UNIONE EUROPEA

REGIONE AUTÒNOMA DE SARDIGNA
REGIONE AUTONOMA DELLA SARDEGNA

ENI CBCMED
Cooperating across borders in the Mediterranean

MEDITERRANEAN SEA BASIN ENI CBC PROGRAMME 2014-2020

DESCRIPTION OF THE MANAGEMENT AND CONTROL SYSTEMS (DMCS)

VERSION 5 – APRIL 2023 APPROVED BY ACT OF THE MANAGING AUTHORITY

UNIONE EUROPEA

REGIONE AUTÒNOMA DE SARDIGNA
REGIONE AUTONOMA DELLA SARDEGNA

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ACRONYMS

AA	Audit Authority
ASEZA	Aqaba Special Economic Zone Authority
BOs	Branch Offices
CBC	Cross-Border Cooperation
CCP	Control Contact Points
EC	European Commission
ENI IR	Commission Regulation n. 897/2014
EU	European Union
EVR	Expenditures Verification Report
FA	Financing Agreement
GoA	Group of Auditors
JMC	Joint Monitoring Committee
JOP	Joint Operational Programme
JTS	Joint Technical Secretariat
MA	Managing Authority
MIS	Monitoring and Information System
MPCs	Mediterranean Partner Countries
Nas	National authorities
NCPs	National Contact Points
PSC	Project Selection Committee
RBM	Result Based Management
ROM	Result Oriented Monitoring

1. INTRODUCTION

1.1. MAIN FEATURES OF THE ENI CBC MED PROGRAMME 2014-2020

The "ENI CBC Mediterranean Sea Basin Programme 2014-2020" is a multilateral cross-border cooperation programme co-financed by the European Union under the European Neighbourhood Instrument (ENI).

The Programme provides the framework for the implementation of cross-border cooperation activities in the context of the European Neighbourhood Policy, complementing efforts exerted within the framework of the Euro-Mediterranean Partnership, with the final aim of developing an area of peace, stability, prosperity and good neighbourliness involving EU Mediterranean Countries (EUMC) and Mediterranean Partner Countries (MPCs).

Within the general ENP policy context and ENI, cross-border cooperation (CBC) has an essential and unique role to play, fostering mutual understanding on common challenges, jointly addressing medium term needs, and supporting institutional capacity building. Based on the experience of their predecessors, the ENPI CBC Programmes, the ENI CBC Programmes draw on funding from both external and internal headings of the EU budget. Adopted in October 2014, the Programming Document provides the strategic framework for all ENI cross-border cooperation for the period 2014–2020. It also defines the types of Programmes and lists the individual CBC Programmes that the EU shall finance, including their geographic eligibility and financial allocation.

Within the general context set by the Programming Document, the partners of the ENI Mediterranean Sea Basin CBC Programme 2014-2020 prepared the Joint Operating Programme (JOP), reflecting the specific needs and requirements of the cooperation area.

1.2. OBJECTIVES AND PRIORITIES

The General Objective of the ENI CBC MED 2014-2020 is to foster fair, equitable and sustainable economic, social and territorial development, which may advance cross-border integration and valorise the participating countries' territories and values. Programme has identified the following general objectives:

A - Promote economic and social development;

B - Address common challenges in the environment

These objectives are articulated into 4 Thematic Objectives:

A.1 Business and SME development

A.2 Support to education, research, technological development and innovation

A.3 - Promotion of social inclusion and the fight against poverty

B.4 - Environmental protection, climate change adaptation and mitigation

The following table shows the 4 Thematic Objective and the 11 Priorities:

Thematic Objectives	Priorities
A.1 Business and SMEs development	A.1.1: Support innovative start-up and recently established enterprises, with a particular focus on young and women entrepreneurs and facilitate the protection of their Intellectual Property Rights and commercialisation where applicable.
	A.1.2: Strengthen and support euro-Mediterranean networks, clusters, consortia and value-chains in traditional sectors (agro-food, tourism, textile/clothing, etc.) and non-traditional sectors (innovative ideas solutions for urban development, eco-housing, sustainable water-related and other clean technologies, renewable energy, creative industries, etc.).
	A.1.3: Encourage sustainable tourism initiatives and actions aimed at diversifying into new segments and niches.
A.2 Support to education, research, technological development and innovation	A.2.1: Support technological transfer and commercialisation of research results, strengthening the linkages between research, industry and other private sector actors.
	A.2.2: Support SMEs in accessing research and innovation, also through clustering.
A.3 Promotion of social inclusion and the fight against poverty	A.3.1: Provide young people, especially those belonging to the NEETS, and women, with marketable skills.
	A.3.2: Support social and solidarity economic actors, also in terms of improving capacities and cooperation with public administrations for services provision.
B.4 Environmental protection, climate change adaptation and mitigation	B.4.1: Support sustainable initiatives targeting innovative and technological solutions to increase water efficiency and encourage use of non-conventional water supply.
	B.4.2: Reduce municipal waste generation, promote source-separated collection and its optimal exploitation, in particular its organic component.
	B.4.3: Renewable energy and energy efficiency - Support cost-effective and innovative energy rehabilitations relevant to building types and climatic zones, with a focus on public buildings.

	B.4.4: Integrated Coastal Zone Management - Incorporate the Ecosystem-Based management approach to ICZM into local development planning, through the improvement of intra-territorial coordination among different stakeholders.

1.3. PROGRAMME FINANCIAL ALLOCATION

The overall allocation of ENI funds to the Mediterranean Sea Basin programme is about 209 million euro. According to art. 6 of the Commission Regulation n. 897/2014 (ENI Implementing Regulation), the financial allocation for each Thematic objective has been identified in the Joint Operational Programme, as amended on the 2nd July 2021, and it is reported below.

Thematic objectives by source of funding (in euro)

	EC Funding (a)*	Co-financing (b)	Co-financing rate (in %) (c)**	Total funding (d) = (a)+(b)
Thematic Objective 1 *(Business and SMEs development)*	€ 52.014.969	€ 5.779.441	11,11%	€ 57.794.410
Thematic Objective 2 *(Support to education, research, technological development and innovation)*	€ 44.737.850	€ 4.970.872	11,11%	€ 49.708.722
Thematic Objective 3 *(Promotion of social inclusion and fight against poverty)*	€ 36.369.693	€ 4.041.077	11,11%	€ 40.410.770
Thematic Objective 4 *(Environmental protection, climate change adaptation and mitigation)*	€ 55.029.519	€ 6.114.391	11,11%	€ 61.143.910
Technical Assistance	€ 20.905.781	€ 4.585.965	21,94%	€ 25.491.746
Total	**€ 209.057.812**	**€ 25.491.746**	**12,19%**	**€ 234.549.558**

* In accordance with the Programming document for EU support to ENI Cross-Border Cooperation (2014-2020) adopted with Commission Implementing Decision C(2014) 7172 of 8.10.2014.

** Co-financing rate shall be calculated on the basis of the EU contribution to the Joint Operational Programme, in accordance with articles 12, 13 and 14 of the Commission Implementing Regulation (EU) No 897/2014 of 18 August 2014 laying down specific provisions for the implementation of cross-border cooperation programmes financed under Regulation (EU) No 232/2014 of the European Parliament and the Council establishing a European Neighbourhood Instrument.

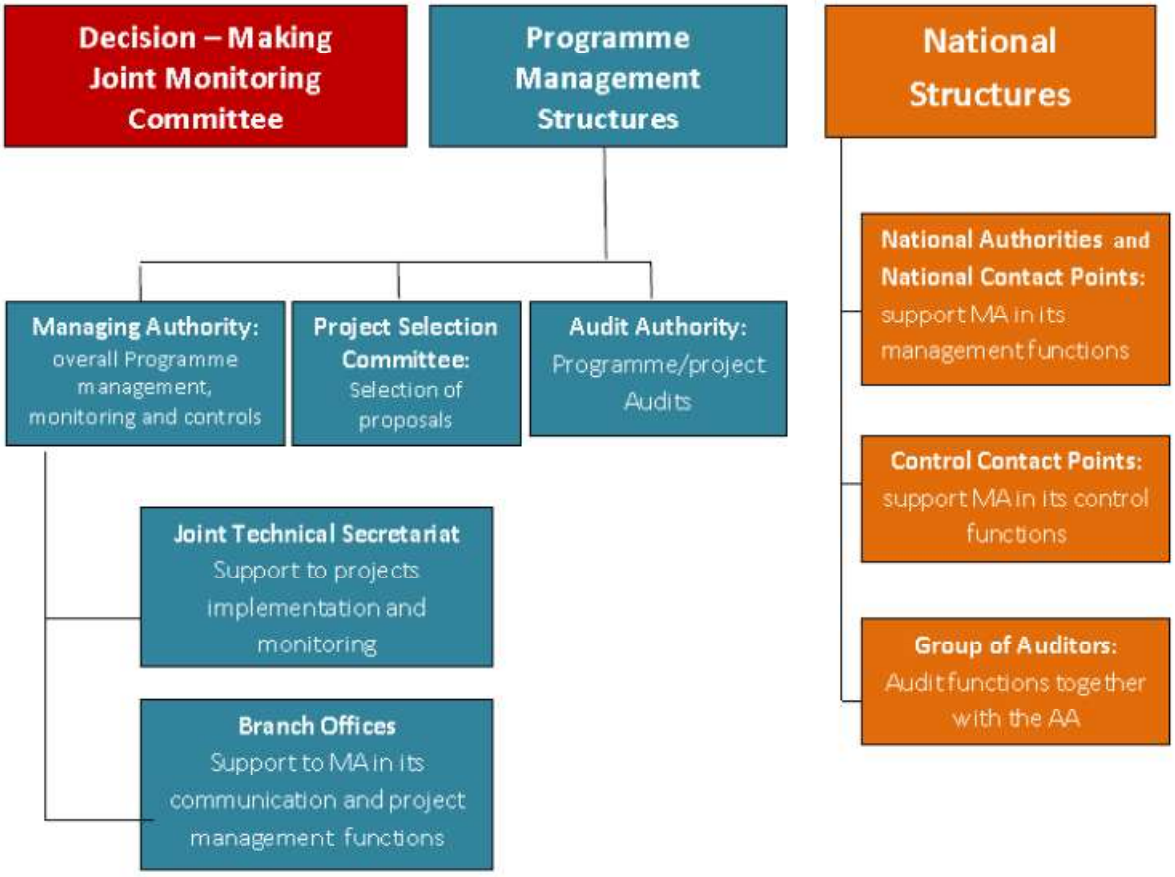
2. PROGRAMME MANAGEMENT BODIES: FUNCTIONS, INTERNAL ORGANISATION AND RESOURCES

As foreseen by the Commission Regulation (CR) 897/2014 (from now on mentioned as ENI CBC IR), the ENI-CBC Mediterranean Sea Basin Programme is managed through a separation of functions among the following compulsory bodies:

- **Joint Monitoring Committee (JMC);**
- **Managing Authority (MA);**
- **National authorities (NAs);**
- **Audit Authority (AA);**
- **Group of Auditors (GoA);**
- **Control Contact Points (CCPs).**

Moreover, the participating countrie agreed on establishing the following “optional” programme bodies to carry out specific functions to support the compulsory bodies:

- **Joint Technical Secretariat (JTS);**
- **Branch Offices (BO);**
- **National Contact Points (NCPs);**
- **Project Selection Committee (PSC).**



2.1 JOINT MONITORING COMMITTEE (JMC)

The Joint Monitoring Committee (JMC) is the decision-making body of the Programme and it has the main responsibility to follow the overall implementation of the Programme and of its strategy.

2.1.1 COMPOSITION

According to art. 21 of the ENI CBC IR), the JMC has been officially set up by the participating countries within three months from the date of adoption of the Programme by the EC through a formal meeting. During its first meeting the JMC adopted its rules of procedures[1]

According to its Its composition includes:

- A delegation for each country participating in the programme (maximum five members) with one voting right per delegation;
- The Director of the MA without voting right acting as Chairperson;
- A representative of the JTS without voting right;

[1] See annex 1.

- A Secretary appointed by the MA without voting right;
- A representative of each organisation hosting the Branch Office (BO) without voting right (ASEZA for the Aqaba BO and Generalitat Valenciana as Valencia BO);
- A representative of the European Commission in an advisory/ observer capacity, without voting rights;
- Observers without voting rights, as the case may be.

The composition of the national delegations and is decided by each country in accordance with the Rules of Procedure (RoP) of the JMC, and it is notified to the Secretary.

2.1.2 FUNCTIONS

In accordance with article 24 of ENI-CBC IR, the main functions of the JMC are:

a. Approving the MA's work Programme and its financial plan, including the use of technical assistance;

b. Monitoring the implementation by MA of the work Programme and financial plan;

c. Approving the criteria for selecting the projects to be financed;

d. Being responsible for the evaluation and selection procedure of projects to be financed;

e. Approving any proposal to revise the Programme;

f. Examining all reports submitted by MA;

g. Examining all contentious cases brought to its attention by MA;

h. Examining and approving the annual reports referred to in Article 77;

i. Examining and approving the annual monitoring and evaluation plan referred to in Article 78;

j. Examining and approving the annual information and communication plan referred to in Article 79.

Notwithstanding point 4, JMC set up the Projects Selection Committee acting under its responsibility.

The description of the functioning of the JMC is contained in the Rules of Procedure (RoP) that has been adopted unanimously at its first meeting. The RoP ensure the proper functioning of the JMC in accordance with the principles of confidentiality, equal treatment, impartiality and respect of the Programme rules.

Among the specific rules concerning the composition, the RoP define the decision making mechanisms, the quorum for the validity of the decisions/meetings by ensuring a geographically equitable participation of EUMCs and MPCs.

Each country has a single vote which shall be used in accordance to the internal agreement within each delegation.

The JMC is convened by its chairperson or by a duly justified request from one national Delegation or from the European Commission.

The MA is assisted by the JTS for the secretariat and organisation of the JMC meetings.

Minutes shall be drawn up after each JMC meeting signed by the chairperson and the secretary. A draft copy of these minutes shall be shared with the participating countries representatives, the Commission and any other observer. The minutes of each meeting shall have to be approved by the JMC itself either through written decision or at its next meeting at the latest.

The Managing Authority may also decide to convene the Heads of Delegation for technical and/or preparatory meetings or to address specific issues to be discussed.

2.2 MANAGING AUTHORITY

By agreement of the countries participating in the Programme, the MA is the Autonomous Region of Sardinia (Italy), which has its operational base in Cagliari (Italy) within the Presidency of the Sardinia Region. The MA shall set up a Joint Technical Secretariat (JTS), which shall assist the MA in the day-to-day management of the Programme. The JTS shall report directly to the MA. The functioning costs of the Managing Authority shall be covered by Technical Assistance funds, with a co-financing in terms of salaries of the internal human resources dedicated to the Programme equal to about 70 % of the total internal human resources costs.

2.2.1 STRUCTURE OF THE MANAGING AUTHORITY

The MA shall have the following structure:

- Director's Office;
- Operational and Authorising Unit;
- Payment Unit.

The MA has both permanent and temporary staff, recruited according to the application legislation. The MA personnel is subject to the code of conduct of the Region of Sardinia approved with the Regional Goverment Decision n. 43/7 of 29.10.2021 "*Codice di comportamento del personale del Sistema dellaRegione Autonoma della Sardegna e delle Società partecipate*[2]".

The MA staff is continuously updated through the circulation of regional procedures concernign the conflict of interests, anticorruption mechanisms etc. The person in charge of the circulation of these documents and procedures is the Director of the MA through her assistant via email.

In particular the Autonomous Region of Sardinia in line with the national law n. 190 dated 09 November 2012 on anti-corruption measures, adopted adopted the latest three-year plan for

[2] Code of Concuct of the personnel of the Autonomous Region of Sardinia and of its entities, agencies and participated companies.

the prevention of corruption and transparency for the three-year period 2022-2024 (by resolution No. 14/6 of 29.04.2022), which includes the report on the mapping of processes and related assessment of the corruption riskMoreover, the Regional Government adopted the decision n. 30/15 dated 16.06.2015 on the procedures to report illicit situations to the Anti-Corruption office set within the Autonomous Region of Sardinia (wistleblowing). The Italian law and the Office of the Region's Corruption Prevention and Transparency Officer guarantee whistleblowers maximum protection both with regard to anonymity and against any retaliatory measures or discrimination.

Finally, in accordance with the national legislation (National Legislative Decree n. 39/2013) the MA Director and the Head of Units need to make a specific declaration preventing the conflict of interests when they are appointed and on yearly basis. These declarations are also published in the websited of the Autonomous Region of Sardinia.

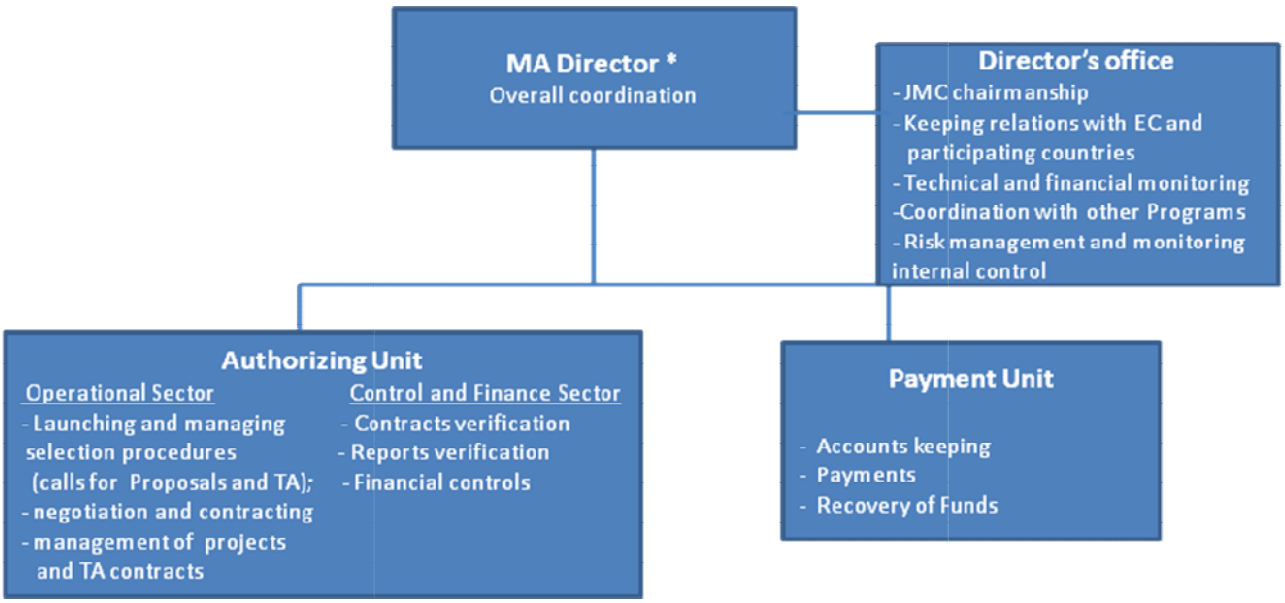
The organisational structure of the MA has been established through the Regional Decree n. 52/10 adoped on 23.10.2018.

2.2.3 FUNCTIONS OF THE MANAGING AUTHORITY

As defined in article 26 of ENI CBC EC Regulation 897/2014, the MA shall be responsible for managing the Programme in accordance with the principle of sound financial management, and for ensuring that decisions of the Joint Monitoring Committee (JMC) comply with the law, regulations and provisions in force.

The main functions according to each responsible unit of the MA are described below.

ORGANISATIONAL AND FUNCTIONAL CHART OF THE MANAGING AUTHORITY



a) Functions of the Director's office of the Managing Authority

The MA Director shall be responsible for ensuring that the Programme is implemented, according to the principles of sound financial management and in accordance with the provisions set by the EU ENI regulations, Italian national legislation (as far as the administrative process are concerned) and regional provisions. The MA Director shall have the overall responsibility of the MA on the Programme implementation towards the participating countries and beneficiaries.

Director's office (indicatively 8 persons including the Director, one Assistant, four officers and 2 experts) shall guarantee the overall coordination of the Programme through the following functions to be carried out by its components.

The main functions of the Director shall be:

1. Coordinate and supervise the work of the Director's office staff;
2. Chair the JMC without voting right, trying to reach the consensus and guaranteeing the compliance with the JMC rules of procedure;
3. Submit, after approval by JMC, the annual reports and final report to the European Commission, including a management declaration and an annual summary;
4. Issue all the official communications to the NA and other relevant bodies concerning any issue which is relevant to the execution of their tasks;
5. Carry out the performance assessment of the internal staff, according to the internal provisions of the Region of Sardinia.
6. Ensuring the implementation of the information, communication and capitalization activities also through the coordination with other initiatives in the Programme area;
7. Ensuring a punctual monitoring and internal control.

The MA Director shall be supported by the office's staff to:

a. Draw up for the approval by JMC, the annual reports and final report to be sent to the European Commission, including a management declaration and an annual summary. In particular the Director's staff shall collect and revise all the information concerning the programme implementation and draft the reporting documents to be submitted to the JMC.
b. Share all relevant information with other management bodies (such as JTS, Audit Authority and other relevant bodies) and beneficiaries that is relevant to the execution of their tasks or project implementation;
c. Ensure the implementation of the information and communication plans in accordance to art. 79 of the Implementing Rules.
d. Support the work of JMC and provide it with all necessary information to enable it to carry out its tasks (such as data related to the progress of the Programme in achieving its expected results and targets). The Director's office shall ensure all the support to enable the JMC to fulfil its responsibilities.

e. Ensure capitalization and the setting of coordination mechanisms to avoid double funding, complementarities and synergies with other Programmes or instruments in the Mediterranean area (ENI regional programmes, ETC MED, the Union for the Mediterranean, the West Med Strategy etc.), supported by its office staff.

f. Make sure that the results of all audits carried out by or under the responsibility of the Audit Authority when drawing up and submitting payment requests are duly taken into account, including the corrective measures;

g. Ensure the implementation of the monitoring and evaluation plans in accordance to art. 78 of the Implementing Rules, and ensuring "result-oriented programme and project monitoring" in addition to the day-to-day monitoring carried out by the JTS;

h. Carry out the monitoring of programme circuits and their overall efficiency, through the detection of potential risks deriving from their functioning, potential improvements, alternatives and/or solutions to specific issues;

i. Ensure the coordination of the whole MA with other programme bodies (NA, CCP, NCP, AA and BOs) in order to guarantee a smooth implementation of the Programme in order to detecting possible synergies among projects dealing with similar issues and financed by other EU programmes in the area (for example by sharing databases with other initiatives and programmes concerning the key stakeholders in order to identify possible double funding). Moreover the MA shall ensure that the relevant information is shared with other programmes/instruments in order to identify relevant deliverables, innovative approaches and/or methodologies. Finally the Director's office shall keep the external relations with the National Authorities on Programme implementation (including duties and responsibilities of the national bodies involved in programme management); the EC; representatives of other Programmes or instruments in the Mediterranean area etc.

j. Manage all the administrative procedures linked to the horizontal functions of MA (including performance planning and assessment, dissemination to the competent offices of information such as internal regional notes, budget planning and yearly mandatory operations required by the Region of Sardinia etc.)[3].

k. Setting up a risk management plan, periodically updated, to be updated at least once a year and to carry out a punctual monitoring of the internal control. In order to carry out the above mentioned functions, the MA Director shall be supported by the office's staff who shall report directly to the Director the results and outputs of its activities.

The MA Director's office shall have the following internal indicative structure:

- One permanent communication profile who shall be responsible for supporting the Director in ensuring the implementation of the information and communication plans in accordance to art. 79 of the Implementing Rules. Another temporary external expert may be appointed through the service provider of TA services to the MA, as the case may be.

[3] Depending on the availability of staff, these funtions could be given to the payment unit.

- two persons in charge of programme management and external relations (internal). In particular, two persons shall have an expertise in Programme strategic technical aspects, while the other two shall deal with financial aspects at Programme level.
- One officer (internal) in charge of the Programme Information and Monitoring system and of the functioning of the internal circuits;
- One expert (external - part time) supporting the technical management of the Programme;
- One expert (external) supporting the financial management and the audit of the Programme;
- One assistant (internal) who shall support the day-to-day work of the MA Director and in particular he/she shall ensure performing secretarial and administrative tasks related to the activities of the MA office, such as managing calendar, appointments and incoming calls, assistance to information and dissemination among the units, making arrangements for MA staff missions and reporting of their costs etc.

The external staff of the Director's Office shall be recruited through an external company to be contracted through an open call for tender.

The MA Director, in accordance with the Heads of the two Units (described in the following sections) ensures the work allocation amongs employees for the efficient and strategic management of the assigned tasks.

The MA Director ensures the updating of skills possessed by the internal resources, through general training organised by RAS , as well as through specialised training seminars on different topics organised by TESIM (that provides technical assistance to the implementation of the ENI CBC Programmes for the EC). More information on the comprehensive organization chart, responsibility assigned and skills requested are detailed in the Annex 4.

b) Operational and Authorising Unit: composition and fuctions

(indicatively 6 persons including one Head of Unit and 5 officers)

The Head of Unit shall be responsible for the coordination of the whole unit including the management and the supervision of the work carried out by the unit staff.

The Operational and Authorising Unit shall carry out the activities referred to the following functions:

1. **Selection and contracting of projects**

- Defyining the content of the calls documents together with the MA director's office, and in particular the content of the Grant Contract (General and Special Conditions), to be approved by the JMC;
- Launching the Calls for Proposals;

- Chairing the PSC and proposing to the MA Director the person to be appointed as PSC secretary;
- Verifying that the negotiation process has been properly carried out (namely the negotiation check-lists and documents are complete and correct);
- Signing the Grant Contract with project Beneficiaries and the addendum to the Grant Contract in case of major modifications;
- Defining, supported by the MA Director's office and by the JTS coordinator, the audit trail for projects to be approved by the MA director;
- Developing, supported by the JTS, the reporting templates to be used by projects.

2. Manage the technical assistance funds

- Ensuring that contract award procedures are managed by the personnel of the Operational and Authorising Unit according to the European and Italian legislation and to the internal procedures of the Region of Sardinia which are in line with the Italian legislation;
- Drafting call for tender documents and launching and managing the tender procedures;
- Signing contracts with contractors;
- Managing contracts and any modification during contract implementation;
- Ensuring a suitable audit trail for TA.

3. Ensure the financial management and control

- Analyzing the conclusions of the JTS on the interim and final reports delivered by project Beneficiaries. The Unit shall be responsible for deciding on the eligibility of expenditures by making sure whether the expenditure declared by the beneficiaries has been paid by them and that this complies with applicable law, programme rules and conditions for support of the projects.
- Deciding on the interpretation of eligibility rules concerning projects, supported by the MA director's office for obtaining the information on national rules by CCP, in order to determine the eligible expenditures and the amount of further pre-financing to be transferred;
- Approve that report on the services, supplies or works performed, delivered and or installed by contractors;
- Ensuring that beneficiaries involved in project implementation maintain either a separate accounting system or a suitable accounting code for all transactions related to a project;
- Defining effective and proportionate anti-fraud measures, taking into account the risks identified and the recommendations made by the MA Director's office on the monitoring and evaluation;

- Defining procedures to ensure that all documents regarding expenditure and audit required to ensure a suitable audit trail are held;
- Ensuring that all the recommendations relevant to the processes managed by the Unit, deriving from the results of all audits carried out by or under the responsibility of the Audit Authority when drawing up and submitting payment requests, are taken into consideration by revising, together with the MA director's officer or the JTS coordinator the circuits, as the case may be.

4. Ensure verifications on projects

- Ensuring that the administrative verifications are carried out by the unit personnel in charge of each project in respect of each payment request by beneficiaries.
- Ensuring the detection of irregularities and establishing the the debit notes to be sent to project beneficiaries;
- Deciding and notifying the Beneficiary concerning on-the-spot verifications to be carried out on its project and defining the on-the-spot verification methodology together with the MA Director's office and JTS.
- Attending on-the-spot verification missions as the case may be;
- Signing the verification mission reports including the conclusions, decisions and/or recommendations to be transmitted to the MA Director's office in order to inform the JMC and/or the relevant NA.
- The frequency and coverage of the on-the-spot verification shall be proportionate to the amount of the grant to a project and the level of risk identified by the verifications and controls to be performed by the MA for the management and control system as a whole. On the spot project verification may be carried out on a sample basis.

The Operational and Authorising Unit shall carry out its activities independently.

In compliance with art. 74 of the Financial Regulation, in order to prevent errors and irregularities before the authorisation of operations, each Project shall be subject to controsl carried out by external auditors, the JTS and by the Operational and Authorising Unit officers.

When the Operational and Authorising Unit and/or the Managing Authority are carrying out the operation, controls (desk verifications and on the spot checks) are carried out, ensuring functional separation, by the ERDF First Level Control Working Group or by an independent office or by an external auditor.

The ex post controls (on the spot checks) on Projects are carried out by Operational and Authorising Unit officers other than those responsible for previous controls.

In order to ensure the control of internal procedures, the Operational and Authorising Unit uses specific check lists approved by the Head of the Unit.

c) Accounting and Payment Unit: composition and functions

(indicatively 2 persons including one Head of Unit and one officer)

This unit shall be independent from the Operational and Authorising Unit and it shall be in charge of keeping the accounts of the Programme and managing the payments.

The Accounting and Payment Unit shall carry out its activities in compliance with art. 68 of the Financial Regulation and in particular it shall be responsible for:

- properly implementing payments;
- collecting revenue and recovering amounts as being receivable;
- keeping the accounts and preparing and presenting the accounts in line with the provisions of the Financial Regulations;
- Laying down the accounting procedures and the chart of accounts;
- Laying down and validating the accounting systems;
- Guaranteeing the treasury management.

The Head of Unit shall be responsible for the coordination of the whole unit including the management and the supervision of the work carried out by the unit staff.

In particular the Accounting and Payment Head of Unit shall carry out the following main activities:

- Revising the drafted payment request and submitting it to EC;
- Revising and finalizing the drawing of the annual accounts;
- Initializing the payment to contractors by signing the payment order
- Initializing the payment to projects by signing the payment order
- Ensuring the maintenance of computerised accounting records for expenditures declared to the Commission and for payments made to beneficiaries;
- Ensuring that an account of amounts recoverable and of amounts reduced following cancellation of all or part of the grant are kept;
- Ensuring that all the recommendations relevant to the process managed by his/her Unit, deriving from the results of all audits carried out by or under the responsibility of the Audit Authority when drawing up and submitting payment requests are taken into consideration by revising, together with the MA experts or the JTS coordinator the circuits, as the case may be.

Function carried out by the personnel of the Accounting and Payment Unit:

The Head of Unit shall coordinate the unit staff who shall carry out the following activities:

- Drafting the payment requests to EC;
- Drafting the annual accounts;
- Drafting and preparing the payments to contractors, including the verifications on the amounts and bank info;

- Drafting and preparing the payments to projects, including the verifications on the amounts and bank info;
- Maintain computerised accounting records for expenditures declared to the Commission and for payments made to beneficiaries, including the upload of commitments and payments and the bank information;
- Keeping an account of amounts recoverable and of amounts reduced following cancellation of all or part of the grant.

2.3 JOINT TECHNICAL SECRETARIAT

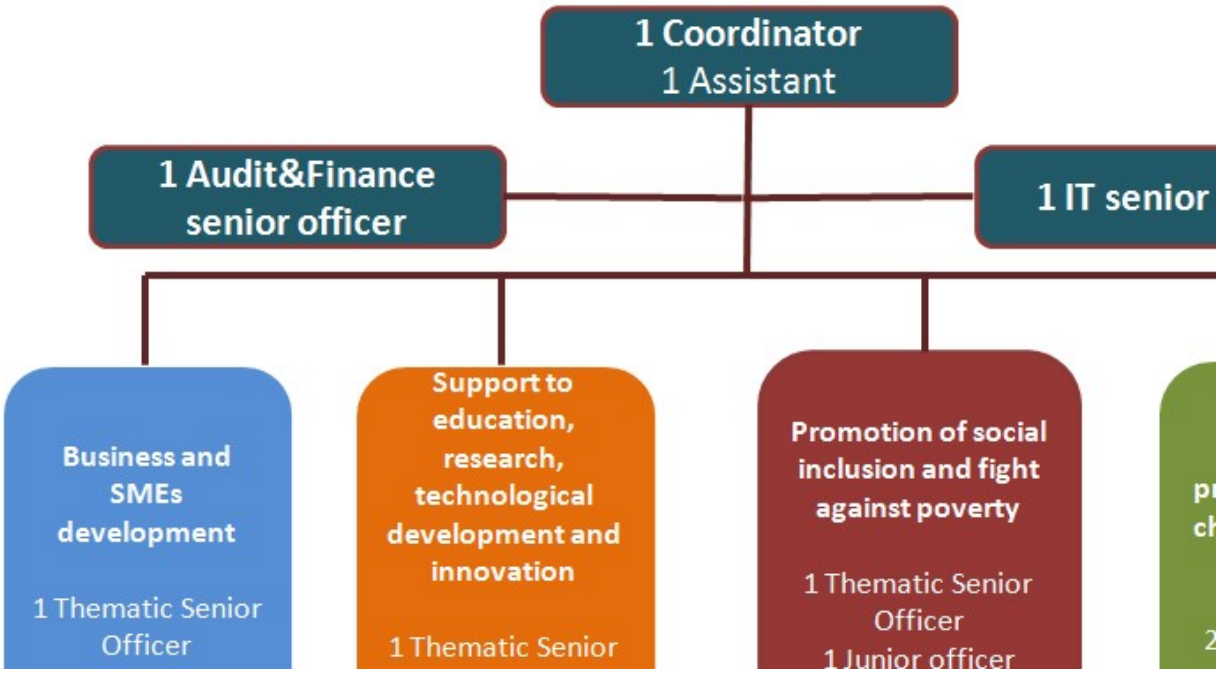
As foreseen by the Joint Operational Programme, MA shall set-up a JTS whose staff shall perform of its tasks in Cagliari (Italy) and in the Programme area according to the ToRs of the profiles approved by the JMC.

The JTS shall be composed by international staff recruited through an external company to be contracted through an open call for tender. The external company shall ensure a non-discrimination and guarantee as far as possible a balanced representation of the participating countries.

2.3.1 JTS ORGANIZATION

The JTS shall consist of 14 persons, however the structure shall be gradually set up and staff recruited on the basis of the needs and workload of each phase of the Programme cycle.

JTS organizational chart:



2.3.2 FUNCTIONS OF THE JTS

The JTS coordinator ensures the overall coordination of the JTS and is responsible for the coordination with the MA and the other Programme bodies.

In particular the JTS coordinator carries out the following activities:

- Coordinating the day-to-day work of the JTS officers, ensuring a smooth implementation of activities and meeting of the deadlines;
- Supporting the MA in managing services related to the projects, such the monitoring system of the Programme and projects (supporting the MA in the development of the monitoring system by providing templates for reporting, budget shifts, etc.), setting up checklists and circuits to en-sure that the JTS responsibilities are fully respected and traceable;
- Attending the JMC meetings and presenting the documents prepared by the JTS officers;
- Solving specific issues arising during project implementation;
- Attending coordination meetings with the MA and other bodies in order to find appropriate solutions for improving the management and control systems, with regards to project imple-mentation;
- Assisting the MA in daily project monitoring of projects, including visits on site.

The follow up of projects, including the financial and communication aspects, is guaranteed by the JTS thematic officers. In fact, in order to simplify the process, the JTS thematic Officers examine also the financial interim reports. This enables each senior thematic officer, supported by a junior thematic officer, to follow an average number of 14 projects each.

In particular, n° 2 senior positions are dedicated to the projects financed under the first Thematic Oobjective (Business and SMEs development); n° 1 senior position is dedicated to the second Thematic Objective (Support to education, research, technological development and innovation); n° 1 senior position is dedicated to the third Thematic Objective (Promotion of social inclusion and fight against poverty); finally, n°2 senior positions are dedicated to the last Thematic Oobjective (Environmental protection, climate change adaptation and mitigation).

The 6 thematic senior officers are responsible in front of the projects' Lead Beneficiaries and the JTS coordinator and they shall carry out two main types of activities:

a. Activities (to support the MA):

- Preparation and presentation of documents, analysis on projects' implementation, submis-sion of information and data for the JMC meetings;

- Contribution to draft the annual reports (including the final report) to be submitted to the JMC and the European Commission on the parts related to projects;
- Assistance to the MA in carrying out its tasks of the chairperson and secretary of the Project Selection Committee, including preparation and presentation of the outcomes of the evaluation results for the PSC meetings, supporting training activities for the external assessors, and sup-porting the PSC chairperson in checking the quality of the evaluations performed by the external assessors in order to ensure that the evaluation methodology has been correctly followed, etc4 .
- Drafting the application pack for the calls for proposals, including the Grant Contract and an-nexes to be approved by the JMC;
- Carrying out the technical negotiation of Grant Contracts, by drafting the nego-tiation letters, examining the documents provided by the Beneficiaries and by filling in the negoti-ation checklists and archiving the documents in the negotiation dossier;
- Ensuring the capacity building of the project beneficiaries by preparing and presenting docu-ments on project technical implementation, communication, etc.;
- Assisting the MA and the BOs in the organization of events both at Programme and at Na-tional level (Programme launching, call launching, events for project beneficiaries);
- Assisting the MA in the payment procedures to project beneficiaries, including both the examination of the interim and final reports and, preparing requests for the Control Contact Points in the event of needs for clarifications about specific national financial issues and/or clarification requests from the National Contact Points about technical aspects related to projects, etc.;
- Examining the requests for modification of contractual conditions of projects (major changes), including the analysis of the technical and financial modifications and preparing a report on JTS' conclusions to be transmitted to the MA and then to the JMC;

b. Activities carry out directly by the JTS senior thematic officers:

- Preparing and updating a manual on project implementation;
- Assisting the beneficiaries in the implementation of the projects and constantly updatinge the project monitoring system, also through the participation in project meetings and events as the case may be, examining critical situations and proposing the appropriate solutions to projects, etc.;
- Examining and processing minor modifications proposed by the project beneficiaries during project implementation, by checking the technical and financial modifications and making sure that they are correctly uploaded into the monitoring system.

