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REGIONE AUTONOMA DELLA SARDEGNA



ANNUAL AUDIT REPORT

according to art. 28.6 (b) and 68.2 (d) Commission Implementing Regulation (EU) No 897/2014

Reference Period: 1 July 2017 - 30 June 2018

Approved by the Audit Authority Decision n.36 of 18 January 2019



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I. INTRODUCTION

I.1. Identification of the responsible audit authority and other bodies that have been involved in preparing the report

The Sardinian regional government, through decision no. 15/5 of 10 April 2015, has created a specific organisation, called “project unit”, within the Presidency, entrusted with the functions of ENI CBC MSB Programme Audit Authority and, through decision 8/9 of 19 February 2016, has transferred to that Unit the internal audit functions of the ENPI CBC MED Programme 2007-2013.

The project unit was effectively activated upon the arrival of the Director on 2 November 2016, followed by the appointment of one officer who had been working on the internal audit of the ENPI OP.

Decision n. 53/9 of 28 November 2017, effective since March 2018, has placed the Audit Authority within the “Direzione generale dei Servizi Finanziari of the Assessorato della Programmazione, Bilancio, Credito e Assetto del territorio” in the Unit named “Certificazione PO FESR – FSE – FSC e Autorità di Audit PO ENI CBC MED”; this structure also acts as structural funds Certification Authority; the two units are composed by separate staff and do not interoperate.

Thus, the AA is independent of the Programme managing functions, which are entrusted to the Managing Authority office within the Presidency.

Moreover, decision 53/9 as mentioned has increased the Audit Authority staff model up to 6 officer, 5 devoted to the ENI CBC MSB OP and an additional one as ascribed to the ENPI CBC MED OP.

The Audit Authority governance and organisation model have been defined in compliance with the criteria required and verified during the endorsement procedure by the Italian National Coordinating Body (Ministry of Finance, MEF-RGS-IGRUE), as defined in its explanatory notes No 47832 of 30/5/2014 and No 56513 of 3/7/2014.



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In particular the requirements refer to the following areas of activity:

- Organisational and functional independence;
- Financial and instrumental independence;
- Independence of AA components and respect of conflicts of interest rules;
- Appropriateness and clearly defined allocation of functions;
- Competence and expertise of the human resources;
- Coordination of the work of other auditors.

The AA first efforts have mainly been directed towards internal staff recruitment among “Regione Autonoma della Sardegna (RAS)” civil servant employees.

In 2016, the AA was only assigned one staff member also in charge of the internal audit of the ENPI OP.

However, in 2017, a second officer was assigned. Nevertheless, the Audit Authority staff was still below the minimum level necessary to carry out its tasks.

Thanks to the efforts made, all documents requested for endorsement by IGRUE, especially the ones dealing with organisation design, such as the organisation chart, the functioning chart and an internal organisation notes, have been officially released. A complete application was then submitted to IGRUEE on 19 December 2017.

The AA staff efforts as performed, has allowed IGRUE to express a positive opinion on 9 January 2018, by endorsing the structure as ENI CBC MSB Audit Authority.

At the beginning of October 2018, the AA has undergone by follow-up audit visit by IGRUE, in order to confirm all requirements as mentioned.

A positive qualified opinion, including some recommendations was released on 18 October 2018.

Increased efficiency has been generated, after much examination to which several directorates have contributed, moving the AA from the Presidenza della Regione into the Direzione generale dei Servizi finanziari, which has specific offices dedicated to horizontal functions such as staff administration, regional accounting office, document registration etc.

An IT officer has been eventually devoted to contribute with the Audit Unit for 50% of his working time since May 2018 and, on the same month, a newly hired administrative officer has started to work in the Audit Unit.



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In order to better perform its duties, the AA has succeeded in acquiring two more officers, one in August and one in September 2018, while one of the previous assigned ones has left meanwhile.

Therefore, since September 2018 the AA staff is composed of the Head of Unit (working on a part-time basis), 4 full time officers and a part-time one as IT Officer.

Since December 2018, an intern from Tunisia has also joined the AA staff.

The AA can also stipulate specific agreements with other RAS structures in order to obtain specialised support.

In particular, the Regional Unit of Statistics is ready to support the definition of the sampling methodology according to AA requests.

As far as legal assistance is concerned, the AA can rely on the support by “Direzione Generale Area Legale” while, as for public procurements, by the “Direzione Generale della Centrale Regionale di Committenza”, both included within the Presidency.

Having regard to the requirement of financial independence, according to ENI CBC MSB OP financial plan as approved by the European Commission, for the execution of the entrusted tasks, the Audit Authority is assigned a quota of technical assistance (TA) funds as specified below (VAT included):

- Group of Auditors (travel and subsistence costs for its meetings) € 301.933,02;
- Audit Authority travel and functioning costs € 212.647,18;
- Audit on MA expenses for TA and of payments to projects € 340.000,00;
- Audit of the projects expenses (on sample check) € 1.100.000,00;
- System audits € 750.000,00.

