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ENI CBC MED AUDIT AUTHORITY

Final Report on Audit on the Annual Accounts



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ENI CBC MED AUDIT AUTHORITY
PROGRAMMING PERIOD 2014/2020
ENI CBC MED JOINT OPERATIONAL PROGRAMME
FINAL REPORT ON AUDIT ON THE ANNUAL ACCOUNTS
(Article 28.1 of the Regulation (EU) 897/2014)

<u>Joint Operational Programme Decision:</u>	European Commission No. C(2015)9133 of the 17 th December 2015
<u>Joint Operational Programme title:</u>	ENI CBC MED 2014-2020 European Neighborhood Instrument Cross (ENI) Cross-Border Cooperation (CBC) Mediterranean Sea Basin (MED)
<u>Audit period:</u>	01/07/2018 – 30/06/2019 (Accounting year 2018 – 2019)
Audit Authority	Regione Autonoma della Sardegna - Assessorato della programmazione, bilancio, credito e assetto del territorio Direzione Generale dei servizi finanziari - Servizio Certificazione PO FESR – FSE – FSC e Autorità di Audit PO ENI CBC MED Via Cesare Battisti s.No. - 09123 Cagliari Contact person: Dr. Enrica Argiolas E-mail: eni.audit@regione.sardegna.it
<u>General information</u>	
Managing Authority	Presidenza della Regione Autonoma della Sardegna Ufficio speciale dell’Autorità di Gestione Comune del PO ENI CBC Bacino del Mediterraneo Via Bacareda, 184 - 09127 Cagliari



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Contact person	Dr. Anna Maria Catte E-mail: eni.med@regione.sardegna.it
Audit starting date	25 June 2020
Check date	Starting date: 02 July 2020 – Ending date: NA
Person in charge of the checks	Dr. Enrica Argiolas – – Audit Authority (Head of Unit) Dr. Linda Gorini – Audit Authority officer Dr. Marcello Lubino - Audit Authority officer Dr. Raffaella Melis – Audit Authority officer Dr. Severino Ostorero – Audit Authority officer
Audit Report release date	14 July 2020



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EXECUTIVE SUMMARY

Preamble

The ENI CBC MED 2014 – 2020 Audit Authority, hereinafter AA, based on the timetable as included in the ENI CBC MED 2014 - 2020 Audit Strategy in force (as adopted with decision No. 111 of 14th February 2019), performed the audit on the Programme Annual Accounts of:

- the ENI CBC MED Programme 2014-2020, as established through EC Decision number C(2015) 9133 of 17 December 2015, as kept by the ENI CBC MED Programme Managing Authority (MA), which was designated through Regional Government Decision (DGR) 53/1 of 29th October 2018.

The related final report was released on February 25, 2020 and provided to the MA on February 27, 2020 for the uploading in SFC 2014 system.

On May 28, 2020 the MA forwarded the AA EC_DG Regio Note Ares(2020)2761582 - 28/05/2020 which:

- informed both authorities that in line with Article 69 of Commission Implementing Regulation (EU) No 897/2014 (CIR), the Commission services examined the quality of the submitted documents, highlighting their observations on versions as provided, as well as their recommendations for future reports,
- confirmed that the Commission services were unable to conclude that the accounts of the Programme as provided were complete, accurate and true and were thus unable to accept them.

Accordingly, by July 15, 2020 the AA was asked, among others:

- either to carry out additional work or explain the quality review and supervision carried out on the work of the internal control offices, in order to provide an opinion in line with article 68(4) of the CIR and inform the Commission on the result of this work.
- to submit on SFC 2014 system (through the MA) a revised Annual Audit Report and Audit Opinion once amended, in compliance with the EC note as mentioned.



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Audit Opinion

Based on the audit on the Programme Annual Accounts as carried out and by considering the results of AA supplementary audit work as performed and detailed in compliance with the above-mentioned EC DG Regio Note, the following Audit Opinion is issued:

Unqualified Opinion.

Even though the AA issued an unqualified audit opinion on Programme accounts, some limited improvement actions are requested on the following topics:

- the signature and application of a formal agreement with AA on responsibilities and deadlines for the preparation of the Programme annual accounts,
- a proper and timely update of the DMCS in force,
- the Programme MIS current settings as regards TA expenditures”

Objectives

The general objective of this Audit on the Annual Accounts is to provide a reasonable assurance on the completeness, accuracy and truthfulness of the amounts declared in the accounts, in order to confirm that all the elements required by Article 68.4 of the Reg. (EU) 897/2014 are correctly included in the accounts and supported by the accounting documents kept by the Managing Authority of the Programme.

Particularly, the Audit on Programme Annual Accounts intended to verify whether:

- the Programme accounts give a true and fair view, the related transactions are legal and regular, and the control systems properly put in place exist and function;
- the audit work as planned and performed by the Programme Audit Authority puts in doubt the assertions made in the Management Declaration referred in Article 68.4 of the Reg. (EU) 897/2014, point (b) of paragraph 2.

In this respect, it is worth to mention that for the accounting period ending on June 30, 2019, no expenses on granted projects have been included (i.e. only technical assistance costs were declared by the MA).



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Main checks

Desk and on the spot analysis have been performed by the Audit Authority officers in charge. In this respect it is worth to mention that, in compliance with article 68.2 (e) of the Reg. (EU) 897/2014, the AA opinion as released, is not based on a pure financial check of the accounts only, but takes into consideration the results (either final or provisional) or evidences of any systems audits or audits on Programme annual accounts as conducted within the date of this report.

Corrective measures

With reference to corrective measures needed to overcome criticalities as detected, please refer to this Report (see below).

The Managing Authority shall put in place all the necessary fulfillments and adopt the appropriate corrective measures to overcome all weakness as mentioned therein, within the related deadline.