[4] For the first call for proposals, having the JTS staff not in place yet, the quality check on the evaluations performed by the external assessors is carried out by the MA supported by the Branch Office staff.

In carrying out their activities the JTS senior thematic officers are supported by 5 junior positions (3 junior officers work on the first three thematic objectives, while 2 junior officers work on the fourth thematic objective) in the follow up of the projects.

In particular the junior officers are responsible for:

Contributing to the evaluation of project proposals by carrying out the administrative and eligibility check of the proposals received including the drafting of requests for clarification to be sent by the PSC chairperson, filling in the administrative and eligibility check-grids etc.;

- Carrying out the examination of the interim and final reports (administrative check, format compliance, upload of data into the monitoring system) and preparing the compliance report to be examined by the thematic senior officer;
- Contribution to draft newsletter and news concerning project implementation; interpretation and translation of the Programme documents, etc.;
- Preparing the translation of the Programme documents, including country reports, thematic papers, etc.;
- Assistance in the organization of Programme events and media campaigns, in cooperation with the BOs;,
- Supporting senior officers to examine the minor and major modifications proposed by the beneficiaries during the project implementation, by checking the technical and financial modifications and making sure that they are correctly uploaded into the monitoring system.

One assistant shall support the daily work of the JTS by:

Ensuring performing secretarial and administrative tasks related to the activities of the JTS (support to EU non national JTS Staff for obtaining VISA, logistics, etc.);

- Making arrangements for JTS staff missions and reporting of their costs;
- Supporting the MA and JTS staff in the organization of events;
- Handling correspondence and take minutes of meetings, as required;
- Managing calendar, appointments and incoming calls;
- Ensuring support to the project management such as sending and recording official correspondence, archiving, etc.

In addition to the thematic officers, the JTS includes one senior officer with a specific profile on IT systems. This officer supports the MA, the JTS and the AA in monitoring and reporting their activi-ties, as the case may be. In particular the IT JTS officer:

Coordinates an internal working group (reference persons of the MA and JTS) to ensure that all information, data and processes to be implemented within the monitoring system are in line with the general principles (transparency, traceability, etc.) of the Programme;

- Supports the MA in preparing the ToRs for the procurement procedure and the follow up of the technical aspects of the contract with the IT company in charge of implementing the Programme monitoring and management system, including all the parts related to Programme and project monitoring, evaluation, financial management, control and audit;
- Supports the Programme structures (including MA, AA, NA, CCP, NCP, JTS, etc.) on how to use the monitoring and management system and in particular on how to use Programme data, payment information, management of the evolution modules, monitoring tools for projects (budget and technical parts) etc. The JTS IT officer therefore provides specific trainings to the different actors who shall need to access the system.
- Defines the processes and ensures the supervision of the IT system for the management of all the steps related to calls for proposals (project submission, administrative, quality and eligibil-ity, evaluation reports etc.).
- Supports and trains project Beneficiaries to use the IT system for submission of project re-ports;
- Supervises the technical functioning of the Programme web-site and its web tools (mailing lists, social media, on-line registration for events, on-line questionnaires etc.);
- Manages the internal network of the MA and JTS.

Finally, the JTS includes also a senior officer with a specific profile on finance and audit who is in charge of the following activities:

- Preparing the financial parts of the application pack for the calls for proposals,
- Providing contributions to the annual reports (including the final report) to be submit-ted to the JMC and the European Commission on the parts related to financial implementation of projects;
- Ensuring the capacity building of the project beneficiaries and their auditors by preparing and presenting documents on project financial implementation, expenditure verification, etc.;
- Contributing to the preparation of a manual on project implementation and its update, on the financial parts;
- Contributing to the development of the IT system modules related to the financial parts (budget, budget shifts, financial reporting and monitoring etc.) and to the audit parts (modules re-lated to the first level controls, etc.);
- Supporting the AA in carrying out its tasks such as to the definition of the ToRs for the recruitment of the external audit companies to carry out the audits on Programme and Project level;

Attending JMC and AA and Group of Auditors meetings and preparing documents related to the financial and audit issues, as the case may be;

Coordinating with the Director's office in charge of the relations with the CCPs and NCPs on financial issues.

More information on the comprehensive organization chart JTS, responsibility assigned and skills are detailed in the Annex 4.b.

2.4 BRANCH OFFICES

According to the Joint Operational Programme, two Branch Offices shall support the the Managing Authority in carrying out specific functions. In continuity with the previous programming period, the Programme has one branch office in Aqaba (Jordan) for the Eastern Mediterranean and another one in Valencia (Spain) for the Western Mediterranean. The costs of the BOs shall be covered by Technical Assistance funds and co-financed by the hosting institutions according to the TA financial tables annexed to the JOP.

The hosting institutions for the Branch Offices shall be:

- Eastern Mediterranean: Aqaba Special Economic Zone Authority (ASEZA).
- Western Mediterranean: Autonomous Region of Valencia (Generalitat Valenciana), Directorate General of Relations with the European Union.

2.4.1STRUCTURE AND FUNCTIONS OF THE BRANCH OFFICES

Each BO shall recruit staff with an adequate profile for the performance of the functions through an international, open procedure, according to the criteria approved by the JMC.

In particular each BO shall recruit two external persons in charge of the tasks described below, and according itw own national and internal laws and regulations. In particular, the Aqaba BO uses the "ASEZA regulations, rules and Instructions for its staff", while the Valencia BO applies the "*Estatuto de los Trabajadores*" (Spanish main national labour legislation).

As far as the positions are concerned, Aqaba BO shall recruit a BO coordinator and an accountant officer, while Valencia BO shall recruit a BO coordinator and a junior officer.

Each BO shall also appoint some internal staff (two persons per each BO) that shall work full time or part time on the Programme and whose costs shall be reported as co-financing of the hosting institution, according to the financial tables attached to the JOP.

In order to define the role and responsibilities of the hosting institutions towards the Managing Authority, each BO have signed a bilateral agreement with the Region of Sardinian. The agreement also defines the financial circuits between the MA and each BO as well as the obligations in terms of reporting and audits.

2.4.2 FUNCTIONS

Each BO shall contribute to the definition of an annual work programme, developed in coordination with the MA and the relevant National Authorities and National Contact Points.

The work programme and the corresponding budget shall be part of the annual work plan and financial plan of the Programme to be approved by the JMC.

The BO shall be responsible for two types of functions, delegated functions and support functions. In more detail these are:

Delegated Functions

The BO shall be responsible for the organisation of events to be held in its own geographical area concerning the following main Programme activities:

- Programme launch and implementation;
- Promotion of calls for proposals;
- Support to project development and implementation (i.e. training and workshops).

Each BO shall be responsible, in coordination with the MA, for managing the organisation of the different types of events, including logistics, invitations, preparation of material and follow-up of the event. The BOs shall have to coordinate with the MA, the National Authorities and/or the National Contact Points, according to the type of event to be organised.

In carrying out their delegated functions, the BOs may be supported by the MA, JTS and NA.

Support functions for the MA and JTS

Each BO shall have to support the MA and the JTS in the following activities:

organization and participation in Programme-wide events, such as capitalisation events, Programme annual conferences etc. The MA director may request/authorize the participation of the BO in other events as the case may be;

- capacity building events for project development and management
- communication activities during calls for proposals and project implementation;
- evaluation of project proposals as needed (performing administrative and eligibility checks);
- capitalisation activities and coordination with other Programmes or instruments in the Mediterranean area;
- support the preparation of the Programme's annual report;
- support the translation of all documents into Arabic (Aqaba Branch Office).

In carrying out these activities, the BOs shall have to work under the coordination of the MA and/or the JTS, depending on the type of activity. The BO staff may be requested to attend training events or meetings, give presentations, or follow some project communication activities, as needed.

In carrying out their fuctions, each BO shall use its internal and national procedures to purchase equipment and services, as the case may be (see par. 4.8.2).

2.5 NATIONAL AUTHORITIES

In accordance with the Implementing Regulation 897/2014, the National Authority (NA) is the national institutional counterpart of the Managing Authority (MA) in each participating country and it is responsible for the implementation of the programme in its own territory.

For Mediterranean Partner Countries, the NA is the ultimate responsible body when it comes to implementing the provisions set out in the financing agreement signed with the European Commission.

2.5.1 FUNCTIONS

Each National Authority shall:

- take responsibility for the establishment and effective functioning of management and control systems at the national level;
- ensure smooth communication and information, and the overall coordination of the institutions involved at the national level, in Programme implementation, including, inter alia, the institutions acting as control contact points and as member of the group of auditors;
- ensure the representation of the country in the Joint Monitoring Committee, in accordance with national procedures.

Moreover, each NA ensures, either directly or through a national competent body, that appropriate mechanisms are set within each participating country in order to prevent, detect and correct irregularities on their territories.

The NA also undertakes, either directly or through a national competent body, to assist the MA in the recovery process for orders concerning beneficiaries located on its territory.

The details of the coordination mechanisms and of the measures set to fulfil the above-mentioned obligations deriving from the IR, are reported in the paragraph dedicated to each participating country (see par. 4.1.3).

According to point (a) of article 20(6) of the Implementing Regluation 897/2014, the following institutions have been appointed as National Authority for each participating country:

- Cyprus: Directorate General for European Programmes Coordination and Development.
- Egypt: Ministry of International Cooperation.
- Greece: Ministry of Economy, Infrastructure, Shipping and Tourism (Managing Authority of European Territorial Cooperation Programmes).
- France: Région Provence Alpes Côte d'Azur (Pôle Europe et International), Mission des Projets et Partenariats Méditerranéens (MPPM).
- Israel: Ministry of Foreign Affairs, Europe Division, Department for Multilateral European Institutions.
- Italy: Agenzia per la coesione territoriale (ACT).

- Jordan: Ministry of Planning and International Cooperation. EU Partnership and Programmes Division. International Cooperation Department.
- Lebanon: Presidency of the Council of Ministers.
- Malta: Programmes and Projects Directorate within the Funds and Programmes Division (FPD), under the Ministry for European Affairs and Implementation of the Electoral Manifesto.
- Palestine: Prime Minister's Office
- Portugal: Agência para o Desenvolvimento e Coesão I.P.(Cohesion and Development Agency)
- Spain: Ministry of Foreign Affairs and Cooperation - Directorate General for EU General Affairs (Head of Delegation within the JMC) and Ministry of Finance and Public Administration - Directorate General for European Funds – Management unit of the Deputy Directorate General for European Territorial Cooperation and Urban Development.
- Tunisia: Ministry of development, Investment and international cooperation

Moreover, the National Authorities appointed the persons acting as CCP, NCP (as the case may be) and member of the Group of Auditors through an official notification sent to the MA and to the Audit Authority.

As far as the activities related to the above mention functions are concerned, the National Authorities shall:

- ensure the overall coordination of all institutions involved at national level in the programme implementation (CCP, member of group of auditors etc.) and provides them necessary guidance;
- provide support to the MA in the elaboration of the programme documents (national procedures/ manuals etc.) and ensures their compliance with the national legislation;
- provide necessary information about the programme, planned activities to potential applicants and partners in their respective territories;
- disseminate information about call for proposals, conducts information sharing events and capacity building events in their territories for potential applicants;
- supports the MA/JTS in the project implementation phases, in conducting monitoring and follow-up activities in their respective territories, ensure dissemination of results and good practices of implemented projects;
- conducts other tasks defined by the Joint Operational Programme.

2.6 NATIONAL CONTACT POINTS (COORDINATION WITH MA AND TASKS)

One National Contact Point (NCP) for each participating country may be appointed by the relevant National Authority (NA) and shall be functionally independent from the Control Contact Point and the member of the Group of Auditors.

The National Contact Point shall be in charge to support the National Authoritiy in some of its functions and in particular it may be involved in:

- Informing potential beneficiaries about funding opportunities and assist them in the preparation of proposals, partner searches and dealing with specific rules of the Programme;
- Supporting the MA in information, communication and awareness-raising at the national level;
- Supporting the MA, JTS and NAs in project implementation follow up;
- Supporting the MA in capitalisation activities at national level;
- Assisting beneficiaries during project implementation.

NCPs shall be trained by the MA and their travel and subsistence costs shall be covered by TA funds managed by the BOs. Moreover, they shall receive assistance to organise specific national thematic events by the Branch Offices.The TA funds shall be used to reimburse part of the salaries of the person acting as NCP to the hosting institution (only for Mediterranean Partner Countries). The amount to be reimbursed is calculated on the basis of the actual time devoted to the Programme activities.

Finally, TA funds may also be used to cover the costs of activities of NCPs for all participating countries, based on an agreement with each NCP, such as the organisation of events at the national level, participation in programme events etc.

The list of NCPs and contact details are attached to this document. If the National Authority does not appoint a NCP, it shall perfomer itself the functions mentioned above.

2.7 CONTROL CONTACT POINTS

Each participating country shall have to appoint one or more Control Contact Points (CCPs), which shall support the (Managing Authority) MA in the control tasks linked to project expenditure verification. CCPs shall be functionally independent from – and if possible belong to a different institution than – other bodies participating in Programme management and control.

In order to ensure a common approach among all the thertheen participating countries, the JOP foresees that each CCP shall support the MA in:

- Verifying that the co-financed projects have been implemented and that expenditure declared by the beneficiaries has been paid by them and that the payment complies with applicable Union and national law and with the Programme rules. In particular the MA may ask assistance from the CCP in carrying out administrative verifications with respect to each payment request by beneficiaries (such as providing information to the MA on specific

national rules, procedures etc.) and on-the-spot verifications of projects (such as attending the verification mission and facilitating the check on the organisation).

- Guaranteeing that the expenditure declared by the beneficiary in support of a request for payment is examined by an auditor or by a competent and independent public officer meeting the criteria set by the Implementing Rules. In particular, the Control Contact Point must endorse that the auditor contracted by an organisation of its nationality involved in the partnership of a financed project meets at least one of the criteria indicated in art. 32.1 of the ENI-CBC Implementing Rules.
- Each participating country may also define additional functions to CCP, such as:
- Support to MA in auditors' training;
- Quality control of expenditure verification reports, in coordination with MA.

In the event that a participating country, during the implementation of the Programme, decides to increase the number of functions to be performed by its CCP, the National Authority shall have to communicate it to the MA and to the Joint Monitoring Committee.

The details of the activities related to the above mentioned functions as well as any additional task to be perfomerd by the CCP of each participating country is described in par. 4.1.3

CCPs shall be trained by the MA with NA's support and they shall receive assistance in organising specific national events by the Branch Offices. The TA funds shall be used to reimburse part of the salaries of the person acting as CCP to the hosting institution of each participating country. The amount to be reimbursed is calculated on the basis of the actual time devoted to the Programme activities.

The institutions holding the CCPs in each participating country are:

- Cyprus: Directorate General for European Programmes, Coordination and Development.
- Egypt: Ministry of Finance.
- Greece: Special Service "Certifying and Verifications Authority", Ministry of Economy, Infrastructure, Shipping and Tourism.
- France: Région Provence Alpes Côte d'Azur (Pôle Europe et International), Direction des Affaires Européennes (DAE).
- Israel: Ministry of finance, Auditing Unit
- Italy: Agenzia per la coesione territoriale (ACT)
- Jordan: Ministry of Finance.
- Lebanon: Office of the Prime Minister.
- Malta: The Financial Control Unit (FCU) within the Funds and Programmes Division (FPD) Ministry for European Affairs and Implementation of the Electoral Manifesto. This Unit shall report directly to the Director General (FPD) and it shall not be involved in the duties pertaining to the National Authority.

- Palestine: Ministry of Finance.
- Portugal: Agência para o Desenvolvimento e Coesão I.P., Unidade de Coordenação FEDER e Fundo de Coesão.
- Spain: Ministry of Finance and Public Administration - Directorate General for European Funds – Control unit of the Deputy Directorate General for European Territorial Cooperation and Urban Development.
- Tunisia: Contrôle général des services publics CGSP-Présidence du Gouvernement.

Finally, the National Authorities shall appoint the person acting as CCP through an official notification sent to the MA.

2.8 AUDIT AUTHORITY AND GROUP OF AUDITORS

The Joint Operative Programme (JOP) has established that the ENI CBC MED Audit Authority (AA) is the Autonomous Region of Sardinia (RAS).

In this respect, the Sardinian Regional Council, through Decision n. 15/5 of 10.04.2015, has created a specific organization, called “project unit”, within the Presidency, entrusted with the functions of ENI CBC MSB Programme Audit Authority and, through Decision 8/9 of 19.02.2016, has transferred to that Unit the internal audit functions of the ENPI CBC MED Programme 2007-2013.

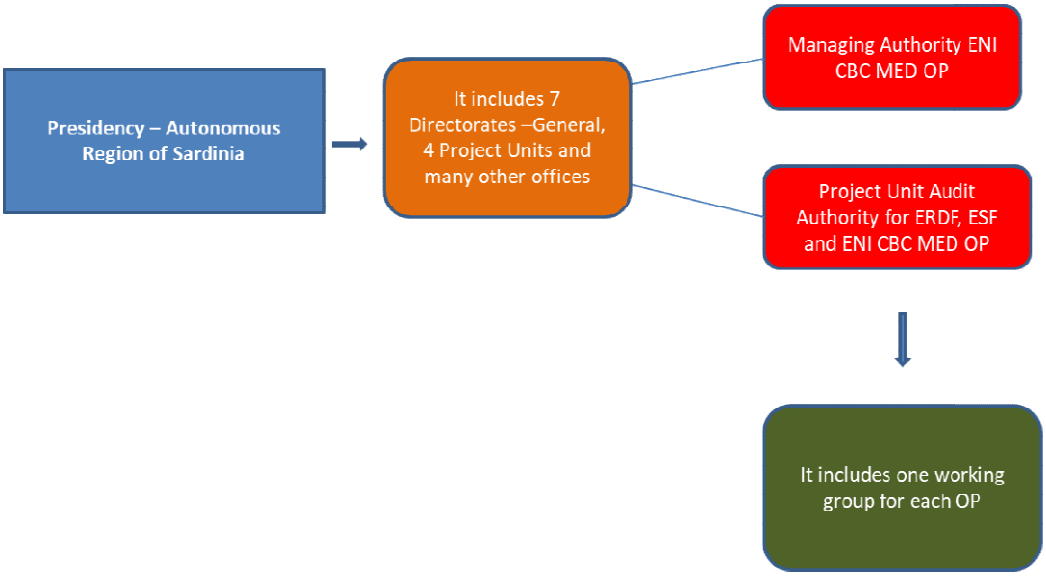
Moreover, through the Decision n. 53/9 of 28.11. 2017, effective since March 2018, RAS government has placed the Audit Authority within the “Direzione generale dei Servizi Finanziari of the Assessorato della Programmazione, Bilancio, Credito e Assetto del territorio” in the Unit named “Certificazione PO FESR – FSE – FSC e Autorità di Audit PO ENI CBC MED”; this structure also acted as structural funds Certification Authority for current programme period; the two units have been composed by separate staff and do not interoperate.

Through the Decree of the Planning Assessor n. 1/16396 of 21.05.2020, the Unit has been modified in its structure and named “Autorità di Audit PO ENI CBC MED” and, with the AA Decision n. 767 of 03.07.2020, it has been divided in two sectors: “Audit activities Programming and Management” and “AA Designation and Technical Assistance”.

In March 2021, the Sardinian Regional Coucil, with the Decision n. 11/50 of 24.03.2021, placed the ENI CBC MED Audit Authority at the Presidency of the Autonomous Region of Sardinia, within the “project unit” named “Ufficio dell’Autorità di Audit dei Programmi Operativi FESR e FSE (Office of the Audit Authority in charge of the ERDF and ESF regional Programmes”).

The President of the Autonomous Region of Sardinia, with the Decree n. 37 Prot. n. 11870 of 28.06.2021, conferred the functions of the ENI CBC MED Audit Authority upon Dr. Antonella Garippa, already Audit Authority of the ERDF and ESF regional Programmes and director of the above mentioned “project unit”.

AA new functional structure and tasks



On 30.06.2022, the President of the Region of Sardinia appointed Mr. Vincenzo Pavone as the new Audit Authority of the ENI CBC MED Programme (Ref. Decree of the PDR n 61 of 12.08.2022).

In 22/09/2022, with decision n. 29/3 del 22.09.2022, the Sardinian Regional Coucil renamed the office as "Ufficio della Autorità di Audit" (Audit Authority Office) and confirmed Mr. Vincenzo Pavone as Audit Authority also for the Interreg Next Mediterranean Sea Basin (NEXT MED) 2021/2027.

The President of the Autonomous Region of Sardinia, with the Decree n. 75 Prot. n. 17741 of 30.09.2022, confirmed the decision.

The Audit Authority is thus independent from the Programme managing structures.

The AA has been credited, following a conditioned opinion expressed by the Italian Ministry of Economy and Finance –General Accounts Department of the State – General Inspectorate for the Financial relations with the European Union (IGRUE), in his role of National coordinator body of audit functions.

According to ENI CBC MED financial plan approved by the European Commission, AA has its own financial resources of technical assistance funds cofinanced by the Programme. This ensures also the financial independence of the AA from the MA. The funds are transferred by the MA to an entry item of the Sardinia Region budget which is directly managed by AA.

Therefore, the AA is entitled to plan and spend these funds whose use is going to be reported within the annual Programme report on accounts drawn up by MA. The AA operates through RAS financial and accounting system, by inscribing incomes and expenses according to Italian Legislative Decree 118/2011, art. 51, par. 2, letter b.

Functions

In accordance with articles 28 and 68 of ENI CBC Implementing Rules, the AA main responsibilities are preparing and yearly updating the audit strategy, which shall set out the audit methodology, sampling method and audit planning as well as performing audits on the management and control systems, on an appropriate sample of projects and on the annual accounts. It shall draw up an audit opinion on the annual accounts of the previous accounting year and an annual audit report. The AA is also be in charge of the MA designation procedure. In carrying out its functions, the Audit Authority is assisted by the Group of Auditors described below.

Organisation

In order to carry out the above mentioned functions, the AA is composed by 5 officers, RAS public staff with a full-time permanent contract.

Moreover, the AA can stipulate specific agreements with other RAS structures in order to obtain specialised support. In particular, a collaboration with the Statistics Unit has led to the definition of the sampling methodology and it shall be used also for its updating. The AA plans to acquire more expertise in statistics for sampling, risk analysis and risk assessment through a deeper collaboration with the Statistics Unit or through agreements with other RAS departments through the request for sharing a unit of staff (20% of his/her working time).

As far as the legal assistance is concerned, the AA can rely on support offered by the “Direzione Generale Area Legale”, while for public procurement procedures, by the “Direzione Generale della Centrale Regionale di Committenza”. Both directorates are part of the Presidency of the Region.

As far as the verification on the information system is concerned, the AA plans to take advantage of the cooperation offered by Sogei, an in-house company belonging to the Italian Ministry of Finance, which performs such verifications for the Ministry and other Audit Authorities of other European Funds. The AA plans to acquire an internal contact person for the information system through a collaboration with the RAS structure competent for computer science and information systems or by sharing one unit of staff with other RAS structures (20% of his/her working time).

As happened in the previous programming period, the AA is planning to entrust an external audit firm to carry out the on-the-spot audits on projects, which are to take place in all the 13 participating countries. The firm is going to be contracted through an open tender at international level. The first sampling is foreseen in 2020, considering that the evaluation phase of the proposals submitted within the first call for proposals is going to end at the beginning of 2019 while the first reporting is going to begin in 2020.

The AA coordinator monitorsthe whole planning of audit activity and the allocating of work within the structure. Enforcement of audit expertise and updating for officers are planned yearly and they are carried out through general training organised by RAS and Formez PA (a specialised agency for training which is considered as an in-house agency of the RAS), as well as through specialised training seminars organised by the Italian Ministry of Finance – IGRUE as well as the trainings organised by TESIM (that provides technical assistance to the implementation of the ENI CBC Programmes for the EC).

The AA shall assume the entire responsibility of all activities performed by internal and external auditors by signing all documents.

In order to ensure the audit independence, all auditors (both internal and external staff) shall declare, with regard to the audits they are entrusted with, that are not in a conflict of interests such as family relations, absence of participation, dependence, control, consultancy or other commercial relation with the subjects to be audited. These declarations shall be confirmed or updated yearly and every time it becomes necessary with regard to new audit objects. AA commits to communicating without delay any conflict of interest or incompatibility that should arise due to the activity performed, also in future.

As far as the information system is concerned, according to par. 4.1.2 of the ENI CBC MED JOP, “Summary of management procedures”, the use of electronic data systems shall be provided by the Managing Authority and it shall cover the whole programming period including audit activities.

The Group of Auditors (GoAs)

According to the ENI IR art. 28.2, 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 functions consist of assisting the Audit Authority in the fulfilment of its tasks. Its members shall meet the criteria of independence and lack of conflicts of interest set up by international audit standards. They are appointed by the national institutions competent in audit indicated in the version in force of the JOP, namely:

• Cyprus: Internal Audit Service of the Republic of Cyprus;

• Egypt: Ministry of Finance;

• Greece: Ministry of Finance, State General Accounting Office, Financial Audit Committee (EDEL);

• France: Région Provence Alpes Côte d’Azur – Inspection générale;

• Israel: Ministry of Finance, Land, Housing and Interior Affairs Bureau;

• Italy: not needed since the Audit Authority is Italian;

• Jordan: Audit Bureau;

• Lebanon: Council of Development and Reconstruction;

• Malta: Internal Audit and Investigations Department within the Office of the Prime Minister;

• Palestine: State Audit & Administrative Audit Control Bureau;

• Portugal: IGF – Inspeção-geral de Finanças (Inspectorate General of Finance);

• Spain: "Intervención General de la Administración del Estado (IGAE)". Ministry of Finance and Public Administration;

• Tunisia: Ministère des Finances - Contrôle Général des Finances (Ministry of Finance – General Control of Finances) .

Art. 32.3 of ENI IR states that the GoAs shall be set up within three months of the designation of the Managing Authority, it shall draw up its own rules of procedures and it shall be chaired by the Audit Authority. The GoAs ordinarily meets once or twice a year in order to discuss planning of audit activity and main audit results and to provide the Audit Authority with highly qualified expertise, specifically indicated in the JOP par. 3.2.5, In particular the GoAs is involved in the following activities:

- elaboration of the audit strategy for performance of Programme audits;
- establishment of any directives and criteria for audits;
- definition of criteria for the selection of audit providers;
- discussion of any report issued by the audit providers and of conclusions of any audit;
- drafting of the annual reports.

2.9 PROJECT SELECTION COMMITTEE

According to the Joint Operational Programme, a Project Selection Committee (PSC), which is nominated by the Joint Monitoring Committee (JMC) shall be established to assess the proposals submitted withing each call for proposals launched by the Programme. In particular, the Selection Process shall start only after the approval, by the JMC of the composition of the PSC in charge of the evaluation of each specific call for proposals.

The composition of the PSC foresees:

- a non-voting Chairperson appointed by the Managing Authority;
- a non-voting Secretary, also appointed by the Managing Authority, and;
- voting members and their substitutes appointed by the participating countries. Each National Authority shall appoint one voting member.

The MA shall collect the appointment of the PSC members and, after having verified from the CVs the compliance with the criteria mentioned below, it shall then submit the composition to the approval of the JMC.

Moreover, the latter approves the rules of procedure of the PSC and the selection criteria for both proposals and external assessors.

The voting members must possess the technical and administrative capacity necessary to give an informed opinion of the proposals. They must have a reasonable command of English and French. Substitutes of the members may be appointed on the same conditions as the members – where the size and/or technical nature of the call for proposals justify this, or in order to prevent delays in case of unavailability.

A representative of the European Commission and of the EU Delegations of the participating Mediterranean Partner Countries with an observer status and without any decision-making power may participate in the meetings of the Committee. The EC may also delegate its participation to an independent expert.

The PSC shall work with the support of a team of assessors for the evaluation of project proposals. There shall be two types of assessors:

- internal assessors: staff of the JTS and the Branch Offices supporting the administrative and eligibility checks of the proposals;
- external assessors: they are recruited through an international call for expression of interest in order to gather a pool of experts. These assessors shall be selected by the Managing Authority following the criteria defined by the Joint Monitoring Committee.

The details on the responsibilities and on the functioning of the PSC are indicated in par. 3.1 on the selection of projects.

3. DESCRIPTION OF PROCEDURES FOR CALLS FOR PROJECT PROPOSALS, SELECTING AND APPROVING PROJECTS

The following paragraphs concern the selection of operations to be financed with Programme funds. For the seek of clarity, the following paragraphs of chapter 3 concern only the procedures related to the projects while chapter 4 shall tackle those related to the use of Technical Assistance funds.

3.1 DESCRIPTION OF PROJECT SELECTION PROCEDURES THROUGH CALLS FOR PROPOSALS, ENSURING THE PRINCIPLE OF TRANSPARENCY, EQUAL TREATMENT, NON-DISCRIMINATION, OBJECTIVITY AND FAIR COMPETITION

(including arrangements to avoid potential conflicts of interest and to ensure the same rules and procedures are applied to all)

The Managing Authority, in accordance with Article 26 (3) of the ENI Implementing Regulation (EU) No. 897/2014, with the provisions of the Joint Operational Programme and the applicable EU and national legislation, draws up appropriate procedures and criteria for the selection of projects for each call for proposals, which:

a. ensure the contribution of operations to the achievement of the specific objectives and results of the relevant priorities;

b. are non-discriminatory and transparent;

c. take into account gender equality and the principle of sustainable development.

The projects shall be selected through three calls for proposals (for standard projects, strategic projects and capitalisation projects) which shall be open to all potential beneficiaries, ensuring the principles of transparency, equal treatment, non-discrimination, objectivity and fair competition.

The evaluation criteria of each call are approved by the JMC and they are published in the Guidelines for Applicants of each call for proposals.

Documents to be provided to applicants

For each call, the MA shall make available to all potential applicants the following documents:

- Guidelines for Grant Applicants;
- Application Pack (application form, budget form, financial plan, logical framework, models of declarations for applicants and partners, template for the calculation of the administrative costs, financial capacity form, State Aid self-assessment check grid, etc);
- Model of Grant Contract;
- Other relevant documents: glossary, model of Partnership Agreement, note on State Aid, Financial Capacity note, note on eligible costs.
- The Guidelines for Grant Applicants shall set out very clearly and in detail the following aspects:
- the purpose (objectives and priorities) and budget of the call for proposals;
- the rules on eligibility of partners, the type of activities and costs which are eligible for funding;
- the evaluation (eligibility and award) criteria;
- the procedures for applying;
- information on the evaluation process (including an indicative timetable).

The Grant Contract is the document setting out the conditions for support of each project, including the payment arrangments and execution deadlines.

The draft model of the Grant Contract is published on the official website of the programme, being included in the Application Pack.

A Partnership Agreement (the draft template also available in the Application Pack) should be signed by all partners, ensuring the enforcement of rights and obligations to all project beneficiaries.

The contract shall lay down the items indicated in article 180 of the RAP of the Financial Regulation 5, inter-alia:

- general provisions setting out the rights and obligations of the contracting parties;
- implementation period;
- description of the project;
- roles and responsibilities;
- suspension and termination clauses;
- administrative and financial penalties;
- financial corrections;
- irregularities and recoveries;
- expenditure verification requirements;
- applicable law and dispute settlement.

On top of the verification of expenditure and revenue, other main contractual aspects to be monitored are:

- Accounting and record-keeping;
- Visibility requirements;
- Procurement rules;
- Rules of currency conversion.

The draft Guidelines for Grant Applicants shall be published before the launch of each call, while the final version shall be released the day of the call launch jointly with the annexes. The published information becomes binding for the PSC and the Managing Authority after the deadline for submission of applications.

The eligibility criteria determine the conditions for participating in a call for proposals. They shall be transparent and non-discriminatory and concern the following aspects:

- Eligibility of potential applicants and partners: this refers to the lead beneficiary and partner(s) legal status, professional requirements and experience as well as their geographical location. The minimum and the recommended maximum number of partners are specified.
- Eligibility of the activities: this refers to the types of activities, sectors or themes and geographical areas covered by the call for proposal.
- Eligibility of expenditures: it refers to the costs actually incurred by the Lead Beneficiary/partners of the grant which meet all the criteria stipulated in article 48 of the ENI CBC Implementing Regulation No 897/2014.

[5] Commission Delegated Regulation (EU) No 1268/2012

The **evaluation criteria** consist of selection and award criteria and are defined in line with the Thematic Objectives and priorities for the programme. They are decided by the JMC which, in case on inconsistencies, can also decidy to modify them before the deadline of the call for proposals as they are defined in the evaluation grids included in the published Guidelines for Grant Applicants.

The **selection criteria** are used to assess the partners' financial and operational capacity and the necessary experience to complete the proposed action. Partners must have the financial capacity to secure the cash-flow needed for the project implementation and must also have the necessary professional competencies and qualifications to complete the proposed action.

The **award criteria** are aimed to assess project proposals against the set objectives and priorities, so that grants are awarded to projects that bring added value and have cross-border cooperation impact, thus maximising the overall effectiveness of the call for proposals.

All evaluation criteria specified in the call for proposals shall be applied and cannot be changed during the selection process. Assessments are made on the sole basis of the information provided by the applicants in the Application Form and the supporting documents submitted with the application.

Ex ante publicity rules

The final version of the Guidelines for Grant Applicants approved by the JMC shall be published by the Managing Authority on the programme website (www.enicbcmed.eu) before the launch of each call. The announcement on the opening of a call for proposals shall also be published on the institutional website of the Autonomous Region of Sardinia.

Before the launch of each call for proposals, the MA, supported by the JTS and BOs, shall organise information events in all countries, that all potential applicants can attend. The information shall be disseminated in all targeted regions in a non-discriminatory way.

During the time between the publication and the deadline for the submission of proposals, potential applicants shall be able to ask questions in writing to help them prepare the proposals. The MA shall reply to all questions at least 10 calendar days before the deadline for submission of proposals.

In order to ensure transparency and equal opportunities, the answers provided to applicants on general issues shall be made available to all applicants in a section containing the most frequently asked questions (FAQs) and related answers. This section shall be updated regularly before the deadline for submission of proposals.

Extension of the deadline of calls for proposals

The deadline of each call for proposal may be postponed, in justified circumstances, under request of the MA or of one or more participating countries through the JMC members.

The decision to extend the deadline of a call for proposals procedure shall be taken by the Joint Monitoring Committee.

Cancellation of a call for proposals

The Joint Monitoring Committee may decide to cancel a call for proposals at any stage, if:

- the financial and technical data under which the call was launched have been fundamentally altered;
- exceptional circumstances or force majeure render the normal conduct of the planned actions impossible;
- there have been irregularities during the process, in particular where these have prevented the equal treatment of applicants.

The decision to cancel a call for proposals procedure is of the Joint Monitoring Committee.

If a call for proposals is cancelled, all applicants must be notified of the cancellation by the Joint Technical Secretariat but they shall not be entitled to compensation. The Managing Authority must also publish a cancellation notice on the programme website.

Submission and recording of proposals

The timeframe for the submission of applications shall be long enough to allow for high-quality project proposals (at least 60 calendar days).

The submission of applications shall be made electronically, by means of the e-Form, available on the online platform of the Programme http://eform.enicbcmed.eu

All applications submitted are recorded electronically by the MA. Applications are registered on receipt, evidence of receipt delivered to each applicant and records kept of the approval status of each application. Moreover, the applications shall be assigned a protocol number through the Document filing system of Sardinia Region.

Evaluation and selection procedure

The actors involved in the evaluation and selection procedure are:

The Joint Monitoring Committee (JMC)

In the context of the evaluation and selection process, the main task of the JMC is to decide on the selection criteria for the projects, adopt the criteria for the selection of the external experts in charge of the qualitative evaluation, the environmental and state aid assessments, and to take the final decision on projects to be approved and amount granted to them by approving the evaluation report adopted by the PSC.

In addition, it appoints by name the voting and non-voting members of the Project Selection Committee.

The Managing Authority (MA)

In the context of the evaluation and selection process, the MA acts as Contracting Authority and therefore signs the evaluation reports approved by the Project Selection Committee at each step. In fact, the MA signature implies approving the reports from a procedural point of view and it does not relate to their contents.

