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**VERIFICATION REPORT OF REVENUE AND EXPENDITURE 2017-2018 EX ARTICLE  
32 REG. (CE) N° 951/2007**

**ENPI CBC Mediterranean Basin Programme**

*Joint Managing Authority*

*Autonomous Region of Sardinia*

**Work team**

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**PART II – ENTIRE DURATION OF THE PROGRAMME (from 14.9.2008 to 15.6.2018)**

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## **1. Verification of the correctness and consistency of the declarations and financial data presented in a consolidated form by the Joint Managing Authority and for the entire duration of the Programme**

In the paragraphs below, the undersigned Auditors have examined and verified in a consolidated form (Joint Managing Authority + BO Aqaba + BO Valencia) the following aspects:

- reconciliation of data with the financial table of the JOP;
- examination of payments, declared expenditure, financial corrections and recoveries from projects and technical assistance;
- examination of the recoveries of pending disputes;
- examination of sums eventually suspended due to court proceedings;
- calculation of the final balance amount of the Community structural funds

We have verified that the expenditures have been correctly recorded in the accounting system of the JMA and of the Branch Offices and in the Report of the declared expenditures. We also verified how the expenditures were incurred, by analyzing the appropriate means of proof and the supporting documents (invoices, pay slips, etc.).

For all the expenditures we verified that:

- (1) Time limits: they have incurred during the period the Annual Report refers to, with the exceptions indicated in paragraph 2.2.1.1 of the Part I Report;
- (2) Budget: these are foreseen in the budget of the Programme, approved by the Joint Monitoring Committee;
- (3) Necessary: they are necessary for the implementation of the Programme;
- (4) Registration: they are recorded in the accounting system of the Programme, in compliance with the accounting standards applicable in the country of the JMA or the Antennas and the normal adopted accounting practices;
- (5) Justified: they are supported by documentary evidence, and in particular by supporting documents



(6) Classified: they have been classified correctly within the items of expenditure envisaged in the Accountability Report;

(7) Compliance: they were supported in compliance with the rules on public procurement and in compliance with the relevant national legislation; with reference to the expenditures for the purchase of durable goods, the compliance with the rule of origin has been verified.

During the examination of the nature of the expenditure items, we have verified that all the expenditures declared are constituted by eligible costs, as defined in art. 33 of the Reg. (EC) 951/2007.

The tables are shown in English.

## 2. Reconciliation with the financial table of the JOP

We have put in place a series of verification procedures, aimed at checking the values summarized in the following tables. They highlight the relationship between the financial estimated data and the final ones, i.e. those actually incurred and paid both within the projects and within the scope of the technical assistance. We have not found any error or omission.

At a project level (with the exclusion of resources allocated to the Technical Assistance), 85.81% of funds planned at Programme level Programme has been incurred, with the following ratios between the values of payments at project level and the budget allocated to projects within the JOP for each of the 4 priorities of the Programme:

**Table 1 - Ratio between planned and carried out expenditures**

Description of the ITEM	%
priority 1 - Promotion of the socio-economic development and territorial strengthening	82,36%
priority 2 - Promotion of the environmental sustainability at the level of the Basin	88,99%
priority 3 - Promotion of better conditions and methods to ensure the mobility of people, goods and capital	80,32%
priority 4 - Promotion of cultural dialogue and local government	85,80%



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The total value of payments for the entire Programme duration Programme amounts to € 174,874,847.38, of which € 19.983.354,17 incurred for Technical Assistance and € 154,891,493.21 for payments made to the Projects.

The total of the revenues for the Programme is equal to € 174.317.741,63: see table above for details.

<b>Table 2 -REVENUE</b>		<b>177.317.741,63</b>
Payments from the European Commission		174.177.300,37
Amount recovered from projects		694.355,60
Other revenue from projects (penalties, interest on recoveries, etc.)		325,93
Revenue from Technical Assistance (recoveries, penalties, interest on recoveries, etc.) Notice that it includes € 247.979,56 reimbursed by the Fiscal Agency for the "withholding tax" expenditures incurred and reported from 2009 to 2013		269.065,00
Gross Interest on prefinancing (includes € 247.979,56 reported in "Other costs" from AFR 2009 to 2013 as "withholding tax" expenditures)		2.176.694,73

Please refer to tables 2 "Projects" and 3 "TA" included in Annex 1 - Financial Annual Report 2017 – 2018 of the Part I Report.

We have obtained a good understanding of the terms and conditions of the expenditures declared by the JMA, in accordance with the ToR guidelines foreseen for this consolidated statement of expenditure for the entire duration of the Programme.