AUDIT REPORT

1. Legal basis

The audit activity was carried out in accordance with EU legislation and the guidelines of the European Commission, and in particular:

- Regulation (EU Euratom) No. 1046/2018 of the European Parliament and of the Council (Financial Regulation);
- Regulation (EU) No. 1299/2013 of the European Parliament and of the Council of 17th December 2013;
- Regulation (EU) No. 1303/2013 of 17th December 2013;
- Regulation (EU) No. 232/2014 of 11th March 2014;
- Regulation (EU) No. 236/2014 of 11th March 2014;
- Commission Implementing Regulation (EU) No. 897/2014 of 18th August 2014;
- EGESIF 15-0016-02def - Guidance for Member States on Audit of accounts;
- EGESIF 15-0017-02 - Guidance for Member States on amounts withdrawn, recovered, to be recovered and irrecoverable amounts;



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- EGESIF 15-0018-04 - Guidance for Member States on preparation, examination and acceptance of accounts;
- EGESIF_15-0002-04 - Guidance for Member States on the Annual Control Report and Audit Opinion to be reported by audit authorities and on the treatment of errors detected by audit authorities in view of establishing and reporting reliable total residual error rates;
- EGESIF 150008-05 Guidance for Member States on the drawing of Management Declaration and Annual Summary;
- ENI CBC MED Programme 2014-2020 Audit Strategy adopted by the AA with Decision No. 111 of 14th February 2019;

and, for the supplementary audit activities as performed:

- Audit Strategy adopted by the AA with Decision No 273 of 27 February 2020;
- EC_DG Regio Note Ares(2020)2761582 - 28/05/2020;
- Audit Manual 2.0 Version, as adopted with AA Decision No. 666 of 12 June 2020; QR check-lists as in the first place approved by the AA with email of 9.7.2020 and formally adopted with AA decision of the 14 June 2020;
- Minutes of the meeting between MA and AA of 14 July 2020 detailing the counter-deductions phase concerning the Provisional Audit Report as transmitted by the AA on the 13.7.2020 with note n. 22994.

The audit activities were also based on methodological criteria compliant with the following international control standards:

- International Standards for the Professional Practice of Internal Auditing (IIA) developed by The Institute of Internal Auditors;
- International Standards of Supreme Audit Institutions (ISSAI) developed by the International Organization of Supreme Audit Institutions (INTOSAI).

The audit activity was carried out in accordance with EU legislation, as set by the Regulation (EU) No. 897/2014 of 18th August 2014. In particular, Article 28 paragraph 1 regarding the functions of the Audit Authority states that "*The Audit Authority of the Programme shall ensure that audits are carried out on the management and control systems*".

The procedures for carrying out the audit as mentioned are included in the Audit Authority Manual version 2.0, as approved by the AA with Decision No. 666 of 12 June 2020, as well as in the ENI CBC MED Audit Strategy, as adopted by the Audit Authority with Decision No.111



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of 14th February 2019 and updated with AA Decision No 273 of 27 February 2020.

The audit activities have been also based on methodological criteria in line with most relevant international standard on controls, as included in the above-mentioned AA Strategy documents.

2. Control environment

The audit on the annual accounts of the ENI CBC MED Programme relates to the 2018/2019 accounting year ending on June 30, 2019.

The audited bodies are the Managing Authority and the Programme bodies as concerned. The auditing activity has been carried out in compliance with the legal basis as mentioned in paragraph 1. With reference to the responsibilities and deadlines for the preparation of the annual accounts, no agreement between the MA and the AA has been signed so far.

3. Scope/Objectives

The main objective of this audit on annual accounts is to provide the European Commission with a reasonable assurance as regard to both the legality and regularity of the declared costs and the accuracy, completeness, and truthfulness of the accounts.

In particular, the results of AA audit work as performed on Programme accounts allows the MA to further adjust them before the official transmission to the EC through the SFC 2014 system.

The audit activities were conducted through both on the spot and desk analysis approach.

4. Performed audit activities

The audit work focused on the following body:

- the Managing Authority (MA), as designated Authority for managing the ENI CBC MED 2014 - 2020 Joint Operational Program, as approved by the European Commission with Decision C (2015) 9133 of 17th December 2015.



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Dr. Anna Maria Catte is the Director in charge of the ENI CBC MED Managing Authority.

According to the Article 26 of EU Regulation No. 897/2014, the Managing Authority is responsible for the financial management and control of the Programme, the selection and management of projects and ensures that the decisions of the Joint Monitoring Committee (JMC) of the Programme comply with the applicable law and provisions.

It is worth to remind that, in compliance EGESIF 150008-05 Guidance for Member States on the drawing of Management Declaration and Annual Summary, MA should promptly make available to the AA a copy of its final management declaration and the annual summary of the final audit reports and controls carried out including an analysis of the nature and content of errors and weaknesses identified in systems, as well as corrective actions taken or planned.

In this respect, such approach has been formally and informally stressed and recommended several times by the AA.

Thus, Programme authorities shall agree appropriate internal deadlines for the transmission of documents between them in a timely manner for the purpose of their respective responsibilities and deadlines.

Checks as carried out on the Programme accounts drawn up by the MA mainly concerned:

- compliance with the deadline for the preparation and transmission of the accounts to the AA, in order to guarantee their presentation to the EC through the SFC 2014 system;
- level of detail and aggregation of the data indicated in the accounts;
- correct preparation of the accounts according to the model set out by the EC;
- completeness of the data contained in the accounts;
- adequate conservation of the documents used for the preparation of the accounts;
- accuracy and truthfulness of the data contained in the accounts;
- complete and correct consideration, within the accounts, of the corrections requested by the AA or by other subjects, including the European Commission and the European Court of Auditors if applicable;
- adequacy of the information and documentation available from the MA and Programme bodies as concerned.

Desk phase 1



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Given that the MA has not signed yet the specific agreement on responsibilities and deadlines for the preparation of the annual accounts whose draft has been sent by the AA on 1st August 2019 and solicited on 25 September 2019, the audit on annual accounts started with Notice NO. 37794 of 8 November 2019, asking the MA the transmission of the following documents:

1. the agreement between the MA and Valencia and Aqaba Programme Branch Offices (BOs);
2. the tender for the selection of the BOs staff and external auditors;
3. the external auditors Expenditure Verification Reports for the Branch Offices;
4. the dossier related to the training addressed to the Beneficiaries of the first standard call (Rome, 1-3 October 2019);
5. the CVs of the MA staff members not provided by the date as mentioned;
6. the agreements between the MA and the National Authorities;
7. the Programme bank account statement for the accounting period.

The MA, with Notice No. 1767 of 15 November 2019, sent the documents mentioned in point 1, 3, 5, 6 and 7. With reference to point 2 and 4, the MA highlighted that neither copies nor the original version of the documents related to activities carried out and paid by the BOs are held in MA archiving system and that they should have been requested directly requested to the BOs referents.

On this basis with its Notice No. 39246 of 18 November 2019, the AA pre-announced a specific audit action on a geographical basis, in the context of the system audit, addressed to all bodies of the ENI CBC MED JOP in Jordan.

In addition, on 28 November 2019, AA sent an official request to the BO of Aqaba, asking to send copies of supporting documents and related proofs of payment, on expenditures as incurred during the accounting period 01.07.2018 - 30.06.2019, which have been checked by Mr. Ibrahim Khatib, as external auditor in charge, and declared to the Programme Managing Authority, namely:

- **Under “Staff” cost category:**

- the recruitment procedure dossier for both external staff employees in charge;
- the related gross salary sheets for the period October-December 2018;
- the related pay slips for the same period;
- the related proofs of payment.