In order to carry out the 3 clusters of audit controls as assigned (namely: system audit, audit of accounts and audit of sample of projects), the AA will be supported by a technical assistance service, to be provided by a sub-contracted company. To this purpose, the AA has planned one open international tender in the meaning of EU directives for procurements.



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According to the AA working plan, this complex procedure is likely to be launched within mid 2019 and the winning provider is expected to be announced by the end of the same year.

The timeline as mentioned is due since this international tender must be carried out through the unique regional central purchasing body and it has to be included in its work plan. Thus, in order to perform a proper system audit and audit of accounts for the next reporting period the AA has planned to start another tender on its electronic market system (SardegnaCAT), for the identification of a senior professional/consultant to support the Audit Authority on these control tasks.

Such additional tender aims to acquire due expertise to lead the finalisation of main audit tools, develop a tailored risk analysis and supply the implementation of AA work plan; it will therefore be launched soon at the beginning of 2019.

The AA has planned a specific tender for the organisation of GOA meetings.

<p>Contact details Audit Authority</p>	<p>Regione Autonoma della Sardegna (Italy) Assessorato della Programmazione, bilancio, credito e assetto del territorio Direzione generale dei Servizi finanziari Servizio di Certificazione PO FESR-FSE-FSC e Autorità di Audit PO ENI CBC MSB Email: eni.audit@regione.sardegna.it</p>
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I.2. Identification of the operational programme covered by the report and of its managing authority

The report covers the **ENI CBC Mediterranean Sea Basin 2014-2020 Programme**.

The core bodies taking part in the implementation of the Programme are the following:

- Managing Authority – Regione Autonoma della Sardegna- Presidenza- Ufficio Speciale all’Autorità di Gestione del Programma ENI CBC Bacino del Mediterraneo
- Audit Authority – Regione Autonoma della Sardegna- Direzione generale servizi finanziari- Servizio di Certificazione PO FESR- FSE- FSC e Autorità di Audit PO ENI

I.3. Reference period

The annual audit report covers the period starting on **1 July 2017** and ending on **30 June 2018**.

I.4. Audit period

The audit period starts on **11 June 2018** (date of receipt of the Description of the management and control system - DMCS) and ends on **16 January 2019**.

I.5. Description of the steps taken to prepare the report and to draw the audit opinion

Since this is the first reporting year for the ENI CBC Mediterranean Sea Basin initiative, both the logic and contents of this document, along with the audit opinion, are linked to actual state of play of the programme.

In particular, main critical components of implementation influencing the AA activities could be resumed as follow:

- The ENPI CBC MED 2007 – 2013 closure: during the reporting period, the AA working time and resources have been mostly devoted to the fulfilment of duties and task as requested by previous programme rules (namely for the final reporting phase).



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- The Designation Process of the programme Managing Authority under Article 25 of Regulation (EU) No 897/2014: by the time of this report, the process is still ongoing. For all details please make reference to part IV.1 as follow.
- The Joint Technical Secretariat (JTS) under ENI Joint Operational Programme (JOP) - Section 3.2.3: this Programme body is still missing.
An open call for tender has been launched in November 2018 by the MA to hire a company for providing all services expected by the JTS according to the JOP.
- The Programme Monitoring and Information System (MIS): the MA tender for the design and implementation of the Programme website and the MIS was closed in October 2017. Related contract has been signed in October 2018. The preliminary version of the Programme website should be online at the end of January 2019, while the first release of the Monitoring and Information System is expected by the end of May for testing.
- Project calls for proposals: it is worth to remind that, as for the audit of sample of projects, the activity planning is going to start according to actual implementation and reporting from projects, both as for periodicity of sampling and for the audit phases over time. According to actual state of the selection process for the first call for standard project, granted ones are expected to issue their first report not before the first quarter 2020. Therefore, the Audit Authority activity on projects is going to start not before second quarter of the same year.
- Programme accounts (Art.68 of Regulation (EU) No 897/2014): due to the limited amount of expenses (dealing with Staff, Travel and Subsistence costs only), the Managing Authority has decided not to submit to the Audit Authority the following documents:
 - the programme accounts for the accounting year as concerned by this report (Article 68 2 (a) of Regulation (EU) No 897/2014);
 - a management declaration signed by the representative of the Managing Authority (Article 68 2 (b) of Regulation (EU) No 897/2014), confirming that:



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- the information is properly presented, complete and accurate;
 - the expenditure was used for its intended purpose;
 - the control systems put in place give the necessary guarantees concerning the legality of the underlying transactions;
- an annual summary of the controls carried out by the Managing Authority, including an analysis of the nature and extent of errors and weaknesses identified in systems, as well as corrective action taken or planned (Article 68 2 (c) of Regulation (EU) No 897/2014);

By considering the abovementioned deficiencies as a whole, this report does not include any conclusions regarding the system audit or audit of accounts.

II. SIGNIFICANT CHANGES IN THE MANAGEMENT AND CONTROL SYSTEM

Not relevant.