In addition, the MA proposes the names of the Chairperson and the Secretary of the Project Selection Committee - to be appointed by name by the JMC - within its staff . Other support staff of the MA or of the Joint Technical Secretariat (JTS) is appointed by name for acting as internal assessors during the administrative check and the verification of eligibility of project proposals. Independent external experts are recruited by the MA - on the basis of criteria approved by the JMC - for carrying out the quality evaluation, the environmental and state aid assessements.

Finally, the general task of the MA - supported by the JTS - is to provide logistic and secretarial support to the Project Selection Committee for the organisation and follow-up of its meetings during the whole selection process.

The Project Selection Committee (PSC)

According to the Rules opf Procedures approved by the JMC in December 2017, 20th, it has the responsibility to carry out and supervise the evaluation and selection process from the administrative check on proposals received throught the Electronic Application Form (e-AF) to deciding on recommended project proposals to be submitted to the JMC that takes the award decision. The PSC shall perform its duties during the period of execution of the evaluation process within each Call for proposals and it shall end its mandate at its closure. Any PSC member or observer who has a potential conflict of interest with any applicant and/or partner must declare it and immediately withdraw from the PSC.

The Rules of Procedure have set the following aspects:

- Composition and quorum for the validity of the PSC meetings;
- Roles of the members of the PSC (chairperson, secretary, assessors, observers);
- Decision making process and voting procedures;
- Re-assessment procedure due to discrepancies in project evaluations carried out by the external assessors.

The PSC is composed as follows:

Chairperson (non-voting member): This function is attributed to the MA. He/she must be appointed by name by the JMC - upon proposal for the MA Director - and she/he is responsible for supervising the evaluation process by ensuring a confidential, fair and equitable evaluation of each proposal according to the evaluation criteria applicable to the call and in full respect of the relevant procedures, rules and regulations. The Chairperson is responsible for supervising and monitoring the work of the assessors (internal and external) and she/he is the only one that can contact applicants if needed. Secretary (non-voting member): This function is attributed to the MA. The Secretary must be appointed by name by the JMC - upon proposal fo the MA Director - and she/he is responsible for carrying out all logistic and administrative tasks connected with the evaluation procedures. Voting members (one for each participating county) are proposed by all participating countries. The voting members have the collective responsibility for the decisions taken by the PSC and have equal voting rights. They must possess the technical and administrative capacities necessary to give an informed opinion on

the proposals and have a reasonable command of the languages in which the proposals are submitted (English and French). They must be impartial and free from conflict of interest. Being a voting member of the PSC is incompatible with being member of the JMC, being national contact point/person in charge of giving general information to potential applicants or being staff of the MA, JTS or Branch Offices. PSC voting members are appointed on a functional basis and not on a personal basis by the countries participating in the Programme. The voting members of the PSC must be appointed by name by the JMC.

The Assessors

The members of the PSC are supported by assessors and external experts in the different phases of the evaluation process. They work under the supervision of the Chairperson, and they assist in a confidential, fair and equitable way the PSC in the evaluation of the proposals in accordance with the Guidelines for Applicants. Assessors must be free from conflict of interest and are deemed to work on a personal capacity. Therefore, in performing their work, they do not represent any organisation and are expected to act impartially, in a totally independent, objective and confidential manner and to apply the best of their capabilities, professional skills and knowledge in accordance with the Guidelines for Applicants and the time-schedule provided by the PSC. The results of the work of the assessors shall be reviewed and approved by the PSC voting members, which remains responsible for the evaluation of projects. Internal assessors: Officials or other staff members of the MA or of the JTS or of the BOs are appointed as internal assessors for performing the administrative check of project proposals as well as the verification of the eligibility of Applicants and partners.

External assessors: Independent external experts recruited by the MA - on the basis of criteria approved by the JMC - to carrying out the strategic and/or the operational evaluation.
Environmental experts: Independent external experts recruited by the MA - on the basis of criteria approved by the JMC - to provide recommendations for ensuring the compliance with the environmental standards of the approved projects. Selected environmental experts shall assist the PSC and the MA in the evaluation of the proposals submitted under the first call for standard projects.
State aid expert(s): Independent external expert(s) recruited by the MA - on the basis of criteria approved by the JMC - to verify that preselected EU applicants and partners comply with the State Aid provisions as foreseen by the EC Implementing Regulation 897/2014 art. 12, 31 and 39 (applicable for organisations from EU Member States only). Moreover, the provisions of any bilateral agreements between the Mediterranean Partner Countries and the EU (e.g. the aid should not distort or threaten to distort competition and trade between the European Union and that specific Mediterranean Partner Country) shall also be taken into consideration.

The roles of external assessors, environmental and state aid experts is incompatible with:

- being a voting or a non-voting member of the PSC and of the JMC;
- being permanently or temporarily employed by the MA, the JTS or the Branch Offices;
- being national contact point/person in charge of giving general information to potential applicants;

- being/having been employed by or providing/having provided any services to projects approved under the ENPI Programme 2007-2013 (meaning by/to project applicants, partners or subjects involved in project activities as associates, subcontractors, beneficiaries of sub-grants or other);
- providing/having provided technical assistance within the ENPI CBC MED managing structures.

European Commission (EC)

According to the ENI CBC MED Joint Operational Programme, a representative of the European Commission and of the EU Delegations of the participating Mediterranean Partner Countries with an observer status and without any decision-making power may participate in the meetings of the PSC. The EC may also delegate its participation to an independent expert. As all the other members of the PSC, she/he must be appointed by name by the JMC. He/she does not sign the evaluation reports, however he/she shall have to be mentioned in the attendance list of each meeting. Moreover, according to the Guidelines for Grant Applicants, the EC shall carry out an interservice consultation after the operational evaluation considering only those with the highest scores. This consultation aims at verifying the coherence with projects and programmes funded under other EU policies as well as to avoid duplication.

Observers

Additional observers can be invited by the Chairperson after consulting the PSC members before the meeting. However, they cannot express views on the proposals under examination or the assessors' opinion on the proposals. Observers are required to respect the same confidentiality obligations as the other PSC members and therefore they also must sign the Declaration of impartiality and confidentiality, binding them to respect these obligations. Their participation to the different meetings of the PSC shall be recorded in the minutes of the meetings and in the evaluation reports established and signed by the PSC.

Aspects related to impartiality, confidentiality and avoidance of conflict of interest during the evaluation and selection process

In line with the above mentioned principles, before starting the evaluation and selection process a Declaration of impartiality and confidentiality must be signed by all actors involved in the process, namely:

- Heads of national delegations to the JMC and other JMC members;
- PSC voting members;
- PSC non-voting members (including Chairperson and Secretary);
- internal and external assessors;
- Environmental and state aid experts
- EC and TESIM observers;

- Any other MA/JTS staff that may be involved in the evaluation process with support functions.

The Declaration refers to the period before, during and after the evaluation. In signing the Declaration the actors involved in the evaluation and selection process commit themselves to strict confidentiality and impartiality concerning their tasks and they declare not to have any conflict of interest. Therefore, any actor with existing or past links with applicants or partners involved in a project proposal submitted under the call for proposals must declare it and, in case of PSC voting members, immediately withdraw from the evaluation and selection process of that project proposal. Persons involved in the evaluation process should also engage themselves not to offer their services to successful project applicants or partners that they have assessed. The Declarations of impartiality and confidentiality and must be annexed to the PSC evaluation reports.

Transparency and clarity: The evaluation and selection process described in the Guidelines for Applicants and the related scoring and ranking system must be strictly kept and therefore administrative, selection and award criteria cannot be changed during the evaluation process. Comments have to be written in an explicit and detailed manner and adequate feedback must be provided to applicants on the outcome of the evaluation.

The Chairperson of the PSC is responsible for ensuring the respect of these rules during the process. The MA, through the concerned Unit acting as Contracting Authority, after having informed the JMC, can decide to cancel a call for proposals procedure in the light of the Evaluation report if there have been irregularities in the procedure, in particular where these have prevented fair competition.

Furthermore, all the actors involved should commit and coordinate among themselves to ensure that the overall process is carried out in a way ensuring:

- Quality: Projects selected for funding must demonstrate a high technical and managerial quality and must contribute to achieving the objectives of the Programme and those set out for each Priority and topic. The selected projects should clearly demonstrate compliance with the criteria defined in the Guidelines for Applicants.
- Efficiency and speed: The procedures should be designed to be as rapid as possible, commensurate with maintaining the quality of the evaluation and complying with the legal framework within which the Programme is managed. The assessment has to be completed within the deadlines agreed upon and all persons concerned must respect the calendar. The Chairperson should ensure this by supervising the process and making sure that the deadlines are respected.
- Traceability: The overall evaluation process should be documented and recorded in the evaluation reports. All documents used during the process (not only project proposals but also evaluation grids, communications with applicants, declarations of impartiality and confidentiality, attendance sheets, evaluation reports and any other documents) should be kept by the MA for possible controls while ensuring confidentiality. These documents should be kept for seven years after payment of the balance for the Programme.

- Proportionality: If a proposal infringes the formal requirements, the PSC may use its discretion to decide whether or not it should still be considered during the rest of the evaluation process, while ensuring the equal treatment of applicants and in accordance with the principle of proportionality. Whatever the PSC decides, this must be fully recorded and justified in the Evaluation Report.

The evaluation and selection process

The evaluation and selection process shall take place in two different steps: Step 1 - (A) Administrative check and (B) Strategic evaluation and Step 2 – Operational evaluation.

Detailed procedures for the appraisal, selection and approval of the projects under ENI CBC MED Programme were drawn-up at Programme level.

Also, "Guidelines for evaluation and selection of project proposals" (in support of the assessment process), endorsed by the MA shall be drafted for each call.

Step 1 - Administrative check and strategic evaluation.

The administrative check shall be carried out by internal assessors appointed within the MA and JTS staff. They shall check the administrative compliance with the eligibility criteria defined in the Call for Proposals and detailed in the Guidelines. Clarification may be requested to applicants, if needed. The assessors shall fill in an administrative check list for each proposal. They receive detailed instructions by the Chairperson and they are assigned the proposals to be assessed on a random basis (electronically formulas). In case of proposals with particular aspects to be considered, after the first check, the Chairperson may decide to assign these case to one specific internal assessor in order to be able to check the comments and the documents together with him before confirming the outcomes.

The strategic evaluation, aimed at assessing the relevance and quality of design of proposals, shall be shall be performed by external independent experts. They shall assess to what extent each proposal meets the defined criteria. This evaluation shall be based on the information provided in the e-form only. Therefore, experts shall only assume information stated explicitly in the relevant sections of the proposal, as indicated in the evaluation grid below. Relevant information appearing in other sections shall also be considered provided that it gives more ground to the evaluation.

When performing the assessment, a common methodology and range of scores shall be used, as defined in the Guidelines for Grant Applicants.

At least two external assessors must be appointed to evaluate each project proposal. They shall be given access rights in the e-Form in order to be able to access the projects allocated to them. The proposals are assigned by the Chairperson on the basis of the thematic objective(s) for which the external assessors applied within the public notice, language skills and the nationality (in order to avoid as much as possible that an assessor evaluates the proposals submitted by Applicant from his/her country). Specific experience on the assessment of international project proposals are also taken into account.

The external assessors shall submit for approval to the Projects Selection Committee the evaluation grid with specific comments to justify the scores.

The Projects Selection Committee - supported by external assessors - drafts for each Priority a list of projects ranked by total score.

The list of shortlisted proposals is then reduced, in accordance with the ranking, to those whose sum of requested funding amounts to at least twice the available budget for each Call for Proposals, taking into account the indicative financial envelopes foreseen for each Priority.

The PSC approves the Evaluation Report, which is sent to the JMC. After the approval of the pre-selected proposals by the JMC, the MA publishes on the Programme website the results of Step 1.

In case of appeals on the results of the Step 1, the procedure described under section Appeals shall apply.

Step 2 - Operational Evaluation

A. Operational Evaluation:

The operational evaluation is aimed to assess the operational and financial capacity, the effectiveness, the sustainability and the effectiveness of each proposal. It shall be carried out by external assessors who shall work under the supervision of the MA and the PSC, according to a scoring methodology that shall be clearly defined in the Guidelines for Grant Applicants.

Once all individual assessments are finalized, the external assessors shall submit them to the Projects Selection Committee to validate and confirm the assessments and establish the final ranking lists of the project.

The projects that shall be recommended by the PSC for funding shall be those having passed all thresholds and scored the highest mark. The number of projects that shall be funded shall depend on the available budget.

The outcome of the evaluation process shall be:

- a list of applications proposed for selection ranked in descending order per Priority according with their average scores, until the maximum amount available for each priority under this call for proposals is reached;
- a reserve list of applications that cannot be funded for budgetary reasons;
- a list of rejected applications.

During its deliberation, the PSC members are not allowed to change the scores of the external assessors and/or to alter the evaluation grids completed by the external assessors and/or the list of the applications provisionally selected. The PSC shall revise the conclusions of the assessors on the projects recommended for funding and shall endorse or complement the recommendations made by the assessors.

Award decision by JMC

The JMC shall decide on the final amount of the financial envelop and the extension of the award decision to projects on the reserve list.

Once the final approval has been given by JMC, the MA shall start the contracting process.

Information to applicants about evaluation results

After the Joint Monitoring Committee has given its official approval to the final list of grants to be awarded, the MA shall notify all successful applicants in writing that their applications have been selected. It must also send the unsuccessful applicants a standard letter informing them that they have not been selected and specifying the reasons for the rejection of the application with reference to the selection and award criteria that are not met by the application.

In case of appeals on the results of the evaluation stage, the procedure is described under section Appeals.

Procedures to avoid duplication of activities among projects funded by the EU

The MA shall include in the Guidelines for Grant Applicants clear provisions regarding the avoidance of duplication of activities funded by the EU (e.g statement by the Lead Applicant or project partners).

The MA shall send the list of selected projects to EC in order to perform an inter-service consultation aiming at avoiding duplication of financing or identifying any applicant or partner included in EC's warning systems. Because of this consultation, JMC may decide to reject an initially recommended proposal.

The MA may consult other MAs of ENI-CBC, IPA-CBC and European Territorial Cooperation programmes, provided that impartiality and confidentiality is ensured. The MA may also consult relevant databases, such as KEEP. NAs may also check potential double funding and inform MA accordingly.

Ex post publicity rules

The list with grants awarded under each call for proposals shall be published on the programme's website.

3.2 PROCEDURES TO ENSURE THAT APPLICANTS ARE INFORMED IN WRITING ABOUT THE EVALUATION RESULTS.

After the Joint Monitoring Committee has given its official approval to the final list of grants to be awarded, within 15 calendar days from the decion of the Joint Monitoring Committee, the MA shall notify all successful applicants in writing that their applications have been selected. It must also send within 30 calendar days from the decion of the Joint Monitoring Committee the unsuccessful applicants a standard letter informing them that they have not been selected and specifying the reasons for the rejection of the application with reference to the selection and award criteria that are not met by the application.

Each Applicant may also request the complete evaluation grid including all the comments for each evaluation criterion.

Appeals

Applicants who believe they have been harmed by an error or irregularity during one of the steps of the evaluation process may send an appeal to the MA. The procedure is indicated in the Guidelines for Applicants and it foresees that Applicants that have been rejected and estimate that irregularities occurred during the STEP 1 and/or 2 may lodge a written appealmay lodge a written appeal to the Managing Authority with an official letter within 30 calendar days from the date of the notification of rejection. Any complaint sent to the Managing Authority beyond the indicated deadline shall not be taken into consideration.

The Managing Authority shall reply to the Applicant's complaint within 20 calendar days from the receipt date of the complaint.

Applicants must duly justify their complaints. Unjustified requests for re-evaluation shall not be accepted by the Managing Authority. Should the Managing Authority find the Applicant's complaint justified, or should it not be able to settle the dispute with the Applicant at its level, it should forward the case to the Joint Monitoring Committee (JMC).

The procedure shall also be detailed in the letter of notification of the results of the evaluation that shall be sent to each Applicant. Moreover, it shall be detailed and in compliance with the applicable national procedures. In particular, Applicant shall be informed about the possibility to use the remedies foreseen by the Italian law (Presidencial Decree n. 1199/1971 "ricorso gerarchico" and appeal to the competent Italian court).

The applicant should substantiate their appeal by arguing why the decision of the PSC/Joint Monitoring Committee infringes the provisions of the Guidelines for Grant Applicants or other applicable rules.

3.3 DESCRIPTION OF THE PROJECT CONTRACTING PROCEDURES

(including the document setting out the conditions for support for each project, the financial plan and the execution deadlines and the procedures at national level necessary for project implementation, varies for each country e.g. project registration, tax exemption, opening of bank account in Euro, integration of project budget into budget of the public institutions, etc.).

The contracting phase starts with the awarding notification letter sent to the concerned Applicants after the approval by the Joint Monitoring Committee of the project proposals to be financed.

Through the same letter, each awarded Applicant shall be offered to sign a Grant Contract according to the model published as informative document together with the other documents included in the Application Pack.

Once signed the Grant Contract, the Applicant shall take the role of Lead Beneficiary bearing legal responsibility for the whole partnership vis-à-vis the Managing Authority and acting as a link between the project partners and the Managing Authority.

Within the MA, the Authorising Unit is responsible for the preparation, the signature as well as the implementation of the Grant Contracts with the project beneficiaries.

A draft of the Grant Contract shall be prepared taking into account the information on the Lead Beneficiary and the project available in the Application Form. The final version of the Grant Contract shall be thus signed by the MA, represented by the Head of the Authorising Unit, and the legal representative of the Lead Beneficiary organization.

During the preparation of the Grant Contract, the Lead Beneficiary may be required to modify the description of the activities and the budget distribution of the project proposal originally submitted in order to take into account the possible conditions recommended by the environmental and / or the State Aid experts, by the external assessors and by the PSC. Such recommendations are compulsory and must be undertaken before signing the Grant Contract.

Contracting steps

The contracting phase shall be managed through the monitoring system, where the specific section dedicated to the Grant Contract and its management shall allow the automatic filling out of the form with the project data already available in the system and the exchange of signatures on a digital document.

This section provides a brief description of the contracting procedures for the approved projects. In particular, this section describes the steps and the work flow needed for contracting, the staff involved and the necessary documentation.

The steps for contracting are:

Step 1

A draft of the Grant Contract for each selected project is prepared by the JTS, through the specific section on the Monitoring system, and sent to the concerned applicants, after a prior approval by the Authorising Unit.

In this step, a request for corrections may be sent to the potential lead beneficiaries of the approved projects, in the event comments and recommendations have been expressed by the external environmental and the State Aid experts during the assessment of the FAF.

The following documents shall be also required before the signature of the GC:

- Declaration on personal data protection of all persons involved in the projects management.
- Financial Identification Form (only if different from the one submitted as supporting document) to be filled in through the Monitoring System).
- Documents on the Legal representative (only if different from the LR who signed the Declaration by the Applicant, during the Application phase).
- Declaration on State Aid de minimis, as the case may be.

Moreover, for those projects involving private bodies as Lead Beneficiaries, a verification of the conditions for the eventual requirement of the Financial Guarantee (private bodies, financial

capacity, risk analysis) to cover the amount of the first pre-financing shall be carried out by the Financial officer of the JTS.

The results of this analysis shall be reported to the Authorising Unit which shall inform the Lead Beneficiary on the need to provide a Financial Guarantee attached to the signed Grant Contract to cover the amount of the first pre-financing, as preconditions for the payment of the first installment.

Step 2

This step consists in the revision of the proposal by the Lead Beneficiary and the submission to the MA - Authorising Unit of the documents required and the proposal revised, if necessary.

During this step, the documents received shall be checked by the JTS and possible corrections are discussed by the MA - Authorising Unit with the Lead Beneficiary, in order to reach the agreement on the final version of the technical proposal and the budget allocation to be attached to the Grant Contract.

Step 3

The final version of the Grant Contract, and related annexes, ready for the signature are uploaded onto the Monitoring System and made available to the Lead Beneficiary for the signature by the legal representative of the concerned organisation.

The Contract shall be then countersigned by the Head of the Authorising Unit and registered in the documents archiving system of the MA.

An exchange of hard signed copies between the MA - Authorising Unit and the Beneficiary may be required in the event the electronic signature is not available in the Monitoring system.

As far as the procedures at national level necessary for project implementation (varies for each country e.g. project registration, tax exemption, opening of bank account in Euro, integration of project budget into budget of the public institutions, etc.), they are described, when applicable, in par. 4.1.3 on the specific national procedures of each participating country.

The Grant Contract foresees also the procedure to be followed to make contract modifications. These apply only in case of major changes such as:

- Budget (only if for shifts above 20%);
- Duration;
- Partnership;
- Activities, outputs, results and indicators.

The procedure foresees that the Beneficiary shall request a major modification at least 30 calendar days before the end of project activities and no more than once during the whole duration of the project.

The Grant Contract foresees also that in no case the criteria for the grant award shall be modified by a major amendment. An addendum to the Grant Contract shall be signed with the Lead Beneficiary in order to allow the major modifications to enter into force.

The modification of the Grant Contract is assessed by the JTS first and then by the MA that shall also draft and submit the addendum to be signed by the Beneficiary.

3.4 PROCEDURES TO AVOID THE DUPLICATION OF ACTIVITIES AMONG PROJECTS FUNDED BY THE UNION

(see also monitoring and evaluation plan)

The MA shall include in the Guidelines for Grant Applicants clear provisions regarding the avoidance of duplication of activities funded by the EU (e.g statement by the Lead partner or project partners).

The MA shall send the list of selected projects to EC in order to perform an inter-service consultation aiming at avoiding duplication of financing or identifying any applicant or partner included in EC's warning systems. Because of this consultation, JMC may decide to reject an initially recommended proposal.

The MA may consult other MAs of ENI-CBC, IPA-CBC and Interreg programmes, provided that impartiality and confidentiality is ensured. The MA may also consult relevant databases, such as KEEP. NAs may also check potential double funding and inform MA accordingly.

4. DESCRIPTION OF MANAGEMENT PROCEDURES

4.1 PROCEDURES FOR ENSURING SOUND PROJECT MANAGEMENT BY BENEFICIARIES, IN ACCORDANCE WITH THE PRINCIPLES OF SOUND FINANCIAL MANAGEMENT

In accordance with art. 180 of the of the Rules of Application of the Financial Regulation (Commission Delegated Regulation (EU) 1268/2012) and articles 40 and 43 of the ENI IR, the MA shall ensure a sound project management through various activities aimed at informing the Applicant and Partners about the conditions for the participation in the call, selection and implementation of the project. As far as the content of the proposals is concerned, the format of the application form and of the documents to be submitted contain the information requested by art. 43 of the ENI IR. Moreover, the Applicants and partners must declare, in the Declaration by the Applicant and in the Partner Statement the acceptance of the conditions for their participation. As far as the contractual obligations during project implementation are concerned, since the publication of the call for proposals, the MA ensures the knowledge of this information through the publication, among the documents of each call for proposals, of the templates of the Grant Contract and of the Partnership Agreement as well as specific informative notes concerning State Aid, eligibility of expenditures, procurement and questions and answers on specific national issues (Italian and Greek national co-financing, etc.).

Moreover, the details concerning the procedures to be followed by Lead Beneficiaries and Partners during project implementation shall be described in the Project Implementation Manual to be published before the first projects are contracted.

Finally, in order to ensure a proper comprehension of the obligations and processes to be followed during project implementation, the MA, with the support of the Branch Offices and of the JTS, shall carry out training of Lead Beneficiaries and partners, Project Auditors, specific follow up monitoring activities etc. also involving the National Authorties (see par. 4.1.3 on each specific country).

4.1.1. PROCEDURES TO BE ENSURED BY THE LEAD BENEFICIARY

The Grant Contract clearly mentions all the contractual obligations and procedures which need to be ensured by the Lead Beneficiary of each project.

Among other things such as project duration, financing, contract amendments, termination of the contract, financial penalties and reporting etc., the main obligations of the Lead Beneficiary are:

a. monitoring that the Project is implemented in accordance with this Contract and ensure coordination with all partners in the implementation of the Project, in accordance with the provisions set in the Partnership Agreement;

b . acting as the intermediary for all communications between the partners and the Managing Authority;

c. being responsible for supplying all documents and information to the Managing Authority which may be required under this Contract, in particular in relation to the periodic reports and the requests for payment. Where information from the partners is required, the Lead Beneficiary shall be responsible for obtaining, verifying and consolidating this information before passing it on to the Managing Authority. Any information given, as well as any request made by the Lead Beneficiary to the Managing Authority, shall be deemed to have been agreed with partners;

d. informing the Managing Authority of any event likely to affect or delay the implementation of the Project;

e. informing the Managing Authority of any change in the legal, financial, technical, organisational or ownership situation of any of the partners, as well as, of any change in the name, address or legal representative of any of the partners;

f. being responsible in the event of audits, checks, monitoring or evaluations, as described in Article 16 of the Grant Contract for providing all the necessary documents, including copies of the most relevant supporting documents and signed copies of any Contract concluded for the implementation of the Project;

g. making the appropriate arrangements for providing the financial guarantee, when requested, in accordance with Article 7 paragraph 2 of the Grant Contract ;

h. establishing the payment requests in accordance with above mentioned Article 7 paragraph 2 of the Grant Contract;

i. being the sole recipient, on behalf of all of the Partners, of the payments of the Managing Authority. The Lead Beneficiary shall ensure that the appropriate payments are then made to the Partners without unjustified delay, in accordance with the conditions and the deadlines set in the Partnership Agreement;

j. not to delegate any, or part of, these tasks to the Partners or other entities.

As far as the main procedures to be carried out by the Lead Beneficiary are concerned, they are listed in the Partnership Agreement.

In particular, the Lead Beneficiary needs:

a. to appoint a Project Manager responsible for the overall coordination and implementation of the project, and, as the case may be, to appoint a Communication Manager and a Financial Manager . The latter shall be in charge of financial monitoring, book keeping, financial reporting, distribution and verification of the ENI funding to the Partners, as well as of implementing measure to ensure the eligibility of expenditures. The financial officer is expected to work in close cooperation with the Project Manager and the Partners in order to ensure a sound financial management,

b. to ensure the start-up of the project and its compliance with the milestones set in the approved Application Form based on Partner's contribution,

c. to guarantee the sound financial management of the funds allocated to the project, including the respect of the rules which guarantee the recovering of amounts unduly paid,

d. to ensure that the expenditures included in the project accounts have been made for the purposes of implementing the project and correspond to the activities included in the approved and agreed budget among all Partners,

e. to ensure that the expenditures included in the project accounts have been incurred during the Project implementation period as mentioned in Article 2 of the Grant Contract,

f. to prepare and submit to the MA interim and final reports concerning the technical and financial implementation of the project according to art. 6 of the Grant Contract,

g. to regularly communicate with the JTS on relevant news and issues and timely report to it, especially in case of problems and delays in the implementation of the project, modifications of the budget, activities or Partners,

h. to receive the payments from the MA and to transfer them to the Partners according to the amounts and deadlines agreed and set in the Partnership agreement.

i. to transmit to the Partners copies of all relevant documents concerning the project, in particular the signed Grant Contract and its annexes, any amendments to it approved by the MA, and the reports on the implementation of the Project and to keep them regularly informed of all relevant communication between the Lead Beneficiary and the MA.

4.1.2. PROCEDURES TO BE ENSURED BY THE PROJECT PARTNERS

The obligations of each project partner are briefly mentioned in the guidelines for Applicants and they are detailed in the Partneship Agreement. The indicative template of this document is provided by the MA within the documents published with the Call for Proposals.

In order to ensure that the resposibilitied and obligations are accepted by the Applicant and Partners, this document is requested already during the evaluation phase of the project proposals. In particular, the Applicants whose application has been admitted to STEP 2 of the evaluation process, are invited to submit the signed partnership agreement within a reasonable delay (not less than 45 calendar days).

The partnership agreement contains all the main elements of the Grant Contract (duration, financing etc.) and it extends to partners some of the obligations of the Lead Beneficiary, as requested by the ENI CBC IR.

In particular, each Partner is responsible for carrying out the activities described in the work packages of the Application Form in close cooperation with all Partners and it commits itself to deliver the Project expected outputs and results.

The Partners commit themselves to accept the technical, administrative and financial coordination of the Lead Beneficiary in order to allow the latter to fulfill entirely its obligations to the MA as set out in the Grant Contract and its annexes.

To this end, they authorise the Lead Beneficiary to sign the contract with the MA and they entitle it to represent them towards the MA and the Joint Technical Secretariat as far as the project implementation is concerned.

More specifically, each project Partner is obliged to:

a. implement its part of the project according to the description of the Project in the Application Form and the requirements set in the Grant Contract,

b. provide the Lead Beneficiary with all the information and documents required for the coordination and regular monitoring of the technical and financial progress of the project,

c. provide the Lead Beneficiary with all the information and documents required for the preparation of the progress, interim and final reports concerning the part of the project under its responsibility,

d. keep separate accounts or use an appropriate accounting and double-entry book-keeping system through which expenditures and receipts relating to the project are easily identifiable and verifiable, in accordance with the indications of Article 16 of the Grant Contract,

e. ensure that the expenditures have been incurred for the purpose of implementing the project and correspond to the activities agreed by the Partners as described in the Application Form,

f. ensure that the expenditures included in the Project accounts have incurred during the project implementation period as mentioned in Article 2 of the Grant Contract,

g. guarantee the sound financial management of the funds allocated to the part of the project implemented under its responsibility, including the commitment to recover the amounts unduly paid,

h. timely submit to the Lead Beneficiary the expenditure verification report for the part of the project implemented under its own responsibility,

i. react promptly to any request of the Lead Beneficiary, the MA, JTS or Branch Offices, in particular concerning requests related to the coordination and implementation of the project,

j. notify the Lead Beneficiary immediately of any event that could prevent, jeopardise, lead to a termination of or temporary delay the implementation of the project,

k. allow the European Commission, the European Anti-Fraud Office, the European Court of Auditors, the MA, the Audit Authority, the Control Contact Points and any external auditor carrying out verifications required by the Grant Contract, as per Article 33 of Regulation no. 897/2014 to verify, by examining the documents and to make copies thereof or by means of on-the-spot checks, the implementation of the project and conduct a full audit, if necessary, on the basis of supporting documents for the accounts, accounting documents and any other document relevant to the financing of the project. These inspections may take place up to five years after the payment of the Programme balance,

l. comply with national regulations, where applicable,

m. to reimburse the National Authority in the event it has paid back the Programme due to irregularities as referred in art. 74.4 or according to the provisions set in the Financing Agreement,

n. to provide the Lead Beneficiary with a financial guarantee to cover the pre-financing installments (suggested for private organizations).

4.1.3. SPECIFIC PROCEDURES TO BE ENSURED AT NATIONAL LEVEL

The description of the national circuits is attached as Annex n.1 to the DMCS.

4.2 PROCEDURES FOR ENSURING THE CORRECTNESS AND REGULARITY OF EXPENDITURE DECLARED

The following paragraphs concern the methodology and steps to be followed by the MA and the Programme bodies in order to ensure the correctness and regularity of expenditures declared.

4.2.1 RULES ON ELIGIBILITY OF EXPENDITURE APPLICABLE TO THE PROGRAMME AND THE TREATMENT OF THE REVENUES

Rules on the eligibility of expenditures are set in the Grant Contract and they are in line with the ENI IR. In order to ensure a clear understanding of these rules, the MA publishes informative notes already during call for proposals as well as the format of the Grant Contract. The non eligible costs are also listed in the Guidelines for Applicants and in the Grant Contract.

The MA, supported by the JTS, shall then publish a project implementation manual where the supporting expenditure and payment documents shall be described. Moreover, the communication and visibility rules (see par. 4.2.3) are also considered binding in terms of eligibility of their related costs.

The compliance with these rules is checked by the project auditors as well as by the JTS and the MA, with the support of the CCP when relevant (on a sample basis, during the assessment of each annual and final report as well as during on-the-spot checks).

The MA shall ensure a clear comprehension of these rules through specific training to project beneficiaries in each country in cooperation with the National Authorities and Control Contact Points.

Revenues

According to par. 4.10.1 of the the JOP, "the *Programme shall not consider as co-financing the income generated by the project, therefore if any income is generated by the partnership during project implementation, it shall lead to a reduction of ENI Programme contribution*".

This implies a need for detecting the revenues that a project may generate during the implementation since the very beginning[6]. To this regard the MA shall put in place specific measures to prevent and detect revenues. During the application process, Applicant and partners must already indicate the potential revenues that the project may earn. During project implementation, project auditors shall need to check if the project encountered any revenues that must be registered also in the accounting system of the concerned project beneficiary. When assessing the reports, the JTS and the MA shall then proceed with their deduction from the ENI contribution. The notification of the reduced amount of the grant shall be notified to the Lead Beneficiary by the MA.

Finally, revenues shall be checked also through the on-the-spot checks or through other verifications, also in order to detect any potential case of fraud.

4.2.2. VERIFICATION PROCEDURES

Article 26(5) COMMISSION IMPLEMENTING REGULATION (EU) No 897/2014 requires that the Managing Authority shall verify that services, supplies or works have been performed, delivered and/or installed and whether expenditure declared by the beneficiaries has been paid by them and that this complies with applicable law, programme rules and conditions for support of the projects.

[6] Article 125 of Financial Regulation applies, that is, the revenues occur until the submission of the final report.

Pursuant to Article 26(6) IR the verifications shall include administrative verifications in respect of each application for reimbursement by beneficiaries and on-the-spot verifications of projects.

This chapter outlines the standard procedures to be set up within the ENI CBC MED Programme in order to verify the correctness and regularity of expenditure declared by the project beneficiaries to the Managing Authority. Verification procedures includes administrative verifications in respect of each payment request by beneficiaries and the on-the-spot verifications of projects

The goal of defining standard procedures is to clearly define all steps of the process of verification and authorising of payments of pre-financings and final balances of projects funded under the ENI CBC MED Programme, with reference to tasks and outcomes, ensuring the respect of the deadlines and, at the same time, minimising the risk of errors, irregularities and recoveries.

Legal basis

The main legal basis for the setting up of the procedures of verification and authorising of payments are Reg. 897/2014 (ENI CBC Implementing Rules).

In particular, according to Article 26 (paragraph 5) of ENI CBC Implementing Rules the MA shall "*verify that services, supplies or works have been performed, delivered and/or installed and whether expenditure declared by the beneficiaries has been paid by them and that this complies with applicable law, Programme rules and conditions for support of the projects.*"

Paragraphs 26.6 and 26.7 stipulate that "*verifications pursuant to point (a) of paragraph 5 shall include the following procedures:*

(a) administrative verifications for each payment request by beneficiaries;

(b) on-the-spot project verifications.

The frequency and coverage of the on-the-spot verifications shall be proportionate to the amount of the grant to a project and the level of risk identified by these verifications and audits by the Audit Authority for the management and control systems as a whole. On-the-spot project verifications pursuant to paragraph point (b) of paragraph 6 may be carried out on a sample basis."

Moreover, Article 32.2 indicates: "*For the purpose of carrying out verifications throughout the whole programme area, the Managing Authority may be assisted by the Control Contact Points. (…).*"

The technical instrument on which the process of verification and authorising of payments is based is the Management and Information System, shall be used by the whole staff (both of the Managing Authority (MA), of the Joint Technical Secretariat (JTS), the Control Contact Points (CCP) and the project auditors; while the Audit Authority (AA) shall have access to the information according to its auditing role.

The information system shall allow to manage and trace all steps of verification and authorising, including the communication flow among the project beneficiaries, the project auditors, the JTS, the MA staff involved, allowing to simplify and speed up the process as well as to minimise the risk of errors according to the principle of *"single data entry".*

The MA may also involve CCPs in the event a specific issue is detected and it needs a clarification on the basis of the national rules applicable in the concerned country.

Administrative and technical verifications: aim and scope

All payment requests submitted by the project Lead Beneficiaries are subject to administrative verifications based on the analysis of the requests and the relevant documents attached, such as Interim and Final Reports and Expenditure Verification Reports.

The main sources for verifications are the payment requests with the attached reports prepared by the project Lead Beneficiaries and the Expenditure Verification Reports sent by the project auditors, attached to Interim and Final reports.

The administrative verifications should check the compliance of the documents submitted with the applicable legislation, Programme rules and the Grant Contract clauses, with reference, *inter alia,* to the following aspects:

- delivery of the reports in compliance with terms, conditions and deadlines set in the Grant Contract;
- compliance with the Programme conditions including the approved financing rate;
- the reported expenditure must be related to the eligible implementation period and actually incurred by the Lead Beneficiary and partners;
- the expenditure claimed must be related to the approved project and its activities, reasonable and justified by relevant outputs and results, as well as compliant with the eligibility rules set in the Project Manual on the Eligibility of Costs;
- compliance with State aid rules as verified by the auditors through specific check lists; compliance with European union and national public procurement rules;
- respect of EU and programme rules on publicity and visibility;
- non-existence of double funding of the reported expenditure;
- progress of project activities measured by specific outputs and indicators, according to the approved project, in terms of quality, quantity and scheduled timeframes as defined in the project.

