



AUDIT PLANNING MEMORANDUM

Accounting period: 20XX – 20XX



Summary

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1. GENERAL INFORMATION

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|--------------------------------|---|
| Programme | ENI MEDITERRANEAN SEA BASIN PROGRAMME 2014-2020 |
| Programme approval | Adopted by the European Commission on 17 December 2015 Decision No C(2015) 9133 |
| Managing Authority (MA) | |
| Joint Secretariat (JS) | |
| Audit Authority (AA) | |

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|--------------------------------------|--|
| Management and control System | |
| Adopted | |
| Current revision | |

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|--------------------|
| Designation |
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| Description of prescriptions in case of qualified audit opinion at the end of the designation process |
| NA |
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| Description of previous audits carried out by national and/or EU Authorities and relevant conclusions |
| NA |
| |

2. OBJECTIVES

According to Article 28.5 and 77.4 subparagraph (a), the AA is responsible for the preparation and annual update of the Programme audit strategy - a planning document that sets out the audit methodology, the sampling method for audits of operations and the planning of all audit activities covering to three accounting years.

The Audit Strategy provides indication on:

- the legal framework on which the AA activities are based,
- the general organization of the management and control system, to highlight the framework in which the AA operates and its independence from the MA,
- the annual update of the risk assessment and the consequent audit priorities identified,
- the general planning of the audit activities, including the timeframe of implementation,
- the resources needed for the implementation of AA activities during the reference period.

On the base of those programmatic indication the Audit Authority draws up its Audit Planning Memorandum (APM). The objective of the Memorandum is to describe the detail planning of the audit mission in the framework of the System audit to be performed in a specific accounting year. It aims to ensure the efficiency and the effectiveness of the audit activities carried out, in order to prevent, identify and correct deficiencies, anomalies and irregularities of the Management and Control System and ensure the sound financial management of the Programme. In detail, the Audit Planning Memorandum (APM) provides:

- description of the methodologies/procedures used for the implementation of the audit activities and objectives,
- definition of the scope and the objectives of the audit work to be carried out and the foreseen output/s,
- specifies the means used to obtain and analyze evidence/documentation necessary for the achievement of the audit objectives,
- identify the resources and the tools necessary for the implementation of the audit mission,
- define the procedures and the means used for the monitoring/evaluation of the activities carried out.

Therefore, the audit planning memorandum provides the description of the following workflows:

1. Preliminary planning:
 - evidence of the documents examined to understand the general framework of the authority/structure/process to be audited, including documents regarding the results of other audit activities carried out by national and/or EU authorities,
 - preliminary assessment of the authority/structure/process to be audited,
 - general definition of the scope and audit objectives,
 - estimation of the resources necessary to carry out the audit mission,
 - identification of the timeline for the implementation of the audit activities.
2. Launch of the audit mission:
 - detailed definition/re-assessment of the audit scope/objectives,

- contacts with the authorities/structures to be audited,
 - definition of the audit plan (sequence of the audit activities, tools to be used, on the spot verifications schedule, if any, and of the general implementation of the audit plan),
 - announcement of the audit mission to the authority/structure to be audited.
3. On the spot verification:
- gathering of the documentation necessary for the audit,
 - interviews,
 - compliance tests,
 - preliminary conclusions,
 - requests of further clarifications/ documents,
 - reassessment of the audit plan and amendments of the audit planning memorandum if due.
4. Reporting:
- draw up of the provisional audit report and checklist/s,
 - submission of the provisional audit report to the GoA member/s (if the AA so decides),
 - review of the provisional audit report in case of observations provided by the competent GoA members (if applicable),
 - sending of the provisional audit report to the audited authority/body/structure and contradictory procedure regarding specific issues raised by the AA (if any),
 - review of the opposing/contradictory procedure and draw up of the final audit report, included possible action plan to be implemented by the audited authority/structure and revised checklist (if necessary),
 - submission of the final audit report to the GoA (if applicable),
 - submission of the final audit report to the audited authority/body/structure,
5. Follow up
- monitoring of the action plan.