III. CHANGES TO THE AUDIT STRATEGY

In the second semester of 2017 most of the AA work has been devoted to the drafting of the ENI CBC Mediterranean Sea Basin Programme audit strategy .

The Strategy is prepared by the Audit Authority, according to Article 28.5 of Regulation (EU) No. 897/2014, taking into account the “Guidance on the preparation of the audit strategy in ENI CBC Programmes” provided by TESIM - Technical support to the implementation and management of ENI CBC Programmes (update May 2017) and EGESIF Guidance on Audit Strategy (14-0011-02), both as a source of inspiration only.

The Strategy, based on the AA professional expertise, as well as on the general experience from the previous programming period, has been drafted with an active contribution by TESIM experts and the Unit of Statistics of the Presidency of Sardinia Region.



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It covers the methodology for the risk assessment to be applied at the planning of the annual system audits, the audit approach and priorities applied for system audits and audits on projects, the audit methodology for the audit of annual accounts and management declarations, the audit work planned, and the necessary resources.

The Audit Strategy considers all tasks related to the programming period 2014-2020; thus, it provides specific directives regarding the audit activity to be performed till the programme ending.

The AA has eventually approved and transmitted the Strategy to the European Commission (DG Near) on 20 September 2017, thus respecting the deadline of 22 September 2017 as expected.

When drafting its strategy, according to Article 28.2 of Regulation (EU) No 897/2014, the Audit Authority should have been assisted by a Group of Auditors (GoA) comprising a representative of each participating country in the programme.

Moreover Article 32.3 of the same rules states that the GoA shall be set up within three months of the designation of the Managing Authority.

When drafting the Audit Strategy for the first time (Summer 2017), only a few members of the GoA were appointed by competent institutions, including those of some non EU participating countries, that had already signed the financing agreement with the European Commission.

Therefore, the first version of the Audit Strategy has been sent to the appointed members for information purposes only.

The AA is going to update the Audit Strategy in force within the deadline of 15 February 2019. Such updated version is due to be shared with the GoA having regard to its actual forthcoming set up (see par. V).

Meanwhile, on 27 September 2018, the AA has approved its own Manual of audit procedures, which is a tool that implements the Strategy, as compulsory document also requested for the by IGRUE. The manual includes audit tools such as check-lists, audit trails and report templates.



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The current version of the audit manual is due to be updated following the release of the new strategy, with the support of the above mentioned senior expert that is supposed to join fully the AA staff by the second half of 2019.

IV. SUMMARY OF AUDITS CARRIED OUT

IV.1. Managing Authority designation process

Audits performed by the AA in first accounting year only relate to the designation process due to the state of implementation of the Programme.

In accordance with article 25 of the ENI Implementing Rules, the Managing Authority (MA), that has been selected by the participating countries of the Programme; undergoes a designation procedure. The designation procedure shall be based on a report and an opinion of an independent audit body that assesses the compliance of the management and control systems. The AA takes responsibility for the audit on the designation after proving the effective functional and organizational independence.

As far as the designation process is concerned, a first initial draft of the ENI CBC MSB Description of the Management and Control System (DMCS) relating to project selection has been sent from the MA on 18 December 2017. Another draft about functions, internal organisation and resources for programme management bodies has been submitted on 19 February 2018.

Those drafts have been analysed by the Audit Authority and a meeting with the MA was held on 7 March 2018 to share issues detected at that point.

The first official version of the DMCS has been officially approved by the Managing Authority on 8 June 2018 and its full analysis by the AA has started afterwards, as part of the designation process.

Beside national and internal guidelines/tools, documents as provided by TESIM, the European Commission technical support initiative for ENI CBC Programmes, were used by the AA as a reference (e.g. "Compliance assessment in ENI CBC programmes - Guidance on methodology, designation criteria and audit opinion - update June 2017").



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DMCS and connected relevant documents have been assessed in accordance with criteria laid down in the Annex of the Regulation (EU) No 897/2014, dealing with five components of internal control, namely:

- 1) internal control environment;
- 2) risk management;
- 3) management and control activities;
- 4) information and communication;
- 5) monitoring.

Assessment of the IT system (MIS) has been carried out with the support by SOGEI, a specialised public company owned by the Italian Ministry of Finance.

The outcome of the audit work for the designation has been summarised in specific check-lists for each internal control component and designation criterion foreseen in the abovementioned Annex.

Moreover, several non implemented recommendations, as raised in previous Annual Audit report of ENPI CBC MED 2007/2013 Operational Programme as pending issues, were included as well.

At the end of the verifications on the managing and control system, of the analysis of all the acquired documents and the interviews with the Programme Authority, in order to express its final opinion, the Audit Authority has officially sent to the MA with letter reg.n. 35649/2018 of 23.10.2018 its check list draft.

The MA provided clarifications and integrations accordingly and committed itself to solve detected issues within fixed deadlines.

On October 25 the MA sent an updated version of the DMCS, the AA compliance check list with its own replies, an explicative note, a timetable for the MIS implementation and an annual progress report check list.

