



GUIDANCE FOR PRIVATE MEMBERS AND INDEPENDENT AUDIT BODIES:

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

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Disclaimer

This document is intended for guidance purposes only and will be periodically updated as further information is received. Members with specific queries or doubts as to interpretation should contact finance@rail-research.europa.eu. Members should always ensure that they are consulting the most recent version of this guidance document and available on [EU-RAIL website](#).

Chronology and list of reviews

Version	Date	Change	Page
1.0	FEB - 2023	First version	NA
2.0	AUG -2024	Section 2: Main definitions updated. Sections 3: on Planning updated. Section 4: on Reporting and Certification updated. All Annexes updated.	All

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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 (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 Members")¹ and their constituent or affiliated entities on their respective IKAA.

In particular, it describes the applicable legal framework and the parties involved in the different stages of planning, evaluation, reporting and certification of IKAA, defining their role and laying down the relevant practical aspects to follow along these processes.

¹ Private 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 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 Members, on the one hand, to determine the IKAA and, on the other hand, to the Private 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

Introduction

According to of Article 89 the Council Regulation (EU) 2021/2085 of 19 November 2021 establishing the Joint Undertakings under Horizon Europe (hereafter the SBA – Single Basic Act), during the programme period, the members of the EU-RAIL other than the Union shall make or arrange for their constituent or affiliated entities to make a total contribution of at least EUR 600million, consisting of:

- in-kind contributions to operational activities ('IKOP');
- in-kind contributions to additional activities ('IKAA');
- financial contributions to the administrative expenses of the JU which are not covered under this guidance.

IKOP definition

IKOP is defined in Article 2.8 of the SBA as contributions by private 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.

IKOP = Total Eligible Cost² of the grant agreement - the validated JU grant amount

Additional Activity definition

Additional Activity (AA) is defined in Article 2.9 of the SBA recital as 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.

'Additional activities' mean activities that fulfil the following cumulative criteria:

1. contribute to the objectives of the EU-RAIL JU, as defined in the SBA, in particular in Article 85 and 86;
2. are set out in the annual additional activities plan (the IKAA Plan) annexed to the JU Work Programme;
3. do not receive financial support from EU-RAIL;

Whenever identifying the additional activities, the EU-RAIL JU private members, their constituent and affiliated entities shall ensure that all above criteria are fulfilled to ensure the proposed activities qualify

² Total eligible costs (as per HE's eligibility criteria in Article 6 of the HE MGA) to implement project tasks as described in the Description of the Action of a concerned project (Annex 1 of the Grant Agreement).

as AA. Additional activities shall also have clearly defined deliverables.

Scope of the additional activities

According to Article 90.1 of the SBA, the AA may include the following activities:

- (a) activities covered under the indirect actions of the EU-RAIL Joint Undertaking but not funded under such indirect actions;
- (b) activities directly linked to the EU-RAIL Joint Undertaking work programme
- (c) research and innovation activities building on activities funded by the Europe's Rail Joint Undertaking or Shift2Rail Joint Undertaking;
- (d) complementary research and innovation activities funded by the members other than the Union, having a clear Union added value and contributing to achieving the objectives of the Europe's Rail Joint Undertaking;
- (e) activities funded by the members other than the Union in projects funded by national programmes or by regional programmes which complement activities funded by the Europe's Rail Joint Undertaking;
- (f) uptake of results of activities funded under the Shift2Rail and Europe's Rail Joint Undertakings, further exploitation, demonstration activities, standardisation and development of recommendations for seamless transition strategies, migration paths and updates of TSI, and European authorisation and certification activities not linked to wider deployment.

IKAA definition

In-kind contributions to additional activities (IKAA) are defined in Article 2.10 of the SBA as contributions by the private 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.

Therefore, the in-kind contribution to additional activities (IKAA) is calculated as follows:

$$\text{IKAA} = \text{Total Costs of the AA} - \text{EU funding}$$

IKAA cost valuation

As per Article 11.2 of the SBA, for the purpose of valuing in-kind contributions to additional activities, the costs shall be determined in compliance with:

- the usual cost accounting practices of the entity concerned;
- the applicable accounting standards of the country where the entity is established;
- the applicable International Accounting Standards and International Financial Reporting Standards.

IKAA can consist of any types of costs as far as it is necessary for the implementation of an approved additional activity (e.g. personnel costs, subcontracting costs, financial contributions, other direct costs, etc...).