We acknowledge that the staff of the JMA has provided us with all the necessary documentation regarding the expenditures incurred and has provided us with a general description of the activities actually carried out under the envisaged Actions. We had also access to all the documents we deemed necessary to be requested for the performance of our position.

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We have also analyzed the summary table of the amounts planned and effectively transferred to the JMA by the European Community as ENPI contribution, with the separate indication of the other forms of entry. There is no co-financing from the participating countries.

From the analysis of the data reported for the duration of the Programme, we can state that the JMA, in full compliance with the provisions of articles 18 and 20 of the ENPI CBC IR, respected the ceilings for technical assistance costs and the co-financing rates: it should however be noted that the ratio between the other sources of income (recoveries from projects, interest income accrued on pre-financing on the project's dedicated bank account and income on Technical Assistance) and the additional expenditures from the cost of employees exceeding the coverage rate allowed for co-financing guaranteed by the Sardinia Region shows a deficit of € 1,557,197.79.

Please refer to the explanatory tables of the Final Financial Report.

The table below (also included in the Final Financial Report) specifies the framework for the expenditure for the preparatory actions for the ENI Programme financed by the use of Technical Assistance funds of the ENPI Programme. Compared to the initial budget of € 2.020.000,00, € 1.871.633,54 have already been committed and spent (coverage rate of 92,66%).

<b>Table 3 - TECHNICAL ASSISTANCE</b>				
Amount used for 2007-2013 period	17.480.732,32	Amount used for 2007-2013 period	18.111.720,63	103,69%
Amount used for the preparatory actions of 2014-2020 period	2.020.000,00	Amount used for the preparatory actions of 2014-2020 period	1.871.633,54	92,66%
<b>Totale</b>	<b>19.500.732,32</b>	<b>Totale</b>	<b>19.983.354,17</b>	

### **3. Review of payments, declared expenditures, financial corrections and recoveries of projects and technical assistance.**

We have not found any discrepancy in the certification procedures specified in the ToRs referring to this certification of expenditure, to the extent that the above procedures have been applied to the selected items of expenditure.

We verified that the costs were correctly recorded in the accounting system of the JMA and in the statement of expenditure declared. We also verified the manner in which the expenditures were incurred, by means of sample analysis of the appropriate means of proof and of the supporting documents (invoices, pay slips, etc.). The sampling was done by analyzing the expense documents that recorded the highest and lowest amounts of the amount reported.

We verified that no contributions in kind were supported by the JMA.

During the examination of the nature of the items of expenditure, we have checked to sample that all the expenditures declared are constituted by eligible costs, as defined in art. 33 of the Reg. (EC) 951/2007.

We have examined, verified and acknowledged that:

- with regard to the payments made by the JMA in relation to the Technical Assistance, broken down by cost categories, and the Programme body, 97.57% of the allocated resources have been committed and charged, as summarized in table 5A of the Final Financial Report;
- with regard to the amount of expenditures reported and declared eligible by the beneficiaries of the projects, please refer to table 2 "Projects" contained in Attachment 1 - Annual Financial Report 2017/2018 attached to the Part I Report and in this the amount is equal to €

181.052.155,39, of which € 172.422.936,53 correspond to expenditures subsequently accepted and certified, while € 8,629,218.86 represent expenditures cut and declared not eligible for the cases indicated in the Financial Table No 5C.

The ENPI coverage rate is 89.04% for an eligible project expense of € 153.526.508.08: the following table shows the detail of this amount:

**Table 4 – Projects**

153.526.508,08	73.621,61	154.891.493,21	694.355,59	744.251,21
EU contribution to expenditure accepted to date [EUR] (A) = (B) + ( C ) - (D) - (E)	Direct Revenue - EU funds [EUR] (B)	Amount paid to date - EU funds [EUR] ( C )	Amount recovered to date - EU funds [EUR] (D)	Amount to be recovered to date - EU funds [EUR] (E)

- with regard to the list of financial corrections decided by the JMA in accordance with Article 26.1 (EC Regulation 1343/2014), the same denotes a total amount of € 8.629.218,86 as summarized in Table 5C of the Final Financial Report;
- with regard to the amounts of the recoveries of the Programme, please refer to Table 5D of the Final Financial Report which summarizes the detailed list of the same for a total amount of € 1,189,137.48, of which € 494,781.88 is offset and € 694,355.60 credited to the bank account of the Programme.

We have also verified that the reported costs do not include taxes or VAT that can be recovered in accordance with letter f) of the art. 34 of the aforementioned Regulation.