The AA has examined the received documents, prepared the final versions of its check-lists, the audit report and the audit opinion, officially adopted them on 29 October 2018 and sent them to Sardinia Region President. The opinion has been an unqualified opinion, with emphasis of matter including a detailed action plan to implement (see Annex 1 to this report). Based on those documents, Sardinia regional government, as national competent



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body, has officially designated the Managing Authority of the ENI CBC MSB Programme through Decision 53/1 of 29 October 2018.

Moreover, according to Article 25.4 of the Regulation (EU) No 897/2014 the designation process as a whole has been audited by the European Commission (EC). In particular a five days inspection (from 10 to 15 December 2018) involving both the MA and the AA staff has been performed by Ernest and Young as winning provider of the EC tender as assigned. Beside the full cooperation due, its worth to mention that both the AA and the MA received precious suggestions to further improve their efforts towards the programme implementation.

Finally, a specific System Audit action is expected by the new accounting year. According to the AA Work Plan, it will focus mainly on:

- a) at least one of the most sensitive MA on going procedures (i.e. MIS procurement, 1ST call for standard projects assessors recruitment, Joint Technical Secretariat (JTS) recruitment and tender, Project Selection Committee (PSC) decision making process and logistics);
- b) on the spot checks devoted to programme Branch Offices (BOs) – at least one of the two – and National authorities (priority is given to non EU participating countries).

IV.2. System audits

Not relevant (see par. I.5).

IV.3. Audits of projects

Not relevant (see par. I.5).

IV.3.1. Details of the bodies (including the audit authority) that have carried out audits on the appropriate sample of projects (as foreseen in article 28.1 of Regulation (EU) No 897/2014).

Not relevant (see par. I.5).



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IV.3.2. Description of the sampling methodology applied and information whether the methodology is in accordance with the audit strategy. Justification of the appropriateness of the sample chosen:

Not relevant (see par. I.5).

IV.3.3. Reconciliation between the total expenditure declared in euro to the Commission in respect of the accounting year and the population from which the sample was drawn.

Not relevant (see par. I.5).

IV.3.4. Analysis of the principal results of the audits of projects, describing the number of sample items audited, the respective amount and types of errors by project, the nature of errors found, main deficiencies or irregularities, root causes, corrective measures proposed (including those intending to avoid these errors in subsequent request) and the impact on the audit opinion.

Not relevant (see par. I.5).

IV.3.5. Explanations concerning the financial corrections relating to the accounting year and implemented by the managing authority before submitting the accounts to the Commission, and resulting from the audits of projects.

Not relevant (see par. I.5).

IV.3.6. Details of whether any problems identified would not allow to conclude that the related transactions are legal and regular, and the measures taken, including a quantification of the irregular expenditure and any related financial corrections.

Not relevant (see par. I.5).

IV.3.7. Information on the follow-up of audits of projects carried out in previous years, in particular on serious deficiencies (as above).

Not relevant (see par. I.5).

IV.3.8. Conclusions drawn from the overall results of the audits of projects with regard to the effectiveness of the control systems and whether it can be concluded that the related transactions are legal and regular.

Not relevant (see par. I.5).



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IV.4. Audit of accounts

Not relevant (see par. I.5).

IV.4.1. Indication of the authorities/bodies that have carried out audits of accounts.

Not relevant (see par. I.5).

IV.4.2. Description of audit approach used to verify the elements of the accounts defined in Article 68 of Regulation (EU) No 897/2014.

Not relevant (see par. I.5).

IV.4.3. Indication of the conclusions drawn from the results of the audits in regard to the completeness, accuracy and veracity of the accounts, including an indication on the financial corrections made and reflected in the accounts as a follow-up to the results of the system audits and/or audit on projects.

Not relevant (see par. I.5).

IV.4.4. Indication of whether any problems identified were considered to be systemic in nature, and the measures taken.

Not relevant (see par. I.5).

IV.4.5. Conclusion whether the accounts give a true and fair view.

Not relevant (see par. I.5).

V. COORDINATION BETWEEN AUDIT BODIES AND SUPERVISORY WORK OF THE AUDIT AUTHORITY

According to Article 28.2 of the Regulation (EU) No 897/2014, the Audit Authority shall be assisted by a Group of Auditors comprising a representative of each participating country in the programme. Therefore, the Group of Auditors (GoA) is an advisory body whose function consists in supporting the AA, especially in the update of the audit strategy, in the definition



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of the criteria for selecting external audit providers, in establishing directives and criteria for audits, in the discussion of main audit results and in drafting the annual reports.

By 30 June 2018, appointments of the Group of Auditors members by relevant national institutions, as for the Joint Operational Programme, have nearly been completed.

Almost all CV and declarations about independence, engagement incompatibility and lack of conflicts of interest have been acquired too, in order to give evidence of the experience and impartiality of the panel.

This body shall be official established and hold its first meeting, presumably within June 2019, after a provider for organising logistics will have been contracted following the on-going tender procedure.