IKAA Eligibility timeframe

IKAA are eligible from the entry into force of the SBA (30/11/2021) for the members and their affiliates, and from the Letter of Commitment signature and GB approval decision for the Associated Members and their affiliates (with no retroactive effect).

Leverage effect and contribution targets

In accordance with the Multi-Annual Work Programme, built upon the individual Letter of Commitment of the Private 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 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 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 Member participating to a Project, resulting from the EU-Rail funded actions where the 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 Members and are adopted by the Governing Board³. It includes estimated annual value of additional activities that in the reporting tool are to be selected between :

- linked to the JU objectives (programme).
- linked to JU projects .

³ 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/>

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 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 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 Member agreed with the expected leverage effect calculated at Programme level corresponding to a total leverage of 2.263.

Individually, a Private 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.

3. IKAA Planning

IKAA Planning process

Each Member shall provide to EU-RAIL JU its planned IKAA (and that of its Affiliated Entities) broken down per Type of Additional Activity (Programme / Project related) with a description of the planned activities and an overview of the estimated amount of IKAA over the years via the **IKAA IT planning and reporting corporate tool developed and managed by the European Commission** for the Joint Undertakings under Horizon Europe⁴.

More specifically, the content of the IKAA Plan shall contain for each additional activity:

- a title (maximum 100 characters);
- a brief description (maximum 400 characters);
- a complete description (maximum 1500 characters);
- the company legal name and PIC;
- the category and the type of IKAA (programme or project);
- the contribution to EU-RAIL JU's general or specific objectives ;
- the estimated total duration;
- the estimated value;
- the country of the contributor.

Additional activities that are planned to run several years need to be included in the IKAA Plan only once. E.g.: Additional activities planned to run from year N until year N+2 need to be included in the IKAA Plan of year N only, not in the IKAA Plan of year N+1 and year N+2.

Only additional activities not yet included in a prior version of the IKAA Plan already approved by the EU-RAIL JU GB need to be included in the IKAA Plan Amendment.

For each additional activity, the closest estimated value in euro shall be specified as well as an indication of the duration in months and an estimated timeline of when the additional activity may take place, between the (full) proposal submission date and up to two years after the end date of the project.

The information included in the IKAA Plan, in particular the additional activities title, short and complete descriptions as well as the link to the project(s) or estimated added-value for the Programme should be clear (e.g. should not contain acronyms) and sufficiently elaborated to enable the assessment of the additional activities, their contributions to the EU-RAIL JU's objectives as well as their contributions to the uptake of results from EU-RAIL JU project(s) or their significant added value for the Programme. The EU-Rail JU recommends the private members to perform IKAA related to the projects, per opposition to programme, in order to increase their leverage effect across their participation.

⁴<https://webgate.ec.europa.eu/funding-tenders-opportunities/pages/viewpage.action?pagelId=60850559>

All columns of the Annex 5 on IKAA Plan Amendment should be filled-in.

TIMELINE

1. The Private Members shall receive an invitation from the EU-Rail JU to submit an IKAA Plan Amendment for the year N and the additions to the IKAA Plan for the N+1 and N+2 by September 1 of the year N, if applicable.
2. Within 20 days the Private Members must send IKAA Plan Amendment for the year N and the additions to the IKAA Plan for the N+1 and N+2 to the EU-Rail JU, if applicable.
3. The EU-Rail JU shall review the Amendment to the IKAA Plan and, if necessary, shall request clarifications and/or corrections to EU-Rail JU private members. The review and potential corrections of the IKAA Plan shall be done within 15 days.
4. The EU-Rail JU GB shall approve the IKAA Plan Amendment for the year N when adopting an Amendment of the EU-RAIL JU WP for the year N and the additions to the IKAA Plan for the N+1 and N+2 when adopting the EU-Rail JU WP for year N+1, at the end of year N. .
5. The approved Amendment to the IKAA Plan for year N will be published accordingly on EU-RAIL website as part of the Amendment of the EU-Rail JU WP for year N and for the additions to the IKAA Plan for the Years N+1 and N+2 at the EU-RAIL JU WP N+1. The overall IKAA Plan consists of the cumulative overview of all additional activities planned by EU-Rail JU private members (both Programme-specific and Project-specific) and approved by the EU-Rail JU GB.
6. Once the IKAA Plan Amendment for the year N and the additions to the IKAA Plan for the N+1 and N+2 are finalized (i.e. approved by the GB following step 4), each entity that has planned new additional activities will receive a notification from the Portal with the request to encode its planned additional activity(ies) for year N, N+1 and N+2 in the IKAA Plan form via the Funding and Tenders Portal. This step is mandatory.
7. The Private Member shall encode in the IKAA Plan form the same information as approved by the EU-Rail JU GB in the IKAA Plan Amendment for the year N and the additions to the IKAA Plan for the N+1 and N+2. In case of discrepancies, the EU-Rail JU will reopen the tool for correction.