- **Under “Travel and Subsistence” cost category for BO staff: mission to Cairo for 5th JMC Meeting:**



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- the travel internal regulation in force;
 - the authorization to travelling issued before the travel;
 - the receipts of expenses;
 - event-related documents;
 - the related proofs of payment/reimbursement.
- **Under “Subcontracting” cost category:**
 - the procurement procedure dossiers as far as the framework contract for the organization of 7 Programme events as mentioned;
 - the related activity reports with deliverables issued by the service provider;
 - the related certificates of proper execution issued by the BO as contracting body, approving the submitted “Activity Report” and deliverables;
 - the invoices on provided services;
 - related proofs of payments.

Furthermore, the AA asked the Jordanian BO to bring the original version of the above-mentioned documents to Amman, in order to verify them during the interview session (see the “On the spot section”).

The Jordanian BO sent his reply on document request by email on 2 December 2019.

The related AA provisional report was sent to all Programme bodies as concerned on 16 January 2020 (AA Notice No. 1326 of 16 January 2020).

Moreover, in the framework of Audit on Account activities, an official request (AA Notice No. 867) was sent to the other Branch Office of the Programme, based in Valencia (Spain) on 13 January 2020.

In particular, the AA asked the Valencia BO to send copies of the following supporting documents and related proofs of payment, on expenditures as incurred during the accounting period 01.07.2018-30.06.2019, which have been checked by Mr. Miguel Angel Sánchez Àlemany, the Audit Manager of Juan Carlos Tomas Auditores S.L, as external auditor in charge, and declared to the Programme Managing Authority, namely:

- **Under “Staff” cost category:**
 - > the gross salary sheets for external and internal staff in force, for the period October-December 2018;
 - > the related timesheets for staff not fully devoted to the Programme;



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- > the related pay slips and proofs of payment for the same period.

- **Under “Travel and Subsistence” cost category for BO staff: mission to Cairo for 5th JMC Meeting:**
 - > the travel internal regulation in force;
 - > the authorization to travelling issued before the travel;
 - > the receipts of expenses;
 - > event-related documents;
 - > the related proofs of payment/reimbursement.

- **Under “Subcontracting” cost category:**
 - > the procurement procedure dossiers as far as the National Info Day Italy (Rome) on 14 May 2019 – Catering;
 - > the related activity reports with deliverables issued by the service provider along with the certificate of proper execution issued by the BO as contracting body;
 - > the invoices on provided services;
 - > the related proofs of payments.

The AA received the documents from the BO of Valencia by e-mail on 15 January 2020.

The documents received from the BO of Valencia by e-mail on 15 January 2020 were examined by the AA staff who requested some clarifications on some expenditures registered under “Travel and Subsistence category cost”.

The requested clarifications were provided by BO of Valencia to the AA email address on 29 January and 5 February 2020 solving the open issues.

On 9 January 2020, the AA received a first partial informal and provisional draft of Annual Account Report from the MA, including the table of all findings as detected by the AA.

As a result, also by considering the heavy delay and subsequent binding deadlines for the Programme, with its Notice No. 1325 of 16 January 2020, in compliance with Article 68 of EU Regulation No. 897/2014, the AA asked officially the MA to provide the following documents:

- the final draft of the Programme Annual Account;
- the Management declaration;
- the Programme Annual Summary of Controls.



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The AA received the final draft of the Programme Annual Accounts on January 21, 2020 while the Annual Summary of Controls and a draft of the Management Declaration was received on January 27, 2020.

Desk phase 2

The Provisional Report on Audit on the Annual Accounts, including several remarks and recommendations, was released to the MA through AA Notice No. 2996 of 30 January 2020 for observation if any.

By considering the limited time for transmission of the Final Report to the Joint Monitoring Committee (JMC) of the ENI CBC MED Programme, the AA requested the MA to submit the counter-deductions to the AA remarks and recommendations as mentioned within 31 January 2020.

Desk phase 3

On 31 January 2020, the MA sent by email an updated version of the Financial Report package composed by the following files:

- Annex 4_ENI CBC_Financial Report Accounting year 2017-2019 def (31/01/2020);
- Annex E_Estimate of costs incurred from 1 July to 31 December 2019.

Templates as mentioned included corrections requested by the AA, particularly:

- bank interest amount was eliminated;
- the two invoices incorrectly uploaded to BO Valencia staff costs were removed and allocated in the Provisional Budget section;
- the staff costs of the MA relating to November-December 2019 were included in the Annex E.

Furthermore, with Notice No. 3422 of 4 February 2020, the MA replied on the main findings detected by the AA as included in its Provisional Report on Programme Accounts.

The same Notice also included the following annexes:

- Final version of the Financial Annual Accounting Report 2018-2019;
- Table E "Estimate of costs incurred from 1 July to 31 December_2019_final, updated with the estimation related to the MA staff costs for November and December 2019;
- Check-list and results of the controls on the Valencia BO financial statements;
- Check-lists used by the Operational and Authorising Unit:



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- Projects:
 - A0_Check list_Project selection;
 - A1_Check list_Project selection_Negotiation and contractualisation;
 - A2_Check list Project implementation_Commitments and Payments;
 - A3_Check List Financial guarantee;
 - A4_Check List _Project implementation_on the spot check.
- Technical Assistance:
 - B1_Check list procedure for the recruitment of external experts and management of contracts;
 - B2_Check list procedures for the goods and services acquisition and management of contracts;
 - B3_Check list Management of agreements with the BOs_ Commitments and Payments.
- Check lists used by the Accounting Unit:
 - Check list related to the commitments verification:
 - C1_Check list commitments_projects;
 - C2_Check list commitments_BOs;
 - C3_Check list commitments Technical Assistance;
 - Check lists related to the payments verification:
 - D1_Check list Payments_Projects;
 - D2_Check list Payments_BOs;
 - D3_ Check list Payments Technical Assistance.

Furthermore, on 6 February 2020, the MA sent further documents, as listed below:

- > Management Declaration check list;
- > TA Check list for the Valencia BO elaborated by the Authorising Unit;
- > MIS updated report.

In addition, on 14 February 2020, the MA sent another Notice (Prot. No. 5119 of 17 February 2020) providing information and clarifications on the following open issues:

- types of controls carried out on the Branch Offices, ensuring that errors similar to those committed in the preparation of the financial report for the 2018/2019 accounting year were avoided;
- updated Management Declaration check-list, drawing up on the basis of the revised checklist format.



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Finally, on 19 and 20 February 2020, the AA requested appropriate corrections of the final version of the Financial Annual Accounting Report 2018-2019 transmitted by the MA, since some material errors were detected.