**4. Recovery on pending disputes**


We have examined, verified and acknowledged that there are amounts related to pending litigation: please refer to Tables 6A and 6B of the Final Financial Report for the precise identification of



amounts, judgments, beneficiaries / partners, with indication of the Member State and / o of the competent Partner State.

The most significant amounts regarding litigation with member states concern:

<b>Table 5 – MOST IMPORTANT PENDING CONTENTIOUS RECOVERIES IN MEMBER STATES</b>					
<b>Identificati on of project</b>	<b>Priority / measure</b>	<b>Amount pending (EUR)</b>	<b>Country of establishm ent of the beneficiar y/ partner</b>	<b>Status description of pending recovery</b>	<b>Indicative date of the recovery</b>
I-B/1.1/051 - PP4*	Priority 1 - Measure 1.1	291.598,00	Spain	A contentious note has been sent to the Partner, the Spanish Ministry of Planning and International Cooperation and to the European Commission. The JMA is following the recovery procedures set in the Recovery Procedure document approved by the JMC the 23/03/2018 – ARCHEOMED	N/A
I-A/1.2/128 BEN	Priority 1 - Measure 1.2	137.464,52	Italy	The Beneficiary has received a Rectification on the Debit Note. The JMA is following the recovery procedures set in the Recovery Procedure document approved by the JMC the 23/03/2018 - S&T MED	N/A





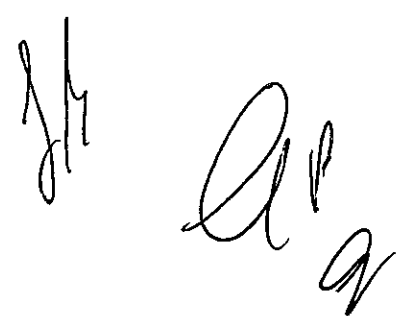

The most significant amounts regarding litigation with partner countries concern:

Table 6 – MOST IMPORTANT PENDING CONTENTIOUS RECOVERIES IN PARTNER COUNTRIES					
Identification of project	Priority measure	Amount pending (EUR)	Country of establishment of the beneficiary/partner	Status description of pending recovery	Indicative date of the recovery
I-A/1.2/128 PP7	Priority 1 - Measure 1.2	67.729,65	Jordan	The Beneficiary has received a Rectification on the Debit Note. The JMA is following the recovery procedures set in the Recovery Procedure document approved by the JMC the 23/03/2018 - S&T MED	N/A
I-A/1.2/128 PP8	Priority 1 - Measure 1.2	54.259,35	Jordan	The Beneficiary has received a Rectification on the Debit Note. The JMA is following the recovery procedures set in the Recovery Procedure document approved by the JMC the 23/03/2018 - S&T MED	N/A

The verification did not show errors.

### 5. Suspended amount for judicial proceedings in progress

We have examined the documentation made available by the JMA and we have acknowledged and verified that the following contracts exist which, at the date of preparation of this Report, are suspended due to legal proceedings still pending, for a total amount of € 335,573, 43. The table below summarizes the list of such contracts, the amounts, the legal reference procedure and the reason for the suspension:



**Table 7 - LIST OF SUSPENDED AMOUNTS FOR LEGAL PROCEEDINGS**

Identification of project	Priority / measure	Amount suspended (EUR) (EU share)	Country of establishment of the beneficiary/partner	Status description of legal proceeding	Justification of suspensory effect of legal proceeding
I-B/2.1/529	Priority 2 - Measure 2.1	229.887,57	Italy	Appeal to the Italian administrative court to be discussed	The legal proceeding has not a suspensory effect since the amount claimed by the Beneficiary has been already recovered by JMA - Decision of the Judicial Court is pending
II-B/2.2/0102	Priority 2 - Measure 2.2	105.685,86	Italy	Appeal to the Italian administrative court to be discussed	The legal proceeding has not a suspensory effect since the amount claimed by the Beneficiary has been already recovered by JMA - Decision of the Judicial Court is pending
<b>TOTAL SUSPENDED AMOUNTS FOR LEGAL PROCEEDINGS</b>		<b>335.573,43</b>			

The verification did not show errors.