Additional activities planned to start during year N that have not been included in the IKAA Plan of year N, either at the end of year N-1 or during year N, cannot be added to the IKAA Plan for year N anymore and as a result, the concerned Private Member **will not be able to report any costs for year N** related to these additional activities.

Additional activities must indeed be included in the IKAA Plan, approved by the GB (following consultation of advisory bodies) and encoded in the IKAA Plan form via the Funding and Tenders Portal, before the related costs can be reported as IKAA.

IKAA Plan form (IT planning tool)

Private members that have planned additional activities shall encode them in the IKAA Plan form via the

Funding and Tenders Portal. This step is mandatory as it will enable entities to report costs for these activities at a later stage (see Section 4 on IKAA reporting).

Entities need to have a PIC and a LEAR to access the Portal and the IKAA Plan form.

Each entity will receive a notification from the Portal with the request to encode its additional activities in the IKAA Plan form. Such notification will be activated in due time by the EU-RAIL and sent to the LEAR, the account administrator if any, as well as the IKAA reporter if this role has been assigned.

Only the persons with the role of LEAR, account administrator or IKAA reporter can view, edit, and submit the IKAA Plan form.

The [LEAR](#) is validated by the EC during the validation process of an organisation and can then assign/revoke 'account administrator' and 'IKAA reporter' roles (these are 'organisation roles'). The account administrator can also assign/revoke the 'IKAA reporter' role.

Here are instructions on [how to assign/revoke organisation roles](#).

Here are [instructions on how to access, fill in and submit the IKAA Plan form](#).

The information encoded in the IKAA Plan form should be the same as in the IKAA Plan approved by the EU-RAIL JU GB.

For each additional activity encoded in the IKAA Plan form, a unique reference will be created automatically in the tool. This reference is in the form of a code (e.g.: EU-RAIL.2023.PJ.12345.1) and is composed of the following elements: [the JU acronym; the year of the Plan in which the activity is inserted; the type of IKAA ('PJ' for *Project-specific* IKAA and 'PG' for *Programme-specific* IKAA); the PIC of the entity and the number of the activity]. This unique reference enables the quick identification of an additional activity planned in the IKAA Plan form and most importantly, enables the reporting of its costs in the IKAA Report form at a later stage (see Section 4 on IKAA Reporting).

Once the IKAA Plan form is submitted, the EU-Rail JU will review its content. In case of errors or discrepancies, the EU-Rail JU will reopen the tool for correction.