In compliance with further informal exchanges on the issues as tackled, with Notice NO. 5992 of 24 February 2020, the MA sent the final version of the Financial Annual accounting report 2018-2019 where the errors detected by the AA were properly corrected.

Following its ultimate verification and controls, on February 25, 2020 AA released the Final Report on Audit on Programme Accounts and provided it to MA on February 27, 2020 for the uploading in SFC 2014 system.

Desk phase 4: Additional audit work

As already mentioned, on May 28, 2020 the MA forwarded to the AA the EC_DG Regio Note Ares(2020)2761582 - 28/05/2020 which:

- informed both authorities that in line with Article 69 of Commission Implementing Regulation (EU) No 897/2014 (CIR), the Commission services examined the quality of the submitted documents, highlighting their observations on versions as provided, as well as their recommendations for future reports,
- confirmed that the Commission services were unable to conclude that the accounts of the Programme as provided were complete, accurate and true and were thus unable to accept them.

Accordingly, by July 15, 2020 the AA was asked, among others:

- either to carry out additional work or explain the quality review and supervision carried out on the work of the internal control offices, in order to provide an opinion in line with article 68(4) of the CIR and inform the Commission on the result of this work.
- to submit on SFC 2014 system (through the MA) a revised Annual Audit Report and Audit Opinion once amended, in compliance with the EC note as mentioned.

In this respect, after informal consultation with:

- the General Director and Accounting Unit Director of the MA,
- TESIM (Technical Support to the Implementation and Management of ENI CBC Programmes by the EC) experts,



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- Other internal experts of ESI funds from the Sardinia Region ,

the AA opted for the Quality review option, by formalizing and explaining the quality review and supervision as carried out on the work of the internal control offices. The related motivation is detailed hereunder.

Accordingly, in order to complete the quality review process on the verification of the expenditures included in the accounts, with the e-mail dated 25th June 2020, the AA opened a supplementary audit of the accounts and requested the MA to carry out additional work to provide evidences for a reasonable assurance that:

- the so-called First level control concerned both the MA and AA expenditures.
In this regard, it is worth mentioning that, initially during the MA designation and then during the follow-up as well as in the definition of the MIS functions, the AA identified shortcomings in the first level administrative checks as described in the DMCS. Furthermore, the AA subsequently insisted on the need for an adequate formalization of the procedure (with the adoption of Manual and checklists) and implementation of suitable agreements with competent and independent regional offices;
- following the on-going agreement referred to in the previous point, checks on external supplies and procurement are carried out by CRP and the Region Accountancy Office on 100% of the declared expenditures;
- personnel and travel and subsistence expenditures are verified in compliance with the current regional rules and procedures: according to these procedures, the administrative-accounting investigation is carried out by third party offices with respect to the ENI OP, while the verification of the eligibility of the expenditure in conformity with the ENI Programme is carried out by both the MA General Director and the Programme Accounting Section, during the drawing up the annual accounts. In this regard, the AA already informally anticipated the need to receive both appropriate declarations issued by the MA and the regional offices in charge as well as detailed explanatory notes of the procedure, in order to integrate what has already been reported in the DMCS and in the agreements concluded with the regional control offices;
- the aforementioned control offices of the Region provide suitable guarantees, due to the high qualification and independency of their personnel (CRP, Accounting Office).



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Further to some informal discussions and exchanges, on 07 July 2020, the following documentation was provided by the Director of MA Accounting Section:

- Decision no. 169 prot. No. 1311 of 07.07.2020 for the approval of the check list format and related attachments;
- - the following completed checklists (CL) related to the current accounting period:
 - CL for MA staff expenditures
 - CL for MA business trip expenditures
 - CL for AA staff expenditures
 - CL for AA business trip expenditures

In order to justify AA decision on the approach as followed, it is worth to remind that in all main reference Programme documents in force (namely the ENI CBC MED Programme approved by the Commission, the Description of the Management and Control System (DMCS), the Audit Strategy and the AA Audit Manual) there is a clear distinction between expenditures incurred by granted projects, which are implemented in the 13 countries of the Programme, and TA expenditures.

Moreover, all these documents have been drawn up and organized according to the indications provided by EC DG NEAR on this subject, based on both the regulatory legal sources of the Programme and the specificities of the ENI framework.

It is worth to remind that, following art. 28 of the Regulation (EU) No. 897/2014 (hereinafter IR), the Audit Authority ensures that audits are carried out on:

- the management and control systems;
- appropriate sample of projects;
- on the annual accounts of the Programme.

Furthermore, the aforementioned Regulation, distinguishes two types of expenditures: "projects" and "TA", while the "operations" as specific category is not mentioned.

In particular, the term "project" is explicitly described in Title VII "Projects", article 38 (especially in art. 38.1 and art. 38.2) and only refers both to the operations implemented by the beneficiaries of the grants and to the procedural aspects related to this type of operations (for example, 38.2 - "Financial contributions by a Programme to projects shall be provided through grants"). Whereas the term 'TA' is described in Title VI 'Technical assistance', articles 34 and 35. In these articles (and others in the Title VI) there is no reference to the notion of



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'project' and the concept of 'technical assistance' is consistently used throughout the articles in this title. A number of other articles in the IR also distinguish between the notions of 'projects' and 'technical assistance' (for example, article 71.1 'The Managing Authority shall make the financial corrections required in connection with individual or systemic irregularities detected in projects, technical assistance....').

As a consequence, the ENI CBC MED Programme Management and Control System, including the MIS, was built under this distinction and AA in its main planning documents (namely the Audit Strategy and the Audit Manual) has foreseen the control of TA expenditures in the context of the Audit on annual accounts only.

Finally, the expenditures included in the annual accounts (January 2018 - June 2019) as submitted by the MA, exclusively refer to TA costs and, in particular, to the following cost categories:

- i. for the MA: staff cost, travel and subsistence, subcontracted services;
- ii. for the AA: staff cost, travel and subsistence;
- iii. for the Programme Branch Offices (BO) in Aqaba (Jordan) and Valencia (Spain): staff cost, travel and subsistence costs, subcontracted services, other costs (bank transfer fees for Aqaba BO).

Thus, since no project expenditures have been reported in the considered accounting year, no sample audits have been carried out in the financial statements submitted by project partners.

With reference to the three expenditure categories as mentioned in points i) MA expenditures, ii) AA expenditures and iii) BO expenditures, some distinctions shall be made.

- For each category as mentioned we provide below the description of 1st level controls system in place as well as the details of AA additional works as carried out.

➤ **Expenditures categories i) MA and ii) AA.**

Costs as included in those categories refer to expenses carried out by Sardinian Region Directors in charge of the MA and the AA and controlled by other Directors of regional



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independent control services, on the basis of the internal control systems as set for the regional administration.