The management verifications are carried out by the Operational and Authorising Unit, after a prior technical, administrative and financial compliance check of the payment requests and reports submitted, which is carried out by the JTS on a sample basis. CCPs may also be involved by the MA in order to obtain specific information on national procedures or any other national related issue.

All administrative verifications shall be documented through detailed checklists, recorded and uploaded on the MIS.

The tasks of the project auditors

The expenditure verification process starts with the controls carried out by project auditors.

In order to carry out verifications for each payment request, article 32 of the ENI-CBC Implementing Rules foresees that "*Expenditure declared by the beneficiary in support of a payment request shall be examined by an auditor or by a competent public officer being independent from the beneficiary. The auditor or the competent public officer shall examine whether the costs declared by the beneficiary and the revenue of the project are real, accurately recorded and eligible in accordance with the contract.*"

Contracted project Auditors or competent public officers appointed within each project shall have to fulfill the requirements and professional standards set by art. 32.1 of ENI-CBC Implementing Rules. Each auditor shall be responsible for keeping records of the verification.

The participation of the person in charge of the expenditure verification in the training courses organised by the MA, prior to their contracting by project beneficiaries, is considered as mandatory.

A consolidated report (EVR), including the results of the verifications carried out by all auditors, through specific checklists shall be fill-in, under its responsibility by the auditor of the Lead Beneficiary. The Lead Beneficiary and the partners shall grant the auditors all access rights necessary for the verification under the same conditions than the ones mentioned in Art. 16.4 of the Grant Contract.

The tasks of the auditors appointed by the project Lead Beneficiaries and partners are, *inter alia*:

a) to verify that goods and services have been delivered and the works have been performed;

b) to verify that the expenditure declared by the beneficiaries relates to the eligible period or previous ones and it has been paid;

c) to verify the compliance with applicable rules (including eligibility rules), also including procurement and visibility requirements;

d) to verify the compliance of the expenditures with the approved project and the signed Grant Contract;

e) to check the related documents and accounting on avoidance of possible double funding;

f) to check the correctness of the financial reports;

g) to verify the adequacy of supporting documents;

h) to check the registration of the expenditure in the accounting records of the beneficiary and that the expenditure is determined according to the accounting standards and the usual cost accounting practices applicable to the beneficiary;

i) to check the record-keeping and archiving rules for the documentary evidence related to the implementation of the project;

j) to notify irregularities, as the case may be;

k) to notify suspicion of fraud or corruption, as the case may be[7].

In order to ensure the quality of the expenditure verification at programme level, a specific manual for auditor expenditure verification is drawn-up at programme level by the MA and shall be updated if necessary.

The expenditure verifications shall be carried out according to formats and checklists agreed with the MA and their outcome shall be the Expenditure Verification Report (EVR), that shall have to be attached to each payment request, except to the initial pre-financing payment at grant contract signature.

A copy of the project reports and the EVRs shall be also submitted to the concerned Control Contact Points, in order to allow them to carry out checks, as the case may be. The copy could also be made available through a specific section of the Monitoring and Information System (MIS).

The auditors must perform on-site checks on each project partner, in order to verify the original documents, including those related to procurement procedures, the outputs of the project, the evidence of services, works, equipment, goods co-financed through the projects, the adequacy of the accounting systems, so as to ensure that all expenditures incurred by beneficiaries and partners are in compliance with the requirements of the Programme, EC regulations and national legislation in force. A list of project outputs shall be produced and signed by the auditors as attachment to the EVR.

The auditors shall check the project supporting documents, and draw up all the necessary documents and annexes according with the internal procedure and Programme' requirements.

The project auditors shall check the documents through the ENI Monitoring System of the Programme. However, they must ensure to carry out *in situ* verification at least once in the lifetime of the project and most preferably during the verification of the final report.

The MA has the right to require that any project auditor may be replaced if considerations cast doubt on their independence, if their professional standards do not meet the requirements set in the Terms of Reference, or if substantial errors are detected in reports previously submitted that cast a reasonable doubt of their professional reliability.

The MA shall immediately inform the CCP of the concerned country in order to take the appropriate actions and to remove from a long list of auditors the one/s concerned as the case maybe.

JTS compliance check

[7] If an auditor identifies potential fraud or corruption, it shall inform directly to MA via a specific report, which is not delivered to the concerned beneficiary.

The JTS staff shall perform a preliminary compliance check (administrative, technical and financial) about the adequacy of all required documents needed to submit a payment request, using check-lists agreed with the MA.

The documents checked by the JTS shall be those included in the reporting package, in particular:

- Payment request form
- Financial reports
- Narrative reports and related project outputs/deliverables
- Expenditure Verification Reports and the attached auditors' check lists.

The JTS verification consists in the documentary review of a plurality of elements such as:

a) the main legal, administrative and financial documents concerning the project (Grant Contract and Addendums concerning partnership, budget, duration and activities modifications, legal representative and signatures);

b) the formal and substantial correctness of documents;

c) the EVR and the auditors' check list.

Specific checks on the expected results and outputs of the project, proved by factual evidences have to be carried out by the JTS, in order to define if penalties established in the Grant Contract should be applied in case of poor, late or partial implementation. Moreover, the JTS shall support the MA in the controls specified in article 32 and article 26 of the Implementing Rules. In particular, management verifications shall be carried out on selected expenditures applying the sampling methodology described in Annex 11, in order to verifiy their eligibility and the compliance with the rules set up in the Project Implementation Manual in terms of selection / tender procedures for human resources, services, supplies, works and for subgrants.

During the JTS verifications, clarifications, and additional supporting documents may be required to lead beneficiaries and partners (via their Lead Beneficiary) such as invoices, contracts, tender documents, timesheets, etc. The JTS shall follow a specific check-list including also the details of the type of clarifications which may be requested.

The outcome of the JTS analysis shall be contained in specific check lists and reports whose format and content shall be drafted and uploaded in the ENI Monitoring System in order to prompt up the MA verification. In the reports, JTS officer may propose to the Authorising Unit the application of penalties in case of poor, late or partial implementation. Irregularities and financial corrections shall be reported as well as the non accepted expenditures for reasons that may be solved in future reports.

The check list is signed by the JTS officers and uploaded on the MIS that shall send a notification to the concerned units of the MA.

Further details are contained in the JTS Manual.

Verification by the MA

Following the outcomes of the JTS compliance check, which shall be uploaded on the ENI Monitoring System with automatic notifications, the Authorising Unit of the MA shall carry out additional verifications in its function of Authorising officer as defined by Financial Regulation 2018/1046.

The documents provided by the JTS as an outcome of their compliance check (administrative, technical and financial check lists) are verified by the MA with respect to their completeness. Moreover, the MA shall perform a review, on the basis of specific check-lists, of the ineligible expense proposed by the JTS in order to confirm their irregularity/not compliance. Additional ineligible expenditures may be identified by the Authorising unit while performing these controls, extending the sample size checked by the JTS according to the same methodology described in Annex 11.

The Operational and Authorising Unit may also request the support of the CCPs and the National Authorities, during this phase, as the case may be.

The outcomes of the verification procedure carried out by the Authorising Section of the MA, which shall be uploaded into the Monitoring System, are:

a) a Certification Report, including all basic information about the project, specific information on the checks carried out, the amount of accepted eligible expenditure (for clearance purposes) and the amount authorised for the payment;

b) an administrative act signed by the Head of the Operational and Authorising Unit, approving the Certification report and ordering the payment to the Accounting Unit;

c) a communication to the Lead beneficiary containing the results of the verification and the amount authorized, and procedure to appeal the verification results.The whole process is described as follows.

First step

During project implementation, the Lead beneficiary ad Partners shall prepare the Interim reports, in compliance with the deadlines, contents and forms indicated in the Grant Contract and in the Project Implementation Manual.

Once the Interim/Final reports are prepared, the project auditors shall carry out the expenditure verification, in accordance with the terms of reference of the corresponding agreed-upon procedure, which shall be included in the Expenditure verification pack. Each auditor shall deliver the Individual Expenditure Verification Report (EVR) to the Lead Beneficiary (LB).

Each project partner shall be responsible for sending its Financial report and the EVR issued by the auditor to the Lead Beneficiary and to upload the relevant supporting documents in the MIS.

The Lead Beneficiary is responsible for checking the adequacy of partners' individual report and its auditor shall ensure also that each EVR is in line with the requirements. If not the case, a written list of observations/errors/corrections shall be prepared and sent to the corresponding project partner, with a clear deadline for delivering the corrected report(s).

Once the individual reports and EVRs from all project partners are received, the Lead Beneficiary shall prepare the consolidated Interim/Final report.

The final action of this step in the payment procedure is the submission of the Consolidated Report and the EVRs to the JTS through the MIS.

Second step

JTS shall receive the request of payment and the Interim/Final Report according to the reporting deadlines set in the Grant Contract. The JTS shall perform a first compliance check of the documents submitted through the MIS, before starting the assessement of the report. If the reporting documents are not complete, a request for integrations is sent to the LB. If the LB does not provide the requested integrations the Interim report is rejected as far as the JTS cannot perform its verifications.

If all required documents are received, the JTS starts its assessement, by performig a check of activities and of a sample of the expenditures reported in the Interim/final report, according to a detailed check list agreed with the Managing Authority.

A written list of corrections,clarifications and/or additional documents should be prepared and sent to the Lead Beneficiary, with a deadline of 30 days for delivering the corrected report(s) and the required clarification or documents. In this case the terms are suspendend and, after receiving the requested clarifications or documents the JTS complete its assessement.

The JTS check-list shall include the results of the its assessement, in term of quality of the report, achievement of project outputs and results, respect of the activity plan and eligibility of expenditures.

Third step

The third step shall consist in verifications carried out by the MA (see above: Verification by the MA).

The work-flow of the third step shall be:

After receiving the JTS check-list, the Operational and Authorising Unit shall carry out its own verifications and shall adopt the Results of the assessement document, including the outcome of the checks perfomed, i.e., the amount of accepted expenditures, the detected findings and the related amount of ineligible expenditures, and the calculation of the further prefinaning.

After the conclusion of the verification process the results are sent to the Lead Beneficiary, which within 15 calendar days could send a complaint and/or additional information.

The Operational and Authorising Unit shall verify the counterclaims on the detected findings before authorizing the payment of the prefinancing/final balance. The payment process is described in paragraph 4.3.

The maximum duration of the whole process, including JTS and MA verifications (second and third steps), is 90 calendar days.

In particular, the JTS wil perform his check on the reports in maximum 60 calendar days with the possibility to suspend this deadline, only once, in case of request for clarifications and/or missing documents, to be provided within 30 calendar days.

The Operational and Authorising Unit shall have maximum 30 calendar days for finalising the process for approving the Interim / Final Report and define the amount to be paid as further prefinancing/final balance.

The management verifications on projects are described in the audit trail attached to the DMCS.

On-the-spots checks

On-the-spot verifications shall be carried out in order to check the actual implementation of the project and the compliance of the produced outputs, expenditures and sources of funding with the terms and references of the Grant Contract and the Application form, in line with the European, Programme and National rules.

The on-the-spot-checks shall cover at least the following verifications:

- the existence and effective functioning of an accounting system on the level of each beneficiary either separate or analytical-based, allowing for a clear identification of all project or technical assistance-related expenditure and avoiding the possibility of double-funding;
- the existence of a proper document keeping system that ensures the availability, confidentiality and security of documents and records, in accordance with the "Informative note on documents keeping;
- adequacy of supporting documents and of the existence of an adequate audit trail;
- the reported services/equipments/investments have been delivered in reality, and are available at the premises of the project beneficiary/partner, and are used in line with the project purposes;
- the compliance with national and Community rules;
- the compliance with publicity rules and requirements of the Programme.

The frequency and coverage of the on-the-spot verifications shall be proportionate to the amount of the grant to a project/public support to an operation and the level of risk identified by these verifications and audits by the Audit Authority for the management and control systems as a whole.

On-the-spot verifications shall be:

- planned in advance to ensure that they are effective
- undertaken when the operation is well under way, both in terms of physical and financial progress
- carried out on a sample basis

- described in the summary of controls and possibly completed before issuing the "management declaration and annual summary referred to in Article 68 of the IR 897/2014 (Implementing rules).

A methodological and annual plan for on-the spot checks is defined by the MA through the adoption of a specific check lists covering different topics (procurement, state aid, delivery of outputs etc.). The Operational and Authorising Unit of the MA may request the support of the JTS and of the CCPs to peform the annual on-the-spot checks or appoint an external auditing body.

On-the-spot verifications shall be carried out on a sample basis and at least once during the lifetime of funded project, considering risk factors such as:

- the kind of project (standard, strategic, capitalisation);
- the ENI Contribution;
- the presence of subgrants;
- the size and geographical representation of the partnership;
- the categories of beneficiaries and partners (public/private profit/non-profit);
- the number of projects implemented by the beneficiary;
- the state of play;
- findings of the projects external auditors, JTS and MA-OAU;
- results of the annual audits on projects carried out by the AA;
- any critical points or problems arisen in the project implementation.

On-the-spot checks are carried out by the OAU-MA/JTS officers, in cooperation with the CCPs, on LBs/partners' premises, in order to verify that the reported activities have taken place, the delivery of sub-contracted supplies, works and goods is in progress or has been completed.

The overall purpose of these checks is to detect any ineligible expenditure already included in reports and requests for payment and already certified by the MA, and to ensure the proper functioning of the first level control performed by the projects auditors.

Any LB/partner in any project can be selected for the on-the-spot check, as far as the means invested in going on-the-spot remain proportional to the costs to be verified. Consequently, sampling methodologies are applied by the MA.

In order to cope with the travel restrictions due to the COVID-19 pandemic, the MA may, on a case by case basis:

- delegate the entire execution of the checks to the concerned CCP;
- subcontract the execution of the checks to national independent experts recruited for this purpose (activity and budget included in the 2020-2021 activity and financial plan approved by the JMC);
- exceptionally avoid carrying out the physical on-the-spot visit as long as the OAU/JTS officers, assisted by the staff of the BOs, could get reassurance through comparable means (e.g. pictures, agendas, phone interviews) of the existence and reality of goods, works and services procured and that the project outputs were delivered.

From a procedural point of view, on the spot checks shall be carried out in 3 steps, as follows:

1. preliminary analysis (desk review) of the available data. The concerned LB/Partner shall be informed through a specific communication, specifying the object of the control, the location and time of the inspection, the person in charge of the control; the subjects who must be present during the control phase (coordinator, officers, financial manager, etc.), the list of supporting documents that must be made available to the controllers. The LB/Partner shall be asked to anticipate as much as possible these supporting documents by email in order to accelerate the procedures in situ;
2. execution of the verification on the spot at the LB/Partner premises, and filling out of the related checklist (see Annex 4 of the DMCS);
3. verification of the results, listed in a Verification Report, consisting in the description of the control activities carried out and the related results. All documents related to the on the spot check shall be kept by the MA-OAU Unit in a dedicated folder and uploaded in the MIS.

The results of the on the spot checks shall be shared with Lead beneficiary which within 15 calendar days could send a complaint, the Operational and Authorising Unit shall verifiy the counterclaims on the detected findings in order to confirm or revise the irregularities. The final results of the on the spot checks shall be shared with the Programme bodies and used for updating the risk analysis on projects.

The following paragraphs describe the on-the-spot check regulatory framework, methodology and tentative annual plan.

Methodology

The MA intends to use reports submitted by each Lead beneficiary, processed and paid, as sampling units. Considering that each project shall receive at least one check during its lifetime, the MA shall use a risk based sampling, a non statistical selection combining the following elements: judgement selection (all projects including sub-grants and infrastructures) and block selection (based on the results of the risk analysis).

An indicative average sample of 35% of projects having their reports and related requests for payment processed by the JTS and the MA/OAU shall be extracted yearly. The sample extracted shall be inversely proportional to the results of the risk analysis, in order to include projects with high/medium/low risk score.

The sample shall be stratified according to the following principles:

- at least one project having sub-grants and one project having infrastructures shall be selected;

- the Lead Beneficiary shall always be checked;

- at least one other partner shall be selected taking into consideration the risk analysis at partner level based on amount of reported expenditures, occurred cuts and participation of the Partner organisation in more than one project, ensuring as much as possible the coverage of all participating countries.

The selection of the expenditure items to be verified shall be done on a sample of expenditures already certified, selected taking account of risk factors and complemented by a random sample, to ensure that all items have the same probability to be selected.

The selection of items for verification includes 10% of expenditures under each cost category. The minimum sample size for random sampling per cost category is at least 10% of the costs authorised under each cost category in the concerned reporting period AND at least 2 items. According to the level of risk associated with the report (High-Medium-Low), this percentage may be increased to 15 and/or 20% per cost category.

The sample shall be randomly extracted, using the function “random” of the software excel.

It is worth specifying that in case of a high irregularity rate (>10%) of the expenditure verified during the on-the spot check, the sample shall be increased proportionally up to the verification of 100% of the total amount; the purpose of extending the sample is to establish whether or not errors have a common feature (e.g. type of transaction, location, period of time, product/output, name of employee, etc.); in this case, the verifications shall be extended up to 100% of the expenditure certified per cost category, otherwise the error shall be projected from the sample to the unchecked population;

A 100% verification is done in case of:

- Items of significant value (i.e. those above 10% of the total costs certified under the cost category in a given report)
- Unusual or suspicious items
- Budget lines, where a high risk was identified in the previous report(s): i.e. less than 98% of the total amount declared in this budget line was found eligible AND errors were NOT well defined or confined and could NOT be sufficiently addressed by the project partner during clarifications
- Procuments of more than 60.000,00 euro, even if the100% of the expenditure is already verified during the verifications performed by the LB/partners’ auditors both for UE and MPC Countries,

All outputs shall be checked.

For both administrative and on-the-spot verifications, the Operational and Authorising Unit of the MA shall keep records of each verification, stating the work performed, the date and the results of the verification and of the follow-up of the findings detected, including the measures taken in respect of the irregularities detected.

If following the conduct of on-the-spot verifications, it results that a material amount of expenditure which was already included in the Annual account submitted to the Commission is irregular then the MA shall take the necessary corrective measures to strengthen verifications before the next certification to the Commission by either strengthening the administrative verifications or by carrying out the on-the-spot checks before the expenditure is declared in the Annual account to the Commission.

4.2.3. PROCEDURES ENSURING COMPLIANCE WITH PROCUREMENT, STATE AID RULES AND VISIBILITY REQUIREMENTS

Compliance with procurement procedures

The purchase of goods, works or the subcontracting of services by a Lead Beneficiary or partner under the ENI Programme shall comply with articles from 52 to 56 of the ENI Implementing Rules (Reg. EU 897/2014), as well as the with the applicable public procurement legislation at European and national level.

For procurement procedures with a value of less than EUR 60.000, the MA shall issue specific mandatory instructions on procurement below 60.000 euro.

The MA shall issue a specific guide on the applicable National legislation of the participating countries.

In all cases, the rules of nationality and origin set forth in Articles 8 and 9 of Regulation (EU) No 236/2014 shall apply, as well as the provisions set in article 52.2 of ENI CBC IR, i.e. principles of transparency, fair competition for potential contractors, lack of any conflict of interest and the principles of sound financial management of public funds, equal treatment and non-discrimination, as set by the European Treaties.

The basic standards concerning the obligation of transparency are:

- publicity (means and content);
- contract award procedure (e.g. principles, contract award decisions);
- judicial protection (i.e. possibility to review the impartiality of the procedure).

Verifications in relation to public procurement must ensure, therefore, that applicable EU procurement rules and related national rules are complied with and that the abovementioned principles are respected throughout the entire selection process.

The Project Implementation Manual (PIM) must foresee a specific requirement for all project beneficiaries (Lead Beneficiaries and partners) to clearly trace each procurement procedure carried out within the project – regardless of the amount awarded - and to retain the documentation in the event of any control or audit. Moreover, it must clearly specify that offers have to be received in writing and be properly documented.

The verifications regarding procurement procedures are carried out by the independent auditor appointed by each project partner, according to analytic check lists to be provided by the MA, and their outcomes have to be reported in the Expenditure Verification Reports attached to payment requests.

Moreover, the MA/JTS, the AA, the Control Contact Points, the national authorities and any other Programme bodies or external entities entitled are enabled to carry out further controls on specific projects, as a result of on-the-spot checks or on a case by case basis, e.g. in case that irregularities, fraud or corruption, etc. are suspected or established by the MA/JTS.

The checks to be carried out regarding procurement procedures must concern the proper

application of selection processes and have to be based on the verification of the evidence of the following aspects, as set by art. 52 of ENI IR:

(i) for contracts with a value of more than EUR 60.000, an evaluation committee shall be set up to evaluate applications and/or tenders on the basis of the exclusion, selection and award criteria published by the beneficiary in advance in the tender documents. The committee must have an odd number of members with all the technical and administrative capacities necessary to give an informed opinion on the tenders/applications;

(ii) sufficient transparency, fair competition and adequate ex-ante publicity have been ensured;

(iii) equal treatment, proportionality and non-discrimination have been guaranteed;

(iv) tender documents were drafted according to best international practice;

(v) deadlines for submitting applications or tenders have been long enough to give interested parties a reasonable period to prepare their tenders;

(vi) candidates or tenderers were excluded from participating in a procurement procedure if they fell within one of the situations described in Article 106(1) of Regulation (EU, Euratom) No 966/2012 and candidates or tenderers have certified that they are not in one of these situations. In addition, contracts may not be awarded to candidates or tenderers which, during the procurement procedure fall within one of the situations referred to in Article 107 of Regulation (EU, Euratom) No 966/2012;

(vii) the procurement method used was in accordance with those defined by the art. 53 – 56 of the ENI IR considering the relevant thresholds.

In addition, during the verification process a specific attention should be paid to some aspects of the selection and award procedure which the European Commission audits have identified and reported as being particularly critical, i.e:

- the appropriateness of the selection and award criteria, the lack of confusion or overlapping between both and the use of the published criteria during the evaluation process and the correct use of selection criteria used during the award phase;

  the correct use of selection and award criteria as published in the tender notice or tender specifications;

- the inexistence of discriminatory technical specifications or national permits requested at tendering stage or dissuasive selection criteria not linked to the subject matter of the contract;

- the adequateness of the tender evaluation reports prepared by evaluation committees and the existence of complaints submitted to the contracting authority by the excluded tenderers;

- the inexistence of illegal splitting of the object of a tender.

- the adequateness of the documentation of decisions taken by the evaluation committee.

State aid verifications

The initial compliance tests on State aid relevant activities are carried out during the application phase and the selection process. On this regards, informative notes on State aid are included in the Application Pack and provided to potential applicants through the Programme official website. The JMC decided to apply the de minimis which also applies to the MPCs listed in the above mentioned informative note on State Aid.

All applicants and partners carry out a "self-assessment" on their project, in order to verify if they fulfill State Aid requirements (e.g. compliance with the de minimis thresholds). A further assessment on the State aid relevance shall be then carried out also during the selection phase by independent experts appointed by the MA. In the event this assessment shall detect a potential State Aid for one or more partners involved in the project, a modification of activities and a reduction of the respective portion of budget shall be required before the award decision; in this case the Programme shall apply the de minimis Regulation 1407/2013 which foresees:

- The ceiling for the aid granted to the concerned partner is EUR 200 000 (cash grant equivalent) over the previous three years of tax period;
- The ceiling applies per EU Member State; in the case of ENI CBC MED Programme the aid shall be considered as granted by Italy (location of the MA) and shall not cumulate with State Aid under de minimis regime granted by another EU Member State. This means that an aid granted to a non Italian partner in its country is not considered relevant by the MA for the de minimis ceiling calculation.
- The ceiling shall apply to the total of all public assistance considered to be de minimis aid. The ceiling applies to aid of all kinds, irrespective of the form it takes or the objective pursued.

A de minimis declaration shall be thus required to all organizations involved in projects having State Aid relevant activities included in the list of projects approved by the JMC for funding, before the signature of the Grant Contract.

The declaration shall provide the MA with information concerning previous aids received in Italy under the de minimis rule. In the same declaration, the concerned applicant / partner should also declare if its organisation is subject to an outstanding recovery order following a previous Commission decision declaring an aid illegal (Deggendorf principle) and incompatible with the internal market and if it is an undertaking in difficulty.

On the basis of such declaration, the MA shall then check that the new "de minimis" subsidy shall not raise the total amount of de minimis aid received by the Lead Beneficiary and/or partner acting as an undertaking during the period covering the fiscal year concerned, as well as the previous two fiscal years, to a level above 200.000,00 EUR.

Once the grant has been awarded, the MA shall complete the national State Aid register, which should be updated by all Italian public administrations, and which can be used by the MA as a tool to assess if the organization (meaning only Italian organizations) is in compliance with the threshold. As far as non Italian organizations are concerned, the information provided in the

Declaration shall considered for this assessment, as well as exchanges with other Managing Authorities of cooperation programmes managed in Italy. The MA should also indicate the information related to the awarded grants, in a specific section for foreign beneficiaries of the national register.

Although the selection process is crucial to assess the compliance with the State aid rules, the MA shall carry out further verifications during the projects implementation with the aim to check whether a project contains State aid elements and then to ensure that the provisions laid down in the relevant legal basis are adhered to.

In particular, the management verifications on State aid complement the checks carried out during the selection process of the project and shall be focused:

- on the nature of the proposed activities and the related budget, to be verified during the assessment of the major amendment requests. Possible modifications in the partnership shall be also analysed; if necessary, the new partners shall be required to provide the MA with the de minimis declaration.
- on the respect of the de minimis rule, in order to check that the organisation(s)/company(s)'s shall not to exceeded the de minimis threshold. Any budget change (both minor and major) proposed by the Beneficiary shall be analysed by the JTS in order to check the respect of the de minimis threshold by concerned project partners.

In carrying out such specific verifications, the MA may also require the support of experts in the field of State Aid issues who can provide their written technical advices accompanied by specific checklists.

Consequently, whereas the respect of the provisions concerning the de minimis regime is verified by the MA prior to contract signature, during the project implementation Beneficiaries and partners shall be subject to the checks by the MA. Where existing, other national or regional sources of information, where existing, (e.g. de minimis databases or registers) shall be taken into consideration by the MA.

In case it is verified that some of the activities financed by a grant would distort or threaten competition by favouring some project partners, the Programme shall identify possible measures and conditions the project shall have to apply in order to minimize or annulling the State Aid relevance of the identified project activities/outputs. If this is not possible, the Programme shall adopt measures to ensure the respect of the de minimis rule.

If during the check following the aid granting, the MA ascertains an irregularity in the Grant Contract implementation, in contrast with applicable regulation on the State aid, it shall be possible to make a financial correction in compliance with article 31 of the EC Regulation (EU) No 897/2014.

Specific checks shall be carried out on projects which provide support to “end users”. Such projects shall also have to calculate the value of the support given to undertakings, which shall demonstrate that the amount given does not exceed the de minimis threshold.

Visibility requirements

The ENI CBC MED Programme adopted the rules set by the EC in the guidelines "Communication and Visibility in EU-financed external actions".[8]

The rules are applicable to all projects and the Grant Contract and the Partnership agreement foresee the obligation for the Lead Beneficiary and partners of the projects to follow them.

A specific mandatory note with additional visibility Programme requirements shall also be published together with the Project implementation Manual to ensure their compliance during project implementation.

The compliance with these rules shall be checked as part of the checks concerning the eligibility of expenditures (see par. 4.2.1).

4.2.4. FINDINGS, FINANCIAL CORRECTIONS AND PENALTIES

According to Article 71 of the Commission Implementing Regulation (EU) No 897/2014, the Managing Authority shall in the first instance be responsible for preventing and investigating irregularities and for making the financial corrections required and pursuing recoveries.

Individual or systemic irregularities detected in projects could lead to a financial correction, which in article 71 is defined as "cancelling all or part of the Union contribution", which, once cancelled, may be reused within the concerned programme, but it may not be reused for the project that was the subject of a financial correction.

In applying such provisions, the Managing Authority of the ENI CBC Med Programme is thus required to make financial corrections on projects in order to exclude expenditure incurred in breach of applicable law, taking account of a proportionate use of administrative resources. To this end, a specific article (article 13) on financial corrections is included in the model of the Grant Contract, which refers to the criteria adopted with Regulation (EU) No 1303/2013 (Article 144), as well as those contained in the European Commission Decision of 19 December 2013 (replaced by the European Commission Decision of 14 May 2019 laying down the guidelines for determining financial corrections to be made to expenditure financed by the Union for non-compliance with the applicable rules on public procurement), for establishing the level and rates of the financial correction.

Moreover, according to article 12 of the Grant contract, the MA may decide to adopt administrative and financial penalties, by applying deductions from 2% to 10% of the ENI contribution, if a LB has committed substantial errors, irregularities, fraud or corruption, false declarations or missing information, or has been found in serious breach of its obligations under the Contract.

In particular, a financial deduction up to 10% may be applied to the total amount of the grant, to be deducted from Staff costs as estimated in the Budget of the project, occurring the following cases:

[8] The latest version is dated January 2018.

- if the project is not implemented or is implemented poorly, partially or late, according to the scoring system adopted by the MA, in line with the actual implementation of the project according to the terms laid down in the Contract;
- if the financial expenditure reported by the LB does not reach a minimum threshold of 50% of the previous pre-financing received.
- if the LB omits to send a Progress or Interim Report within the set deadlines, a financial deduction up to 10% may be applied to the amount estimated in the Budget of the project for the Work Package "Project management".

Also in these cases, the contribution cancelled as a result of such financial deductions may not be reused within the project and the grant amount is automatically reduced.

In order to prevent irregularities, the MA conducts management verifications on project expenditures and, in case of detected findings, the related ineligible amounts are deducted from the reported expenditures.

The guidelines for determining findings and the amount of ineligible expenditures, as laid down in this document, should provide guidance to the bodies in charge of expenditure verifications, external auditors, the Joint Technical Secretariat and the MA-Operational and Authorising Unit (from now on "the controllers"), on the principles, criteria and scales that should be applied for non-compliance with the applicable rules on eligible costs.

Eligible costs are actual costs incurred by the LB and its partners, which are compliant with the Programme rules and meet all the following criteria:

a) they are incurred during the implementation of the project, in particular:

- Costs relating to services and works shall relate to activities performed during the implementation period. Costs relating to supplies shall relate to delivery and installation of items during the implementation period. Signature of a contract, placing of an order, or entering into any commitment for expenditure within the implementation period for future delivery of services, works or supplies after expiry of the implementation period do not meet this requirement. Cash transfers between the LB and/or the other partners shall not be considered as costs incurred.
- Costs incurred shall be paid before the submission of the final reports.
- An exception is made for preparatory costs incurred after the publication of the call for proposals and before the submission of the proposal, and for costs relating to final reports, only for expenditure verification and final evaluation, as the case may be, which may be incurred after the project implementation period and may be paid after the submission of the final reports, provided that they are listed in. The MA shall pay the final balance under the condition that all expenses have been actually paid and demonstrated by the LB and its partners.

- Procedures to award contracts may have been initiated and contracts may be concluded by the LB and partner(s) before the start of the implementation period of the project.

b) they are indicated in the estimated overall budget for the project;

c) they are necessary for the implementation of the project;

d) they are identifiable and verifiable, in particular being recorded in the accounting records of the LB and partners and determined according to the accounting standards and the usual cost accounting practices applicable to the LB and partners;

e) they comply with the requirements of applicable tax and social legislation;

f) they are reasonable, justified and comply with the requirements of sound financial management, in particular regarding economy and efficiency;

g) they are supported by adequate expenditure and payment documents (e.g. invoices, documents of equivalent probative value etc.);

h) (indirect costs, i.e. administrative costs incurred by the LB and its partners, which are eligible for flat-rate funding, fixed at a maximum percentage of the total eligible direct costs laid down in Article 3.3, provided that the rate is calculated on the basis of a fair, equitable and verifiable method according to a table that shall be provided by the MA. No additional supporting documents shall be requested to justify these costs. Nevertheless, the MA reserves the right to request information to verify the actual calculation method during the project implementation period.

The following costs relating to the implementation of the project shall not be considered eligible:

a) debts and debt service charges (interest);

b) provisions for losses or liabilities;

c) costs declared by the LB and partners and already financed by the European Union budget;

d) purchases of land or buildings for an amount exceeding 10% of the eligible expenditure of the project concerned;

e) exchange-rate losses;

f) duties, taxes and charges, including VAT, except where non-recoverable under the relevant national tax legislation, unless otherwise provided in appropriate provisions negotiated with CBC partner countries, as per the provisions of the related Financing Agreement ;

g) loans to third parties;

h) fines, financial penalties and expenses of litigation;

i) contributions in kind as defined in Article 14(1) of ENI CBC Implementing Rules ;

j) costs for project website and logo.

The deductions to the project expenditures have to be based on the identification of amounts unduly spent, and the financial implications for the Programme funds. Where such amounts cannot be identified precisely the controller may apply extrapolated or flat-rate deduction in accordance with the sector-specific rules.

When deciding on the amount of the ineligible expenditure, the controller has to take account of the nature and gravity of the breach of applicable law and the financial implications for the Programme, including the case of deficiencies in management and control systems.

The ineligible amount may be quantifiable with precision or not. The financial impact of a finding is quantified with precision if it is possible, based on an examination of the individual cases, to calculate the exact amount of expenditure wrongly declared; in such cases, the amount to be deducted must be calculated precisely.

In the event it is not possible to quantify precisely the inelgibile amount a flat rate deduction is to be applied to the affected expenditure taking into account the nature and gravity of the finding.

Where more than one finding is detected in the same procurement procedure, the rates of reductions are not cumulated. The most serious irregularity is taken as an indication to decide the amount to be reduced applicable to the expenditure.

Adeduction of 100% is applied to the expenditure affected by irregularities stemming from breach of applicable rules with an impact on the EU budget and relating to fraud, affecting the Union's financial interests or any other offence defined in Articles 3 – 5 of Directive (EU) 2017/1371, as established by a competent judicial body or identified by a competent EU or national authority based on evidential elements supporting the presence of fraudulent irregularities.

The table below identifies the main findings, the applicable deductions to the expenditures, as well as the recoverability of the not accepted amounts as the case may be. The identified ineligible expenditures may be submitted again only if the deficiency is remediable (i.e. expenditures out of the eligible period submitted again in the correct period, expenditures wrongly classified submitted in the correct cost category, etc).

GENERAL ISSUES CONCERNING THE MANAGEMENT AND CONTROL SYSTEM (THESE ISSUES ARE NOT NECESSARILY PROBLEMS AND DO NOT NECESSARILY IMPLY FINANCIAL CONSEQUENCES)			
FINDING	**APPLICABLE CUT**	**RECOVERABLE**	**COMMENTS**
1100 Organization issues (e.g., confusion of functions, lack of internal control, ineffective management of conflicts of interest, no effective system for preventing double financing)	warning if it may lead to other irregularities	N.A.	low quality score of the report, high risk mark for the project, possible on the spot check
1200 Activity issues: lack of standard procedures, usual lack of competitive (open) procedures, etc.	warning if it may lead to other irregularities	N.A.	low quality score of the report, high risk mark for the project, possible on the spot check
1300 Staff issues (e.g., staff inadequacy or incompetence, questionable managers' integrity, missing formal job descriptions and task assignments)	warning if it may lead to other irregularities	N.A.	low quality score of the report, high risk mark for the project, possible on the spot check
1400 Violation of communication plan and other information and visibility issues	warning if it may lead to other irregularities	N.A.	low quality score of the report, high risk mark for the project, possible on the spot check
1500 Refuse of audit	100% of the report	YES	
1600 Legal matters issues: bankruptcy, bribes and/or corruption, material fraud	suspension or termination of the contract and penalties, as the case may be	NO	

1700 Other issues concerning the management and control system	warning if it may lead to other irregularities	N.A.	low quality score of the report, high risk mark for the project, possible on the spot check

GENERAL ISSUES CONCERNING THE PROJECT (THESE ISSUES ARE PROBLEMS AND USUALLY IMPLY FINANCIAL CONSEQUENCES)			
FINDING	**APPLICABLE DEDUCTION TO THE EXPENDITURE**	**RECOVERABLE**	**COMMENTS**
2100 Project not implemented	financial deduction up to 10% of the total amount of the ENI Contribution	NO	if the project is not implemented or is implemented poorly, partially or late, according to the scoring system adopted by the MA (crosscheck narrative report)
2200 Difformity of reports with the grant contract, inaccurate or incomplete reports	N/A	N/A	low quality score of the report, high risk mark for the project, possible on the spot check
2300 Information and visibility issues: lack, incorrect use, wrong design or insufficient space of European flag, Programme logo, information on European financing, display panels, commemorative plaques, links and web sites, templates or disclaimers	financial deductions from 2% to 10% of the value of the ENI contribution	NO	breach of the obligations under Article 21 of the Grant Contract. Financial deduction applies also in case of absence of national publicity requirements and unless the breach could be recovered (es. plaques, panels)
2400 Insufficient activity in the southern shore	warning if it may lead to other irregularities	N.A.	