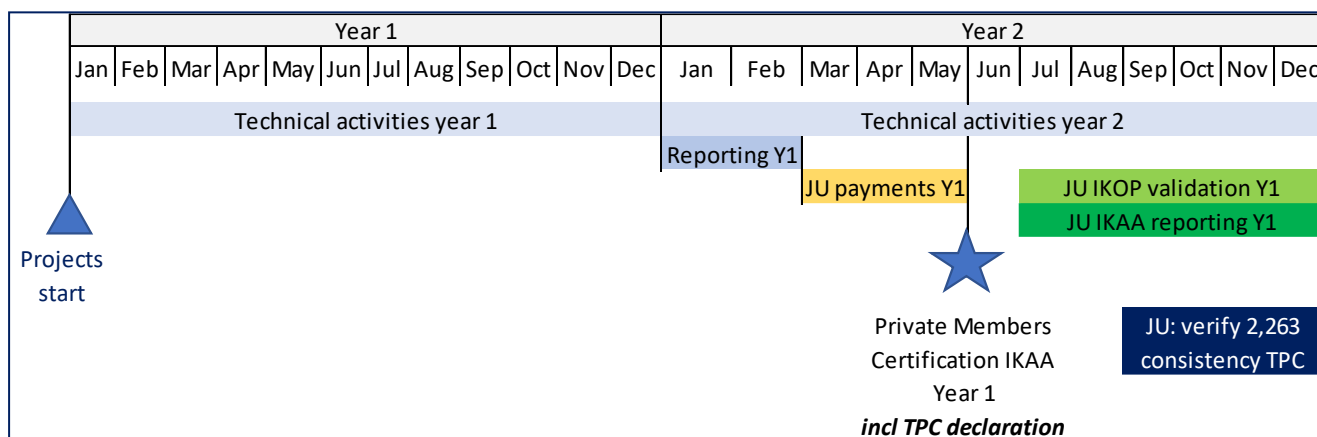
4. Annual IKAA Report

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

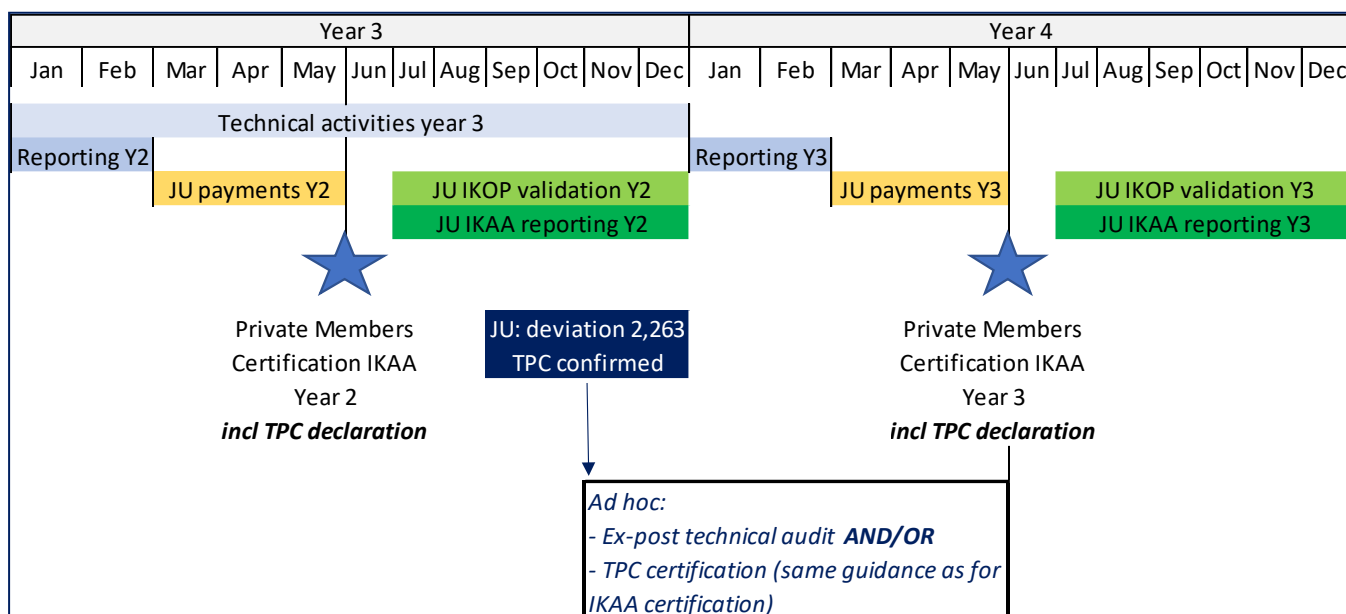
- the annual IKAA⁵ Report, which shall consolidate the IKAA delivered by the Private Member and its constituent and affiliated entities. It shall be provided indicating the IKAA related to a specific action and the IKAA related to the overall objectives of the JU, mirroring the IKAA Plan submitted by the Private 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 Member



⁵ Annex 3 of the present guidance document



IKAA Reporting

As per Article 11.2 of the Council Regulation, the EU-Rail JU private members shall report by 31 May of year N+1 to the EU-Rail JU Governing Board on the value of IKAA made in each of the previous financial years (i.e. from 1 January until 31 December of year N and potential adjustments to prior years).

Each private member shall report for it(s) affiliated entity(ies), if any, by including in its reported costs the ones of it(s) affiliated entity(ies).

At the beginning of the year, each concerned entity will receive a notification from the Portal with the request to fill in and submit the IKAA Report form by the end of May. Only the persons with the role of LEAR, account administrator or IKAA reporter can view, edit and submit the IKAA Report form.