3. PRINCIPLES OF THE AUDIT AUTHORITY

In compliance with the principle of separation of functions referred to in Art. 30 of Reg. (EU) n. 897/2014, in order to ensure the effective and efficient implementation of the OP through the proper functioning of the its DMCS, the AA exercise its functions in complete independence from the MA. The Audit Authority determines independently its strategy and activity planning for each audit mission, as well as the announcement of the audit results and the planning of the follow up activities.

The AA ensures that all activities carried out are compliant with the internationally excepted audit standards and guarantees the independence and absence of conflicts of interest for all resources as involved in.

The general principals followed by the auditors are:

- ethical behavior (thrust, integrity and confidentiality),
- impartial presentation (the results and the conclusions of the audit work carried out, as well as all audit reports reflect precisely and accurately the audit activities carried out),
- professionalism (all auditors pay close and accurate attention to the assignments received),

- independence (all auditors are independent from the scope of the audit, keep an impartial point of view and are free of conflict of interests),
- evidence based approach (the evidence of the audit work carried out is available for control/inspection).

The applicable audit standards are detailed in the AA manual and are specifically recalled in each audit report.

4. PLANNING THE AUDIT MISSION

As previously mentioned, the AA is supposed to draw up a long term audit strategy, to verify the achievement of the audit objectives, keeping informed the European Commission regarding the results of the audit work carried out, particularly as far as the implementation of corrective measures adopted to minimize irregularities and possible deficiencies of the Programme Management and Control System.

In this context a detailed planning of the audit activities becomes crucial. According to the procedures adopted by the AA, each audit mission, is based on the following standard stages:

- desk analysis of the available documentation,
- on the spot verification,
- desk analysis of the overall documentation collected during the audit mission and draw up of the audit report,
- follow up.

Moreover, following best international audit standards, each auditor shall plan an audit mission according to general principles as follows:

- the objectives and methods of monitoring the progress of the activities audited,
- the significant risks of the activity, its objectives, resources and operations, as well as the means of containing risks within the tolerable level,
- the adequacy and effectiveness of risk management and control processes, in comparison to a recognized control model,
- the possibilities of making significant improvements to the risk management and control processes of the audited activity.

It is important to underline that the risk analysis is carried out within the annual update of the audit strategy, because it is considered crucial for the general planning of the audit activities. Therefore, within the framework of the Audit Planning Memorandum, the risk analysis will be updated only if the AA considers it necessary. The APM will therefore provide evidence of the impact of the above-mentioned update on the planning of the audit activities.

During the preliminary planning of the audit mission, whenever the AA deems it necessary, a consultation with the audited body might be organized, to receive clarifications on the nature of the activities carried out and the procedures implemented.

Main results of the planning process are summarized in **Annex B** of this document – “*Planning of the audit activities*”.



5. IMPLEMENTATION OF THE AUDIT MISSION

Once the planning phase is closed, the implementation of the audit plan follows. This phase is split in two steps – launch of the audit mission and on the spot verifications.

The launch of the audit activities consists in the announcement of the audit to the audited body. The proper procedure to be followed consist in forwarding an official written communication. Such communication foresees sufficient time for the audited body to prepare itself for the audit. If the AA deems it necessary/appropriate, the relevant GoA Member might be asked to forward the communication to the audited body. The communication contains information regarding the date and place of the on the spot verification, the composition of the audit team and any documents requests prior to the visit which could be useful for the audit activities. The announcement is issued using a standard form and includes indications on the scope and audit objectives as well as information regarding the original documents to be provided during the on the spot verification. It is worth to mention that when it comes to the audit of operations (projects), the launch of the audit mission is done in two separate moments. First the AA informs the MA of the operation to be audited. Such communications include general indications of the period in which the AA is supposed to carry out the audit activities, the audit team, the scope, and the objectives of the audit. Later on, the sampled units are distributed among the audit team/s and the assigned auditor/s, and the AA will inform the beneficiary/partner/s, trough official written communication, about the date and place of the on the spot verification, the auditor/s in charge, documents to be provided etc.

