**Transaction controls for procurement related costs** *In section B.1, the contract award and post contract award process was verified in order to test compliance with Article II.9 of the Grant Agreement. The purpose of this section is to verify if the costs declared arising from the contracting procedures are eligible in line with Article II.19 of the grant agreement.*	60) The costs declared were incurred within the reporting period and free from non-eligible costs set out in Article II.19.4 of the Agreement.	C

Based on the contracts sampled in section B.1, the Auditor randomly sampled at least 10% of *the total value of costs declared* **for each procurement procedure selected under section B.1** in order to verify if the declared costs were incurred in compliance with the grant agreement eligibility conditions defined in article II.19 (*full coverage is required if there are fewer than 5 transactions per contract, otherwise the sample should have a minimum of 10% of the total value of costs declared per contract*.

61) The declared costs were accounted according to the Beneficiary's usual accounting practice	C
62) The declared costs were covered by the activities in the Agreement	C
63) In the case of contractual amendments, the conditions under B1.1 were respected and the related costs are considered eligible.	C

C	**COSTS OF PROVIDING FINANCIAL SUPPORT TO THIRD PARTIES**		
C.1	**The Auditor obtained the detail/breakdown of the costs of providing financial support to third parties and sampled _____ cost items selected randomly** (*full coverage is required if there are fewer than 5 items, otherwise the sample should have a minimum of 5 item, or 10% of the total costs declared under this category, whichever number is the highest*). If the possibility to give financial support to third parties is provided for in the Agreement (Article 17 of the Agreement), the Auditor verified that the following minimum conditions were met: a) the maximum amount of financial support for each third party did not exceed EUR 60 000, unless it is the primary aim of the action as specified in Annex I of the Agreement; b) the financial support to third parties was agreed in Annex I of the Agreement and the other provisions on financial support to third parties included in Annex I were respected (i.e. the criteria for determining the exact amount of the financial support, the different types of activity that may receive financial support on the basis of a fixed list, the definition of the persons or categories of persons which may receive financial support, the criteria for giving the financial support); c) in case the financial support takes the form of a prize, the financial support to third parties was given in accordance with the conditions specified in Annex I of the Agreement, including inter alia the conditions for participation, the award criteria, the amount of the prize and the payment arrangements.	64) Article II.11 applies (Article 17) and all minimum conditions were met.	N.A
		65) The costs declared were incurred within the reporting period and free from non-eligible costs set out in Article II.19.4 of the Agreement.	N.A
D	**OTHER ACTUAL DIRECT COSTS**		
D.1	**COSTS OF TRAVEL AND RELATED SUBSISTENCE ALLOWANCES** **The Auditor obtained the detail/breakdown of travel and subsistence costs and sampled _ cost items selected randomly** (*full coverage is required if there are fewer than 10 items, otherwise*	66) Costs were incurred, approved and reimbursed in line with the Beneficiary's usual policy for travels.	N.A

	the sample should have a minimum of 5 items, or 10% of the total costs declared under this category, whichever number is the highest) The Auditor inspected the sample and verified that: o travel and subsistence costs were consistent with the Beneficiary's usual policy for travel. In this context, the Beneficiary provided evidence of its normal policy for travel costs (e.g. use of first class tickets, reimbursement by the Beneficiary on the basis of actual costs, a lump sum or per diem) to enable the Auditor to compare the travel costs charged with this policy; o travel costs are correctly identified and allocated to the action (e.g. trips are directly linked to the action) by reviewing relevant supporting documents such as minutes of meetings, workshops or conferences, their registration in the correct project account, their consistency with time records or with the dates/duration of the workshop/conference; o no ineligible costs or excessive or reckless expenditure was declared (see Articles II.19.3 and II.19.4 of the Agreement).	67) There was a link between the trip and the action.	N.A
		68) The supporting documents were consistent with each other regarding subject of the trip, dates, duration and reconciled with time records and accounting.	N.A
		69) No ineligible costs or excessive or reckless expenditure was declared.	N.A
		70) The costs declared were incurred within the reporting period and free from non-eligible costs set out in Article II.19.4 of the Agreement.	N.A