The costs incurred in additional activities (both for Project-specific IKAA and Programme-specific IKAA) shall be reported by the concerned entities in the IKAA Report form via the Funding and Tenders Portal.

For more information about how to launch and use the IKAA workflow in COMPASS, please refer to the links below:

- [how to manage and assign organisation roles](#),
- [how to access the IKAA process](#) and
- [how to use it to complete the form](#) in the [Funding & Tender opportunities Portal \(Q&A\)](#).

Only costs for additional activities that are foreseen in the IKAA Plan and approved by the EU-Rail JU GB can be reported. If a reported additional activity is not foreseen in the IKAA Plan, the related costs shall not be accepted as IKAA until the concerned additional activity is added to the IKAA Plan through an amendment and approved by the GB.

Such additional activities have been initially encoded by the private member in the IKAA Plan form and can be found in the IKAA Report form by selecting their unique reference (e.g.: 'EU-RAIL.2023.PJ.12345.1').

This reference is automatic at planning stage and is composed of the following elements: [the JU acronym; the year of the Plan in which the activity is inserted; the type of IKAA ('PJ' for Project-specific IKAA and 'PG' for Programme-specific IKAA); the PIC of the entity and the number of the activity].

This unique reference enables the reporting of the costs for a concerned additional activity in the IKAA Report form. If a planned additional activity is not inserted in the IKAA Plan form and has therefore not received a unique reference, no costs for the related activity can be reported in the IKAA Report form.

Each entity can only access and select the references of its own additional activities as the reference is linked to its PIC.

When selecting the unique reference of an additional activity, all information already encoded in the IKAA Plan form for the concerned planned activity will be automatically pre-filled in the IKAA Report form.

The content of the IKAA Report form is only visible by the concerned entity and the EU-Rail JU.

The information the private member shall report in the IKAA Report form for each additional activity shall consist of:

- the actual amount in EUR incurred by the entity during year N as recognised in its accounts (and of its affiliate(s), if any);
- the amount in EUR certified during year N (i.e.; certified by an external and independent auditor), if supported by an audit certificate;
- the amount in EUR not yet certified (calculated automatically by the tool as the difference between the two above-mentioned elements);
- a detailed, complete and clear explanation/justification in case of major budget deviations from the planning;
- the success story description, if any (optional).

After the private member has submitted the IKAA Report form, the EU-Rail JU will receive a notification from the Portal that the form is ready to be assessed.

The EU-Rail JU shall review the content of the IKAA Report form and, if necessary, shall reopen the IKAA Report form to request clarifications and/or corrections to the concerned private members.

Only reported costs that are certified can be recognized by the EU-RAIL and count for the matching target established in article 89 of the Regulation .

5. Certification principles

IKAA Certification

EU-Rail JU Private Members that during year N have delivered IKAA shall have these costs certified by an independent external auditor appointed by the entity concerned (who can also be the entity's usual external auditor) to have it counted towards the matching target established in article 89 of the SBA Regulation.

Private Members that have reported IKAA for their affiliated entity(ies) shall have these costs certified too, in their audit certificate (i.e., one single audit certificate is sufficient for the different entities).

The audit certificate should be uploaded in the IKAA Report form via the Funding and Tenders Portal and submitted by 31 May N+1.

The certificate provided by each EU-RAIL JU Private Member shall follow the **EU-Rail template for the Terms of Reference** (Annex 1) **and the model annexes for the IKAA Certification** (Annex 2 and 3).

IKAA certificates that do not comply with the EU-Rail template cannot be accepted.

The IKAA certificate shall certify that:

- the costs reported have been incurred and recorded in the accounts according to the entity's usual cost accounting practices, the applicable accounting standards of the country where the entity is established, the applicable International Accounting Standards and the International Financial Reporting Standards;
- these practices are formalised, documented and consistently applied by the entity concerned;
- the costs have been incurred during the period declared by the entity concerned;
- the costs are identifiable, verifiable and are backed up by supporting documents (originals or alternatively scanned version of the original documents/certified copy of original documents if in line with the entity's usual practice);

Private Members can upload their IKAA certificate in the Funding and Tenders Portal by selecting the button "Proceed with additional information" before submitting the IKAA report form. Note that only certified costs (i.e., costs that have been audited and certified by an auditor) can be recognized by the EU-RAIL and count for the matching target established in article 89 of the Regulation.