**6. Calculation of the final balance amount of the EU funds**

The following table shows the calculated amount of the final balance of the ENPI contribution to be returned to the European Commission that is equal to € 722,750.69:

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<b>Table 8 – REVENUE</b>	
Payments received from the European Commission	174.177.300,37
Other revenue from projects (penalties, interest on recoveries etc) (EU share)	325,93
Other revenue from projects (penalties, interest on recoveries etc) (EU share) - PAID VIA OFFSET	- 4.904,52
Revenue from Technical Assistance ( penalties, interest on recoveries etc. ) (EU share)	269.065,00
Amount recovered from projects ( EU share)	694.355,60
<b>TOTAL REVENUE</b>	<b>175.136.142,38</b>

<b>Table 9 – EXPENDITURE</b>	
Amount paid to the projects ( EU share)(*)	154.891.493,21
Amount of pending contentious recoveries in Member States (**) (EU share)	- 461.455,68
Amount paid for Technical Assistance (EU share)	19.983.354,17
<b>TOTAL EXPENDITURE</b>	<b>174.413.391,69</b>

<b>Table 10 -FINAL BALANCE</b>	<b>722.750,69</b>
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The consolidated "Declaration of Revenue and expenditure" concerning the entire duration of the Programme has enabled the Reconciliation of the Financial Report with the accounting system and with the dedicated bank account of the Programme.

In particular, among the sources of entry, it is specified that:

- payments received from the European Commission amount to € 174,177,300.37;

- the JMA has applied interest on arrears for € 325.93 due for the late payment of recoveries as indicated in the following table.

**Table 11 – Passive interest**

Description	Date of recovery	€	Comments
Interest on recoveries - Project ARCHEOMEDSITES-	18/05/2018	207,04	Interest due for debt repayment (11/2017 debit note) made after expiry
Interest on recoveries - Project ARCHEOMEDSITES- Debit note 3/2017	19/05/2018	117,78	Interest due for debt repayment (11/2017 debit note) made after expiry
GMI-rounding amount Recovery order 1/2017	27/03/2017	0,47	
DEBIT NOTE N 10-2017READY MED FISH_PP3	02/01/2018	0,64	
<b>TOTAL</b>		<b>325,93</b>	

These interest expenditures have been credited to the dedicated bank account of the Programme.

- finally, the JMA made further recoveries of expenditures and interest expense through accounting offsetting that did not involve any financial change for € - 4,904.52:

**Table 12 – Others expense recoveries**

Description	Date	€	Comments
Interest on recoveries - Project Project Wealth	06/06/17	61,90	Off-setting on final balance. It is not included in the amount of recoveries from projects in sheet 1. DECLARATION
Interest on recoveries - Project MED-ALGAE	10/05/17	1.441,61	Off-setting on final balance. It is not included in the amount of recoveries from projects in sheet 1. DECLARATION
Interest on recoveries - Project GR.ENE.CO-	27/10/17	1.204,69	Off-setting on final balance. It is not included in the amount of recoveries from projects in sheet 1. DECLARATION

Interest on recoveries - Project MEDeGOV	25/05/17	20,22	Off-setting on final balance. It is not included in the amount of recoveries from projects in sheet 1. DECLARATION
Interest on recoveries - Project OPTIMED	29/09/17	292,93	Off-setting on final balance. It is not included in the amount of recoveries from projects in sheet 1. DECLARATION
Interest on recoveries - Project T-NET	27/02/18	1.883,17	Off-setting on final balance of the project EGREJOB (the same Beneficiary). It is not included in the amount of recoveries from projects in sheet 1. DECLARATION
<b>TOTAL</b>		<b>4.904,52</b>	

- € 269,065.00 has been recovered and collected from technical assistance expenditures (including the reimbursement obtained by the Revenue Agency for the reimbursed taxes for the period 2009-2013);

- € 669,683.86 has been recovered and collected by payment on the bank account and not through total compensation.

Among the costs, however, the values are as follows:

- the amounts paid for the realization of the projects amount to a total of € 154,891,493.21;
- pending litigation pending at € - € 461,455.68.
- the amounts paid for Technical Assistance costs amount to € 19.983.354,17.

We have not disclosed other revenue, or grants, or funds received from other donors, or other revenue generated by the JMA in the context of the implementation of the Programme.

## 7. Conclusions

The undersigned auditors acknowledge and certify the correctness and consistency of the declarations and financial data presented by the Joint Managing Authority in a consolidated form and for the entire duration of the Programme in relation to:

- Reconciliation with the JOP financial table (paragraph 2);

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- Payments, expenditures incurred, adjustments, and recoveries for both projects and technical assistance (paragraph 3);
- Final declaration on pending disputes (paragraph 4);
- Total of the amounts suspended due to court proceedings (paragraph 5);
- Calculation of the final balance amount of EU funds (paragraph 6).

## ATTACHMENTS

- Attachment 2 Final Financial Report.

