

ANNEX IV
Special conditions for audit certificates

1. In concluding an appropriate agreement with the auditor issuing the audit certificates required under in Article 4 of Annex II to this contract, each *contractor* shall ensure that its auditor:
 - shall submit audit certificates in accordance with the model format, and incorporating the details, specified in Part I to the Model Audit Certificate. The audit certificates shall be based on audit work that provides reasonable assurance that, subject to a confidence level of 95%, the total *eligible costs* do not differ from more than 2.5% of total costs claimed (materiality level),
 - shall document his audit procedures in accordance with professional standards,
 - shall acknowledge the right for the Commission, or any representative authorised by it, to assess the audit work performed at any time during the contract and up to five years after each payment of the Community contribution, as referred to in Article 3(1), first subparagraph, of Annex II to this contract,
 - shall, without delay, supply the Commission with any information or appropriate documentation complying with the professional standards and reasonably requested by the Commission in support of the conclusions of the audit certificates.

The assessment procedure shall be carried out by the Commission on a confidential basis and with the appropriate assistance of the *contractors*.

In order to assist the auditors in the performance of their work, a copy of the document "Financial Audits concerning EU RTD Contracts under the V Framework Programme - Guidelines for External Auditors - Version 10 August 1999" shall be provided to them.

2. Instructions concerning qualifications :

- the auditors need to quantify the maximum expenditure they consider acceptable without qualification. The auditors need to substantiate their motivation for qualification. This qualification must highlight the assumptions made by the *contractor* and not accepted by the auditor; it should also provide calculations demonstrating the impact of each of the assumptions rejected by the auditor on the total amount of costs declared,
- auditors are requested to explore with the *contractor* the possibility to have cost statements corrected by the *contractor* prior to submission to the Commission in order to lift the qualification. The auditor and the *contractor* are expected to clear any questions on factual data or detailed calculations. However, persisting disagreement on matters of principle or interpretation of contractual provisions can ultimately lead to a qualification by the auditor. In those cases, a report on the contradictory discussion between the auditor and the *contractor* should be prepared, signed by both parties and attached to the audit certificate. This report should list the arguments and counter arguments presented by both parties,
- auditors needing additional guidance on interpretation of contractual provisions and other legal requirements shall address the IST helpdesk. Auditors may also consider to consult the FAQ (Frequently Asked Questions) web site at the following address <http://www.cordis.lu/ist/manage.htm>.

3. Each of the *contractors* for which an audit certificate is required under Article 4 of Annex II to this contract has the responsibility to ensure that the agreement concluded with its auditor contains adequate provisions to protect the above rights of the Commission and the Commission shall only be deemed to have agreed to deviate from such rights if, and only to the extent, it has agreed explicitly in writing.

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