The regional standard control system is based on two separate control Services: the “First control Service” and the “Second control Service”, both placed at the Directorate-General for Financial Services (Planning Department). These two Services are provided with functional autonomy and independence from any other regional administration Services.

Both Services carry out checks on administrative-accounting regularity on all expenditure documentation, for the entire process and on 100% of the documents. This check setting is aimed at guaranteeing the transparency, legality, regularity, and correctness of the expenditure. The controls a such cover the entire expenditure process, from the financial commitment to the final payment.

In particular, checks are carried out on:

- the correctness of the legal title held (contracts, agreements, etc.);
- compliance with current legislation and reference accounting procedures;
- compliance with current fiscal and social legislation;
- compliance with the maximum authorized expenditure parameters (where applicable);
- the availability of the amounts and their correct allocation in the balance sheet;
- the correctness and eligibility of the proof of expenditures (invoices, etc.) according to the national legislation;
- the correct registration in the accounting systems of the entire spending process;
- correctness and consistency of payments;
- the general legitimacy of the procedure and of the expenditure, according to the current regulations;
- the reasonableness of the expenditure.

The above-mentioned Services also carry out a subsequent legality check on a sample basis which represents approximately 3% of the regional administration's commitment documents as a whole.

This sample is identified by random extraction, assuring the representativeness degree of the sample by setting to 95% the confidence level, accepting an error rate equal to 6%, and applying these parameters to the audited population, which consists of all the commitments incurred in the financial year preceding the one currently underway.



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This control, envisaged and regulated by the Sardinian Region Government Decision No. 45/1 of 21.12.2010, covers all aspects of the extracted documents: from the administrative-accounting aspects to those of legitimacy and merit. All the documentation related to the single accounting act and all the related supporting documents (contracts, regulations, agreements, legislation, invoices, etc.) are examined. Any anomalies found could be reported to the Court of Auditors, Regional sections.

The position of independence of the individual auditor of control Services as mentioned is guaranteed by the "Code of Conduct of the personnel of the Autonomous Region of Sardinia, the Bodies, the Agencies and the subsidiary companies", approved with D.G.R. No.3/7 of 31.01.2014 and currently in force.

All data related to TA expenditures (procurement, staff, travel, and subsistence costs) are correctly registered in the regional information system (SIBAR), ensuring the full traceability and transparency of all spending operations.

As mentioned above, the TA expenditures for MA and AA are divided into the following cost categories:

- subcontracted services expenditures;
- staff costs;
- travel and subsistence costs.

Each of them presents particularities as for the control system in place as detailed below.

Subcontracted services expenditures

The expenditures registered in the accounts relating to subcontracted services are exclusively incurred by the Director of the MA. No expenses were declared by the AA on this category for the accounting period under verification.

Further to the administrative and accounting regularity check described above, the expenditures related to the subcontracted services have been subjected to an additional 100% first level control carried out by the "Unitary Monitoring, First Level controls, expenditure certification and management of irregularities working group" located at the Regional Programming Center (CRP), with whom the ENI MA stipulated a specific agreement (as requested by MA Note No 171 of 8 February 2019 and accepted by the CRP with its Note No



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688 of 7 May 2019), also adopting the same control tools in use for the ERDF (i.e. the Sardinian ERDF OP Control Manual in force and annexed checklists) through MA Decision No 910 of 3 July 2019.

With regard to the reliability of the above-mentioned office, it is worth mentioning that it carries out both the first level controls of the OP ERDF Sardinia and also the first level checks for some projects of the OP Interreg V-A Italy-France Maritime 2014-2020.

The office is coordinated by a permanent qualified expert of the Regional Programming Center and composed of both permanent staff of the Sardinia Region, with previous experience in this matter, and specifically selected external staff.

In current programming period, by the Sardinian Region Government Decree No. 19/9 of 27/05/2014, a first level control has been defined for the ERDF OP, according to a model characterized by strong coordination carried out at central level by the First Level control Office set up at the ERDF OP MA.

The ERDF MA organized the first level control activity through the First Level Control Office set up at the same MA, ensuring functional and hierarchical separation.

The control system is structured as follows:

- First Level Control Office set up at the MA for the correct fulfillment of the regulatory provisions on management verifications and anti-fraud measures pursuant to art. 125 paragraphs 4, 5 and 6 of the RDC; the First Level Control Office uses the internal support structure;
- The staff of the internal support structure has been selected through the public selection notice (senior and junior experts specifically selected through the public selection notice "Sardinian Operational Programme 2017/2013 Axis VIII Technical Assistance through a comparative procedure for qualifications and interview of No. 20 professional position supporting the First Level Control activity within the European Regional Operative Programme ERDF 2007-2013 and the European Regional Operative Programme ERDF 2014-2020 – Decision of rankings approval adopted by the CRP Director No. 7108 rep. No. 419 of 28.07.2015)
- The ERDF MA also makes use of Technical Assistance for first level controls (external).

Tasks performed by the First Level Control Office could be summarized as follow:



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- Management checks on the entire Programme;
- System Audit on Intermediate Bodies and, as part of this activity, the sample repetition of the checks carried out by the IB on the individual operations managed by them;
- Elaboration and updating of the Audit Manual of procedures for the first level control and its reporting (check list and report) differentiated by type of operation and by macro-process;
- Communication management with the European Commission about the sheets on irregularities and fraud detected on the Programme;
- Coordination and monitoring of the contradictory with the AA;
- Coordination and supporting of the activities of external auditors;
- Upload of the section of the information system dedicated to the controls carried out on the Programme by external auditors;
- Preparation of the annual plan of on-the-spot checks
- Preparation of the annual summary of controls.

In compliance with the principle of functional and hierarchical separation, the checks are carried out by the First Level Control Office even if the ERDF MA is beneficiary, except in cases where a direct conflict of interest happens (e.g. TA agreements for performing the first level controls); for these operations, management verifications are carried out by another CRP structure, which does not deal with the management and control activities of the Regional Operative Programme in relation to these operations.

With regard to the position of independence of the individual auditor at the bottom of each check, a specific declaration about lack of incompatibility and conflicts of interest is issued.

On the checks carried out on the MA TA expenditure by the above-mentioned office, the AA executed a quality review (QR), aimed at ensuring the reliability of the checks.

On 9 July 2020, the AA Director formally assigned to an audit officer the task of performing the abovementioned QR on the first level controls, to be carried out using a specific QR checklist, as in the first place approved by the AA Director with email of 9.7.2020 and subsequently formally adopted with decision of the 14th June 2020.

QR focused on checking the work carried out by the first level control office, providing independent assurance that all planned controls were carried out, that the control system is functioning effectively and that the control office is issuing appropriate reports.