The related rules of procedures (RoP), also completed by the AA, are going to be submitted to the members for their approval.

VI. OTHER INFORMATION

Not relevant.

VII. OVERALL LEVEL OF ASSURANCE

VII. 1. Indication of the overall level of assurance on the proper functioning of the management and control system, and explanation of how such level was obtained from the combination of the results of the system audits, audits of projects and audits on accounts. Where relevant, the audit authority shall take also account of the results of other national or EU audit work carried out in relation to the accounting year.

Not relevant (see par.I.5).



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VII.2. Assessment of any mitigating actions implemented, such as financial corrections and assess the need for any additional corrective measures necessary, both from a system and financial perspective.

Not relevant (see par.I.5) .

Annex 1 – Audit Authority Action Plan in compliance with Article 25.2 of Regulation (EU) No 897/2014

Designation criteria affected	Shortcomings	Recommendations / corrective measures	Timeframe agreed for implementation of corrective measures
Criterion 1 (i)		Organisational structure	
1 (i)	There are no procedures to ensure that MA staff in <i>sensitive posts</i> are identified and only minor appropriate controls are applied to such posts	Identify sensitive posts and set up appropriate controls	December 2018
Criterion 1 (iii)		Reporting and monitoring procedures for irregularities and for recoveries	
1 (iii)	Irregularity, suspected fraud and fraud are only indirectly defined	Please explicitly report definitions	May 2019
1 (iii)	Procedures to ensure coordination with the national Anti-Fraud Coordination Service (AFCOS) are not detailed	Set specific procedure for coordinating with AFCOS	February 2019
1 (iii)	Procedures to ensure coordination with institutions appointed for	Set specific procedure for coordinating with institutions appointed for relations with OLAF	February 2019



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	relations with OLAF are not detailed		
1 (iii)	Whistle blowing can be addressed to the MA responsible for the irregularities	Appoint the MA responsible for the irregularities	May 2019
	RAS regulation sets the legal framework for the protection of persons who report irregularities	Specify how whistle-blowers protection is enforced	May 2019
1 (iii)	No specific detail of exact rules to be applied is explicitly foreseen in the PIM	Specifically refer to exact rules in the PIM, so that the user can fully appreciate the scope of its content	March 2019
1 (iii)	No audit trail nor guidelines for recoveries result in place for ENI CBC MED	Define the audit trail and the guidelines for recoveries	December 2019
1 (iii)	Documents composing the file the MA has to send to the NA or to the Commission in case the reimbursement has not happened are not identified	Identify at a general level documents which compose the file the MA has to send to the NA or to the Commission in case the reimbursement has not happened	December 2019
Criterion 1 (iv)		Human resources	
1 (iv)	No overall procedure to ensure that staffing at all levels is adequate in terms of both numbers and expertise is in place for MA	Ensure that such procedures are in place, possibly through the on-going decision by the regional government on the matter	January 2019
1 (iv)	Human resources policies and practices in areas such as recruitment, orientation, training evaluation, counselling, promotion, and remuneration are	As far as elements of recruitment, orientation, training evaluation, counselling, promotion and remuneration are within MA remit, please set relating policies	March 2019



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	not in MA remit		
1 (iv)	MA staff selection procedures and criteria do not automatically lead to specifically expertise in ENI	Ensure that appointed MA staff meet specific criteria for working in ENI	January 2019
1 (iv)	General training is being planned, while specific training is likely to only affect part of the staff	Ensure a proper, effective and comprehensive training for all MA staff	December 2019
(iv)	Job descriptions detailing the objectives and scope of the work, the tasks and responsibilities of each staff and the reporting framework lack	Please detail the objectives and scope of the work, the tasks and responsibilities of each staff and the reporting framework also by considering the following recommendation raising from Audits on ENPI Programme: - Formalize and keep updated the internal manual for procedures where the JTS is involved; - Formalize in a devoted manual of procedures all documents on the negotiation process and the related check-lists with the instructions for their filling in; - Assure a better coordination within JTS activity and between this activity and the authoriser's; - Review the workflow, and consequently the audit trail, by inserting the missing steps, solving inconsistencies between activities and controls and among actors, and clarifying better the timing; - Formalize the assignment of projects to all involved officers through the adoption of proper acts and with the reasons for that allocation.	February 2019
1 (iv)	No procedure for filling vacant posts is in place	Arrange such a policy with the personnel department	June 2019
Criterion 3 (i)		Project selection procedures	