GENERAL ISSUES CONCERNING THE PROJECT (THESE ISSUES ARE PROBLEMS AND USUALLY IMPLY FINANCIAL CONSEQUENCES)			
FINDING	**APPLICABLE DEDUCTION TO THE EXPENDITURE**	**RECOVERABLE**	**COMMENTS**
2500 Non respect of other contract rules including conflict of interest, state aid	100% of the amount reported	NO	including breach of obligations related to the payment of social security contributions or the payment of income tax, or any other substantial obligation set by the legal provisions of the country in which the beneficiary organisation is established. In such cases, ineligible expenses are recoverable if the national legislation allows regularisation measures.
2600 Wrong calculation of exchange rate	amount wrongly reported	NO	
2700 Bank account not in € or other contract provisions about accounts not respected, confused accountancy for the project			Costs must be identifiable and verifiable, in particular being recorded in the accounting records of the LB and partners and determined according to the accounting standards and the usual accounting practices applicable to the LB and PPs.
- bank account not in €	N/A	N/A	Programme requirement for LBs and partners according to the national provisions. National Authorities shall be informed
- expenditures not properly coded in the accounting system	if relevant, up to 100% of the expenditure	YES	applicable also in case the auditor does not have access to the records
- expenditures not traceable	100% of the report	NO	applicable also in case the auditor does not have access to the records
2800 Actual credit notes by suppliers/providers	ineligible expenditure reported	NO	a credit note has been issued referred to a specific invoice. Consequently, the expenditure has been deleted and it does not exist.

GENERAL ISSUES CONCERNING THE PROJECT (THESE ISSUES ARE PROBLEMS AND USUALLY IMPLY FINANCIAL CONSEQUENCES)			
FINDING	**APPLICABLE DEDUCTION TO THE EXPENDITURE**	**RECOVERABLE**	**COMMENTS**
2900 One entry accounting system	100% of the report	YES	applicable also in case the auditor does not have access to the records

SPECIFIC ISSUES CONCERNING ELIGIBILITY OF SINGLE COST ITEMS IN ONE INTERIM PACKAGE (THESE ISSUES ARE PROBLEMS AND DO IMPLY FINANCIAL CONSEQUENCES)			
FINDING	**APPLICABLE DEDUCTION TO THE EXPENDITURE**	**RECOVERABLE**	**COMMENTS**
3100 Findings relating to reality (actually not incurred expenses), such as staff or goods not available, services not provided, insufficient proof of participation in the activity, etc.	ineligible amount reported	NO	unless proof can be supplied. Applicable also in case of wrong calculation of staff costs hourly/daily rate (eg. inclusion of allowances which are not considered as fixed allowances, miscalculations of NI and tax payments)
3200 Ineligible period	all expenditures reported in the ineligible period	unless they are out of the project implementation period (with the exceptions of preparatory costs and final audit)	
3300 Budget in force not respected (specify whether in unit rate, quantity or total)	no cut, unless significant differences lead to other serious issues	N.A.	
3400 Unnecessary expense or connection to the project not demonstrated	ineligible amount reported	NO	
3500 Findings relating to records, such as reconciliation between budget accounts and ordinary accounting system incorrect or proved	ineligible amount reported	NO	

SPECIFIC ISSUES CONCERNING ELIGIBILITY OF SINGLE COST ITEMS IN ONE INTERIM PACKAGE (THESE ISSUES ARE PROBLEMS AND DO IMPLY FINANCIAL CONSEQUENCES)			
FINDING	**APPLICABLE DEDUCTION TO THE EXPENDITURE**	**RECOVERABLE**	**COMMENTS**
impossible or violation of national applicable accounting standards			
3600 Unjustified expense or materiality issues: missing or not corresponding supporting documents and similar	ineligible amount reported	YES	to be used in case of incomplete or unclear information preventing the verification of the eligibility of expenditures
3700 Wrong classification of expenditure in the heading	ineligible amount reported	YES	unless it is in the final report (heading = cost category)
3800 Findings relating to the decision to hire (including staff), buy, rent or make, including missing explicit reasons, inconsistent reasons, inadequate requirements - please specify	25% of the amount reported	NO	referred to motivational deficiencies of the individual act
3900 Incorrect selection procedure, such as wrong procedure, errors in the procurement procedure, rule of origin not respected, rule of nationality not respected	**See C(2019) 3452 of 14.05.2019** **Other selection procedure** For experts and subgrantees selection 100% of the amount reported in case of serious deficiency that puts at risk the legality and regularity of all related expenditure items of one or more beneficiaries. For example, a project hiring an external expert or a subgrant without going through a public and transparent	NO	**See C(2019) 3452 of 14.05.2019** https://ec.europa.eu/regional_policy/sources/docgener/informat/2014/GL_corrections_pp_irregularities_EN.pdf

SPECIFIC ISSUES CONCERNING ELIGIBILITY OF SINGLE COST ITEMS IN ONE INTERIM PACKAGE (THESE ISSUES ARE PROBLEMS AND DO IMPLY FINANCIAL CONSEQUENCES)			
FINDING	**APPLICABLE DEDUCTION TO THE EXPENDITURE**	**RECOVERABLE**	**COMMENTS**
	procedure. 25% of the amount reported – A serious deficiency that puts at risk the legality and regularity of a part of the expenditure concerned. For example, absence of publication and transparent criteria		

OTHER SPECIFIC ISSUES CONCERNING SINGLE COST ITEMS IN ONE INTERIM PACKAGE (THESE ISSUES ARE PROBLEMS AND DO IMPLY FINANCIAL CONSEQUENCES)			
FINDING	**APPLICABLE DEDUCTION TO THE EXPENDITURE**	**RECOVERABLE**	**COMMENTS**
4100 Disagreement between monetary value reported and underlying documents, including wrong exchange rate applied for a single expenditure	ineligible amount reported	NO	unless proof can be supplied
4200 Use of contingency without a previous authorisation of the MA	amount of contingency funds used	NO	
4300 Wrong percentage of administrative costs	ineligible amount reported	NO	
4400 Contributions in kind	ineligible amount reported	NO	
4500 Ineligibility kind of expense, such as debts, items already financed, exchange-rate losses, VAT and other taxes, purchase of buildings, fines, etc.	ineligible amount reported	NO	including non-eligible expenses specifically related to the Programme, such as website costs, expenses for activities outside the eligible area, etc.
4600 Findings related to contract management, including technical rules	ineligible amount reported and 100% of the subcontract	NO	referred to contracts and subcontracts

OTHER SPECIFIC ISSUES CONCERNING SINGLE COST ITEMS IN ONE INTERIM PACKAGE (THESE ISSUES ARE PROBLEMS AND DO IMPLY FINANCIAL CONSEQUENCES)			
FINDING	**APPLICABLE DEDUCTION TO THE EXPENDITURE**	**RECOVERABLE**	**COMMENTS**
not respected and not eligible subcontracting			
4700 Interests, revenues and other income not reported or reported incorrectly	reduction of the grant by the amount of revenues/income	NO	bank interests are not considered income
4800 Other issues concerning single budget lines	ineligible amount reported	case by case analysis	other (example wrong calculation of the hourly rate; errors in per diem expense report)

Following the annual reporting to the European Commission, the findings detected by the competent bodies (the MA in performing the on the spot checks, the AA during its controls, etc.) are considered as irregularities, as they have, or would have, the effect of prejudicing the general budget of the Communities or budgets managed by them.

Irregularities are not recoverable by the LB; they lead to apply financial corrections which consist of cancelling all or part of the ENI contribution.

In defining the level and rates of the financial corrections, the MA shall take into account the nature and gravity of the irregularities, and applies the same criteria adopted for quantifing the amount of not eligible expenditures, as listed above.

The contribution cancelled may not be reused for the project.

4.2.5. PROCEDURES TO PREVENT, DETECT, CORRECT AND NOTIFY IRREGULARITIES, INCLUDING FRAUD AND CORRUPTION

The prevention, detection and correction of irregularities and fraud are a joint responsibility of the programme bodies and the participating countries and affect multiple procedures described in this document (see also par. 4.1.2, and 4.9.1). The activities that each participating country shall take to prevent, detect and correct irrgularities including frauds, are described in paragraph 4.1.3 drafted as Annex n. 1 to the DMCS and in the Antifraud Strategy approved by the JMC on 29 March 2022.

Preventive actions

The activities for prevention of irregularities, both at programme and project level, may be summarised in four types of actions:

- Information;
- Capacity building;

- Support;
- Control.

In order to prevent the irregularities, including fraud, the following measures shall be considered:

- clear and comprehensible procedures concerning funds management;
- establishing clear rules of eligibility for the Programme;
- separation of functions in order to separate responsibilities, according to art. 30 of ENI-CBC Implementing Rules;
- specific job descriptions;
- transparency of projects evaluation and monitoring system;
- on the spot verification for projects financed by the Programme and for the technical assistance expenditures;
- clear and comprehensible system for filling in and archiving of documents;
- Internal Audit function;
- Clear irregularities management procedure.

The main procedures and actions to be implemented, the maximum timeframe for their implementation and the responsible bodies are reported in the table below.

Procedure/Action	Responsible bodies	Timeframe
Promote the ethical culture developing the Mission statement and adopting the Antifraud policy	MA & NA	
Conduct a qualitative fraud risk assessment on the Programme and the relevant processes carried out by the Managin Authority		
Conduct a qualitative fraud risk assessment on the Programme and the relevant processes carried out by the BO and NA		
Conduct a risk analysis on Projects during the implementation phase	JTS, MA & AA with input from CCP, NA, GoA or any other actor	By 31st December of each year
Enhance the ethical culture of all internal and exthernal resource of the MA with the dissemination of the code		

of conduct	
Set up a code of conduct for the organizations involved in the project implementation	
Train the MA staff on the fraud risk management (from prevention to detection)	
Train the NA on the fraud risk management, comprehensive of the irregularity reporting	
Train the Project Auditors on the fraud risk management, comprehensive of the irregularity reporting	
Train the beneficiaries on the fraud risk management (from prevention to detection)	
Define a precise allocation of responsabilities among the bodies of the Programme and their internal structure	Lead beneficiary and beneficiaries
Recommend a precise allocation of responsibilities among the staff involved by the beneficiaries in the Project implementation	MA, CCP & NA
Define a good Programme internal control system	

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Detection of irregularities and fraud

In order to have a common understanding in the implementation of the Programme shall be used the following definitions.

"**Irregularity**" shall mean any infringement of a provision of Community law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Communities or budgets managed by them, either by reducing or losing revenue accruing from own resources collected directly on behalf of the Communities, or by an unjustified item of expenditure.

The definition of "**Fraud**" is now laid down in the Article 3 of the Directive (UE) 2017/1371

"(*omissis*) 2. For the purposes of this Directive, the following shall be regarded as fraud affecting the Union's financial interests:

(a) in respect of non-procurement-related expenditure, any act or omission relating to:

- the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds or assets from the Union budget or budgets managed by the Union, or on its behalf;
- non-disclosure of information in violation of a specific obligation, with the same effect; or
- the misapplication of such funds or assets for purposes other than those for which they were originally granted;

(b) in respect of procurement-related expenditure, at least when committed in order to make an unlawful gain for the perpetrator or another by causing a loss to the Union's financial interests, any act or omission relating to:

- the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds or assets from the Union budget or budgets managed by the Union, or on its behalf;
- non-disclosure of information in violation of a specific obligation, with the same effect; or
- the misapplication of such funds or assets for purposes other than those for which they were originally granted, which damages the Union's financial interests;

(c) in respect of revenue other than revenue arising from VAT own resources referred to in point (d), any act or omission relating to:

- the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the illegal diminution of the resources of the Union budget or budgets managed by the Union, or on its behalf;
- non-disclosure of information in violation of a specific obligation, with the same effect; or
- misapplication of a legally obtained benefit, with the same effect;

(d) in respect of revenue arising from VAT own resources, any act or omission committed in cross-border fraudulent schemes in relation to:

- the use or presentation of false, incorrect or incomplete VAT-related statements or documents, which has as an effect the diminution of the resources of the Union budget;
- non-disclosure of VAT-related information in violation of a specific obligation, with the same effect;
- the presentation of correct VAT-related statements for the purposes of fraudulently disguising the non-payment or wrongful creation of rights to VAT refunds".

"**Suspected fraud**" means an irregularity that gives rise to the initiation of administrative or judicial proceedings at national level in order to establish the presence of intentional behaviour,

in particular fraud, that means that the legal/natural person/entity that committed the irregularity was aware that its acts or omissions would have an impact on public funds

Following an indicative list of types of irregularity to be described as 'suspected fraud'

The legal/natural person/entity that knowingly committed the presumed irregularity makes declarations or uses documents that do not reflect reality; the following are typical cases:

- false / falsified accounts;

- false / falsified documents;

- a description of the facts, products, operations, goods, an origin or a destination that is known to be false;

- false / falsified supporting documents;

- the presentation of applications that are known to be false.

The legal/natural person/entity that knowingly committed the presumed irregularity strives to conceal or mask the actual facts in full knowledge of those facts. The following are typical cases:

- misappropriation of funds or goods;

- goods imported or exported without declaration;

- the presumed perpetrator of the irregularity invents a purely fictitious situation;

- fictitious execution of an action, project, use or processing;

- misrepresentation or falsification of the nature, quality or quantity of an action/project/product;

- refusal of control by economic operator;

- fictitious economic operator.

In other scenarios, intent should be checked case by case, as the economic operator might have acted in good faith or negligently. These categories might include:

- a combination of incompatible aid;

- failure to present accounts or supporting documents;

- failure to complete a transaction.

The main procedures and actions to be carried out for the detection of irregularities and fraud, and the responsible bodies, are:

Procedure/Action	Responsible bodies
Produce Expenditure Verification Report (EVR)	Auditors
Reporting on fraud and suspected fraud detected during the verification of expenditures	Auditors

Check of he explenditures reported and declaration annexed	JTS, MA
Verify supporting documents	Auditor, JTS, MA & CCP
Conduct on-the-spot checks	MA & CCP
Conduct follow-up & regular monitoring	JTS with support by NA
Conduct sample checks, including checks on the performance of the work of auditors (*re-performing & check on working papers***)**	AA & GoA
Ensure the regular follow up of the reported suspected fraud and irregularities (	MA-AOU

Regarding the whistleblowing system, on the institutional website of the Autonomous Region of Sardinia, the subsection "Whistleblowing" within the Transparent Administration section has been updated. The Level II subsection contains useful information to enable the transmission of a report in full compliance with current legislation, which defines the regulatory framework for the protection of individuals who report wrongdoing.

In particular, in case of suspicion of wrongdoing/ potential fraudulent situation detected by any interested person, this person can directly access the Information Platform of the Autonomous Region of Sardinia: Ras.Whistleblowing (at the following internet address: https://ras.whistleblowing.it/#/).

In fact, the Autonomous Region of Sardinia has :

- joined the WhistleblowingPA project of Transparency International Italia and the Hermes Center for Transparency and Human and Digital Rights

- adopted the IT platform provided to fulfill the regulatory obligations, using encryption tools to ensure the confidentiality of the identity of the whistleblower, for the content of the reports and related documentation.

The characteristics of this reporting mode are as follows:

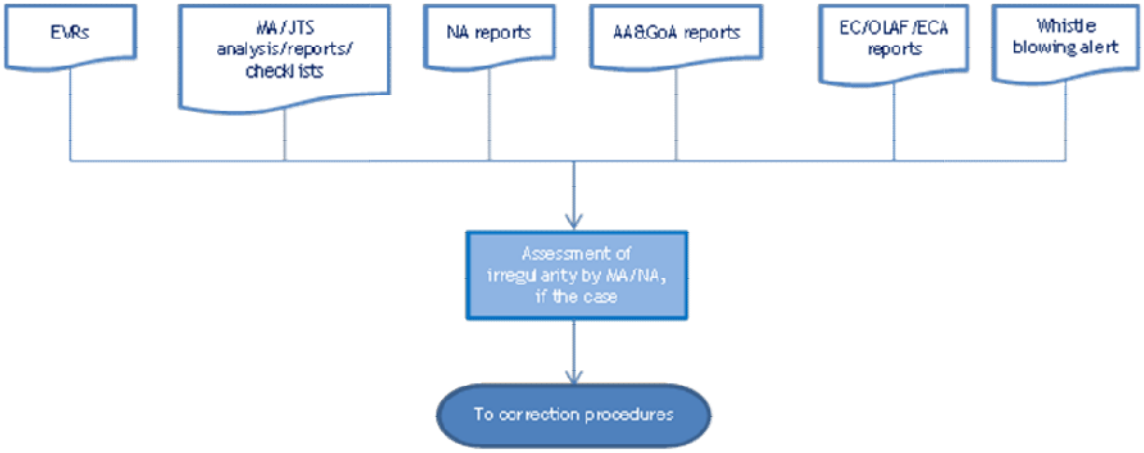
- the report is made by filling out a questionnaire and can be sent anonymously. If anonymous, it shall be taken into account only if it is adequately substantiated with a description of the fact, the circumstances of time and place in which it occurred, and elements suitable for identifying the person to whom the reported facts can be attributed;

- the report is received and handled by the Head of Corruption Prevention (RPCT), without prejudice to the duty of confidentiality towards the reporter;

- at the time of sending the report, the reporter receives a 16-digit numeric code that he/she must keep in order to access the report again, verify the RPCT's response, and dialogue by responding to requests for clarification or further investigation;

- the report can be made from any digital device (pc, tablet, smartphone) either from inside or outside the institution. To fully guarantee anonymous browsing, it is always advisable to access the platform outside of networks equipped with access tracking systems for information security reasons.

Furthermore, all information received by the Corruption Prevention and Transparency Officer (RPCT) regarding suspicions of fraud or corruption shall be taken into consideration, thoroughly investigated and shared with the relevant authority, including OLAF (https://anti-fraud.ec.europa.eu/olaf-and-you/report-fraud_it).



Finally, it should be noted that with the publication in the Italian Official Journal of Legislative Decree 24 of March 10, 2023, which transposed EU Directive 2019/1937 of the European Parliament and of the Council (of October 23, 2019), the Autonomous Region of Sardinia shall make an adjustment to the current procedures for the protection of persons (whistleblowers) who report violations of Union law.

Notification of irregularities to EC

Article 31 of ENI-CBC Implementing Rules on the responsibilities of the participating countries stipulates that “they shall notify these irregularities without delay to the Managing Authority and the Commission and keep them informed of the progress of related administrative and legal proceedings”.

Also, according to the Financing Agreements between the EC and the CBC Partner Countries, “The CBC Partner Country shall immediately inform the Managing Authority and the Commission of any element brought to its attention which arouses suspicions of irregularities, fraud or corruption and of any measure taken or planned to deal with them.”

The notification to EC shall be done by MA according to the informative note Ref. Ares (2017) 4429026 - 11/09/2017.

In particular the MA shall immediately inform the EC through an official letter about irregularities relating to amounts of equal or more than EUR 10.000 (EU funds) and/or have been the subject of a primary administrative or judicial finding. Moreover, the MA, according to the Italian "Circolare Interministeriale (Ministerial Guidelines)" dated 12.10.2007 shall use the dedicated Irregularity Management System (IMS) provided on the Anti-Fraud Information System platform established by the Commission.

For irregularities involving amounts lower than EUR 10.000 and which have not been the subject of a primary administrative or judicial finding, the MA shall report the irregularities in the annual report, unless the EC expressly requests a notification.

This exemption from reporting does not preclude the Managing Authorities/ participating countries from their obligation to pursue and correct any irregularity irrespective of its nature or financial volume.

Correction of irregularties

The irregularities detected by one of the actions previously defined may be:

- individual random errors in a specific beneficiary or project or Programme body using technical assistance;
- systemic or known errors at country level;
- systemic or known errors at programme level.

The MA shall be notified without delay of any irregularity detected by the other concerned bodies/actors. The MA shall inform the JMC, which shall take the appropriate decisions as needed.

If a random error has been detected during the verifications carried within the request for payments, the MA shall reduce the amoun of EU contribution to be paid to the project (see par. 4.2.3).

Morever, after the irregularity has been detected and confirmed by the MA, this shall carry out an assement of its impact in terms of EU contribution to the project/TA and it shall decide on the procedure to be used (off-setting or recovery of the due amount) as described in par. 4.2.3.

If the irregularities are classified as « systemic » or as « known » errors for a specific country and if the MA or the AA believe that they could affect other beneficiaries, the MA shall inform the NA of the concerned country in order to decide together :

- the appropriate corrective measures to be taken, including financial correction, flate rate corrections etc. on the basis of the nature and gravity of the irregularity, as the case may be;

- the amount of EU contribution affected by the irregularity for all the beneficiaries of the concerned country and the implementation of the necessary corrective measures;
- the information to be notified to all the concerned parties at programme and/or national level in order to prevent the same irregularity for the future;
- the information of the EC and other EU bodies, as the case may be.

JMC shall be informed in the event of contengious cases concerning the implementation of the corrective measures.

If the irregularities are classified as « systemic » or as « known » errors at Programme level by the MA or the AA, the MA shall inform the JMC in order to jointly decide on:

- the appropriate corrective measures, inlcuding financial corrections/flat rate corrections (as the case may be), on the basis of the nature and gravity of the irregularity;
- the amount of EU contribution affected by the irregularity for all the beneficiaries of the concerned country and the implementation of the necessary corrective measures ;
- the information to be notified to all the concerned parties at programme and/or national level in order to prevent the same irregularity for the future ;
- the information of the EC and other EU bodies, as the case may be.
- If the irregularities are classified by the MA or the AA as « systemic » or as « known » errors both at county and at Programme level, beside the reduction of the EU contribution and the recovery of funds, the MA and the NA shall:
- proceed with a revision of the programme documents and to clarify the applicable eligibility rules through the publication on the Programme website of informative notes;
- revise the DMCS, as the case may be, and in particular the rules concerning the prevention of these types of irregularties ;
- inform the all the concerned parties at programme and/or national level, including the AA, Group of Auditors, the JTS about the modified procedures;
- inform the project beneficiaries and the project auditors about the modifications/update of the procedures through informative notes, training events etc.
- notify the modifiation to the EC.

In any case, when applying a financial correction or a recovery procedure, a cross-examination with the concerned parties (project beneficiaries, programme bodies etc.) shall always be guaranteed.

Anti-fraud Measures

Beside the regular preventing and detection measures, the MA shall follow the approach recommended by the «Guidance note on fraud risk assessment and effective and proportionate anti-fraud measures. Ref. Ares(2013) 3769073 ».

This implies that the MA shall establis an anti-fraud policy consisting of :

- defining strategies to develop an anti-fraud approach addressed to all the concerned programme and project actors with clear indication of the definition of fraud, consequences according to the gravity of fraud as well as the cases in which civil and criminal proceedings shall be pursued;
- training of staff, project beneificiaries and auditors about the reporting mechanisms aimed at: understanding where they should report suspicions of fraudulent behaviour or control; being confident that these suspicions are acted upon by management; being confident that they can report in confidence and that the organisation does not tolerate retaliation against any staff member who reports suspicions;
- Providing clear of responsibilities among Programme bodies, in terms of fight against fraud;
- specifying mechanisms to report any suspicious fraud situation;
- ensuring the cooperation among the Programme bodies such as the Audit Authority and the national anti-fraud competent authorities of the participating countries.

Moreover, the MA shall publish the EU documents related to this issue such as:

- Information note on fraud Indicators for ERDF, ESF AND CF. COCOF 09/003/00;
- OLAF Compendium of Anonymised Cases – Structural Actions;
- OLAF practical guide on conflict of interest;
- OLAF practical guide on forged documents.

Once a suspicion of fraud has been raised and correctly reported, the MA must transmit the case to the competent authority in the participating country for investigation and sanctions, including anti-corruption authorities where relevant, and inform OLAF accordingly.

The MA should also conduct a thorough and critical review of any related internal control systems that may have exposed them to the potential or proven fraud.

Once a case of suspected fraud has been detected and reported in accordance with internal and EU requirements, the MA shall proceed with the recovery of undue payments from beneficiaries as well as with the implementation of specific penalties taking into account the gravity of the situation (fines, exclusion from other calls for proposals etc.).

Finally, beside the corrective measures applicable for irregularties, including also the need for the the MA and Programme bodies to carry a review of any processes, procedures or controls connected to the potential or actual fraud, the full cooperation with investigative, law enforcement or judicial authorities should be ensured by each participating country, in particular by keeping files concerning fraud cases in safe places and ensure a proper hand over in case of staff mobility.

Anti-corruption Measures

The MA personnel is subject to the code of conduct of the Region of Sardinia approved with the Regional Goverment Decision n. 43/7 of 29.10.2021 "Codice di comportamento del personale del sistema della Regione Autonoma della Sardegna e delle delle Società partecipate ".

According to the decision n. 30/15 dated 16.06.2015 on the procedures to report illicit situations to the Anti-Corruption office set within the Autonomous Region of Sardinia (wistle-blowing) any employee, without prejudice to the obligation of reporting to the judicial authority, shall report to the director any offense in their institution that they have learnt about. The director refers to the director general and to the responsible for corruption prevention. Employees can also directly report to the responsible for corruption prevention. The staff of the Branch Office, without prejudice of the anti-corruption procedures foreseen by the respective hosting institutions, shall report to the Director of the MA any offense in their institution that they have learnt about and any illicit situation concerning the implementation of the Programme.

4.2.6. APPORTIONMENT OF LIABILITIES AMONG THE PARTICIPATING COUNTRIES IN CASE OF FINANCIAL CORRECTIONS BY EC DUE TO SERIOUS SYSTEMIC DEFICIENCIES

According to art. 74 of the EC Regulation No 897/2014 "where the recovery relates to systemic deficiencies in the Programme management and control systems, the Managing Authority shall be responsible for reimbursing the amounts concerned to the Commission in accordance with the apportionment of liabilities among the participating countries as laid down in the Programme".

Systemic deficiencies are errors found in the management and control systems of the Programme which may lead to a need for a financial correction and for which a clear responsibility of a Programme body or participating country may not be identified.

Notwithstanding the provisions set by the Commission Implementing Regulation n. 897/2014 on the financial corrections, when detected, the systemic deficiency shall be immediately brought to the attention of the JMC for its consideration. The JMC could convey its comments, opinions and recommendations to the MA. When article 73 applies, the MA shall submit them to the EC within two months in reply to its provisional conclusions and for its consideration with a view to ensuring a fair decision on the nature of the error and on the application of the financial correction.

The criteria for apportionment of liabilities among the participating countries shall be the following:

a) if the systemic deficiency concerns the Programme circuits related to the use of the technical assistance funds by the MA, BOs and/or the Audit Authority, the country of the administration hosting the Programme body responsible for the use of the technical assistance funds shall have the final responsibility for reimbursing to the Programme accounts the amount identified as a result of the financial correction;

b) If the systemic deficiency concerns one specific country, this country shall be responsible for reimbursing to the Programme accounts the amount identified as a result of the financial correction;

c) If the systemic deficiency concerns the whole system, each country shall be responsible for reimbursing to the Programme accounts the amount representing the percentage of the financial correction applied to the expenditure incurred by the beneficiaries of the respective country and declared by the MA to the European Commission.

4.2.7. PROCEDURES FOR THE RECOVERY OF UNDULY SPENT AMOUNTS AND ARRANGEMENTS FOR KEEPING A DEBTORS LEDGER

The recovery procedure of projects expenditure unduly paid is regulated by Articles 71 to 75 of ENI-CBC Implementing Rules.

The procedure of recovering funds granted to a beneficiary of a project funded within the Programme starts if one the following situations occur:

- early termination of a Grant Contract, following the decision of the MA or the Lead Beneficiary;
- negative final balance of project payments, due to unspent amounts from pre-financing or interim payments;
- financial corrections operated by the MA, due to the identification of ineligible or unjustified expenditure following the verification of project report or an audit/control. The financial corrections may lead to offset the cancelled amount against a future payment of EU contribution to the Lead Beneficiary or to issue a debit note and then a recovery order addressed to the project's Lead Beneficiary.

The main steps of the recovery procedure (that shall be further detailed and approved by the JMC) to be followed shall be:

1. Issue of a prior information notice to the Lead Beneficiary which starts the recovery procedure, giving appropriate time to the LB to inform partners involved and to send documents or any other clarification/information to the MA;
2. Examination of beneficiary's documents/clarification, as the case may be;
3. As per the result of the previous analysis, issue of a debit note by the Director of the Operational and Authorising Unit (administrative act); addressed the Lead Beneficiary, with an annex detailing all amounts due by project partners in each budget line and the motivations for the amounts' ineligibilities, as well as the terms, modalities and deadline for the payment without accruing of interest;
4. Delivery of the debit note to project Lead Beneficiary, and a copy to the to the NA of the countries of the partners involved in the recovery procedure;
5. Registration of the debt in the accounting system by the Accounting Unit;

6. Issuing a recovery order addressed to the Lead Beneficiary by the Accounting Unit. The Lead Beneficiary shall have 45 calendar days to pay back;
7. Reception of the payment from the Lead Beneficiary by the Accounting Unit in the stipulated deadline and registration into the accounting system;
8. Offsetting from future payment/s (if any) or enforcement of the financial guarantee, as the case may be and registration into the accounting system.

If the amount due is not received within the deadline or if the Lead Beneficiary opposes the offsetting or the enforcement of the guarantee, the recovery turns into a contengious case and interests are applied. Moreover, the JMC is immediately informed about this situation. In case of contengius cases the procedure shall be:

1. a second recovery order is sent to the Lead Beneficiary and, if the recovery is not concerning only the Lead Beneficiary, to the concerned partner/s and in copy to the NA/s and the EC;
2. If the amount due is not reimbursed, the MA shall address the recovery order to the National Authority of the country in which the concerned partner is established to reimburse the amounts unduly paid, as foreseen by articles 74.4 (Member States) and 74.5 (MPCs) and according to the Financian Agreement.
3. The concerned countries shall claim the money back from the concerned beneficiary.
4. Reception of the payment from the National Authorities in accordance with national legislation and in cooperation with the institutions defined in national legislation regardless of the successful recovery, from their side, of the due funds from the concerned beneficiary
5. In case where the NAs are not responsible for recovery or do not reimburse the amount requested, information and submission of the recovery file to the EC and to the concerned NAs in order to try to recover the amount from the concerned beneficiaries.
6. The detailed procedure shall be approved by the JMC.

Waiving of debts

Article 75.2 of ENI-CBC Implementing Rules *the Programme foresees the possibility to adopt a waiver decisionon debts*. This procedure apply both to the recoveries from projects and from technical assistance.

The MA shall, in first instance, always try to recover the debt. If this is not possible and the amount is so small that the cost of pursuing it would not be proportionate, the MA may use the waiving procedure.

The detailed procedure shall be included as part of the recovery procedure to be approved by the JMC. In general terms, the MA shall submit a waiving proposal to the EC first (see thresholds below) and then to the JMC to be justified on the basis of the following criteria:

- the facts, having regard to the gravity of the irregularity giving rise to the establishment of the amount receivable;

- the impact that waiving the recovery would have on the operation of the European Commission and its financial interests (amount involved, risk of setting a precedent, undermining of the authority of the law).

For amounts up to EUR 250,00 in line with the principles of sound financial management and proportionality and assuming that the due diligence was fully exercised, the MA shall establish waivers without consulting the European Commission. However, the justifications shall be properly documented and filed to allow for a proper audit trail.

Recoveries from technical assistance

Recoveries from MA, JTS BOs, or AA for amounts unduly spent of technical assistance may happen during the implementation of the TA contract, taking into account that these bodies shallreceive funds on a reimbursement basis. Therefore, most irregularities shall lead to a deduction of the amount from the payment request. In case of ex-post identification of irregularities, the steps to be followed are the ones concerning to the treatment of irregularities.

In case of the recovery is made after the contradictory procedure with the JTS, BOs and the AA, the MA shall issue a recovery order, including the amount of the financial correction, and shall send it to the concerned body.

4.3 PROCEDURES FOR PROCESSING AND AUTHORIZING PAYMENTS

This section outlines the procedures for processing and authorising payments to projects being awarded a grant.

Lead Beneficiaries shall receive the following payments during the lifetime of the project:

- an initial pre-financing up to 40% of the total ENI contribution, following the signature of the Grant Contract, which shall serve as payment request; a financial guarantee of an umount up to the pre-financing may be requested to the non-public Lead Beneficiary according to the risk analysis carried by the MA with the support of the Financial Officer of the JTS.
- one or two interim payments, depending on the financial dimension of the project, after the approval of the corresponding Interim Reports, accompanied by the payment request and the Expenditure Verification Reports (EVRs);
- a final balance payment up to 20% or 10% depending on the financial size and duration of the project, of the total ENI contribution, after the approval of the final report, also accompanied by the payment request and the Expenditure Verification Reports (EVRs).

The apportionment of the grant to be paid at each payment and the deadlines shall be established in the calls for proposals and indicated in the Grant Contract.

Special conditions can be agreed later on as the case may be.

Each payment request and the attached report, has to be submitted within the mandatory deadline of three months (or within the different deadline specified in the Grant contract) after the reporting period, through the monitoring system.

The payment process starts with the authorization act issued by the Operational and Authorising Unit which authorises the Accounting and Payment Unit to process the payment of the prefinancing, and ends with the payment order to the regional Treasury issued by the the Payment and Accounting Unit. The payment process is finalised with the receipt of the due amount in the Lead Beneficiary bank account, as indicated in the Financial Identification Form. The duration of the payment process is maximum 15 calendar days; it has been estimated taking into account different modalities and timing for transfer money in non-SEPA countries, and include:

- calendar day for issuing the payment act by the Operational and Authorising Unit;
- calendar days for issuing the payment order by the Accounting and Payment Unit
- 7 calendar days for transferring the money from the Treasury to the bank account of the LB.

Initial pre-financing payment

As prior verification the Accounting and Payment Unit shall verify the consistency of the Financial Identification Form (FIF) which includes the bank account and the bank holder details, submitted by the lead beneficiary through a dedicated section of the MIS on Financial data.

The procedure starts by the signature of the grant by the Managing Authority and the Lead Beneficiary. In accordance with the conditions of the Grant Contract, beneficiaries are entitled to receive a first pre-financing instalment after the signature of the contract which serves as payment request.

The Grant Contract and its annexes are accompanied by an act issued by the Operational and Authorising Unit for the commitment of the grant. The Accounting and Payment Unit shall check and record the commitment into the accounting system.

Once the commitment has been recorded, the Operational and Authorising Unit shall prepare an act for the payment of the initial pre-financing instalment according to the Grant Contract. The Payment and Accounting Unit shall check the correctness in order to guarantee that all formal data of the payment are correct. In case a different bank account has to be used, a new financial identification form (FIF) has to be timely submitted. The currency of the bank account shall have to be Euro and the Lead Beneficiary should be the only holder.

The tool used for accounting verification is a check list.

Once verified the correctness of the information included in the note, the Payment and Accounting Unit issues a payment order and sent it to the bank. Then the Payment and Accounting Unit records the payment in the IT and accounting systems. All the steps recorded in the accounting system shall be automatically transferred to the MIS (Monitoring and Information System) of the Programme through a web service system whose updating shall be timely assured.

Interim pre-financing payments

As soon as the verification by the JTS and the MA (Operational and Authorising Unit) shall be concluded, the Accounting and Payment Unit shall timely verify if the financial data indicated in

the FIF attached to the previous payment request are still valid. In case of different data a new FIF has to be timely submitted in order to guarantee that the order of payment issued by the Operational and Authorising Unit shall include the correct financial data.

The Operational and Authorising Unit on the basis of the Results of Assessment quantify the amount of the prefinancing to be transferred, taking into account any potential counterclaims provided by the lead beneficiary.

Once the Operational and Authorising Unit submits the authorising act, the Payment and Accounting Unit shall check its correctness. The tool used for these verification is a check list.

Then the Payment and Accounting Unit issue the order of payment and send it to the bank. All the steps recorded in the accounting system shall be automatically transferred to the MIS of the Programme through a web service system whose updating shall be timely assured.

In case of recovery decided by the Operational and Authorising Unit, the Payments and Accounting Unit shall proceed to offset according the claimed as receivable amount established by the debit note.

Balance payment

The procedure for the balance payment is identical to the one for interim payment in the first steps. The differences consist in:

- a final assessment on the results achieved in comparison with the approved project, stating whether the activities, the objectives and the indicators were achieved according with the contract;
- Operational and Authorising Unit takes a final decision on the amount to pay or to recover.

The duration of the payment process is 15 calendar days.

The payment process is described in the audit trail “Verification on Project financing” attached to the DMCS.

4.4 PROCEDURES FOR PROGRAMME ACCOUNTING AND REPORTING

The following paragraphs are focused on the accounting procedures including the features of the accounting system, while par. 4.3.2 is linked to the project implementation manual that focues on the reporting procedures.

4.4.1. PROCEDURES FOR DRAWING UP THE PROGRAMME ACCOUNTS AND ENSURE THEY ARE TRUE, COMPLETE AND ACCURATE AND THAT THE EXPENDITURE COMPLIES WITH APPLICABLE RULES

The MA has set up a computerised processing method by which the system collects, summarises, and reports accounting information. For accounting records of the ENI CBC Mediterranean Sea Basin Programme (programming period 2014-2020) the SAP software is used, as well as in the previous programming period.