Quality Review process focused in particular on the following issues:



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- control office personnel standards (auditors performing controls are competent, qualified, independent and no causes of incompatibility exist);
- required first level controls are in place and are being properly implemented;
- control system is working effectively, and first level controls are carried out in compliance with standards, rules, practices and procedures as approved by the MA;
- standardized control tools are in place, are fully and correctly used and appropriate reports are properly issued;

The performed QR has been formalized in special checklists as result of the additional work carried out and then submitted duly filled in and signed to the AA Director on 9 July 2020, for the required assessment.

The Quality Review work did not highlight any irregularities and was closed with a positive result.

Staff costs

In the Sardinian Regional system, the administrative and accounting control on personnel expenditures is carried out by the above-mentioned Second Control Service, which has specific and exclusive competence regarding expenditure documents and the economic treatment of the personnel of the entire regional administration.

This office, through a specifically dedicated information system, provides to the elaboration of the pay-slips and to the disposal of the payment of emoluments and contributions related to staff cost.

For the inclusion of personnel costs in the Annual Accounts, the ENI MA accounting service acquired from the above-mentioned office the monthly cost certification related to both the MA and AA employed staff, certified by a specific declaration of the Directorate General of Financial Services - Second Control Service, including personnel costs paid with F24 model, attesting the payment and the cumulative F24 model certifying the payment of personnel costs.

In the statement annexed to the annual accounts prepared by the MA, the percentages of time dedicated by each work unit to the OP are clearly indicated.



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During the additional audit work, the MA Accounting Service was requested to formalize the entire control process in special checklists, ensuring:

- the eligibility of expenditures according to the ENI Programme rules;
- the compliance with ENI's maximum parameters of authorized expenditure;
- expenditure coherence according to the aims of the ENI Programme;
- expenditure's necessity;
- the correct share of expenditure to be attributed to the ENI Programme.

In order to complete the quality review process on the verification of the expenditures included in the accounts, with the e-mail dated 25th June 2020, the AA opened a supplementary audit of the accounts and requested the MA to carry out additional work to provide evidences for a reasonable assurance that:

- the so-called First level control concerned both the MA and AA expenditures.
In this regard, it is worth mentioning that, initially during the MA designation and then during the follow-up as well as in the definition of the MIS functions, the AA identified shortcomings in the first level administrative checks as described in the DMCS. Furthermore, the AA subsequently insisted on the need for an adequate formalization of the procedure (with the adoption of Manual and checklists) and implementation of suitable agreements with competent and independent regional offices;
- following the on-going agreement referred to in the previous point, checks on external supplies and procurement are carried out by CRP and the Region Accountancy Office on 100% of the declared expenditures;
- personnel and travel and subsistence expenditures are verified in compliance with the current regional rules and procedures: according to these procedures, the administrative-accounting investigation is carried out by third party offices with respect to the ENI OP, while the verification of the eligibility of the expenditure in conformity with the ENI Programme is carried out by both the MA General Director and the Programme Accounting Section, during the drawing up the annual accounts. In this regard, the AA already informally anticipated the need to receive both appropriate declarations issued by the MA and the regional offices in charge as well as detailed explanatory notes of the procedure, in order to integrate what has already been reported in the DMCS and in the agreements concluded with the regional control offices;



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- the aforementioned control offices of the Region provide suitable guarantees, due to the high qualification and independency of their personnel (CRP, Accounting Office).

Further to some informal discussions and exchanges, on 07 July 2020, the following documentation was provided by the Director of MA Accounting Section:

- Decision no. 169 prot. No. 1311 of 07.07.2020 for the approval of the check list format and related attachments;
- the following checklists (CL) duly filled in and relating to the current accounting period:
 - CL for MA staff expenditures
 - CL for MA business trip expenditures
 - CL for AA staff expenditures
 - CL for AA business trip expenditures

On the checks carried out on the MA TA expenditure by the above-mentioned offices, the AA executed a quality review (QR), aimed at ensuring the reliability of the checks.

On 9 July 2020, the AA Director formally assigned to an audit officer the task of performing the abovementioned QR on the first level controls, to be carried out using a specific QR checklist, as in the first place approved by the AA Director with email of 9.7.2020 and subsequently formally adopted with decision of the 14th June 2020.

QR focused on checking the work carried out by the first level control offices, providing independent assurance that all planned controls were carried out, that the control system is functioning effectively and that the control office is issuing appropriate reports.

Quality Review process focused in particular on the following issues:

- control offices personnel standards (officers/auditors performing controls are competent, qualified, independent and no causes of incompatibility exist);
- required first level controls are in place and are being properly implemented;
- control system is working effectively, and first level controls are carried out in compliance with standards, rules, practices and procedures as approved by the MA;
- standardized control tools are in place, are fully and correctly used and appropriate reports are properly issued;



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The performed QR has been formalized in special checklists as result of the additional work carried out and then submitted duly filled in and signed to the AA Director on 9 July 2020, for the required assessment.

The Quality Review work did not highlight any irregularities and was closed with a positive result.

On 09.07.2020 the Accounting Service Director also sent a new Decision (Prot No. 1335/2020) which substituted the previous one, and the check list models have been adopted (the previous version has not been modified). In addition, the adoption and approval of the control process, to be included in the updated version of the DMCS, has been adopted and approved as well. This recommendation will be verified in the next AA system audit on MA.

MA and AA travel and subsistence expenses

With reference to the expenditures related to travel and subsistence costs, the administrative and accounting control is also carried out by the same Second Control Service, responsible for the personnel economic treatment, which checks and settles the reimbursements.

The control procedure is fully computerized through the "Travel" software, integrated with the Region's economic and financial accounting system: the preventive and subsequent checks are carried out and formalized on this accounting information system.

Indeed, the "Travel" system manages the business trips according to a guided procedure which automatically carries out a preventive check on the eligibility of the expenditure (by type), on the maximum eligible amount on the basis of current legislation and on the correct allocation of the budget expenditure in the appropriate chapters of the Regional Budget. This system guarantees further control by mandatory application of the MA or AA Director's signature which authorizes the business trip (preventive control): this way, both the eligibility and consistency of the expenditure on the basis of ENI regulations are verified. Subsequently, once the business trip has been carried out and the report with the attached expenditure report and the receipts has been entered on the system, the Director of the MA (or the Director of the AA) authorizes the payment after checking the admissibility and the consistency on the basis of the ENI regulation (subsequent control).

The final check on the expenditures report related to the business trip and the settlement and payment of the expenditures is carried out by the Second Control Service: the final check ends with the inclusion of the amounts reported and verified as eligible in the employee's paycheck.



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The above described checks are performed on 100% of the business trips. The information system allows to verify and block all the ineligible expenditures: the system of preventive and subsequent cross-checks of the various involved bodies guarantees the administrative-accounting correctness, the legitimacy and the admissibility of the final expenditure carried out on the ENI Programme funds.