D.2	**COSTS FOR EQUIPMENT, INFRASTRUCTURE OR OTHER ASSETS** **The Auditor obtained the detail/breakdown of equipment, infrastructure and other assets and sampled 8 cost items selected randomly** (*full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 5 items, or 10% of the total costs declared under this category, whichever number is the highest*). In addition to the verifications listed under point B.1.1) (standard findings 34-52) or, if applicable, also under point B.1.2) (standard findings 53-59), the Auditor performed the following: o If only the depreciation costs are eligible in accordance with Article II.19.2 (c) of the Agreement: the Auditor recalculated the depreciation costs and verified that they were in line with the applicable rules in the international accounting standards and the usual accounting practices of the Beneficiary (e.g. depreciation calculated on the acquisition value); o The extent to which the assets were used for the action (as a percentage) was supported by reliable documentation (e.g. usage overview table); o The Auditor verified that no ineligible costs such as deductible VAT, exchange rate losses, excessive or reckless expenditure were declared (see Articles II.19.3 and II.19.4 of the Agreement); o Costs of contracts for goods, works or services or of subcontracts are considered to be incurred when the contract or subcontract (or part of it) is executed, i.e. when the goods, works or services (including studies) are supplied, delivered or provided (see Article II.19.1 of the Agreement).	71) The full purchase costs are eligible in accordance with Article II.19.2 (c) of the Agreement].	C
		72) Where only depreciation costs are eligible, the depreciation method used to charge the asset to the action was in line with the applicable rules of the Beneficiary's country and the Beneficiary's usual accounting policy.	N.A
		73) Where only the depreciation costs are eligible, the amount charged corresponded to the actual usage for the action.	N.A

		74) Where the full purchase costs are eligible, the assets purchased are treated as capital expenditure in accordance with the tax and accounting rules applicable to the beneficiary, and are recorded in the fixed assets account of its balance sheet.	C
D.3	**COSTS OF SUBCONTRACTING in line with Article II. 10.2** **The Auditor obtained the detail/breakdown of subcontracting costs and sampled 10 cost items selected randomly** (*full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 5 items, or 10% of the total costs declared under this category, whichever number is the highest*). For the items included in the sample, in addition to the verifications listed under point B.1.1) (standard findings 34-52) or, if applicable, also under point B.1.2) (standard findings 53-59), the Auditor reviewed the following in order to confirm standard factual finding 75 in the next column: o the use of subcontractors was foreseen in Annex I or communicated by the coordinator and approved by the Commission (see Article II.10.2 of the Agreement); o for Agreements signed under the CEF-Telecom, subcontracting costs were declared in the subcontracting category of Annex III and the Financial Statement.	75) The use of claimed subcontracting costs was foreseen in Annex I for all sectors of CEF and for CEF Telecom the costs were declared in Annex III and the Financial Statements under the subcontracting category.	C
D.4	**COSTS RELATED TO LAND AND BUILDING ACQUISITION** **<u>Only applicable for Agreements signed under the CEF-Transport, which specifically provide for the eligibility of land and building acquisition.</u>**	76) Land / building acquisition costs are eligible in accordance with Article 15 of the Agreement.	N.A

	The Auditor obtained the detail /breakdown of land and building acquisition costs and sampled _____ cost items selected randomly (*full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 5 items, or 10% of the total costs declared under this category, whichever number is the highest*). For the purchase of land included in the sample the Auditor verified that: o the costs of purchase of land not built on and land built on were eligible in accordance with Article 15 of the Agreement and did not exceed 10 % of the total eligible costs of the action; o the costs of purchase of derelict sites and purchase of sites formerly in industrial use which comprise buildings were eligible in accordance with Article 15 of the Agreement and did not exceed 15 % of the total eligible costs of the action; o the costs did not exceed the limit agreed upon in the Agreement for operations concerning environmental conservation (Article 15 of the Agreement); o they were correctly identified, and allocated to the proper action. The Auditor verified that no ineligible costs were declared (Articles II.19.3 and II.19.4 of the Agreement).	77) Costs were allocated to the correct action.	N.A
		78) Costs do not exceed the maximum ceiling as specified in the Agreement.	N.A
		79) Costs were charged in line with the Beneficiary's accounting policy and were adequately supported.	N.A
		80) The costs declared were incurred within the reporting period and free from non-eligible costs set out in Article II.19.4 of the Agreement.	N.A
D.5	**OTHER DIRECT COSTS NOT COVERED BY CATEGORIES D.1-D.4** **The Auditor obtained the detail/breakdown of other direct costs and sampled _____ cost items selected randomly** (*full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 5 items, or 10% of the total costs declared under this category, whichever number is the highest*).	81) The cost allocation of the declared costs was consistent with the activities performed and the activities covered by the Agreement.	N.A