This is an integrated system organised in the following four modules:

- Fund Management (FM): provides tools for creating, and updating on an on-going basis, the approved budget, tools for managing expenses and revenues and tools for reporting and monitoring, on the basis of regional, national and European legislation.
- Financials (FI): includes details of the accrued expenses, revenues, payments, receipts, assets and liabilities (including recoveries) according to the technique of double-entry accounting.
- Controlling (CO): allows for obtaining financial information for specific objects, such as components (JMC, MA, etc), categories, etc.
- Project System (PS): is used to control the amount of allocated funds to projects (EU contribution to the Programme and national co-financing), articulated by thematic objectives and priorities.
- This computerised accounting system is designed, personalised and adapted by the MA to meet the specific needs of the Programme, including:
  - separate and independent drawing up of accounts;
  - separate and mutually incompatible function of the Authorising Officer and Accounting Officer;
  - request for signature of the head of Payment and Accounting Unit, when needed;
  - the system is digitally linked to the bank and includes reports reconciling the accounts with the balance of the dedicated bank account of the Programme ;
  - report of all transactions to be included in the annual financial report with the amounts allocated to the MA by the Commission, the payments made and amounts recovered by the MA for technical assistance and for projects.

Identification of transactions for ENI funds

The accounts shall be kept in such a way as to enable analytical monitoring of the Programme by thematic objective and priority, as well as technical assistance. The accounting activity ensures chronological and systematic recording, processing and maintaining information related to the Programme accounts for internal reporting.

Article 26.5(g) of ENI-CBC Implementing Rules stipulates that “As regards the financial management and control of the Programme, the Managing Authority shall: … draw up the annual accounts”.

A system of double entry accounting is used providing the following:

- Chronological and systematic registration, processing and storage of information that can be verified for all accounting transactions.
- Control of the operations and of the processing procedures used and the accuracy of the accounting data supplied.

- Exact and accurate vision of the financial operations regarding the use of ENI funds.
- Keeping the accounting in EUR.
- Accounting related to commitments.

In order to certify the reality, completeness and accuracy of the accounts and that the expenditure entered in the accounts complies with applicable rules, MA performs reconciliations with the information recorded in the accounting system and in the bank account.

The MA performs its tasks by taking into consideration the provisions of the national legislation, which sets the accounting standards. In particular, for the transactions related to budgetary items on the treasury account of the Sardinia Region the rules of law n.118/2011 apply, while the transactions related to budgetary items on ENI dedicated bank account are ruled by the principles as set out in the European Regulation (unity, budgetary accuracy, annuality, equilibrium, unit of account, universality, specification, sound financial management and transparency).

The MA has its own accounting system, keeping detailed accounting records up to the level of Lead Beneficiary, all the amounts received from EC, the amounts transferred to Lead beneficiaries, the recovered amounts or to be recovered as a result of irregularities or as a result of the cancellation of financial assistance granting decision. The accounting system is built based on the commitments accounting principles ("accrual accounting").

Article 68.3 stipulates that "*The accounts … shall include at the level of each priority and technical assistance:*

(a) the expenditure incurred and paid and the revenue earned and received by the Managing Authority;

(b) the amounts waived and recovered during the accounting year, the amounts to be recovered by the end of the accounting year and the unrecoverable amounts".

Within the SAP, system accounts are the basic elements upon which shall be accomplished the main transactions: appropriations, commitments/assessments, order of payment/cash receipt.

For each transaction is necessary to identify the budget item (Nature of expenditure/ revenue), the center of responsibility (for the expenditure/revenue) which identifies the actor responsible for the management of the expenditure or income.

The logical aggregation of the ENI accounts is based on a specific code for expenditure/revenue (management code-CO.GE), other details (UPB, Code "Commessa", etc..), although re-encoded following specific descriptions for ENI.

Level of detail of the accounting system

The accounting system of the Managing Authority ensures the record and keeping in electronic form of the accounting documents for each operation done within operational Programmes. The record of all operations is ensured chronologically and systematically.

The accounting system of MA enables the proper record of expenditures up to the level of priority for Projects and up to the level of cost category and component for technical assistance.

Article 26.2 of the ENI CBC IRs stipulates the minimum requirements for the computerized accounting system:

" *establish and maintain a computerised system (…). The system shall provide all data required for drawing up payment requests and annual accounts, including records of amounts recoverable, amounts recovered and amounts reduced following cancellation of all or part of the contribution for a project or Programme*".

While article 26.5 describes the functions related to financial management:

- *draw up the annual accounts;*
- *maintain computerised accounting records for expenditure declared to the Commission and for payments made to beneficiaries;*
- *keep an account of amounts recoverable and of amounts reduced following cancellation of all or part of the grant*

Budget items

The creation of a specific module for ENI Programme ensures the independence and separation of each transaction made.

Furthermore, there shall be an unambiguous encoding, with elements of the higher level of aggregation such as: Strategies (only one-ENI Programme); UPB; Calls (for project). Every single accounting transaction (appropriation, commitment/ payment/ clearance, etc.) shall be addressed exclusively to the Budget item and the Center of Responsibility (CdR). The Budget item presents a different encoding for the expenditure and revenue.The Budget item for the expenditure is identified by the following code: SC02.XXXX.

The Technical Assistance accounting management is based on certain assumptions, summarized as follows:

- there are 5 cost categories and 10 cost components;
- the UPB is unique;
- the projects accounting management is based on certain assumptions, summarized as follows;
- for each call for proposals is created one specific budget item;
- each project corresponds to a single commitment (per year) linked to the relevant objective and priority;
- the UPB is unique;
- the CdR is unique

Budget management

The system manages two phases of the budget proposal with different versions and enforceability.

The budget, therefore, is managed through two transactions

- version of the budget;
- management of the budget.

Version of the budget

In case that the ENI deemed to manage the budget proposal, the system shall prepare a draft budget, marked by the code 1xx (1 indicates the proposal, xx indicates the reference year).

After the JMC approval, the draft budget shall be brought in the executive version. It is not necessary to create the budget version of 0 (Executive Budget) because that version is already present in the system, you need only go to roll-over version of the draft budget on the version zero.

Management of the budget

The system allows you to manage all steps involved in accounting revenues and expenditures in the financial accounts.

All the accounting procedures are managed with dedicated transactions involving the insertion of the competent required data, in order to have all traces of the administrative document by which it originated. Each handling accounting refers to the original document, offering the possibility to go back to the original document of the process (commitments /payments, orders / receipt).

It is important to highlight that the integration with the Economic Balance Sheet Accounting and Cost Accounting is generated at the time of liquidation (both for the expenditure and revenue).

Flow of the expenditure

The system manages the following steps in the flow of expenditure:

- Verify funding;
- Commitments;
- Clearance passive authorized;
- Payment Order;
- Receipt.

The ENI system makes the management and detailed monitoring of revenue and expenditure in relation to the accounts of ENI funds for Project and accounts of the Technical Assistance funds.

- Check funding: the commitment shall be created locked, so you cannot carry on with payment before the release of the document authorization.

- Commitment: the commitment document is authorized, when the Operational and Authorising unit transmits to the financial unit the formal act which states the reason for the debt and debtor/supplier.

For a single commitment the system can create a single clearance.

Clearance passive authorized: the process of registration in the system ensures that the amount of clearance does not exceed the amount of the commitment. The clearance passive is automatically authorized and it is supported by the document authorization.

The payment order represents the formal act which is recorded in the subsequent process.

The order of payment shall be sent to the Bank created by digital interface and soon after shall follow the receipt by the Bank.

Reporting

The main legal source for the financial information to be included in the annual report is article 68 of the ENI CBC IR.

From 2018 until and including 2024, accounts shall be submitted to the EC by 15 February N+1 for each accounting year for the Programme. Accounting year means the period from 1 July N-1 to 30 June N, except for the first accounting year in respect of which it means the period from the start date for eligibility of expenditure until 30 June 2018. This accounting year is the reference period for the accounts, the management declaration of assurance, the annual summary of audits, the annual summary of controls and the audit opinion.

This is different from the financial year which corresponds with the period from 1 January to 31 December.

The annual report shall be submitted by 15th February to the Commission and shall include different financial information. The statements of the annual report financial part is provided by the European Commission with a template stated according to European Regulation.

The financial information provided by the MA Accounting and Payment Unit shall be:

- the accounts of the preceding accounting year
- an estimate of costs incurred from 1st July to 31st December of the preceding natural year
- the list of projects closed during the accounting year.

There are two types of accounting information requested in article 68 of ENI CBC IR:

a) a statement of income and expenditure, including the expenditure incurred and paid and the income (revenue) earned and received by the MA;

b) additional financial information on amounts to be found in the balance sheet, in particular, “the amounts waived and recovered during the accounting year, the amounts to be recovered by the end of the accounting year and the unrecoverable amounts”.

The statement of income and expenditure

For the income, the most important budget sections are the ones corresponding to projects:

- EU grant corresponding to the expenditure declared by project lead beneficiaries and accepted by the MA;
- Co-financing from projects of the expenditure declared and accepted. This co-financing may be own contribution, but also contributions from the participating countries directly transferred by them to the projects or other categories of co-financing indicated in article 183 of Rules of Application (Regulation 1269/2012) (excluding in-kind contributions).

Concerning the technical assistance, there are two budget sections:

a) EU financing of the technical assistance;

b) Co-financing from the participating countries to the technical assistance. This contribution is usually provided by the Member State hosting the MA, as the EU funding may not cover the whole cost of the staff working in the Programme bodies. Finally, in case of other sources of funding, such as the interest earned from the pre-financing received, this additional income has to be used for the purposes of the Programme .

For expenditure, the main budget section is the one related to projects. The statement of income and expenditure shall include the expenditure declared by the lead beneficiaries and accepted by the MA, with a breakdown by priority, as indicated in article 68 of ENI CBC IRs.

The Programme shall also have records of the initially declared expenditure and the amount considered ineligible, either at the moment of processing the payment claim, or at a later stage as a consequence of additional controls performed by the MA, the AA or any competent body.

Other budget sections related to projects shall be:

- Amounts waived in accordance with article 75.2 of the ENI CBC IRs;
- The amount of unsuccessful recoveries in CBC Partner Countries.

In the report shall be indicated the technical assistance costs, with the categories indicated in article 36 of the ENI CBC IR, that are, mutatis mutandis the ones for projects indicated in article 48: Human resources, Travel and subsistence costs, Consumables and Equipment, Subcontracted services, Other.

Reporting flow for Aqaba Branch Office and Valencia Branch Office

The **Aqaba BO** activities shall be financed by the Technical Assistance of the Programme and through a co-financing provided by the hosting institution. In particular, the ENI Technical Assistance funds can be used to cover the following costs:

a) cost of the contracted staff of the Branch Office;

b) travel and accommodation costs;

c) functioning costs equivalent to a flat rate of 7% of the accepted staff costs.):

d) Service costs.

The co-financing shall be provided by the hosting institution through staff costs of internal personnel who shall be assigned either as full time or part time to carry out the activities for the Programme. The amount of co-financing shall be in line with the percentage of co-financing contained in the Technical Assistance financial table included in the JOP.

The Branch Office shall submit, each year, its technical and financial parts related to the annual report (as per art. 77 and 68 of the EC Reg. 897/2017) needed to be submitted, by the MA, to the EC. The modalities and timing shall be agreed with the MA and the Audit Authority in order to comply with the provisions set by the EC regulation 897/2015 and any other relevant document. The financial part of the Branch Office annual report shall be checked first by an external auditor to be hired by the BO. The Branch Office shall also report or provide updated information on the level of implementation of its activities and expenditures, anytime requested by MA and according to the deadlines fixed by the Programme bodies or the EC. The Branch Office shall have to report at least once a year.

The Branch Office shall keep accurate and systematic records and accounts of any operation or activity made, in accordance with art. 70 of the IR 897/2014.

Also the **Valencia BO** activities shall be financed by the Technical Assistance of the Programme and through a co-financing provided by the hosting institution. In particular, the ENI technical assistance funds, to be advanced by the hosting institution, can be used to cover the following costs:

a) cost of the contracted staff of the Branch Office;

b) travel and subsistence costs;

c) functioning costs of the Branch Office including only equipment and consumables;

d) Service costs related to communication activities.

The co-financing shall be provided, by the hosting institution, through staff costs of internal personnel who shall be assigned either as full time or part time to carry out Programme activities.

The amount of co-financing shall be in line with the percentage of co-financing contained in the Technical Assistance financial table included in the JOP.

The Valencia BO shall submit, each year, its technical and financial parts related to the annual report (as per art. 77 and 68 of the EC Reg. 897/2017) needed to be submitted, by the MA, to the EC. The modalities and timing shall be agreed with the MA and the Audit Authority in order to comply with the provisions set by the EC regulation 897/2015 and any other relevant document. All expenditures incurred by the Valencia BO expenditures are checked, before they are paid out, by the Intervencion General, (internal audit service). All expenditures are checked also by an external auditor. Both structures verify all the expenditures, and check the original invoices. The Branch Office shall also report or provide updated information on the level of implementation of its activities and expenditures, anytime requested by MA and according to

the deadlines fixed by the Programme bodies or the EC. The Branch Office shall have to report at least once a year.

The Branch Office shall keep accurate and systematic records and accounts of any operation or activity made, in accordance with art. 70 of the IR 897/2014.

4.4.2. PROCEDURES TO DRAW UP THE MANAGEMENT DECLARATION OF ASSURANCE, REPORT ON THE CONTROLS CARRIED OUT AND WEAKNESSES IDENTIFIED, AND THE ANNUAL SUMMARY OF CONTROLS

In order to allow the Director General to sign the managment declaration of the assurance the Director Office shall coordinate the propedeutical activities needed to this regard. The main goal of the management declaration is to increase the accountability of the MA in ensuring the programme implementation, in accordance with the principles of sound financial management, and in order to ensure the legality and regularity of the underlying transactions.

The article 68.2(b) of the ENI CBC IR stipulates that "a management declaration signed by the representative of the MA confirming that:

(i) The information is properly presented, complete and accurate;

(ii) The expenditure was used for the intended purpose;

(iii) The control systems put in place give the necessary guarantee concerning the legality of the underlying transactions."

The following sub-paragraphs describe the procedure that shall be followed according to the different type of document to be issued.

The MA shall use checklists in order to verify the work carried out in preparation of the management declaration, the report on controls and the annual summary and to ensure that:

- the information included in the accounts is properly presented, complete and accurate
- they include only expenditure which is used for its intended purpose,
- before submitting to EC payment requests, the control systems put in place give the necessary assurances concerning the legality and regularity of the underlying transactions.

Summary of controls by the MA

The declaration should be based in the controls carried out by the MA such as those included in the Summary of controls by the MA. In fact, Article 68.2(c) requires that the annual summary of the controls carried out by the MA includes an analysis of the nature and extent of errors and weaknesses identified in systems, as well as corrective actions taken or planned. The work carried out in preparation of the summary should be adequately documented. Taking into account the potential liabilities for the participating countries stipulated in article 74.3 of the ENI

CBC IR, this document becomes very important. Errors do not only have to be identified, but also corrected.

The section of the summary of controls concerning the analysis of the nature and the extent of errors and weaknesses identified shall identify the problems with a systemic character and related recommendations. Moreover, it shall indicate the estimated financial and operational impact of errors and weaknesses.

The summary of controls shall also include also:

- the list of corrective measures for the identified weaknesses and their state of implementation;
- The follow up of the recommendations issued by the JMC, the MA staff responsible for monitoring the internal control or competent internal audit unit, the Audit Authority, the European Commission or any other competent body.
- The corrective measures to improve the functioning of the management and control systems must be such to prevent the repetition of the identified systemic weaknesses and/or errors. The corrective measures to address irregularities, fraud and corruption with financial impact detected must result in financial corrections applied on the expenditure declared, either by the beneficiaries to the MA or, if already done, by the MA to the European Commission. Finally, the corrective measures related to accounts must result in the necessary accounting adjustments.

Confirmation that the information is properly presented, complete and accurate

This confirmation shall be based on a through assessment of all information obtained by the MA when fulfilling its financial and control responsibilities in accordance with article 26 of the ENI CBC IR. These functions include, inter alia:

- Carrying out administrative verifications on payment claims submitted by beneficiaries;
- Regularly updating the accounting records in the computerized system;
- Transferring pre-financing and balance payments of the grants awarded to projects;
- Managing the technical assistance funds;
- Drawing up the annual accounts.

This confirmation aims at certifying the completeness, accuracy and veracity of the accounts.

Confirmation that the expenditure was used for its intended purpose

The expenditures entered in the accounts is deemed to have been used for its intended purpose if the projects demonstrate that the reported expenditures:

- allow for the achievement of the global objectives set at the level of the JOP;
- allow for the achievement of the thematic objectives and priorities indicated in the JOP under which the projects are selected;
- are compliant with the provisions of the grant contracts signed with the beneficiaries.

In order to provide the confirmation, the MA shall set up a robust system to verify and monitor the performance of the programme and the projects and, in particular, it should consider to confirm at least that:

- the operations selected are effectively in line with the selection criteria and are linked to the intervention logic under each thematic objective and priority;
- the geographical location of the projects is within the eligible areas defined in the JOP;
- the type of beneficiaries falls under the eligible categories, as defined by the JOP and, where relevant, the call for proposals;
- the projects are sustainable and are maintained for a minimum period after completion;
- only the costs which are eligible for co-financing are included in payment claims.

Confirmation that the control systems put in place give the necessary guarantee concerning the legality of the underlying transactions

This confirmation shall be provided based on a accurate assessment of the management and control system as a result of the monitoring carried out by the MA. It is based in the documented procedures, verifications and evaluations performed to ascertain that the components of internal control exist and functions.

The checks should consider at least that:

- the management and control systems have not significantly changed as compared to the description underlying the designation of the MA;
- the coordination and inter-relation among all programme bodies and authorities has been carried out in conformity with the description of the management and control systems and the JOP;
- national procedures, including those derived from the Financing Agreements with CBC Partner Countries are being implemented adequately;
- the key controls identified in the description of the management and control system work adequately and the system is effectively functioning;
- there is a reliable computerized system, as required by the ENI CBC IR;
- the observation of the JMC regarding the implementation and evaluation of the JOP have been followed;
- the annual report contains all the technical and financial information required;
- appropriate action has been taken in respect of findings and recommendations from Audit Authority, European Commission or any other competent body;
- the irregularities, fraud and corruption cases found have been adequately treated and there are no cases which require further disclosure;
- the procedures for system changes, exceptions to procedures, non-compliance events and internal control weaknesses have been applied properly.

Procedures ensuring the annual accounts and reports

The responsible body for the preparation of the annual accounts is the Accounting and Payments Unit of the MA. All the expenditures to be included in the report shall need to be checked by bodies not involved in the operations. The procedures shall depend on the Programme body in charge of the expenditure and on the different types of expenditures.

Expenditures incurred by projects

Twice a year, the Operational and Authorising Unit transfers to the Accounting and Payments Unit the list of the project expenditures incurred by each Partner and certified during the concerned reporting period (1st July year N-1 to 30th June year N), as reported in the Management and information system (MIS). Under responsibility of the Head Accounting and Payments Unit, a further check of the information is performed, in order to verify the compliance among the certified expenditures and the related data available in the MIS and in the relevant documents (check lists and payment acts).

Expenditures incurred by the Technical Assistance (TA)

a) Expenditures incurred by the Managing Authority

Each year right after the closure of the accounting year (30th of June) the Accounting and Payments Unit shall start the recognition of all the TA expenditures incurred during the previous accounting year (1st July year N-1 to 30th June year N).

On the basis of an agreement settled between the Regional Programming Center (CRP) and the MA, the ERDF First Level Control Working group shall carry out the 1st level controls on the Technical Assistance (TA) expenses regarding equipments, services and external experts as incurred by the MA. This latter formally adopted, with Act n. 74/910 of 3 july 2019, as a reference tool for controls, the Manual and the related check lists used by the above-mentioned working group, which include desk verification and on the spot verification.

As far as the expenditures advanced through the budget of the Autonomous Region of Sardinia (internal staff costs, travel and subsistence costs) are concerned, the legality and regularity of the underlying transactions and the declarared costs are checked by an external auditor in charge of the verification of 100% of expenditure. If necessary on the spot check shall be conducted by the same external auditor.

The Accounting and Payments Unit shall check that for all expenditures the information is properly presented, complete and accurate and that the expenditure was used for its intended purpose out.

As far as the legality of the underlying transactions is concerned, the Accounting and Payments Unit shall check all the expenditures documents issued by the Operational and Authorising Unit, before proceeding with the payments to be made through the dedicated Programme bank account. This includes invoices related to services and equipment purchased by the Operational and Authorising Unit, the request for pre-financing payments of Branch Offices and

projects' beneficiaries, the request for reimbursement to the participating countries of the salaries of the NCPs (only for MPCs) and CCPs etc.

b) Expenditures incurred by the Audit Authority

The AA shall submit all its expenditure and payment documents to the Accounting Unit within the deadline set by the latter in order to be able to consolidate the accounts.

As far as the legality of the operations is concerned, the tendering prodedures are checked by the General Accounting Department (First office) while the expenditure documents (internal staff costs, travels, etc.) are checked by external auditor contracted by MA.

c) Expenditures incurred by Branch Offices

According to the agreement signed between the hosting institution of each branch office with the Managing Authority, each year all the costs incurred by the Branch Offices shall need to be included in the report on annual accounts. In order to do so, each Branch office shall follow a specific procedure to ensure that all the costs are verified before the report has been sent to the Accounting Unit of the Managing Authority within the deadline set by the latter in order to be able to consolidate the accounts.

- ***Expenditures incurred by Valencia Branch Office:***

Being the Generalitat Velenciana a public administration of an EU member state, it shall follow its internal controls on all the expenditures, carried out by the regional office named "investigation". In addiction an external audit verifies all the expenditures, and check the original invoices.

- ***Expenditures incurred by Aqaba Branch Office***

As far as the Aqaba Special Economic Zone Authority is concerned, all the verifications on the procedures and expenditures to be included in the report, shall be checked by an external auditor that shall ensure that the requirements set by art. 68 if the ENI IR are met.

Finally, each year the Operations and Authorization Unit transfers to the Accounting and Payments Unit the total expenses incurred for Technical Assistance (TA) during the previous accounting year (from July 1 of year N-1 to June 30 of year N). The further data check is carried out in order to verify the conformity between the verified expenses and the relevant documents.

Audit opinion on the annual accounts

After the Accounting Unit has consolidated the report on accounts, it shall transmit it to the report to the Audit Authority in order to receive an audit opinion on the accounts. The Audit Authority shall carry out the audit on the accounts through an external audit company.

The audit opinion shall then be transmitted to the Managing Authority (Director Office) in order to be included in the annual report.

1) 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

Each year the Director Office of the MA performs controls on the procedures and systems according to a risk analysis (see par. 4.7 and 4.8).

The summary of the controls carried out with the indications of the weaknesess found and corrected shall be delivered to the reference person in charge of the final check of the completeness of the reporting dossier.

2) Annual audit report drawn up by the Audit Authority providing a summary of audits carried out, including an analysis of the nature and extent of errors and weaknesses identified, both at system level and for projects, as well as the corrective actions taken or planned:

Each year the Audit Authority shall carry out the audits on the Programme circuits and on the projects (see par. 5). The results of these audits shall be sent to the Director Office of the MA in order to be included in the report to be submitted to the EC.

Consolidation of the report and its annexes

In order to allow the Director of the MA to sing the management declaration to be submitted together with the annual report and its annexes, the MA director shall appoint a person within the Director's Office in order to collect all the documents mentioned in art. 68 and to check the completeness (through a check-list) of the file before the management declaration can be signed.

This person shall need to receive all the documents in due time, according to a calendar with set deadlines to be set at the beginning of the process.

The person shall also draft the declaration that shall be submitted to the MA Director together with the filled in check-list.

The Director of the MA shall then sign the declaration and the report shall then be submitted to the JMC for its approval.

Agreement between the Audit Authority (AA) and the Managing Authority (MA) of the OP ENI CBC MED 2014-2020 for the performance of the functions related to the preparation and transmission of the Reliability Package (Art.68 IR)

For the preparation of the documents to be submitted to the European Commission, in accordance with the art.68 of the IR, the MA and the AA have signed a specific agreement that details the timing and procedural flow, as specified below:

- By 31/03 and by 30/09 of year N, the MA transmits to the AA the OP's Provisional Accounts relating to projects expenses incurred and certified in the reference accounting period.
- By 01/09 of year N, the MA sends to the AA the OP's Provisional Accounts relating to technical assistance (TA) expenses incurred in the accounting period of reference.

- By 30/09 of year N, the MA sends to the AA the complete provisional accounts of the OP;
- By 15/11 of year N the AA sends to the MA the final results of the audit on the projects;
- By 30/11 of year N, the the MA transmits to the AA the Final Provisional Accounts, including the most recent results of the audits on the projects carried out by the AA and any other corrections, as well as the draft Management Declaration and Annual summary of controls;
- By 15/12 of year N, the AA sends to the MA the Provisional report the audit on the annual accounts related to the Final Provisional Accounts sent on 30/11 by the MA;
- By 21/12 of year N, the MA transmits to the AA the Final Accounts of the OP, of the Management Declaration and of the Annual Summary of Controls;
- By 10/01 of the year N+1, the AA transmits to the MA the Final report on audit on the annual accounts related to the Final Accounts sent by the MA on 21/12;
- By 15/01 of the year N+1, the AA transmits to the MA the Audit Opinion and of the Annual Audit Report;
- By 17/01 of year N+1 the MA transmits to the JMC the Reliability Package of the ENI CBC MED OP 2014-2020 for approval;
- By 10/02 of year N+1 the AA transmits to the MA the annual update of the Audit Strategy pursuant to art. 77 paragraph 4 of Regulation (EU) 897/2014;
- By 10/02 of year N+1 MA transmits to the European Commission through SFC2014 the Reliability Package of the ENI CBC MED OP 2014-2020 approved by the JMC and the update of the Audit Strategy.

4.4.3. PROCEDURES FOR PROGRAMME REPORTING TO EUROPEAN COMMISSION

The MA is responsible to submit the annual report to the European Commission within the 15th of February of each year.

The appointed person within the Director's Office of the Managing Authrority shall coordinate the process that involves each MA Unit, the JTS, the AA, the CCPs, the NCPs and the Branch Offices to draft the respective parts that have to be collected in due time in order to allow the submission of the report to the JMC for its approval by the deadline.

The procedures to draft the documents is the following:

1) The Director's Office shall assign the parts be drafted respectively to to the MA units, JTS, BOs and it shall set the deadline to receive the documents in due time to ensure that the JMC approves the report to be submitted to the EC;

2) The Accounting Unit of the MA shall be in charge of the preparation of the annual accounts and shallreceive by the concerned programme bodies the financial reports to consolidate the annual accounts.;
3) The Audit Authority shall receive the draft report on accounts consolidated by the Accounting Unit of the MA in order to be able to issue the opinion on the Programme accounts;
4) The Audit Authority shall adopt a provisional report on accounts;
5) The Accounting Unit shall prepare the final report on accounts, taking into consideration all AA reports (both report on provisional accounts and reports on audit on operations)
6) The person in charge of the final check on the ducuments to be included in the report shall receive all the documents mentioned in part. 4.3 as well as the narrative parts, the financial plan etc.:
7) The MA shall submit to the JMC the report to be approved;
8) The MA shall send the approved report and the prefinancing request to the EC.

4.5 ELECTRONIC DATA SYSTEMS

(*for collecting, recording and storing data for monitoring, evaluation, financial management, control and audit and communication purposes*)

The MA shall implement a Monitoring and Information System that shall need to ensure that the Programme is carried out according to the principles of sound-financial management, transparency, treacibility of operations and to ensure a proper detection of systemic errors etc. The following paragraphs describe the specificities and main characteristics of the MIS.

4.5.1. DESCRIPTION OF THE SOFTWARE (IT SYSTEMS)

(*to be used and/or developed by the Managing Authority for programme accounting, as well as for collecting, recording and storing electronically data on each project, ensuring it is secure and in line with internationally accepted standards. Indication as to whether the system is already operational to gather reliable financial and statistical information on the implementation of the programme. If not, indication of the date when it shall be operational*)

The MA shall set up a dedicated Management and information system (MIS) as an IT tool for Programme management covering the whole Programme and project life cycle. The computerised systems for the 2014-2020 Programme shall be based on the experience gained during the implementation of the previous Programme and shall be internet based and workflow-oriented. A specific manual for using the MIS shall be drafted before-hands. The manual shall describe all functionalities provided by the system throughout examples of use and an extensive utilization of screenshots.

The main objectives and scopes of the MIS are: project management, “from project selection to closure” (e-submission of technical and financial reports, follow up of activities, outputs, results

and related indicators); handling of irregularities and recoveries; alerts and reporting functions; management of technical assistance funds. All key data shall be available in real time throughout dedicated modules which shall follow the Programme and Project Cycle Management. The JMC, MA and JTS shall have full rights of access to the online system, with different levels of access rights among them. All Programme structures (e.g. Branch Offices, National Contact Points, etc.) shall have also access to the system, with different writing/reading rights, depending on their roles. Beneficiaries of funded projects shall be asked to submit online all information related to their activities, outputs and results together with the expenditures incurred during the implementation period and any change occurred in their partnership.Project auditors shall access the MIS to fill in the EVR and to access the supporting documents as the case may be (see also paragraph 4.2.2 on the role of project aditors). Beneficiaries shall have to develop their project website through a dedicated MIS module and shall be asked to update the information timely about any milestone achieved by the project.

Key features of the Management and Information System (MIS) shall be:

a. Workflow based processes (pre-defined steps and deadlines for administrative procedures and pre-financing installment);
b. Built in checks, warnings, automatic calculations and aggregations of data;
c. Built in templates and standard notification letters;
d. Languages of the system: English and French.

The Managing Authority shall develop the Management and Information System (MIS) for:

a. collecting, recording and storing electronically data on each project;
b. collecting, recording and storing data for monitoring, evaluation, financial management, control and audit and communication purposes;
c. programme accounting;
d. management and administrative procedures, including the programme work flow and audit trail;
e. monitoring reports for all programme bodies, including dashboards and alerts;
f. reporting at project and programme level;
g. document repository;
h. provision of data on projects to the European Commission through the KEEP IT system

With the support of the MIS, the MA shall ensure that:

- The content of the reported information is appropriate;
- The information is updated and available when required;
- The data are correct;

- The information is available to appropriate parties following their specific roles.

Design and development of the Programme Management and Information System (MIS)

This section describes the activities planned for the analysis, design, development, management and maintenance of the Management Information System of the ENI CBC MED Programme.

The macro-phase 1 foreseen the following activities:

a. analysis of the structure and functioning of the Joint Operative Programme ENI CBC MED, both for the management of funded projects and for the management of general technical assistance funds (i.e. those meant for the acquisition of goods and services);

b. analysis of the structure and functioning of the online application form and the Intranet for project evaluation, the online IT tools in which all technical and financial contents of the projects - that shall be managed by the MIS in their implementation phase - are stored;

c. analysis of the structure and functioning of the previous Monitoring System of the Joint Operational Programme ENPI CBC MED already in use at the AG and where many of the functionalities that shall be required in the new MIS are operational;

d. design, development, test phase and final release of the web-based Management Information System.

This macro-phase 1 is concluded when the MIS is fully operational.

The macro-phase 2 deals with operational management and maintenance of the MIS during the whole duration of the contract.

The system shall propose a web-based solution that re-uses, where possible, information (DB tables, codes, labels, etc.), functions and infrastructural components of the previous ENPI Monitoring System, the MIS shall also allow a full exchange of data with the following IT systems used by the Regional Administration (RAS) and the Managing Authority (MA):

- MA accounting system;
- RAS SIBAR-DEC (Determina Elettronica Contabile);
- RAS Electronic Record (Protocollo elettronico);
- RAS Remote Digital signature;

The system shall be:

- Modular, with the possibility of integration/elimination of modules and possibility to allow modifying/extending the system with simplicity;
- Fully integrated with reference to the level of cohesion of the various modules within the proposed application solution;

- Extendable and scalable, giving the possibility for future addition of new functional modules and to easily intervene to prevent degradation of the performance of existing modules in the event of increased workloads and/or increased number of users;
- Flexible, with the possibility of adapting the proposed solution to new or changed needs;
- Secured, in compliance with internationally accepted security standards (e.g. OWASP, INTOSAI, etc.)9;
- Accessible, in compliance with EU Directive 2016/2102 on the accessibility of websites and mobile applications of public bodies;
- Compliant with current legislation on the protection of personal and sensitive data (EU regulation n. 679/2016).

The system shall guarantee integrity, security and uniqueness of data. In this sense, the same information shall not be replicated and/or entered several times. The uniqueness of data shall be guaranteed with a single data base and a synchronization mechanisms which shall allow to keep the data and the processes consistent, without unnecessary redundancy. During the development of the application, all measures shall be taken to mitigate the security risks considered as most critical for this type of application according to international standards (e.g. OWASP - Open Web Application Security Project)

Data security shall be guaranteed at all levels and in particular:

- At network level: the network in which the server is installed shall be equipped with hardware and software devices (e.g. routers, firewalls, etc.) capable to ensure adequate protection against external network attacks and malicious hacking activities;
- At transport level: information shall be transferred on Internet using encrypted channels according to the most widespread technologies for the protection of information flows. The web server shall be configured with SSL type certificates or similar that shall allow a secured transfer of data flow;
- At application level: the application shall have a module dedicated to the secure identification of users and the management of user groups and roles defined with the MA according to the needs of the Programme. Each group of users and/or role shall be granted access only to the functionalities and subsets of information dedicated to them;
- Security tests: several security tests shall be performed with widespread tools dedicated to this purpose, so to guarantee the lack of vulnerability of the MIS environment.

The IT system:

- shall have features that allow recording and archiving data and allow the traceability of important activities (operation and user who operated);

[9] The provider shall indicate which one has been chosen, once the contract is awarded.

- shall be user friendly and an online help shall be available in both official languages of ENI projects: English and French;
- shall have tools for analyzing and extracting programme and project information in both format of tables and graphics, with the possibility of exporting and aggregating - in a custom-made way - data in the most common formats (e.g. xls, doc, pdf, xml, etc.);
- shall be able to manage al procedural flows related to funds transfer to projects and the use of technical assistance funds;
- shall allow to monitor the technical achievements (results, outputs, indicators) carried out by the projects at any time of their life cycle.
- The information system shall therefore manage:
- Monitoring and evaluation of interim and final reports presented online by the projects;
- The authorization of expenses reported online by the projects;
- The management of the administrative flow of pre-financing and final payments to projects;
- Projects budget changes proposed online by the Beneficiaries;
- Creation of custom technical and financial reports at country level, priorities, etc.;
- Updates of contact details for people working for funded projects;
- Recovery of funds through an administrative flow and the creation of a register of debtors and an archive of documents (both for projects and for technical assistance);
- Expenditures for technical assistance through an administrative flow and the creation of a register for individual Contract / supplier / client / cost-categories etc.

As per ***Communication related issues***, the system shall allow:

- Messaging platform between the JTS officers and the projects coordinators;
- Record and archive of messages sent/received from projects;
- Ability to check the latest versions of documents sent/received (Progress Reports, major changes, etc.) ;
- Sending automatic emails that inform JTS/Lead Beneficiaries on specific milestones;
- Ensuring an efficient exchange of documents and e-mails with the JMC, also for the management of written procedures.

The MIS shall have to respond to the needs of the MA and of the JMC National Delegations with regards to the information (synthesis and detail) provided in order to facilitate decision-making, monitoring and evaluation of the Programme as a whole and also for each country, priority, level of expenditures, findings from the administrative verifications and the on-spot checks, case of irregularities, achievement of result, etc.. To achieve this important objective.

Data shall be structured and organized with the level of aggregation or disaggregation suitable to provide the information necessary for the different roles and functions such as MA, National

Delegations, NAs, CCPs, Audit Authorities and, more generally, for all the structures described in the JOP.

The reporting system shall make available alpha-numerical and graphic information, and allow the creation of customized queries by user, depending on their role and needs.

Moreover, the information system shall guarantee the availability of interactive custom reports and pre-defined standard reports, as well as the possibility to export any report in the most suitable format: xls , doc, pdf, xml, etc. and to print it with a layout that comply with the visibility requirements set by the EU for the Programme.