On the occasion of the additional audit work, also for this typology of expenditures, the MA Accounting Section has been requested to formalize the entire control process in special checklists, ensuring:

- eligibility of expenses according to the rules of the ENI Programme;
- compliance with ENI's maximum parameters of authorized expenditure;
- expenditure coherence according to the aims of the ENI Programme;
- expenditure's necessity;
- correct share of expenditure to be attributed to the ENI Programme.

In order to complete the quality review process on the verification of the expenditures included in the accounts, with the e-mail dated 25th June 2020, the AA opened a supplementary audit of the accounts and requested the MA to carry out additional work to provide evidences for a reasonable assurance that:

- the so-called First level control concerned both the MA and AA expenditures. In this regard, it is worth mentioning that, initially during the MA designation and then during the follow-up as well as in the definition of the MIS functions, the AA identified shortcomings in the first level administrative checks as described in the DMCS. Furthermore, the AA subsequently insisted on the need for an adequate formalization of the procedure (with the adoption of Manual and checklists) and implementation of suitable agreements with competent and independent regional offices;
- following the on-going agreement referred to in the previous point, checks on external supplies and procurement are carried out by CRP and the Region Accountancy Office on 100% of the declared expenditures;
- personnel and travel and subsistence expenditures are verified in compliance with the current regional rules and procedures: according to these procedures, the administrative-



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accounting investigation is carried out by third party offices with respect to the ENI OP, while the verification of the eligibility of the expenditure in conformity with the ENI Programme is carried out by both the MA General Director and the Programme Accounting Section, during the drawing up the annual accounts. In this regard, the AA already informally anticipated the need to receive both appropriate declarations issued by the MA and the regional offices in charge as well as detailed explanatory notes of the procedure, in order to integrate what has already been reported in the DMCS and in the agreements concluded with the regional control offices;

- the aforementioned control offices of the Region provide suitable guarantees, due to the high qualification and independency of their personnel (CRP, Accounting Office).

Further to some informal discussions and exchanges, on 7 July 2020, the following documentation was provided by the Director of MA Accounting Section:

- Decision no. 169 prot. No. 1311 of 07.07.2020 for the approval of the check list format and related attachments;
- the below listed checklists (CL), duly completed and related to the current accounting period:
 - CL for MA staff expenditures
 - CL for MA business trip expenditures
 - CL for AA staff expenditures
 - CL for AA business trip expenditures

On the checks carried out on the MA TA expenditure by the above-mentioned offices, the AA executed a quality review (QR), aimed at ensuring the reliability of the checks.

On 9 July 2020, the AA Director formally assigned to an audit officer the task of performing the abovementioned QR on the first level controls, to be carried out using a specific QR checklist, as in the first place approved by the AA Director.

QR focused on checking the work carried out by the first level control offices, providing independent assurance that all planned controls were carried out, that the control system is functioning effectively and that the control office is issuing appropriate reports.

Quality Review process focused in particular on the following issues:



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- control offices personnel standards (officers/auditors performing controls are competent, qualified, independent and no causes of incompatibility exist);
- required first level controls are in place and are being properly implemented;
- control system is working effectively, and first level controls are carried out in compliance with standards, rules, practices and procedures as approved by the MA;
- standardized control tools are in place, are fully and correctly used and appropriate reports are properly issued;

The performed QR has been formalized in special checklists as result of the additional work carried out and then submitted duly filled in and signed to the AA Director on 9 July 2020, for the required assessment.

The Quality Review work did not highlight any irregularities and was closed with a positive result.

On 9 July 2020, the Accounting Service Director also sent a new Decision (Prot No. 1335/2020) replacing the previous one, conforming all check list models has adopted (no modification from the previous version as filled in). In addition, the adoption and approval of the control process description, to be included in the updated version of the DMCS, has been adopted and approved as well. **The DMCS update will be verified in the next AA system audit on MA.**

- **Expenditure category iii) for Branch Offices of the Programme in Aqaba (Jordan) and Valencia (Spain): staff cost, travel and subsistence, subcontracted services, other costs (bank transfer fees for Aqaba BO).**

Valencia Branch Office

The hosting institution, Generalitat Valenciana, is the Regional Government of the Region of Valencia, a Public Administration, fully subjected to Spanish national regulation. The Estatuto Básico del Empleado Público defines the recruiting, criteria, salaries, working conditions, etc. Moreover, labour staff are also ruled by Estatuto de los Trabajadores. The Estatuto de los Trabajadores (labour or social legislation) applies both for internal and external staff as recruited.

Relating to travel policy, are paid by Generalitat Valenciana and afterwards reimbursed by the Programme, according to the Implementation Rules. The travel and accommodation



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expenditures, and the “per diem” (dietas) are paid according to the Decree 24/1997, of the Valencian Government, on account of the service compensation and bonuses for extraordinary services.

Generalitat Valenciana is subjected to Public Procurement Rules, when contracting goods, services, (Ley de Contratos del Sector Público or Public Sector Contract Law).

As far as the expenditures incurred by the BOs are concerned, they are submitted to an external auditor for their verification

This means that all the expenditures incurred by the Valencia BO to be included in its annual report, are audited by an external audit service completely independent from the external relations service within the Presidency of the Region, which is in charge of the management of all the activities carried out by the BO.

Aqaba Branch Office

The Aqaba Special Economic Zone Authority as hosting institution, adopted the European Union regulations including PRAG 2013 version as framework for its operational procedures respecting ASEZA’s regulations and procedures.

ASEZA regulations, rules and Instructions apply on the BO internal and external staff. This includes working hours, ethic, etc.”

The Aqaba Special Economic Zone Authority provides all the needed financial services to the Branch Office and reports this as required by the European Union and as requested by the MA respecting ASEZA’s regulations and procedures.

The Aqaba Special Economic Zone Authority adopted the European Union regulations in terms of procurement and internal audit procedures respecting ASEZA’s regulations and procedures.

As far as the expenditures incurred by the BOs are concerned, they are be collected by the accounting officer of the BO and submitted to an external independent auditor for their verification, prior to the delivery of the BO annual report to the MA Accounting Unit.

According to the result of Desk phase 1 and 2 as described, for TA expenses of the 2 Branch offices as declared AA decided to perform its verification on a sample basis, whose aim was to test the reliability of external auditors in charge of the 1st level controls.

General principles as applied for both BOs on sampling, could be resumed as follow:



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- all cost categories but Other costs were controlled (Human Resources, Travel and Subsistence and Subcontracting services but Other costs, the latter due to the poor amount as mentioned);
- same period of verification as for Human Resources costs applied (namely from October to December 2018);
- same mission as performed by both Bos applied (namely Mission to Cairo under the 5ht Joint Monitoring Committee Meeting);
- highest amount principle where applicable (e.g. as for Subcontracted services cost category).