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3 (i)	The decisions on the acceptance or rejection taken by the JMC are not explicitly based on an evaluation report in case of final decisions, nor explained in sufficient detail in case the final decision is not in accordance with the evaluation report	Please make this link explicit also for the final decision, and state the obligation of detailed motivation for rejections	March 2019
3 (l)	The procedure described in the DMCS is not a complete appeal procedure.	Insert procedures for appeals or complains, compliant with Italian administrative law, concerning complains to offices and appeals to courts.	February 2019
Criteria 3 (ii) & (vi)		Contract management procedures	
3 (i) in general terms	PIM on procedures to be followed by beneficiaries is only going to be published before contracts with projects In case of contradictions between the official call documents and the FAQs, the latter will prevail, which is misleading	Publish the PIM Please commit to specify that official documents prevail in next calls for projects	March 2019 Next call for projects
3 (iv)	The duration of the whole process as well as the delays for completing each step will be defined in the audit trail to be adopted by the MA director	Detailed timing for payments by MA - including suspension time limit - would be an asset, as it generated long payment time in previous programming period	February 2019
3 (ii)	Already published provisions are in too general terms	The specific note is needed, before the project implementation start	March 2019
3 (i) in general terms	Requirements for financial plan,	Detail requirements for financial plan	Next call for



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	requested by art. 40 IR, are vague		projects
3 (i) (a)	A detailed work plan is not requested in the application, differently from art. 43 g) IR	Foresee details of the work plan in the application	Next call for projects
3 (i) in general terms and 3 (ii)	Financing agreements are referred to by the Partnership Agreement Template (p. 3) and the Model of Grant Contract (p. 4), but are not available for potential applicants	Financing agreements should be made available to potential applicants	June 2019
3 (ii) and 3 (iii)	Several issues on national procedures arise (see specific table)	National manuals are needed, possibly before contract signature or at least soon after Please clarify the situation about transferring euro abroad for Lebanese and Tunisian organisations and custom exemption for Tunisian ones	February 2019 June 2019
Criteria 3 (iii) & (vi)		Verification procedures	
3 (iii)	The fact that an agreed-upon procedure according to IFAC ISRS 4400 instead of an audit procedure is required is only referred to at p. 61 incidentally	For transparency and efficiency reasons, please clarify explicitly that an agreed-upon procedure according to IFAC ISRS 4400 instead of an audit procedure is required	March 2019
3 (iii) and 3 (iv)	Details of MA verifications and authorising procedures will be defined in future, according to p. 58 as for timing, throughout par. 4.2.2 and 4.2.4 as for templates and check-list to be used	Some more details on each piece of verification can be usefully added, e.g. how to check installations	March 2019



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3 (iv) and 3 (vi)	Authorising procedures do not explicitly include ensuring that each beneficiary keeps a separate accounting system or a suitable accounting code	We recommend an explicit statement about MA/JTS procedures for verifying beneficiaries' accounting obligations	March 2019
3 (iii)	On-the-spot checks shall be performed, but the provision is quite generical about content and procedures. Not even if MA or JTS or an external provider will perform these checks is stated (who is going to perform such checks is requested by EGESIF_14-0013 annex 3 check-list, question 3.12, last point).	Please better detail procedures	December 2019
3 (iii)	DMCS foresees an annual plan based on a list of risk factors, but nor the amount of grant (the project budget, instead) nor the identification of risk nor AA audits are included	Please detail procedures	December 2019



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<p>3 (iii)</p>	<p>DMCS par. 4.2.4 only deals with projects in general terms, without specifying whether the on-the-spot verifications will take place at the premises of the lead beneficiary only or also at the premises of some or all other project beneficiaries. Nevertheless GC art. 16.3 and 16.4 provide for MA (and other actors) right to on-the-spot project verifications; this provision specifically binds all beneficiaries both for its wording and due to art. 4.3 on general obligations. All beneficiaries obligation to allow MA on-the-spot checks (among others) is also stated by DMCS par. 4.1.2 letter k) p. 46-47.</p> <p>This provision comes from EGESIF_14-0013 annex 3 check-list, question 3.15. In the auditor's opinion, lack of this specification has not primary relevance.</p>	<p>Please specify criteria on which on-the-spot verifications will be organised</p>	<p>December 2019</p>
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3 (iii)	<p>Check-lists do not exist yet, but they are foreseen.</p> <p>Their existence is required by EGESIF_14-0013 annex 3 check-list, question 3.16. In the auditor's opinion, in this stage actual lack of detailed procedures and comprehensive check-lists has not primary relevance, provided that they are in place before any report is submitted.</p>	<p>Prepare detailed written procedures and comprehensive check-list according to these points and be sure to adopt them well before any project report.</p>	December 2019
4 (i), 4 (ii) and 4 (iii)	<p>Insufficient detail as regards procedures foreseeing how the relevant information on recurrent irregularities and/or deficiencies detected and their follow-up is transmitted to the management level of MA, as well as other relevant bodies</p>	<p>Please detail procedures</p>	April 2019
Criterion 3 (iv) Procedures for payments to beneficiaries			
	<p>Procedures by which payments to beneficiaries are</p>		
3 (iv) and 3 (viii)	<p>authorised, executed and accounted for described are not detailed</p>	<p>Please add some details on accounting payments to beneficiaries</p>	April 2019