As per ***Project Management related issues***, the system shall allow:

- contracting phase management : Grant Contract template to be filled in with the project data already available and digital signature of the document
- loading of financial data as Financial Identification Form (FIF) to be filled in online with possibility to upload relevant documents required for validation (e.g. bank documents) by the MA/Financial Unit;
- enabling the management of cases of Suspension & Termination of the projects according to the deadlines defined by the contract: template for the request by the Lead Beneficiaries, exchange of communications with the MA, automatic notification of the final decisions of Suspension & Termination. This section shall provide the JMC with all relevant documents and make possible to them to take a decision (sort of written procedure) on Suspension & Termination requests within the system;
- managing major changes: template for the request by the Lead Beneficiaries, possibility to send requests for clarifications (traced in the Communication section) functions for validation and creation of an approval or denial document to be signed and archived in the system. Template of an Addendum to the contract automatically filled in with the validated changes;
- managing major changes: automatic notifications to JTS / MA;
- providing an alert system that warns on the approach of the deadlines established by the Grant Contract for the presentation of the reports by the beneficiaries;
- providing online delivery of progress reports with track of all procedural phases from submission to payment. The status of the process shall be available for the beneficiaries for any steps.
- managing requests of clarification sent to projects that shall allow to record the date on which the request is notified with consequent automatic suspension of the procedural phase and the date on which the clarifications is received. The deadlines initially foreseen for the whole procedure shall be changed accordingly.
- ensuring access to all beneficiaries to provide online information on expenditures incurred with the possibility of uploading support documents;
- providing templates and check lists for the Expenditures Verification Report (EVR) that auditors shall have to complete and sign;

- providing the template for the payment request to be completed and signed (digitally when possible) by beneficiaries;
- ensuring access to the Control Contact Points to carry out quality checks on the EVRs issued by auditors of their respective countries with an automatic alert on when an EVR is loaded on the system;
- ensuring the MA workflow for the approval of the report and authorization of payment with availability of template for the administrative acts related to payments and possibility to fill in and modify the authorizing check lists (with " flagging " and validation);
- providing templates and checklists for MA on-the-spot verification.

As per ***Technical Assistance***, the system shall make available a procedural workflow to:

- request the financial coverage;
- release financial coverage and record all related items;
- commit, authorize and record all payments;
- authorize issue of invoices;
- record the invoices;
- pay the various parts of a supply or service;
- make the final payment;
- report with tables and charts.

There shall also be specific subsections for:

- monitoring the expenditure level of the BO (staff, travel, equipment and supplies + subcontracted services for events organization and production of promotional material);
- loading and archiving timesheets and payroll for CCP;
- loading and archiving timesheets and payroll for NCP of MPC.

As per ***Result Based Management (RBM) and indicators***, the system shall allow:

- analysis of the activities and outputs reported by the projects and shall provide a comparison between the scheduled time and the deadlines initially provided in the Action Plan. The results shall be displayed using graphics such as Gantt charts;
- analysis and monitoring of financial resources at work package and output level by comparing the level of expenditures and the foreseen budget at cost category and at partners level;
- analysis and monitoring of project results and the values reported for each indicator shall be compared with baselines and expected target values. This management of the MA annual monitoring and evaluation plan as described in the JOP (4.6.2).

4.5.2. DESCRIPTION OF THE MONITORING AND EVALUATION SYSTEMS AND PROCEDURES

The MA and the JTS shall apply the Result Based Management approach (RBM) to the ENI CBC MED funded projects. The main steps of this process are: monitoring progresses towards results and resources through the use of appropriate indicators, in order to ensure that results are being achieved; evaluation phase (mid-term and final) to provide valuable information for decision-making and lessons learnt for the future.

The advantages of using the RBM in the framework of ENI CBC MED Programme, are briefly resumed here below:

Planning:

The RBM offers a systematic approach to select interventions that are most likely to address the targeted problems.

Consensus, coordination, and ownership:

The RBM provides the opportunity to work with key stakeholders coordinating the implementation approach, agreeing on and verifying the expected results, highlighting and checking the underlying assumptions and specifying needed resources.

Management:

The RBM offers a tool for guiding corrective adjustments to activities, reallocating resources, and re-evaluating targeted objectives or underlying assumptions.

Communication and reporting:

The RBM acts as a vehicle for communicating about the resources, activities, and outcomes to Programme staff, Project partners and other relevant stakeholders. It can be an important tool in illustrating to the beneficiaries what a project is meant to achieve.

Project Evaluation:

The description of each level of Results with associated Indicators, Priorities, Targets and Milestones establishes an effective framework for ongoing monitoring and evaluation. The RBM clearly identifies how progress toward the targeted objectives shall be measured and thus provides the basis for the development and use of the monitoring system;

Positive and negative lessons learnt:

The systematic use of the RBM allows the Programme staff to assess what approaches contribute most effectively to achieving the Thematic Objectives (TOs). The monitoring of the Programme shall be coordinated by the Director's Office (the MA director shall appoint one responsible person within its staff). This person shall ensure the drafting of the annual monitoring and evaluation plan to be submitted to the Commission not later than 15 February of each year together with the Programme report.

Monitoring and evaluation shall be done through a combination of initiatives, as follows:

- Analysis of Programme performance indicators;
- Analysis of the internal project reports (to check the progress, take remedial action, update action plans, allow ongoing data collection and preparation of progress reports);
- Result Oriented Monitoring missions (usually annual missions to review the projects and the Programme performance for further improvements);
- Mid Term Evaluation of the Programme;
- Final evaluation of the Programme.

During the Programme implementation phase, once a pool of projects exists, the MA shall perform the following tasks:

1. Project 'screening', to categorize projects according to their performances in achieving objectives/results, using a checklist and a rating scale;
2. Identification of specific issues that need to be 'tracked', and therefore monitored.

Monitoring and evaluation shall be carried out through the use of the indicators set by the Programme in Annex II to the JOP.

In particular, Section 3.1 includes indicators for measuring the performance of the Programme in terms of Call for proposals launched, funds committed etc. Section 3.2 reports on the 3 overarching cross-sector Expected Results and their Indicators. Sections 3.3 to 3.5 describe in detail - under the Overarching Objectives (OO) and for each of the four Thematic Objectives (TO) and their Priorities - the 40 Expected Results indicators (in total) and the 83 for the corresponding Outputs. The last part of this document focuses on useful definitions for this M&E plan and includes overviews of all expected results, output and their indicators for each Thematic Objective.

Baselines are reported for the expected results indicators as the case may be, while it is identified under Sources of Verification (SoV) how data and information for measuring indicators shall be collected. Each Indicator includes Target Values, and specific comments/description and it ends with the Milestones to be verified during implementation of the Programme mainly during the mid-term and final evaluation. Multiple counting shall be eliminated at project level as far as possible registering with a unique identifier each organisation.

In view of the very large region and the large differences in economic situation of the region, in-depth external surveys for baselines shall be focused only on territories concerned by project activities. The expected results indicators are also designed in such a way that projects shall be required to collect most if not all of the necessary information. Therefore, monitoring shall be one of the obligations to be considered by the beneficiaries.

Mid-term and Final Evaluations shall be carried out by the MA (Director's Office). They shall be used, not only to assess overall progress and achievements of the projects, but also to control the quality of monitoring information collected by the projects while providing information on the

broader socio-economic context in which they evolve as well as the relevance and impact they may have in this wider context.

Monitoring procedures

The aim of project-level monitoring activities shall be to track progress in project implementation, to take remedial action where necessary as soon as possible and to update action plans. It is a joint responsibility of the Programme bodies and the lead beneficiaries of the projects, supported by NAs.

The JOP identifies and describes the main procedures and the responsible bodies for the following tasks:

- Day-to-day monitoring of the implementation of projects;
- Drawing up of progress and yearly interim reports;
- Result-Oriented Monitoring (ROM) (at project level).

The main procedures and actions to be carried out as part of day-today monitoring, and the bodies responsible for those procedures and actions, are:

Procedure/Action	Responsible bodies
Conducting on-the-spot visits to lead beneficiaries	MA, JTS, BO & NA
Attending key project events	MA, JTS, BO & NA
Conducting on-going collection of information on project implementation by means of e-mail and telephone	MA, JTS, BO & NA
Issuing early warnings	Lead Beneficiary & NA
Storing monitoring outputs in the Management and information system (MIS)	MA, JTS & BO

The main procedures and actions to be carried out for drawing up reports, and the bodies responsible, are:

Procedure/Action	Responsible bodies
Providing written input on the implementation of activities and delivery of outputs (including on output indicators)	Lead Beneficiaries with input from project beneficiaries
Producing, submitting and correcting six-monthly progress reports	Lead Beneficiaries with input from project beneficiaries
Producing, submitting and correcting annual interim reports	Lead Beneficiaries with input from project beneficiaries
Reviewing and commenting on draft progress reports and interim reports	JTS

Storing and monitoring outputs in the MIS	JTS

The Programme shall also carry out an internal ROM plan, in the framework of which it shall review the performance of projects funded, with a focus on the likelihood that objectives and results shall be achieved and there is need for remedial action.

Procedure/Action	Responsible bodies
Drawing up a multi-annual ROM plan for each call, based on a risk assessment	MA
Contracting – if necessary – an external ROM monitor	MA
Managing the ROM contract and/or the implementation of the ROM plans, and reviewing the plans where relevant	MA
Collection and review of the relevant project documentation	ROM monitor or MA/JTS
ROM visits to lead beneficiaries, and if relevant, project partners	ROM monitor or MA/JTS
Carrying out (additional) interviews with project stakeholders	ROM monitor or MA/JTS
Producing ROM reports, including recommendations	ROM monitor or MA/JTS
Monitoring the implementation of ROM recommendations	MA / JTS

4.5.3. DESCRIPTION OF IT SYSTEMS FOR THE REPORTING AND EXCHANGE OF COMPUTERISED DATA BETWEEN THE MANAGING AUTHORITY AND THE COMMISSION (KEEP)

The intention of DG NEAR is to use the KEEP database as a source of information on the contracted projects supported by the ENI CBC 2014-2020 programmes, as most of this information shall be available in KEEP.

Instead, the annual implementation report shall rather focus on the outputs and results produced by the programme, use of programme indicators, examples of successful projects and good practices, as well as information on their monitoring and communication activities and use of the programme financing. The annual report shall be transmitted by e-mail.

The most important change planned for KEEP 2.0 is the automatic transfer of data from the programme MIS. KEEP selects the information needed for each project through fields describing it, e.g. project name, project summary, thematic objective, budget, etc. This information shall be transferred through an XML file , which shall be generated automatically by the programme MIS. The data structure of the file is described at the end of this document with the details of which fields of the MIS shall be used for KEEP.

This automatic transfer was already operating in the Monitoring System of previous ENPI Programme since 2015, being the unique Programme having set this function we have served as test to INTERACT for further developing this tool.

Requirements in the ENI CBC Implementing Rules

The ENI IR include also provisions related to information technology:

Article	Provisions
Article 4: content of JOP	"*(m) a **description of IT systems** for the reporting and **exchange of computerised data** between the Managing Authority and the Commission.*"
Article 26: functions of the Managing Authority	"2. *(d) establish and **maintain a computerised system** to record and store data on each project necessary for monitoring, evaluation, financial management, control and audit, including data on individual participants in projects, where applicable. In particular, it shall record and store technical and financial reports for each project. The system shall provide all data required for drawing up payment requests and annual accounts, including records of amounts recoverable, amounts recovered and amounts reduced following cancellation of all or part of the contribution for a project or programme.* *5. (i) **maintain computerised accounting records** for expenditure declared to the Commission and for payments made to beneficiaries*"
Article 30: General principles of management and control systems	"*1. (c) electronic data systems for accounting, storage, monitoring and reporting.*"
Annex: Designation Criteria for the Managing Authority	"*3. (v) Procedures for establishing a system to collect, record and store electronically data on each project and for ensuring that the IT systems are secured in line with internationally accepted standards.*"

The ENI IR do not give details on the type of information to be recorded in the computerized systems. A source of inspiration for a detailed list of fields may be found in Annex A1 of the document prepared by TESIM, which is intended as an adaptation of article 24 and Annex III of Regulation 480/2014, supplementing ESIF Common Provisions (Regulation 1303/2013), which is not compulsory in the ENI CBC context and it would be very difficult to apply.

In summary, the different applicable regulations contain the following provisions on information technology affecting the programmes:

Compulsory Provisions	Source

Electronic secured validation for authorizing procedures	RAP
Computerised accounting system, including a list of authorized users	RAP & IR
Description of computerized accounting system	RAP & IR
Periodical saving and keeping of information in a safe place	RAP
IT system for the reporting and exchange of computerized data with the EC[10]	FR & IR
Interoperability of financial data in official exchange with EC[11]	IR
Electronic exchange of information with third parties participating in procurement and grant procedures to the greatest possible extent	FR
Ensured access to Court of Auditors to supporting documents in integrated computer systems	FR
Procedures for establishing a system to collect, record and store electronically data on each project	IR
IT system is secured in line with internationally accepted standards[12]	IR

Compliance with IT requirements is a key challenge for designation, as it is one of the cornerstones of programme management needing a very technical work, in order to make it comply with the applicable requirements.

There are several **pillars** in the designation criterion 3 (v) concerning IT:

Type of requirement	How to comply
Content	Minimum information required in the different articles of the ENI CBC Implementing Rules
Security	Requirements in international standards, such as INTOSAI or COBIT. Additional requirements are needed for internet-based modules, such as OWASP guidelines (see section 3 of this document)
Data protection	Respect of the national legislation of the Member State hosting the Managing Authority.

These elements are included in the questions 3.34 and 3.35 of the proposed check-list for compliance included in the TESIM guide for designation. However, the check-list includes other questions, inspired in the check-list for EGESIF programmes:

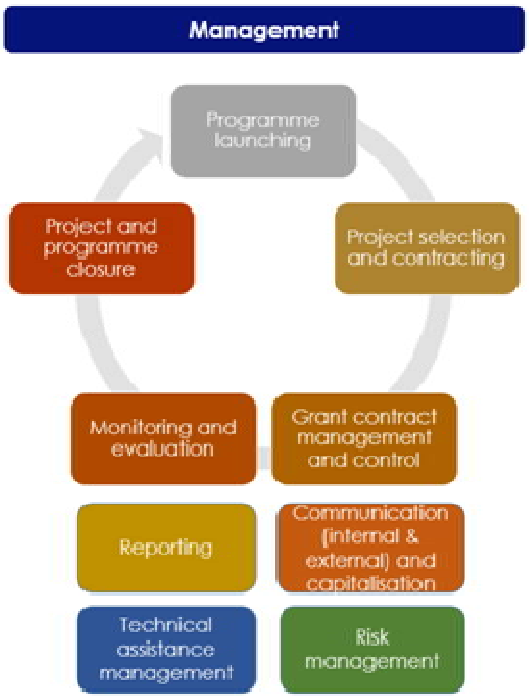
10 As in the ENI CBC Implementing Rules, which require in Article 4 "IT systems for the reporting and exchange of computerised data between the Managing Authority and the Commission".

11 Further explanation of these requirements is provided in Article 26.2.(d) of the Implementing Rules.

12 COBIT standards etc..

- A description of the MIS, describing the different modules, the links between them and the indication whether they are internet-based;
- An indication of which parts of the system have been used in the previous programming period, as some modules may be the same, others upgraded and others brand new;
- A confirmation of the adequate segregation of functions in the use of MIS;
- An assessment of the modules which are to be developed.

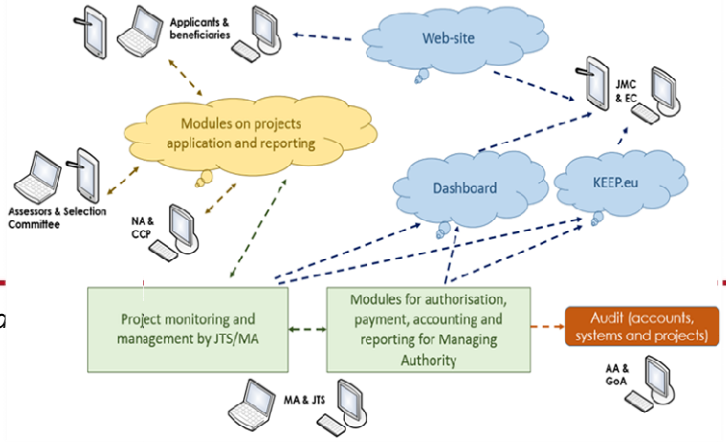
We may summarize the main processes during the programme cycle as follows:



These **processes** shall be **integrated in the MIS** through a set of different modules and software, with different users and access methods. The modules shall be developed *ad hoc* for the programme.

The MIS shall cover all the key programme processes, even if there are several software packages (with or without capacity of exchanging data amongst them).

All the programme stakeholders shall get access to these modules, with different levels of access rights, intensity and their needs. See depending on example of the type below an and the flows of of accesses information.



Not all the modules shall be available from the beginning of the programme cycle. Some shall be already available from the previous period, while others shall be adapted or updated during the launching phase, in accordance with the needs.

The roles and the rights shall be allocated to each user specifically based on their role in the programme:

MA and/ or JTS	• administration rights • can introduce and modify information in the system
Branch Offices	• reading rights • in few cases can also introduce information to a limited extent
Control Contact Points	• usually have reading rights • possibility to upload the expenditure verification reports directly into MIS to be explored
Auditors performing expenditure verification	• reading rights • usually have access to the project applications
JMC members	• reading rights
External project assessors	• reading rights • possibility to upload evaluations
Audit Authority and members of the Group of Auditors	• reading rights
Lead beneficiaries	• right to upload, view, correct their information

The Management and information system (MIS) shall register, make available and archive the data reported in Annex 2 to the DMCS.

The information related to irregularities and/or deficiencies detected and their follow-up shall be made available to the management level of MA, as well as other relevant bodies through an alert system which shall deliver an email message to check the specific section of the MIS.

4.6 SYSTEMS AND PROCEDURES TO ENSURE ADEQUATE AUDIT TRAIL AND ARCHIVING SYSTEM AT THE LEVEL OF EACH PROGRAMME BODY

(including evidence that accounting records and supporting documents are kept at the appropriate management level)

The documents issued by the MA, the AA, the JTS and the BOs are property of the respective hosting institution.

They must be kept for a period of 5 years after the official closure of the Joint Operational Programme, in accordance with the requirements of European regulations and in accordance with the national legislation on keeping the documents to their creators and holders.

Keeping of documents

The Programme aims at reducing the use of “paper” documents and the majority of documents both at Programme and project level shall only be in electronic version.

The general documentation related to the Programme management acitvities is stored in digital copies in a shared folder created in the server of the regional administration local network, accessible by the whole MA staff. Moreover, specific shared folders are created within each unit for their own respective activities and documents, whose access is reserved for the staff of the concerned unit. Within each folder, subfolders are created by type of documents and/or process.

Control bodies shall have access to the complete files.

As far as the paper documents are concerned, they shall be kept/managed according to their subject in physical folders at the MA premises, ensuring their protection against damage or destruction. An electronic copy shall also be kept in the shared folder of the MA in a manner to not be destroyed or demagnetized, taking into account the legislation in force for keeping documents electronically.

The staff of the MA/JTS/BOs is responsible for the safekeeping of documents, until their submission to the archive.

Documents shall be also stored and kept in the respective sections of the MIS (see par. 4.4.3), according to the user manual.

Moreover, any official document and communication issued, sent and received by the MA is registered in the Sardinian regional administration information system (SIBAR), a protocol register structured according to the national requirements on the management of the digital documents in the public administrations (Digital Administrative Code (CAD). A progressive protocol number is assigned to the document once registered through a system of

Classification per items and structures; in the SIBAR an electronic copy of the document is also uploaded, and so archived on the server of the regional administration.

Accounting records of both projects and TA expenditures are stored on the dedicated Programme integrated accounting system (SIBEAR – SCI) and, partially, in the regional SIBEAR integrated accounting system (SIBAR – SCI).

Record keeping of projects documents

Documents related to funded Projects are stored at different levels and for different purposes, depending on their subject and issuing institution.

Moreover, all documents produced in the application phase and during the projects implementation are made available in the MIS by all actors involved in the different processes and uploaded in the relevant sections according to the User manual.

The documents available in the MIS are accessible according to the different users access levels. All documents can be viewed and managed by the Operational and Autorising unit, the Accounting unit, the JTS and the Audit Authority.

Accounting records are stored on the Programme accounting system (SIBEAR – SCI).

At LB/partners level

Specific contractual requirements concerning the documentation and record keeping are included in the Grant Contract, which specifies that:

- To be eligible, the costs must be identifiable and verifiable (Article 14 point d.). This means that there must be adequate documentation proving that any expenditure is related to the project.
- The LB and its partners must allow the Programme and controls bodies to carry out checks and audits and to examine supporting documents, accounting documents and any other documents relevant to the financing of the project (Article 16(4)).
- the LB and its partners shall keep all records, accounting and supporting documents related to the projects for five years following the payment of the balance for the Programme, and in any case until any on-going audit, verification, appeal, litigation or pursuit of claim has been disposed of (Article 16(6)).
- The documents shall be easily accessible and filed so as to facilitate their examination and the LB shall inform the MA of their precise location. All the supporting documents shall be available either in the original form, including in electronic form, or as a copy. (Article 16(6)).
- All documents supporting the expenditure must be kept, and an indicative list is included(Article 16(3)).
- Failure to comply with the above metnoned contractual obligations constitutes a case of breach of a substantial obligation which may lead to the suspension and/or termination of the Contract, as well as of payments and/or the reduction of the grant.

A more detailed description of the supporting documents to be kept for each category of expenditure is also included in the Project Implementation Manual (Chapter 7 Financial management).

More detailed information on the location of the documents at the LB/Partners premises is found in the Communication on project starting, which the Lead Beneficiary shall send to the MA within three months after the signature of the Contract (Grant Contract article 6.3). As better specified in the Project Implementation Manual (Chapter 3), the communication has to contain the identification of the locations where administrative documents of the LB and Partners are stored and names of the persons responsible for its management.

LB and its partners using e-archiving or image processing systems (meaning that the original documents are scanned and stored in electronic form) are advised to organise their internal control system so that it guarantees that: each e-document scanned is identical to the paper original, it is impossible to scan the same paper document to produce several different e-documents, each e-document remains unique and cannot be re-used for any other than its initial purpose. The approval, accounting and payment process for each e-document should be unique. It should not be possible to approve, account for or pay the same e-document twice. Once scanned, it should be impossible to amend e-documents or to create altered copies.

An informative note[13] on documents filing and record keeping has been published in the Programme website.

At MA level

Project documents are mainly kept in electronic form in the shared folder managed by the Operational and Authorising Unit level; they are accessible only by the personnel of the Unit and available for inspection and controls. Within each project folder, the documents are organized in subfolders, depending on the process they relate to, as specified in the following table:

	PROJECT DOSSIER (index of folders and documents)
NEGOTIATION	Negotiation Letter
	Answer Negotiation + Docs
CONTRACT DOSSIER	Letter Transmission Grant Contract
	Grant Contract And Annexes
	Addenda To The Grant Contract And Annexes
	Financial Guarantee (As the Case May Be)

13 https://www.enicbcmed.eu/sites/default/files/Project%20implementation%20manual/ENI%20CBC%20Med_Informative%20note%20on%20documents%20keeping_10.11.2021.pdf

	Antimafia Declaration	
COMMITMENT AND PAYMENTS	Commitment	FIF (Financial Identification Form)
		Amministrazione aperta
		Checklist
		Determinazione di impegno
	1st Pre-financing	Financial guarantee
		Checklist financial guarantee
		DURC
		Checklist pagamento
		Mandato pagamento
		Determinazione pagamento
	2nd and further Pre-financings + Final report	Request for payment and annexes
		JTS documents (clarifications requested and obtained)
		JTS checklist Interim report
		MA results of the assessment
		MA checklist
		DURC
		Determinazione di pagamento
		Letter feedback
IMPLEMENTATION	Communications	
	Major amendments procedure	LB Explicative report and supporting documents
		JTS assessment report
		MA conclusions
IRREGULARITIES AND FRAUD	Communcations and segnalation	
	Follow up	
RECOVERIES		
CONTROLS	Reports and Follow up	

Some project documents signed in original are also required to be sent in paper version to the MA by the Lead Beneficiaries (such as Grant Contract and Addenda, Partnership Agreements, Expenditures Verification reports, Request for payment).

The original documents are scanned, stored in electronic form in the projects folders and uploaded in the relevant sections of the MIS.

At JTS level

In addition to the MIS, a proper archiving and keeping system is used by the JTS for documents related to projects, issued and used in perfoming its tasks; istructions for the JTS officers on the documents organization and the sharing of communications have been included in a dedicated annex of the JTS Manual (see JTS Manual Annex 2 – Timing_management and Annex 3 Filing).

Audit trail

Specific audit trails for the different Programme circuits and processes (both projects and Technical Assistance) have been drafted and adopted by the MA in compliance with the following criteria:

a. to permit the reconciliation of the aggregate amounts declared to the EC with the detailed accounting records and supporting documents held by the beneficiaries and the programme bodies;

b. to permit the verification of the payment of the EU contribution to the Lead beneficiaries;

c. to permit the verification of the application of the selection criteria established by the JMC;

d. to include for each awarded project the description of the action, financing plan, documents concerning the grant approval, progress reports and reports on verifications and audits carried out as the case may be.

Each audit trail includes the list of the supporting documents required for performing controls and the modalities for their recording and archiving.

4.7 RISK MANAGEMENT

(Description of the system put in place for ensuring that an appropriate risk management exercise is conducted at least once per year, and in particular, in the event of major modifications of the activities should be put in place)

An appropriate risk management exercise is one of the five designation criteria imposed by the European Commission in the Implementing Regulation n° 897/2014 for cross-border cooperation programmes.

Risk management can be defined[14] as "*a process effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the Entity, designed to identify potential events that may affect the entity and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives*".

[14] The guidelines to approach the subject of risk management for public sector entities have been written by INTOSAI in 2006, two years after the first publication of COSO's "Enterprise Risk Management (ERM) - Integrated framework (2004)"

Risk management is then a process, which the MA has to realize to minimize the impact of those events which can negatively affect the achievement of Programme's objectives.

MA shall manage different risks according to the different types of objectives:

- Strategic risks are risks related to the performance and/or functions of the MA and/or other Programme bodies (such as JTS, BOs etc.) set by legislation or tasks designated that the MA and/or the other bodies have little or no control over. These risks include political, economic and social risks;
- Operational risks are risks related to the processes or procedures that work incorrectly or do not function at all resulting in serious disruptions to the implementation of the Programme. This cathegory of risk comprises:
    - Financial risks, which are related to the provision of sound financial management (including applying principles of economy, efficiency and effectiveness) of the Programme;
    - Legal risks, related to failure to comply with the requirements of legislation that is in force in the European Union and/or those of the participating countries and all applicable Programme regulatory framework, including Financing Agreements signed between the EC and the MPCs;
    - Information system risks which are related to the operational errors, failures or shortcomings of the Programme's electronic data exchange system;
    - Fraud risks, that can lead to intentional acts or omissions relating to the use or presentation of false, incorrect or incomplete statements or documents, which can affect the misappropriation or wrongful retention of funds; non-disclosure of information in violation of a specific obligation, with the same effect; misapplication of such funds for purposes other than those for which they were originally granted. Special attention and fraud risk self- assessment shall be paid to fraud risks in the following areas- selection of applicants, implementation and verification of the operations, certification of expenditure and payments.
- Human resource risks are risks related to knowledge and skills of the employees, human resources in general, effective legal and ethical activities of the MA and other Programme bodies employees;
- Information system risks which are related to the operational errors, failures or shortcomings of the Programme's electronic data exchange system.

Risk management procedure

Risk management procedure (hereinafter – Procedure) determines how risks are managed - identified, assessed, prioritised, monitored, prevented, mitigated and reported by the employees of the Managing Authority and other Programme bodies (such as JTS, BOs etc.) of the ENI CBC MED Programme 2014 – 2020.

The objective of the risk management is to ensure that controls by the MA and JTS are targeted towards those areas where high risk of material misstatement exists.

Risk management procedure is applied on principle that effective risk management:

- covers all tasks and activities of the MA and/or JTS;
- advances the MA and/or JTS functions and tasks in fulfilment of the Programme implementation;
- provides trustful environment for fraud reporting;
- includes zero tolerance to fraud and corruption.

Risk management is ensured by the Risk management group (hereinafter – RMG), comprising employees of the MA and the coordinator of the JTS. The members of the RMG are appointed by the order of Director of the MA. The chairperson and its deputy member are appointed by the within the staff of the Director's Office. The rules of procedure of the RMG are drafted by the chairperson of the RMG and discussed within the RGM during its first meeting. The rules of procedure shall then be submitted to the MA director in order to be officially adopted. From both the methodological and approach points of view, the MA shall follow the "Guidance note on fraud risk assessment and effective and proportionate anti-fraud measures" elaborated by DG REGIO for the period 2014-2020 . Therefore, the MA shall have a proactive, structured and targeted approach to managing risk.

The MA shall have the collaboration of NAs, JTS and the Branch Offices in identifying the potential risks in projects and in the system.

To this regard, the MA shall use risk self-assessment tools targeting the main situations where key processes in the implementation of the programme can create risk. There shall be a yearly assessment, which shall conclude how likely and how serious these situations could be, and what is currently being done by the managing authority to tackle them. Four key processes are considered to be most exposed to specific risks:

- project selection;
- procurement procedures to purchase supplies, goods and services;
- implementation and verification of projects;
- authorisation and payments.

As indicated in the above-mentioned guidance note, the assessment shall use the following steps:

a) Prior to the RMG meeting, RMG chairperson sends out the self-evaluation tool elaborated by DG Regio in the Guidance to NAs, Branch Offices and to members of RMG. All actors, within their competence level, perform risk self-assessment by filling in relevant fields of Annex I of the European Commission Guidance "Fraud Risk Assessment and Effective and Proportionate Anti-Fraud Measures" (hereinafter – Annex I of the Guidance) and within a delay set in the rules of procedure. The members of the RMG may submit to the RMG

chairperson suggestions of risks to be included in Programme risk management plan as well as filled in Annex I of the Guidance.

b) Submitted suggestions of risks to be included in Programme risk management plan are consolidated by the RMG chairperson and reviewed at RMG meeting or sent out electronically alongside with filled in Annex I of the Guidance in order to be reviewed by the RMG members according to their competence level. After opinion from each RMG member is received, final Programme risk annual management plan is prepared.

c) Programme risk management plan is approved by the Director of the MA and is sent out to all RMG members. Self-assessment done in Annex I of the Guidance by the RMG members is stored in an electronic form in a separate folder on the internal network.

d) Programme risk management plan shall be revised at least annually or more frequently upon necessity and updated according to the factual situation and/or recommendations issued by the AA or external auditors.

As far as the daily management of risk is concerned, the Programme Risk Management Plan shall state that:

- Risk owner is responsible for assigned risk management, including:
  - execution of risk mitigation tasks in day-to-day work according to set activities/tasks for risk mitigation and monitoring period;
  - informing RMG chairperson or its deputy about performed activities/tasks for risk mitigation and the current risks status within 7 working days after the end of monitoring period or upon request by the RMG chairperson or its deputy.
- It is the responsibility of each MA and JTS employee to immediately inform RMG chairperson, about the possible risks that have been identified in addition to those included in Programme risk management plan. If needed, the Programme risk management plan shall be revised according to point b) of this procedure.

RMG shall also:

- consult the employees of the MA/JTS/BOs etc. about Risk management procedure objective and ensures active involvement of the MA and JTS employees in overall Programme risk management process;
- upon necessity provide suggestions to ensure development of internal regulatory procedures to enhance Programme risk management;
- The conclusions of AA work shall also be taken into account.

At project level, as a result of the risk assessment, the MA shall take the following steps on a yearly basis:

- revise the range and type of supporting documentation to be requested from beneficiaries for verification, based on a risk assessment of each type of file or beneficiary;

- define the frequency and coverage of the on-the-spot verifications, which shall be proportionate to the amount of public support to an operation and to the level of risk identified by the MA.

4.8 PROCEDURES FOR MONITORING INTERNAL CONTROL BY THE MA

Monitoring is one of the components of internal control stipulated in the annex of the ENI-CBC Implementing Regulation: "Documented procedures, verifications and evaluations performed to ascertain that the components of internal control exist and function".

The Director's office, shall be the body responsible to coordinate the internal controls while the heads of each unit shall be responsible to ensure that the proper controls are carried out, on the basis of the different types of procedures to be implemented. The Director of the MA shall appoint a person within its staff, to coordinate the internal controls structure and to ensure the proper functioning of the Programme circuits. This person shall not be involved in any management procedure, in order to guarantee the full independence of the internal controls activity.

The person in charge of the internal control shall perform verifications and evaluations to ascertain that the components of internal control exist and function. Therefore, he/she performs verifications at MA/JTS and BOs level for improving the efficiency of the control system, risk management system and management processes.

As far as the main responsibilities of the person in charge of the internal control are concerned, he/she shall:

- prepare a risk assessment of the activities and/or organisational functions (e.g. departments, units) to be included in the Programme risk assessment plan;
- ensure that the findings and recommendations resulting from internal audit are duly addressed to the competent heads of management of the concerned operations (see also par. 4.9 on internal communication);
- investigate and consider the inquires or complaints from stakeholders (beneficiaries and partners, NA, CCP, NCP) for internal control implications;
- draft the Summary of controls to be included in the annual report of the MA.

The results of the internal monitoring shall be submitted to the MA Director who shall give a reasonable delay to the competent Units to make the necessary operations/observations to overcome the encountered issues and to implement the requested remedies and improvements to the systems.

The modifications to the systems/procedures adopted by the competent head of unit or the MA director, shall be notified to the competent units and their staff through internal communication channels.

4.9 TECHNICAL ASSISTANCE

4.9.1. RULES OF ELIGIBILITY OF EXPENDITURE FOR TECHNICAL ASSISTANCE

This chapter outlines the standard procedures to be set up within the ENI CBC MED Programme in order to verify the correctness and regularity of expenditures used by the MA and AA for the technical assistance.

In accordance with articles 34, 35 and 36 of the ENI CBC IR 897/2014) the funds for technical assistance (TA) can support measures for the preparation, information communication, management, evaluation, networking, complaint resolution, control and audit activities, monitoring and control of the program, projects or beneficiaries. They can also finance specific events of the Programme, information and communication activities, implementation and continuous support of the system monitoring, external studies and analyzes, or evaluations on specific topics. The Programme intends use technical assistance also to support preventive measures against fraud and anticorruption e for all other actions provided for in the aforementioned article.

For the selection and award criteria of these actions the following criteria must be respected:

- Compliance with European, national and regional legislation, in particular art. 34, 35 and 36 of the ENI IR;
- Consistency with the strategy, contents and objectives of the Programme;
- Reasonable price / quality ratio and lower price if applicable;
- Communication activities are adequate and effective to reach the addresses.

As regards the technical assistance, the MA and AA shall:

a. Organise and ensure activities related to public procurement acting as TA user of the Programme (planning, initiation, award of contracts and appeals);
b. Delegate the procurements functions to the Central Purchasing Body (Centrale Unica di Committenza) – Presidency of the Region;
c. Drafts and endorses the bi-annual public procurement plan, which includes all the procurements planned to be performed for MA as beneficiary of technical assistance;
d. Sign contracts with contractors;
e. Manage contracts.

Annually the MA proposes to the Joint Monitoring Committee the Working Plan, including the activities foreseen for the next year and describing all procedures and timing required for acquiring services and equipments, as well as to recruit external experts. Such actions are defined by the MA in cooperation with the unit responsible for the expenditure.

On the basis of the Explicative note attached, the JMC approves the annual Working Plan together with the respective annual expenses, as described in the Financial Plan.

Expenditure eligibility: Managing Authority and Audit Authority

According to article 36 of the IR, eligibility requirements set out in article 48 apply mutatis mutandis to technical assistance costs. Costs referred to in Article 49 shall not be considered eligible as technical assistance costs. Costs for preparatory actions referred to in Article 16 shall be eligible upon submission of the Programme to the Commission pursuant to Article 4.

Moreover, the internal rules and procedures of the Autonomous Region of Sardinia shall apply according to the type of cost to be finance through the TA funds.

The main cost categories to be financed through the TA funds are:

Staff costs: Costs concerning officials of the participating countries assigned to the Programme may be considered eligible as technical assistance costs. Parallel remuneration systems and topping ups shall be avoided. The appointment of the staff, replacement of staff in case of absence, permissions etc. shall follow the regional law n. 31 and its modifications.

The staff costs of the internal staff shall be advanced by the Autonomous Region of Sardinia and they shall be included, in the annual report to be audited. The Accounting and Payment unit shall provide the supporting documents such ash the expenditure and payment documents to be checked by the auditor. The TA funds shall then be transferred to the Regional budget only when the EC has approved the concerned annual report.

Travel and subsistence: these costs shall follow the internal regulation used by the Autonomous Region of Sardinia. They shall be advanced by the Autonomous Region of Sardinia and they shall be included, in the annual report to be audited. The Accounting and Payment unit shall provide the supporting documents such as the expenditure and payment documents to be checked by the auditor. The TA funds shall then be transferred to the Regional budget only when the EC has approved the concerned annual report.

Equipment and external services: If the implementation of the annual plan for the use of the technical assistance budget requires procurement of equipment, supplies and services, the contract must be awarded according to the following rules:

"… *where it is an entity established in a Member State it shall either apply* ***national laws****, regulations and administrative provisions adopted in connection with Union legislation applicable to public procurement or procurement rules set out in Title IV of Part Two of Regulation (EU, Euratom) No 966/2012 and Title II of Part Two of Delegated Regulation (EU) No 1268/2012*".

Contract award procedure for technical assistance by the MA and AA

All procurement for the purchase of goods and services are managed by the MA Operational and Operational and Authorising Unit and by the AA, through public procedures regulated by the relevant national law.