Moreover, due to the limited number of operation, the sample was defined according to a non-statistical sampling methodology, also by considering the rate as assigned in AA first system audit on the Programme on MCS (namely Category 3).

Thus, in compliance with EGESIF_16-0014-01 20/01//2017 - Guidance on sampling methods for audit authorities Programming periods 2007-2013 and 2014-2020, the sample was defined to assure the related recommended coverage ratio both on operations and on expenditure as declared, with a coverage ratio of 13% of the number of items and 18% of the expenditures as declared.

No findings were detected as for the accounting side.

Furthermore, it is worth to mention that with notice No 776 of 08 July 2020, following the receipt and examination of last round of documents as requested by the AA to the Jordanian bodies under audit, AA approved its Final Report System Audit on the Jordanian National System. **No findings were detected as for the accounting side.**

Finally, on the audit carried out, the AA executed a quality review (QR), aimed at ensuring the reliability of the checks as performed.

On 6 July 2020, the AA Director formally assigned to an audit officer the task of performing the abovementioned QR, to be carried out using the procedure and the QR checklist, as included in the Audit Manual rev. 2.0, approved by the AA with decision No 666 of 12th June 2020 (Annex 5.2 "Check list quality review system audit - Definitive audit report").

The Audit Manual outlined a specific procedure and defined tools to carry out quality review on performed audit work, to assess the efficiency and effectiveness of the audit activity and to identify opportunities for improvement, ensuring audit quality according to recommendations of internationally accepted audit standards.



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The QR was performed on the system Audit carried out at:

- the National Contact Point of the ENI CBC MED in Jordan;
- the National Authority of the ENI CBC MED in Jordan,
- the Control Contact Point of the ENI CBC MED in Jordan,
- the Branch Office of the ENI CBC MED Managing Authority in Jordan.

Both provisional and definitive reports with annexed checklists were verified, assessing whether counterstatement were duly collected and taken into account, audit procedure and tools were correctly used and fully filled in, and conclusions in the definitive audit report were adequate, accurate and supported by the working documents.

As result of the additional work carried out, the performed QR has been formalized in the abovementioned checklist, duly filled in and signed by the appointed AA staff member. The QR work was then submitted to the AA Director on 8 July 2020, for the required assessment.

The Quality Review work did not highlight any irregularities and was closed with a positive result.

5. Remarks and Recommendations

Following the assessment described in the previous section, main findings as detected were described in the Provisional Report, sent on the 13.7.2020 with note n. 22994 to the MA for further assessment.

The Provisional Report identified the following issues:

- 1) As far as the Programme accounts EC template for the accounting year (Article 68.2.(a) and 2.(f) of EU - Regulation No. 897/2014):
 - it is worth to remind that Programme Annual Accounts were submitted by the MA to the AA extremely late and required several interventions by the same Authority both in terms of contents and format. Moreover, they are part of the reliability package to be prior approved also by the Joint Monitoring Committee of the Programme before the uploading on SFC 2014 system. This could have effect on the AA for and efficient and effective verification as due according to Reg. (UE) 897/2014;



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2) As far as the Programme management declaration signed by the representative of the Managing Authority confirming that: (iii) the control systems put in place give the necessary guarantees concerning the legality of the underlying transactions (Article 68.2.(b) of EU - Regulation No. 897/2014).

- the OP DMCS in force (October 2018) is not update. In particular, all details on management and level control procedures, including those for TA expenditures, as set, adopted, and implemented by the MA shall be included. Moreover, the update shall consider all remarks and recommendation by the AA and EC, as provided in the framework of the designation process, system audit and audit on accounts as performed.
- as far as Technical Assistance expenditures are concerned, there is no confirmation that current setting of Programme computerized system (MIS) includes all details of TA expenditures as incurred and paid in the framework of the Programme implementation, as well as the regular updating of related accounting data, (both were due to be finalized by the end of February 2020, task not yet completed so far).

A summary of the same findings and related deadlines are reported in the following Table:

Reference Document/s	Findings	Potential impact	Observation by the MA	Corrective measures	Deadline
1) The Programme accounts EC template for the accounting year (Article 68.2.(a) and 2.(f) of EU - Regulation No. 897/2014).	Delay in providing the Programme annual account	Efficient and effective verification by the AA as due.	NA	To formalize and implement a specific agreement with the AA, in order to ensure the compliance with the deadlines provided for the Annual accounts submission,	31/07/20



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				taking into proper consideration JMC approval.	
2) The Programme management declaration signed by the representative of the Managing Authority confirming that: (iii) the control systems put in place give the necessary guarantees concerning the legality of the underlying transactions (Article 68.2.(b) of EU - Regulation No. 897/2014).	The OP DMCS in force (October 2018) is not update . In particular, all details on control procedures for TA expenditures, as set, adopted, and implemented by the MA shall be included. As far as the Programme MIS TA expenditures, current setting is not confirmed.	The control systems put in place by the MA may not give the necessary guarantees concerning the legality of the underlying transactions.		Please update the OP DMCS as requested. Please provide evidence of actual implementation of the TA area of the OP MIS as due.	30/09/20

Following the Provisional Report issues, the AA and the MA of the OP ENI CBC MED met on 14.7.2020 in Cagliari at MA headquarter to discuss its main findings, assess counterarguments and agree on further actions to be taken and recommendations for action.

The MA accepted all observation made by the AA in the Provisional Report and agreed on all the recommendations and set deadlines for corrective measure to be implemented.



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6. Conclusions and Audit Opinion

Following the audit on annual accounts carried out, in accordance with i) the scope of the control and the objectives, ii) the assessments expressed and the corrective actions defined in this report, it was possible to ascertain that the procedures of the Managing Authority of the ENI CBC MED JOP, require limited corrective measures.

The performed audit work allows the AA to affirm that, despite the necessity of implementation of some limited improvement actions:

- the Programme accounts give a true and fair view;
- the expenses in the accounts are legal and regular.

In this respect according to the audit on Programme Annual Account carried out, by considering the related scope and objectives defined in the previous sections of this Report, *an unqualified opinion* is expressed on the Programme accounts.

7. Follow up

The AA will verify the improvement actions implemented by the MA during both the next system audit and audit on accounts.

Cagliari, 14 July 2020

The AA officers

Linda Gorini	signed
Marcello Lubino	signed
Raffaella Melis	signed
Severino Ostorero	signed

The Head of AA Unit

Enrica Argiolas	signed
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Annexes: check list quality review

This Report is composed by 35 pages.