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	Although the term for paying days can be considered an acceptable - if not quick - time, the same terms substantially		
3 ((iv)	existed in the previous programming period, when they did not prove effective (see ENPI CBC MED audit report I-69f of 26 February 2018).	Please give evidence of the improved management ability	February 2019
3 (iv)	In ENPI CBC MED (see ENPI CBC MED audit report I-69f of 26 February 2018) procedures were suspended for a variety of cases.	Explicitly limit the procedure suspensions to the cases admitted by the law, such as the acquisition of information or documents attesting any circumstance, status or characteristic not stated in documents already in possession or not acquirable from other public bodies.	March 2019
3 (iv)	A procedure to ensure the recovery of the unduly paid amounts of the EU contribution is only defined in its main steps	While providing the details of the procedure as mentioned as such please remind that any suspension phase shall comply with Eu Regulations, Italian Law 241/90 and Regional Regulation prescriptions where applicable.	December 2019
Criterion 3 (v) Electronic data systems			
3.v)	A system designed to manage information about every project, with relevant indicators and expected results, as described, is not yet in place	An implementation of the MIS that collects all data about the projects, permitting monitoring and evaluation by each body involved in the process must be set in place	April 2019
3.ix) [see also IR 897/2014 Art. 26.2.d; IR 897/2014 Art. 26.5.d]	A system that manages all documents regarding expenditures and keeps audits required to ensure that a suitable	Implementation of the MIS that permits the input, archiving and management of all the audit trail data, in order to ensure the correctness and regularity of expenditure declared and to permit future monitoring and audit checks. Archiving records of technical and financial reports for each project	April 2019



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	audit trail are held (in order to ensure the correctness and regularity of expenditure declared) is not yet in place		
1.iii)	A system showing the information useful for preventing and detecting irregularities, as described, is not yet in place	Implementation of the MIS that can manage information useful for preventing and detecting and irregularities must be set in place	April 2019
1.iii)	A system that manages the procedures for recovering amounts unduly paid, as described, is not yet in place	An implementation of the MIS that manages the procedures for recovering amounts unduly paid (Debt Recovery Procedure) must be set in place	April 2019
3.ii) [see also IR 897/2014 Art. 26.3.d/3.e]	A system that permits contract procedures management for beneficiary projects is not yet in place	An implementation of the MIS that manages the procedures for projects contracting and pre-financing must be set in place	April 2019
3.iii) & 3.iv) [see also IR 897/2014 Art. 26.6.a]	A system that permits administrative and technical verifications for each payment request by beneficiaries is not yet in place	An implementation of the MIS that manages the procedures for expenditure verification control and subsequent payment authorisation	April 2019
3(v)	IT systems secured in line with internationally accepted standards is not yet in place	Description of IT infrastructure ensuring redundance, data integrity, data availability, secured channels is present in the technical note given on 03 of August 2018 by MA. The infrastructure must be set up in place.	April 2019
1.i) [see also IR 897/2014 Art. 26.2.c]	A system that has to permit sharing of information with all involved bodies, ensuring that the principle of	Implementation of the MIS that let every body involved access a customized area with functions and procedures related to its role in the programme must be set in place	April 2019



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	segregation of functions, where appropriate, is respected is not yet in place		
Criterion 3 (vii)		Anti-fraud measures	
3 (vii)	Not all examples of adequate and proportionate preventive measures, tailored to specific situations, in order to mitigate the residual risk of fraud to an acceptable level	1) Adequate measures to risk assessment results; 2) Define a clear allocation of functions to each person	1) After first risk assessment exercise; 2) Before the beginning of the activities
3 (vii)	A procedure in place for whistle-blowing by any person is neither in place nor sufficiently detailed	Please detail the procedure, specify how the whistle-blower is being kept safe, appoint the MA responsible for irregularities and formally define his or her authority	April 2019
Criterion 3 (viii)		Programme accounts	
3 (viii)	Adopted accounting standards are neither described nor indicated	Please specify adopted accounting standards (including those used by BOs)	April 2019
3 (viii)	Accounting principles to be used by the MA for the preparation of the financial statements are not explicit nor related to specific standards	Please explicit adopted accounting principles and state specifically which standards they follow	April 2019
3 (viii)	Computerised form of the accounting system is described only and is not operational yet	Please ensure the timeline for actual release of the computerised version of the accounting system as planned along with the related contents as described	April 2019
Criterion 3 (ix)		Audit trail and archiving system	
3 (ix)	Accounts are foreseen as detailed to project level including recovered amounts, amounts to be recovered, amounts withdrawn from payment requests, and unrecoverable amounts, but nothing is said about amounts related to suspended projects	Please add information on amounts related to suspended projects	April 2019
Criterion 3 (x)		Management declaration of assurance	
3 (x)	Procedures to draw up the management declaration are only described as for document completeness	Please ensure the adequacy of the procedures to state the assurance also by specific tools as the case may be	February 2019