	The Auditor inspected the sample and verified that: o costs are relevant for the activities (or sub-activities) defined in the Agreement (Article 1 and Annex I of the Agreement); o the declared costs were allocated to the correct activity (or sub-activity) as defined in the Agreement; o the declared costs were incurred during the reporting period covered by the cost declaration; o the declared costs were accounted in line with the beneficiary's usual accounting practice; o 'The Auditor verified that no ineligible costs such as deductible VAT, exchange rate losses, excessive or reckless expenditure were declared (see Article II.19.4 of the Agreement)	82) The costs declared were incurred within the reporting period and free from non-eligible costs set out in Article II.19.4 of the Agreement.	N.A
		83) The declared costs were accounted according to the Beneficiary's usual accounting practice.	N.A
E	**USE OF EXCHANGE RATES**		
E.1	a) For Beneficiaries with accounts established in a currency other than euros **The Auditor sampled _____ cost items selected randomly and verified that the exchange rates used for converting other currencies into euros were in accordance with the following rules established in the Agreement** (*full coverage is required if there are fewer than 5 items, otherwise the sample should have a minimum of 5 item, or 10% of the total, whichever number is the highest)*: *Costs incurred in another currency shall be converted into euro at the average of the daily exchange rates published in the C series of Official Journal of the European Union (http://www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html), determined over the corresponding reporting period.* *If no daily euro exchange rate is published in the Official Journal of the European Union for the currency in question, conversion shall be made at the average of the monthly accounting rates established by the Commission and published on its website*	84) The exchange rates used to convert other currencies into Euros were in accordance with the rules established in the Grant Agreement and there was no difference in the final figures.	N.A

	(http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm), determined over the corresponding reporting period. *A guide to currency conversion to euro is available from the CINEA website:* https://ec.europa.eu/inea/sites/inea/files/practical_help_to_the_implementation_of_article_ii_23_4_final.pdf		
	b) For Beneficiaries with accounts established in euros **The Auditor sampled _____ cost items selected randomly and verified that the exchange rates used for converting other currencies into euros were in accordance with the following rules established in the Agreement** (*full coverage is required if there are fewer than 5 items, otherwise the sample should have a minimum of 5 item, or 10% of the total, whichever number is the highest)*: *Costs incurred in another currency shall be converted into euro by applying the Beneficiary's usual accounting practices.*	85) The Beneficiary applied its usual accounting practices.	N.A
F	**COMPLIANCE WITH ELIGIBILITY PERIOD**		
F1	a) **Regardless of their nature, the Auditor samples the 10 earliest dated and 10 latest dated transactions in the financial statement**). If cost items falling into this category have already been sampled under previous checked, and eligibility verified, the test does not have to be repeated. The Auditor inspected the sample and verified that: o the declared costs were incurred during the reporting period covered by the cost declaration; o the declared costs were accounted in line with the beneficiary's usual accounting practice; o 'The Auditor verified that no ineligible costs such as deductible VAT, exchange rate losses, excessive or reckless expenditure were declared (see Article II.19.4 of the Agreement) *'cost were incurred' is when the generating event that triggers the costs takes place. It must be during the action duration.*	86) The costs declared were incurred within the reporting period and free from non-eligible costs set out in Article II.19.4 of the Agreement. 87) The declared costs were accounted according to the Beneficiary's usual accounting practice.	C C

	If costs are invoiced or paid later than the action completion date (Article 2.2), they are eligible only if the debt existed already during the action duration (supported by documentary evidence) and the final cost was known at the moment of the financial report. *Costs of services or equipment supplied to a beneficiary may be invoiced and paid after the end date of the action if the services or equipment were delivered to the beneficiary during the action duration. By contrast, costs of services or equipment supplied after the end of the action (or after GA termination) are not eligible.*		