Once submitted, the EU-RAIL shall review the content of the IKAA Report form, including the IKAA certification and, if necessary, shall reopen the IKAA Report form to request clarifications and/or corrections to the concerned EU-RAIL JU Private Members.

The costs incurred in additional activities shall not be audited by the EU-RAIL JU or any Union body. However, the valuation method may be verified by the EU-RAIL JU should there be any uncertainty arising from the certification. This verification could consist of requesting clarification on some costs or on the methodology followed, if necessary.

IKAA Approval

Each year, after verification by the EU-Rail of the submitted information in the IKAA Report form, the EU-Rail JU Governing Board shall approve the total IKAA reported and certified for the previous year (and potential adjustments to prior years) and shall take note of the explanations provided in cases of major deviations. The EU-Rail JU GB may request further clarifications and the IKAA Report form may need to be reopened for corrections, as necessary.

Furthermore, the Consolidated Annual Activity Report ('CAAR') covering year N shall include information on the additional activities reported by the Private Members. The EU-Rail JU GB will subsequently approve the certified IKAA by approving CAAR.

Following the EU-Rail JU GB approval of the reported and certified IKAA, the concerned Private Members shall receive a notification from the Portal concerning the formal approval of the certified costs of their carried-out additional activities. **In case certificates are provided after the 31st of May of year N+1, those costs will be added to the CAAR of N+1 drafted in year N+2.**

6. 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 Member shall provide the JU by the deadline of 31 May n+1 with a Statement⁶ 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 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 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.

⁶ Annex 4 of the present guidance document

7. Private Members Accounting

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.

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.

8. Specific guidance for independent audit body

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.

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 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.

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 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.

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 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 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 correct⁷;
- 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.

Conclusion

This guidance material has been established by EU-Rail after consultation with its Private 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 Members as well as any other element which would ensure a cost-efficient/effective approach.

⁷ The total declared Additional Activities (IKAA)

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 Members to additional activities of Europe's Rail Joint Undertaking Private 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 Member] 'the Private 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 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 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 interest⁸ 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 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].

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.)

⁸ 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.

Legal name of the Private 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 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 Member*]

To: [name and address of the Private Member]

Dear [name of contact person]

As agreed under the terms of reference dated ()

with (insert name of the Private 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 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 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 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 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 Member]* for the calendar year [...]

Annex 2B: Model Report – ISAE3000 (Revised)

Model Report on the declarations of In-kind contribution of Private 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 Member*]

To: [name and address of the Private Member]

Dear [name of contact person]

As agreed under the terms of reference dated ()

with (insert name of the *Private 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 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 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 member]* for the calendar year [...]

Annex 3: Template for members' annual IKAA declaration

Annex 3 presents an updated table based on the information from the adopted IKAA Plan.

[MEMBER XXX] - OVERVIEW ESTIMATED AMOUNT OF IKAA FOR [YEAR XXXX]							
Reference of the additional activity (as in the adopted IKAA Plan)	Title of the AA (as in the adopted IKAA Plan)	AA category (please select one from the drop-down menu)	AA type (please select one from the drop-down menu)	Linked project number	Project acronym	Total Amount (in EUR)	Country of establishment of the contributor
EU-RAIL_202X.PG.XXXXXXXXXX.XX		1. Support to additional R&I	IKAA related to programme				
EU-RAIL_202X.PJ.XXXXXXXXXX.XX		2. Scale-up of technologies	IKAA related to Project				
TOTAL CERTIFIED IKAA						-	

(Place), (Date)

(Name Private Member)

(Signature)

(Name authorised representative)

Annex 4: Template for 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 Member*]

To: Europe's Rail Joint Undertaking

Dear [name of JU's Executive Director]

I [*insert name*], representative of [*Name of the Private 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 Member*]'s cost accounting practice⁹ is equal to:

[*TPC value for the period concerned*]¹⁰

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

I hereby confirm that above declaration is correct.

(Place), (Date)

(Name Private Member)

(Signature)

⁹ And in accordance with each of the Member's affiliated entities costs accounting practices listed in Annex I

¹⁰ In accordance with the section 4 of this document, the TPC value represents the consolidated value for the Private 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.

(Name authorised representative)

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 Member, Affiliated entities and constituent entities	PIC number (in accordance with EC Portal)	EU-Rail Project Acronym / Connection to the Programme	TPC value for the period concerned	IKAA value for the period concerned	IKOP value for the period concerned	HE Funding value for the period concerned
TOTAL			-	-	-	-