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3 (x)	Procedures for preparing activity are foreseen, but no specific rule on documentation is in place	Please set rules on documentation giving evidence to checks performed to ensure requirements are met	February 2019
3 (x)	Procedures only exist for external staff while as for internal one only few lines are devoted (p. 107). More reference to RAS procedures in force have to be included	Please integrate current version of the DMCS as for procedures for internal staff	February 2019
3 (x), 4 (ii)	Lack of procedures to ensure that system changes, exceptions to procedures, internal control weaknesses are applied or remedied properly - see also analysis on component 4 (par. 4.7 DMCS)	Please set procedures to ensure that system changes, exceptions to procedures, internal control weaknesses are applied or remedied properly	February 2019
3 (x)	Procedures for programme monitoring with respect to TA are foreseen but not described	Please better detail procedures for programme monitoring with respect to TA	January of each year. Mid term evaluation (Sept.- October of each year). Final evaluation the first semester of the following year.
3 (x), 3 (vii)	Anti-fraud measures are not among the documents that the declaration relies upon - see criterion 3.vii (question 3.40)	Include results of anti-fraud measures among documents that the management declaration ex art. 68 IR relies upon	February 2019
3 (x)	The annual summary only includes controls performed by the director office, while management verifications are carried out by the authorising unit	Include the results of management verifications in the annual summary	February 2019
3 (x)	No procedures are in place in order to ensure that the results of management verifications are duly taken into account to conclude on the effective functioning of the control system put in place and the legality and regularity of underlying transactions	Ensure that within the statement the results of management verifications are included	February 2019



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3 (x)	Audit reports have to be considered, according to the established rules, but there is no description on how this is going to happen	Please clarify how audit recommendations are to be implemented and followed-up	February 2019
Criterion 4 (i) The MA obtains or generates relevant information			
4(i)	Current provision on the generation and use of relevant, quality information is expected is in general terms and should be detailed	To integrate current version of DMCS par. 4.9. Moreover recommendations raised on assessment for Criterion 1 shall be considered	April 2019
4(i)	Current provision on how the information is identified, captured and inserted in the management and information system (MIS) is in general terms and should be detailed	To integrate current version of DMCS par. 4.9. Moreover misleading references shall be removed	April 2019
4(i)	Current provision on the identification of the unit responsible for the collection and distribution of each piece of information is expected is in general terms and should be detailed	To integrate current version of DMCS par. 4.9. Moreover recommendations raised on assessment for Criterion 1 shall be considered	April 2019
4(i)	Current provision on the the evaluation and classification of information based on level of integrity, confidentiality and availability is expected is in general terms and should be detailed	To integrate current version of DMCS par. 4.9.	April 2019
Criterion 4 (ii) The MA disseminates information internally			
4(ii)	Current provision on the generation and use of relevant, quality information is expected is in general terms and should be detailed.	To integrate current version of DMCS par. 4.9. Moreover specific provision on training per each and every per each and every programme body shall be included.	March 2019
4(ii)	Current provision on the reporting of details for management needs along with related summarisation to facilitate decision making is expected is in general terms and should be detailed.	To integrate current version of DMCS par. 4.9.	March 2019
Criterion 4 (iii) The MA disseminates information externally			
4(iii)	Current provision on the identification of responsible for the external dissemination of information is in general terms and should be detailed	To integrate current version of DMCS par. 4.9. Moreover misleading references shall be removed	March 2019



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Criterion 5		Documented procedures, verifications and evaluations performed to ascertain that the components of internal control exist and function	
5	Key controls on the functioning of the systems are identified in general terms but the Internal Controls Coordinator is not appointed yet	To appoint the Internal Control Control coordinator among Director of the MA' staff	January 2019
5	Current provision on definition of persuasive information is in general terms and should be detailed	To integrate current version of DMCS par. 4.7	March 2019
5	Spot-checks procedures are expected to be detailed in the Internal Audit Manual to be drafted by the Internal Controls coordinator	To draft and approve the Internal Controls Manual	March 2019
5	The documentation of ongoing procedures is expected to be detailed in the Internal Audit Manual to be drafted by the Internal Controls coordinator	To draft and approve the Internal Controls Manual	March 2019
5	Current provision on a self-evaluation of the system is in general terms and should be detailed. Moreover see findings 3-4	To integrate current version of DMCS par. 4.7	March 2019
5	The Reporting of findings flow is expected at general level, although specific provisions are just a reference to the EU regulation or sources of inspiration documents. Moreover see findings 3-4	To integrate current version of DMCS par. 4.7	March 2019
5	The implication on investigation are expected to be considered at general level, although specific provisions are just a reference to the EU regulation or sources of inspiration documents. Moreover see findings 3 - 4	To integrate current version of DMCS par. 4.7	March 2019



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5	The evaluation the accuracy, timeliness and relevance of MIS by the MA is expected at general level, although specific provisions are just a reference to the EU regulation or sources of inspiration documents. Moreover see findings 3-4	To integrate current version of DMCS par. 4.7	March 2019
5	The analysis of the nature and extent of errors and weaknesses identified in systems, is expected at general level, although specific provisions are just a reference to the EU regulation or sources of inspiration documents. Moreover see findings 3-4	To integrate current version of DMCS par. 4.7	March 2019

Cagliari, 18 January 2019

The Audit Authority

Enrica Argiolas