According to this rules, the MA as contracting authority shall be able to procede to direct award of service and supply contracts in compliance with national and European legislation and to conduct independent tenders (without using central contracting authorities) for supplies and

services with a value below the EC thresholds for Public procurement. If the value of the procurement exceeds these thresholdsthe award procedure is under the responsibility of the Central Purchasing Body.

Integrity Pacts

The MA, as regional public administration, in procurement procedures shall adopt the Integrity Pact, i.e. contracts between the contracting authority and economic operators bidding for public contracts that they shall abstain from corrupt practices and shall conduct a transparent procurement process.

In signing the **Integrity Pact** with economic operators the MA shall reach multiple objectives:

- To increase transparency, accountability and good governance in public contracting;
- To enhance trust in public authorities and contribute to their better reputation;
- To improve competition, promote cost efficiency and savings through better procurement.

Recruitment of external experts

The recruitment of the external experts is carried out in compliance with the Regional Law n. 31/1998 ruling the organization of regional offices and the staff recruitment, and in particular according to the provisions of article 6 bis, paragraph 2 on temporary contracts.

The possibility of recruiting external experts is foreseen in the Joint Operational Programme, however specific needs requiring the recruitment of technical experts are identified by the MA and proposed to the Joint Monitoring Committee in the Annual Working Plan together with the related Financial plan for its approval.

The selection procedures are managed by the MA Operational and Authorising Unit which publishes both in the regional and in the Programme official web sites the public notices. The external experts are thus selected, by the appointed evaluation committee, according to the criteria approved by the Joint Monitoring Committee in the Terms of References.

The selection procedure can result in the constitution of a ranking list through the assignment of scores or a roster, from which the experts can be selected for contracting.

The contracts with external experts are signed by the Head of the Operational and Authorising Unit, which shall manage also the implementation phase and the payment of fees. Before signing the contract with the MA, the selected candidates may be requested to submit supporting documents (i.e., copy of university degree, certificates of working experience, etc.) to prove professional experiences and educational levels declared in the Curriculum Vitae.

The inclusion in the ranking list or in the roster does not guarantee the selection and the appointment as external expert; the rosters or the list shall only serve as a database for the identification of the experts having the required qualifications for the assignment of contracts.

The payments of fees is made after the conclusion of the tasks specified in the contract or in an appointment letter, upon submission of the Request for Payment and a report, specifying the tasks carried out and the outputs produced.

All documentation relating to the procedures for the acquisition of goods and services and the recruitment of staff is kept by the unit responsible for the procedure.

4.9.2.ON THE SPOT CHECKS ON TA EXPENDITURES

Article 26(5) COMMISSION IMPLEMENTING REGULATION (EU) No 897/2014 requires that the Managing Authority shall verify that services, supplies or works have been performed, delivered and/or installed and whether expenditure declared by the beneficiaries has been paid by them and that this complies with applicable law, programme rules and conditions for support of the projects.

Pursuant to Article 26(6) CIR the verifications shall include administrative verifications in respect of each application for reimbursement by beneficiaries and on-the-spot verifications of projects.

As administrative verifications are not sufficient to give assurance on the legality and regularity of expenditure, the Managing Authority shall carry out on the spot verifications both on project and technical assistance expenditures.

Where the Managing Authority is also a beneficiary under the Operational Programme, an adequate separation of functions is ensured in the DMCS for the verifications above mentioned, as well as for administrative verifications.

The different Bodies in charge of on the spot checks are mentioned in the DMCS and are listed below.

Expenditure/Operation	Responsible Body
Technical Assistance expenditures (operations carried out by the Branch Offices – Valencia and Aqaba)	Operational and Authorisation Unit
Technical Assistance expenditures (operations carried out by the Operational and Authorisation Unit)	ERDF – First Level Control Working Group
Technical Assistance expenditures (operations carried out by the Audit Authority)	Independent Department of the Sardinian Regional Administration / External auditor
Technical Assistance expenditures managed by the Managing Authority and the Audit Authority (staff and travel expenditures only)	Independent Department of the Sardinian Regional Administration /External auditor

Due to the high volume and technical complexity of the operations to be verified some or all elements of the verifications shall be outsourced to external service providers.

The on-the-spot-checks shall cover at least the following verifications:

- the existence and effective functioning of an accounting system on the level of each beneficiary either separate or analytical-based, allowing for a clear identification of all project or technical assistance-related expenditure and avoiding the possibility of double-funding;
- adequacy of supporting documents and of the existence of an adequate audit trail;
- the reported services/equipments/investments have been delivered in reality, and are available at
- the premises of the project beneficiary/partner, and are used in line with the project purposes;
- the compliance with national and Community rules;
- the compliance with publicity rules and requirements of the Programme.

The frequency and coverage of the on-the-spot verifications shall be proportionate to the amount of the grant to a project/public support to an operation and the level of risk identified by these verifications and audits by the Audit Authority for the management and control systems as a whole.

On-the-spot verifications are:

- planned in advance to ensure that they are effective
- undertaken when the operation is well under way, both in terms of physical and financial progress
- carried out on a sample basis
- completed before issuing the “management declaration and annual summary referred to in Article 68 of the IR 897/2014 (Implementing rules).

As far as sampling is concerned, due to the complexity of operations and non uniformity of beneficiaries/TA users, different methodologies are applied.

In this regard, the sampling methodology for projects and TA expenditures of the BOs (on the spot checks carried out by the OAU of the MA), is described in par. 2 and 3 below.

As far as the other TA funds beneficiaries are concerned, individual controllers shall carry out the checks according to their own methodology; in any case, they shall at least reach 10% of expenditure to be checked, with a minimum coverage of 5% of operations (e.g. applying a stratification at operation level).

	Sampling unit	Sub-sampling unit	References
Technical Assistance expenditures (operations carried out by Operational and Authorisation Unit)	Expenditure item/invoice/other	Expenditure item	“SISTEMA DI GESTIONE E CONTROLLO” (version 3.0 – 22 December 2020) Description of functions and procedures of the Managing Authority and Certifying Authority. Par. 2.2.3.6. Procedures

			for the verification of operations and following revisions
Technical Assistance expenditures (operations carried out by Audit Authority)	Expenditure item/invoice/other	Expenditure item	*Ibidem*
Technical Assistance expenditures managed by Managing Authority MA-AA (staff and travel expenditures)	Expenditure item/invoice/other	Expenditure item	*Ibidem*

4.9.3. ELIGIBILY RULES AND PROCEDURES FOR THE USE OF TECHNICAL ASSISTANCE FUNDS BY THE BRANCH OFFICES

Valencia Branch Office

The hosting institution, Generalitat Valenciana, is the Regional Government of the Region of Valencia. It is, therefore, a Public Administration, fully subjected to public regulation. Therefore, as most of the people working for Generalitat are civil servants, they are ruled by Civil Servant Law. 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) shall be applied to the staff recruited according to the procedures described in point 1.5 of the document sent in March and previously quoted. Labour contracts to be signed with people recruited by the JMA shall estate that the job shall last the time that the Branch Office is funded by the Programme.

Relating to travel policy, civil servants and personal contracted by Generalitat shall be paid by Generalitat Valenciana and afterwards reimbursed by the Programme, according to the Implementation Rules. The travel and accommodation expenditures, and the “per diem” (dietas) shall be 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).

Administrative verifications

Besides, all expenditures are subjected to internal and external Audit . Both structures verify all the expenditures, and check the original invoices, as it is going to be explained in the following point.

This means that all the expenditures incurred by the Valencia BO to be included in its annual report, shall be all verified by the said internal audit office. The internal audit service is 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.

Specific audit trails shall be adopted by the Comunidad Valenciana.

The Operational and Authorising Unit shall carry out on-the-spot checks of original documents, , actions and activities of the Branch Office and conduct a full audit, if necessary, on the basis of supporting documents for the accounts, accounting documents, and any other relevant document for the financing of the Branch Office.

Aqaba Branch Office

The Aqaba Special Economic Zone Authority shall adopt the European Union regulations including PRAG 2013 as framework for its operational procedures respecting ASEZA's regulations and procedures.

"ASEZA regulations, rules and Instructions shall be applied on the BO staff. This includes; working hours, ethic, etc."

The Aqaba Special Economic Zone Authority shall provide all the needed financial services to the Branch Office and shall report this as required by the European Union and as requested by the JMA respecting ASEZA's regulations and procedures.

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

Administrative verifications

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

Specific audit trails shall be adopted by the ASEZA.

On the spot check

The Article 7 of the Agreement between the Autonomous Region of Sardinia and the two hosting institutions of the BOs (Generalitat Valenciana and ASEZA) gives access to the MA and any authorised body "to verify, by examining the documents by means of on-the-spot checks of original documents, the operation, action and activities of the Branch Office and conduct a full audit, if necessary, on the basis of supporting documents for the accounts, accounting documents, and any other relevant document for the financing of the Branch Office".

On the spot checks on the BOs activities are complementary to the administrative verifications carried out by the MA on the audited reports (on 100% of the reported expenditure) as they complete the administrative-accounting verifications on documentary and accounting elements that cannot be verified at desk level. At least one on the spot check per BO shall be guaranteed per accounting year;

On the spot checks shall cover the following topics:

- Administrative control: during the on-the-spot verification the controllers shall retrace the administrative processes in order to check the compliance with the applicable EU, Programme and national legislation;
- Financial control: is carried out on the original expenditure and payment supporting documents, in order to verify the eligibility and regularity of the declared expenses. In this phase of the on-the-spot control, sampling of the expenditure is applied.
- Physical check: concerns the adequacy of the activities carried out with what was initially foreseen (i.e. verification that equipment has been actually installed and services have actually been provided).

The MA-OAU elaborates for each BO an annual plan for the on-the-spot checks, taking into consideration the contents of the BOs reports, the amount of certified expenditures and the risk level associated with each report. (The risk analysis shall take into account the financial impact of expenditure not allowed for irregularities detected by the auditors/MA/AA during the previous checks).

A minimum sample covering at least 10% of the expenditure reported and certified, stratified by cost category, shall be extracted, while 100% of the physical checks shall be carried out. According to the level of risk associated with the report (High-Medium-Low), this percentage may be increased to 15% and/or 20% per cost category. The sample shall be randomly extracted, using the function “random” of the software excel.

It is worth specifying that:

- in case of a high irregularity rate (>10%) of the expenditure verified, the sample shall be increased proportionally up to the verification of 100% of the total amount;
- expenditures with a value greater than 10% of the total amount authorised shall be submitted to mandatory verification;
- the risk assessment shall be updated annually, if necessary, on the basis of the results of the checks carried out.

The extraction of the sample shall be object of a report containing the following information:

- definition of the universe;
- methodology used for the extraction;
- extraction procedure;
- list of extracted expenditures;

- date, persons in charge and related signatures.

From a procedural point of view, on the spot checks shall be carried out in 3 steps, as follows:

- preliminary analysis (desk review) of the available data. The concerned BO shall be informed through a specific communication, specifying the object of the control, the location and time of the inspection, the person in charge of the control; the subjects who must be present during the control phase (coordinator, officers, financial manager, etc.), the list of supporting documents that must be made available to the controllers. The BOs shall be asked to anticipate as much as possible these supporting documents by email in order to accelerate the procedures in situ;
- execution of the verification on the spot at the BO premises, and filling out of the related checklist (see Annex 4 of the DMCS);
- verification of the results, listed in a Verification Report, consisting in the description of the control activities carried out and the related results. All documents related to the on the spot check shall be kept by the MA-OAU Unit in a dedicated folder and uploaded in the Technical Assistance/BOs section of the MIS.

MA shall kept evidence of:

(a) the administrative verifications and the on-the-spot verifications, including the work done and the results obtained;

(b) the follow-up of the findings detected.

These records constitute the supporting documentation and information for the annual summary of controls to be prepared by the MA.

4.9.4. ELIGIBILY RULES AND PROCEDURES FOR THE USE OF TECHNICAL ASSISTANCE FUNDS TO REIMBURSE THE NCPs AND THE CCPs

According to the Joint Operational Programme, paragraphs 3.3.2 and 3.3.3, "t*echnical assistance funds may be used to contribute to the functioning costs of the NCPs of Mediterranean Partner Countries only and of the CCP of each participating country.*

The funds can be equivalent to the cost of the time devoted by one person acting as National Contact Point - or Control Contact Point - either internal or externally subcontracted, who shall be reimbursed upon presentation of the related supporting documents each year."

An indicative amount of TA funds allocated for the reimbursements to the NCPs and CCPs is included in the Annual Financial plan approved by the JMC each year. The amount to be reimbursed to the institution hosting the NCP and CCP is defined according to the actual time devoted to the Programme activities as declared in the request for reimbursement and in the attached supporting documents.

The procedure for obtaining the reimbursement is entirely managed through the MIS, where the person in charge for claiming the NCP/CCP staff reimbursement shall report once a year the

occurred expenditures, by filling in the specific data entry window. The following supporting documents must be uploaded in the appropriate section of the MIS:

a) Request for payment signed by the legal representative / Head of unit / Head of HRM unit, according to the form provided by the MA;

b) Financial Identification Form, including the bank account details of the institution to which the NCP / CCP staff belongs;

c) copy of the appointment act;

d) timesheets related to the claimed period, where the time and the Programme activities are clearly specified;

e) any relevant document identifying the real hourly costs (gross salary and employer's social charges) for the employee, or other accounting documents where the employment costs are clearly detectable;

f) copies of the payslips of each concerned month and proof of payment.

Expenditure made in currencies different than the Euro shall be converted using the monthly official accounting exchange rate of the European Commission for the month during which the claim for reimbursement is submitted.

Administrative verifications

All reimbursement requests submitted by the NCP and CCP hosting institutions are subject to administrative verifications based on the analysis of the supporting documents attached.

The following aspects shall be verified:

- all required documents have been submitted through the MIS;
- the request is complete and all documents are signed by the legal representative or by the person entitled to sign according to the internal rules;
- according to the supporting documents, the requested amount is corrected;
- the timesheet include a description of the activities carried out;
- the exchange rate is correctly applied.

The administrative verifications are carried out by the Operational and Authorising Unit and shall be documented through detailed checklists, approved as attachment to the act authorising the payment of the amount due to as reimbursement

4.10 INFORMATION AND COMMUNICATION

Information and communication represent one of the components of internal control stipulated in the annex of the ENI-CBC Implementing Regulation.

Information and communication shall ensure the achievement of a constant monitoring and riskassessment within the control environment.

For each process and procedure the MA shall define :

- The identification of the relevant information with an alert message to be sent to the competent internal or external body through the MIS or other means (i.e. emails, phone, official letters, publication through the website etc.);
- The responsible person to obtain and circulate the information;
- The persons/bodies who should have access to that information;
- The detailed procedure to ensure that the information and communication flow allows to monitor the effectiveness of each action, with clear instructions on the responsibilities or notification on factual findings concerning the management of the operations.

The MA shall use, as main tool, the MIS to ensure that:

- The content of the information is accurate;
- The information is available when needed (timely);
- The information is updated;
- The data and the information are correct;
- The information is available for the concerned target groups.

Internal communication

Programme procedures shall ensure that in order to obtain / generate relevant information, the MA Units collaborate with the relevant other departments with the MA / other structures and institutions and ensure the necessary flow of information with them in fulfilling their functions assigned by the ENI-CBC Implementing Regulation.

The programme procedures shall:

- define how the information is identified, captured and inserted in the monitoring information system (MIS);
- identify the unit responsible for the collection and distribution of information;
- ensure the confidentiality of information (for example, the evaluation and selection procedure requires that the persons involved sign a declaration of impartiality and confidentiality);
- ensure that information generated by MA covers qualitative aspects of implementation such as for example results and output indicators, implementation status and delays, key problems and issues (for example, see the procedures for projects and programme monitoring),
- ensure that the information generated by MA covers financial aspects such as budget actual comparisons and analyses of expenditure incurred by thematic objective/priority/project (for example, the procedures related to project monitoring processes and to financial processes ensure that the information is presented by thematic objective/priority/project).

The programme procedures shall provide the **internal** dissemination of information necessary to support the functioning of the components of the internal control. To this regard, the programme procedures shall ensure:

- that the management of the MA/JTS/BOs receive regular reports on progress made on objectives and activities, both at programme and project level, that the level of reporting detail is appropriate for the management needs and that the data is summarized to facilitate decision making;
- that it is identified how the information is disseminated within MA and JTS and among them;
- that it is identified which unit is responsible for the internal dissemination of information;
- that they represent formal methods to communicate policies, codes of conduct and acceptable practices (for example, see the procedure for the management of irregularities and fraud, the procedure for risk management and identification of anti-fraud measures);
- that the employees are kept informed of important matters (downward communication) and are able to communicate problems to persons with authority (upward communication);
- effective functional coordination within the units (lateral communication).

External communication

The programme procedures ensure that the information necessary to support the functioning of the components of the internal control are **externally** disseminated. Also, the programme procedures ensure:

- that it is identified how the information is disseminated to potential beneficiaries, beneficiaries, other programme structures, national authorities and EC (for example, see the procedure for information and communication, the procedures for projects and programme monitoring, the procedure for risk management and identification of anti-fraud measures, the procedure for recovery);
- that it is identified who is responsible for the external dissemination of information (for example, the rules of procedure of the JMC define that the secretariat of the JMC ensure the dissemination of the relevant documents and information necessary for JMC decisions);
- an information system for JMC members and National Authorities as well as a specific module for the AA, with the adequate level of detail for decision making, such as reporting on programme and project results through indicators.

Aside from the above mentioned requirements, the ENI-CBC Implementing Regulation also contains provisions regarding the programme information and communication plans (article 26) and the visibility of the Union contribution to the programme and projects (article 79).

In this regard, the MA has drawn-up specific information and communication procedures at programme level. The MA, with the support of JTS and BOs, carries out:

- promotion activities;
- information activities;
- training activities;
- other communication activities.

5. PROCEDURES FOR AUDITING THE FUNCTIONING OF THE MANAGEMENT AND CONTROL SYSTEMS, THE ACCOUNTS AND OPERATIONS (AA)

Audit Authority functions

The ENI CBC MED Audit Authority (AA) is a new body introduced in the programming period 2014-2020 for ENI Programs, since, in the previous programming period 2007-2013, no audit authority was in place but an Internal Control Unit only instead and that both audits on accounts and on the operations were performed by external providers on behalf of the ENPI CBC MED Managing Authority.

As all the other Italian AAs, the ENI CBC MED AA is subject to the control and coordination of IGRUE (Italian General Inspectorate of the Italian Ministry of Finance for relationship with the European Union).

The accreditation procedure for becoming/maintaining the function of Audit Authority requires a compliance with precise criteria defined by EU and national regulations in terms of separation of functions, the staff, adequate procedures, and manuals based on international standards. These requirements are periodically checked by IGRUE.

In accordance with articles 28 and 68 of the ENI CBC Implementing Rules n. 897/2014, the Audit Authority main responsibilities include the performing of audits on the management and control systems, on an appropriate sample of projects and on the annual accounts, drawing up an annual report and opinion on the annual accounts of the preceding accounting year, preparing and updating yearly the audit strategy, which shall set out the audit methodology, sampling method and audit planning for the current and the two following accounting years.

The first Audit Strategy (AS) has been formally approved with Audit Authority Decision n. 12 of 20th September 2017 and it has been updated annually (AS version 2.0 approved with AA Decision n. 111 of 14th February 2019, AS version 2.1 approved with AA Decision n. 253 of 27th February 2020, AS version 2.2 approved with AA Decision 216 of 26th February 2021, AS version 2.3 approved with AA Decision 66 of 16th December 2021 and AS version 2.4 approved with AA Decision 40 of 13th June 2022).

The Strategy, based on the AA professional expertise, as well as on the general experience from the previous programming period, has been drafted by the AA internal staff. The AS takes also into account the operational and methodological documents drawn up by TESIM experts.

From 01.01.2020 the responsibility for the control of ENI programmes was transferred from DG Near to DG Regio. This change resulted in significant modifications in the application of the regulations regarding the audit activities.

The AA is also in charge of the MA designation procedure.

The AA, according to art. 25 of ENI CBC Implementing Rules draws up an annual report and opinion on the annual accounts of the preceding accounting year, upon which is based the MA designation procedure that evaluates the compliance of the managing and control system with the designation criteria of the annex I of the EU REG. 897/2014. In carrying out its functions, the Audit Authority is assisted by the Group of Auditors (GoA).

AA Procedures and manuals development is based on internationally accepted audit standards.

The Audit Authority shall use, as far as possible, tools provided by the Italian national coordinating body (IGRUE, General Inspectorate for the Financial relations with the European Union -Ministry of Finance), adapted to the specificities of the ENI CBC MED Programme. Moreover, it shall use dedicated template tools prepared by TESIM (Technical Support to the Implementation and Management of ENI CBC Programmes). All tools shall be regularly checked in order to ensure that they keep responding to the actual AA needs, ensuring the compliance with legal requirements as well.

The main tools for the audit activity are the Audit Strategy, the Audit Manual, the report templates and tables of critical issues and irregularities for each line of activity, which are drafted and formally approved before the beginning of each audit activity.

The Audit Manual, as one of the requirements requested by IGRUE, explains the Audit methodology set for the ENI CBC MED Programme 2014-2020, is submitted to the Italian Ministry of Economy and Finance (IGRUE) to be evaluated, being one of the requirements for the accreditation and maintaining of AA designation requirements.

The first version of the Manual was approved by the Audit Authority on 27.09.2018 and consisted in a tool for the implementation of the Audit Strategy (AS), as compulsory document also requested by IGRUE.

The second version of the Manual (version 2.1) was approved by the AA Decision n. 63 of 27.10.2021.

The Audit Manual describes the methodology audit steps and priorities to follow for risk assessment, designation process, system audits, sampling of projects, audits on projects, audit of annual accounts and of management declarations and audit opinions and includes audit tools such as check-lists, audit trails and report templates.

Further detail on AA activities are described in the sub-sections hereinafter.

Procedures to set up an Audit Strategy

The Audit Strategy is drafted according to art. 28.5 of the IR Yearly updates are due to be discussed within the GoA. The updated Audit Strategy shall be formally approved by the AA before being submitted to the European Commission according to 77.4.a of the IR.

Both the Manual and the Audit Strategy updated versions are based also on internationally recognized audit standards, together with AA professional expertise as well as on the general experience gained during the previous programming period on the European Neighbourhood and Partnership Instrument (ENPI) Cross Border Cooperation (CBC) Programme 2007-2013.

In carrying out the functions as assigned by the regulation, the AA guarantees the respect of general principle of transparency, functions separation, financial independency and lack of conflict on interests.

The Audit Authority ensure that audits are carried out on the proper functioning of the Management and Control System of the operational Programme and on an appropriate sample of operations on the basis of the declared expenditure.

More specifically, as far the professional ethics is concerned, the Audit Authority and the Group of Auditors – since they are (or proceed by) public institutions for which audit is a statutory function – are bound by ISSAI (International Standards of Supreme Audit Institutions) 30 – Code of Ethics, issued by the International Organization of Supreme Audit Institutions, INTOSAI; the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) is also a source of inspiration; moreover, each auditor is bound to the code of ethics of his/her own institution, as far as it is stricter than other mentioned rules.

As far as the engagement of any external auditors is concerned, they shall be bound directly by the Code of Ethics for Professional Accountants, ISA (International Standards on Auditing), issued by IFAC (International Federation of Accountants) and ISSAI as well where applicable.

In system audits, IPPF (International Professional Practices Framework) as issued by the IIA (The Institute of Internal Auditors), shall also apply, as far as compatible with ISSAI.

The respect of the standards is monitored through a strict control system, as described in the Joint Operational Programme, par. 3.2.5.

Furthermore, since the audit methodology should stimulate continuous improvement as concerns both the adequacy of management and control systems and the reliability of the expenditure reports, particular attention is paid to follow up of AA recommendations.

Specific audit objectives as mentrioned include the following actions:

1. Audit activity planning. In this phase, information is gathered about the correct functioning of the Programme MCS, in order to correctly perform the audit activity itself.

2. Risk Assessment, consisting of the following main staps:

- selecting inherent and control risk factors;
- risk analysis and assessment;
- spotting audit priorities with respect to assessed risks;
- defining of audit scope and methodology;
- identifying necessary resources (auditors, technicians and specialists, travels, timing, costs);
- approval of audit activities plan (procedures, timing, purpose, sample size).

3. System Audit:

- verification of monitoring of projects, accounting and information systems, organisational structure and procedures; special attention shall be given to MA monitoring internal control and risk management since they are newly explicitly stated functions for the MA. System audit is carried out through desk analysis, interviews with the audited body staff and control tests on key requirements, on a sample basis;
- sampling for control tests on requirements in the annex of ENI CBC IR, based on judgmental selection that considers administrative and financial data and any information about involved actors, according to the methodology of the EGESIF note 14-0010 of 18.12.2014, "Guidance on a common methodology for the assessment of management and control systems in the Member States";
- assessment of system reliability: the conclusions are going to serve also for the size and representativeness of project sample.

4. Sample audit on projects:

- sampling: sample size and definition depends on the confidence level, fixed according to the assessment of management and control system reliability;
- audit implementation on a sample of projects suitable for the verification of claimed expenses; this phase includes also any additional audit needed to best define error rates.
- analysis of irregularities: whether they are systemic, what their causes are, which preventive and corrective measures are to be recommended.

5. Audit on annual accounts according to Art. 28.1 and 68.4 of Reg. 897. This audit is performed by the Audit Authority with reference to each accounting period. It provides a reasonable assurance on truth, completeness, accuracy and regularity of amounts claimed in accounts; the Audit Authority especially considers outcomes of system audits and audits on projects.

6. Monitoring: follow-up and corrective measures:

 verification of corrective measures adopted by the Managing Authority to solve identified weaknesses;

 deadlines for answering to audit reports, evaluation of observations or counter-deductions and follow-up activation where relevant (or formal acceptation of risks by the Managing Authority).

Designation procedure

The designation procedure, based upon the TESIM Guidance on methodology, designation criteria and audit opinion, complies with Article 32 of the Financial Regulation (Regulation 966/2012) and ENI CBC Implementing Rules, including the annex with the designation criteria (Regulation 897/2014) and takes into consideration what prescribed in:

a) Annex XIII – designation criteria – of Commission Regulation 1303/2013 (Common Provisions of Structural Funds)

b) ToRs for pillar assessments contracted by entities requesting to be entrusted with implementation of the EU budget under indirect management - guidance note. DEVCO.R2 Audit and Control

c) EGESIF_14-0013 Guidance for Member States and Programme Authorities- Designation Procedure (under Articles 123 and 124 of Regulation (EU) No 1303/2013 and Article 21 of the Regulation (EU) No 1299/2013), especially the check list for assessing compliance of MCS

d) EGESIF_14-0010 Guidance on a common methodology for the assessment of management and control systems in the Member States

The fundamental legal base for the designation is the ENI CBC IR Article 25:

“1.The Managing Authority that has been selected by the participating countries of the programme shall undergo a designation procedure in the Member State in which it is located by decision at the appropriate level.

1. 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, including the role of intermediate bodies therein, with the designation criteria laid down in Annex I to this Regulation. The audit body shall take into account, where relevant, whether the management and control systems for the programme are similar to those in place for the previous programming period, as well as any evidence of their effective functioning.

Criteria for the assessment of the functioning of the MCS refer to the TESIM Guidance beforehand mentioned. The non-compliance with these criteria may imply system deficiencies

and thus a risk of irregular expenditure being certified to the European Commission and of over-financing made to the participating countries.

The entire process of assessing compliance with the designation criteria includes the following phases.

- Receipt of the description of the functions and procedures in place for the MA and gathering other relevant documents.
- Analysis of data gathered, examination of the documents and performance of the audit work required, including where considered appropriate interviews with staff.
- Preparation of the report and opinion and contradictory procedure, including validation of the findings and conclusions.

The AA plans and organises the work to be performed, taking into account the existence of common systems for different programmes, the time and resources available for carrying out the assessment and any risks identified for particular programmes, authorities or other bodies, which should include the following elements:

- An examination of the systems description which should be in final form when the designation-related audit work starts. As setting up the systems and preparing the system description can sometimes be complex and lengthy, the AA may decide to start its work on available parts of the description before finalization of the entire document.
- The examination of relevant documents concerning the systems, such as code of ethics, job descriptions or manuals of procedure, including when relevant those of the institutions hosting the programme bodies.
- Verification of the consistency between the systems description and the explanations obtained in the course of the work carried out.

The AA describes in the report the extent and scope of the work performed and the methodology applied in order to reach its conclusions as a whole, including any interviews with the staff in the main bodies. The AA shall indicate in the report the extent to which they performed interviews and specify the criteria for the selection of the interviewees.

The assessment shall take the following steps:

1. Evaluation of the designation criteria;
2. Conclusion by designation criterion;
3. Overall conclusions;
4. Issue of draft report and opinion;
5. Contradictory procedure including revision of DMCS, if needed;
6. Issue of final report and opinion.

System audits should be carried out as from the first year of implementation of the programme, after the designation process.

In line with risk assessment, system audits cover each component of internal control indicated in the annex of ENI CBC IR and each organization in the DMCS (MA, JTS, BOs, PSC, NAs, NCP, CCP) at least once throughout the programming cycle and regularly through full audits or follow-ups. System audits are generally performed annually, so as to provide adequate information for the planning of the sample audit of projects, for the establishment of sampling parameters and for the substantiation of the annual audit opinion.

Internal control key components are the ones described in the Annex of ENI CBC IR "designation criteria for the Managing Authority" i.e. internal control environment, risk management, management and control activities, information and communication, monitoring. This may be complemented whit focused system audits if deemed necessary in line with EGESIF 14-0010.

Test of controls shall apply and it may include walkthrough tests of the relevant documents held by concerned authorities, interviews with relevant staff and examination of a sample of transactions. The methodology used for the sample selection for tests of controls (such as attribute sampling or judgmental selection) should be decided upon by the AA according to audit strategy and in line with audit standards and the Commission Guideline on sampling techniques for system audits.

In accordance with the JOP, "the AA is authorised to carry out directly, or through its sub contracted audit company, its duties on the whole Programme territory, according to the specific modalities to be agreed upon with the AA and the relevant legislation". The AA shall seek cooperation by GoAs members in carrying out on-the-spot verifications: cooperation form can vary according to any specific situations and shall be discussed by the GoAs.

Audit on an appropriate sample of projects

Project audits aim at verifying the existence, accuracy and eligibility of expenses claimed by projects and materiality of those authorised by the Managing Authority and saved in the management and information system. The Audit Authority has to achieve sufficient assurance that the controls in the financial management and control system of the projects are in place and function adequately, that the funds have been used in a legal, regular and efficient way and in line with the funding objectives, and that the payment applications submitted to the European Commission are correct.

Due to the variety of the project actors, the Audit Authority is going to normally perform project audits through an external provider. The Audit Authority shall specifically monitor the providers' activity and its outputs, as described in Audit Startegy. The Audit Authority shall retain the responsibility of final audit decisions.

As for project audit, the manual and templates shall be proposed by the audit provider and approved by the Audit Authority. The same procedure applies if, at Audit Authority demand, they are modified and adapted during the Programme implementation as the case may be.

After sampling the projects to be audited, the provider shall propose an audit plan to the Audit Authority.

All audits shall include a visit at the beneficiary premises and when relevant on-the-spot verifications for outputs.

Project audits shall include sharing results with all involved subjects, fixing an appropriate deadline for any observation, integration or counter-deduction before reports become final reports. After each final report, the Audit Authority shall start a follow-up and monitoring process in order to verify the correct and effective implementation of any recommended measures to be taken.

Specifications about the providers' role are contained in the terms of reference for their respective call for tenders.

Audit on the annual accounts of the programme

Audit of accounts is conducted for each accounting year, according to the ENI CBC implementing rules and financial regulation. It aims at obtaining reasonable assurance on the truth, completeness, accuracy and eligibility of the amounts declared in the accounts.

The AA begins their assessment with the follow-up of closed system audits and audits on projects and, based on the first version of the accounts, compare them to the interim payment applications and to the waives and recoveries records. Based on findings finalised afterwards, and also taking into account the results of the audits and reconciliations on the first draft of accounts, the MA compiles the final accounts. Any difference between the first draft and the final accounts shall be verified by the AA.

For the elaboration of the methodology for the annual audit of accounts, the AA complies with the provisions of Regulation (EU) No. 897/2014, and with the TESIM "Guide to programme accounts, audit and reporting to the EC in ENI CBC Programmes". Moreover, it considers the Guidance No. EGESIF_15_0016, in order to make sure that the audits adequately cover each element of the accounts.

The AA shall perform the following main tasks:

- Summary overview and follow-up of the recommendations of system audits, audit on projects and audit on accounts, paying special attention to appropriate filling of appendices of accounts (particularly of waives and recoveries records).
- Study of the relevant reports by the EC and the ECA. Check of whether these reports contain any findings relating to the drawing-up of the accounts or any errors, deficiencies or

anomalous cases relating to the functioning of the system, and follow-up of the measures taken in order to correct the errors and irregularities detected by the EC and ECA.

- Audit on the accounts submitted by the MA.
- If it required based on professional judgement, testing may be carried out.
- Check of whether the accounts are in line with the final interim payment application submitted for the accounting year at priority level.
- Test based check of the amounts withdrawn, recovered, to be recovered and irrecoverable.
- Test based check of whether the expenditure affected by ongoing irregularity procedures does not form part of the accounts.
- Examination of the main findings established in relation to the management declaration and the annual summary of the MA, which may have an influence on the completeness, accuracy and veracity of the accounts.

Opinion on the annual accounts for the preceding accounting year

As an output issue of whole audit activity, the Audit Authority shall issue an audit opinion establishing whether the accounts give a true and fair view, whether related transactions are legal and regular, and whether the control systems put in place function properly. The opinion shall also state whether the audit work puts in doubt the assertions made in the management declaration. Moreover, it specifies if information is correctly introduced, complete and exact, if the expenses have been effected for the foreseen purposes and all the elements prescribed by the article 68 (3) IR are included in the accounts as well as if there is correspondence in the bookkeeping documents kept by the MA and by the Beneficiaries.

The information system provides necessary data.

Audit report

The Audit Annual Report is drawn up by the Audit Authority and provides, with reference to a specific accounting year, a summary of audits carried out, an analysis of the nature and extent of errors and weaknesses identified, both at system level and for projects, and the corrective actions taken or planned.

According to art. 68 “Presentation of accounts” IR, it is attached to the MA annual report and transmitted to the Commission by 15 February N+1, together with the audit opinion on annual accounts and other documents foreseen by the same article.

The report also contains any other relevant information to assess the reliability level and to express the audit opinion; among this information, for instance, any reported frauds or any suspicious element emerging after presentation of the accounts can be encountered.

Moreover, it includes (as attachments as the case may be) the updated Audit Strategy, the audit opinion on the annual accounts, and - if deemed appropriate by the Audit Authority - any details on the system and projects audits, their outputs and calculations for the selection of the sample and the determination of the total error rate.

The information system provides necessary data for the elaboration of the report.

In order to correctly draft the annual audit report and release the opinion on time, the AA and the MA agree upon a timetable detailing each step of the procedure that contains activities performed in consultation between themselves about the AA observation on the MA accounting draft and management declaration.

Description of procedures for monitoring the implementation of the recommendations and corrective measures resulting from the audit reports

After each final audit report, the Audit Authority shall start a follow-up and monitoring process in order to verify the correct and effective implementation of any demanded measures, as far as all audit lines – on systems, on projects, on accounts – are concerned.

Errors and irregularities shall be treated in accordance with article 72.7 of ENI CBC IR. If systemic deficiencies have been detected during project audits, thus involving a risk for other projects, the Audit Authority is due to perform further verifications, including additional audits, in order to define materiality relating to these issues and to recommend necessary corrective measures.

Description of procedures for supervision of the work of other audit bodies under the responsibility of the Audit Authority

The Audit Authority shall retain the responsibility of final audit decisions and thus shall supervise through dedicated audit tools (specific check-lists, etc.) the audit work according to applicable international standards, by whoever should it be performed (Audit Authority, Group of Auditors, selected providers, external auditors).

The AA shall ensure that the audit work carried out by the sub-contracted companies complies with audit standards. The Audit Authority shall specifically monitor the providers' activity and its outputs, especially as for respect of approved methodology, ethic requirements and standards.

Providers shall submit an audit methodology, including audit tools (manual, check-list, report template, etc.) for audits assigned to them. The AA, after consulting the GoAs and discussing the methodology with the provider itself, approves each methodology, in order to ensure effectiveness, efficiency and respect of the audit standards. Providers shall gather all audit evidence to support their findings and audit opinions and justify their conclusions.

6. LIST OF ANNEXES

Annex 1 - Specific procedures to be ensured at national level

Annex 2 - Data to be registered and archived by the Management and information system (MIS)

Annex 3 - List of reference documents

Annex 4 - Organization chart and responsibility assignement matrix MA and JTS

Annex 5 - Procedures to avoid conflicts of interests within the ENI CBC Programme + Annexes

Annex 6 - Check lists Operational and Authorising Unit

Annex 7 - Acccounting Unit Manual and annexes

Annex 8 - Check list 1st level control on staff and travel expenditures

Annex 9 - Check lists JTS

Annex 10 - Audit trails

Annex 11 - Sampling methodology