In parallel with the launch phase, the assigned auditor/s carry out desk verifications of the available documentation for the specific audit mission, included documents gathered during the audit planning. Such verification/analysis of the available documentation allows the auditors to implement preliminary checks, according to the structure of the tools to be used (check-lists and reports), so that the auditor/s is/are able to assess the structure and the procedures followed by the audited body, also by considering the conclusions drawn within previously conducted audit activities and their impact on the audit work to be carried out.

In the framework of the system audit the abovementioned steps mainly consist in the analysis of the Description of the Management and Control System (DMCS) of the OP, MA implementation manuals, MA procedures and tools, the Programme anti-fraud measures in force (setting and actual implementation), the Programme MIS. During this phase of the audit work the AA will also sample the walk trough tests to be performed.

The sampling method and the exact stage of the audit activities in which the AA identifies the walk trough tests may vary, depending on the body to be audited and the sample population. The relevant details are listed in **Annex A** of this APM.

As far as the audit of operations framework is concerned, any desk analysis shall concern the call for operations documentation, the project proposal, the partnership agreement, the partners reports, the FLC reports, the supporting documents available in the Programme MIS.

The complete list of examined documents for each audit mission is detailed in the audit report.

After the launch of the audit mission and desk analysis (first one) the on the spot verification phase follows. This stage consists of interviews with the audited body staff/representatives, conducted by means of the approved audit tools, as well as in the analysis of the original documents available at the audited organization premises, which the AA esteems relevant for the audit work.

Within the System Audit framework, all desk analysis allows the auditor to crosscheck the procedures description assessed during the desk verification with the results emerging from the interviews, as well as gain better knowledge of all functions and the organization of the audited body. During the on the spot verification the auditor collects all relevant documents necessary to guarantee correct audit trail and express an audit opinion on the compliance of the Management and Control System to the national and EU regulatory framework and get assurance on the match between the acquired copies and the original documents.

The on the spot verification assumes, within the audit of operations, two separate objectives, on one hand, the auditors control the originals of the administrative and accounting documents, supporting all declared expenditures (expenditures taking part of the AA sample). On the other hand, the verification aims to assess the actual implementation of the project activities, the existence and correct use of all goods acquired within the project and the compliance to the approved project and the partners report being audited.

The on the spot verification structure is generally determined as follows:

- presentation of the audit team, the scope, and objectives of the audit work to be carried out detailed schedule/timeframe of the on the spot verification,
- interviews with the staff/representatives of the audited body,
- amendments of the audit work schedule (if necessary),
- conclusion session including presentation of preliminary findings, preliminary action plan definition and requests for further documentation (if necessary).

During the on the spot verification the auditor/s assess the skill/competence level of the staff/representatives being interviewed, the level of communication/dissemination within the implementation of the audited procedures, the effectiveness of corrective measures being implemented as a result of previous audit activities, risks that might emerge during the assessment of the FLC functioning or that might be underlined by controls performed by other authorities.

6. WRAP UP OF THE AUDIT MISSION

The wrap up of the audit mission begins with desk analysis of all documents/evidence collected during the previous stages of the audit work. In the framework of system audits, the compliance tests might be conducted during the wrap up of the audit work.

The AA might also use this stage to formulate preliminary conclusions and further clarifications/information/documentation requests, as well as highlighting possible improvements that might be implemented by the audited body. During this stage, all communications with the audited body are informal (e-mails phone calls). Further information/documents provided are examined to formulate the provisional audit report and action plan (if applicable).

7. REPORTING AND FOLLOW UP

After all checks are performed, the auditor/s proceed to draw up the provisional audit report and relevant attachments (checklists) and send it to the audited body. Such document represents the compendium of the audit work carried out and includes:

- the description of the audit objectives,
- the description of the audit scope,



- the description of the methodology/principles applied,
- the list of the documents considered,
- the description of the audit work carried out,
- the irregularities/inconsistencies detected,
- the corrective measures proposed and relate deadlines for their implementation.

The audit report is shared with the GoA members whenever the AA deems it, as necessary.

Within the system audit, the audit report provides indications on irregularities/inconsistencies detected for each key requirement as well as the AA conclusions of each key requirement and an overall conclusion on the part of the Management and Control System taken into consideration/relevant for the audited body. The auditor/s draw their conclusions, based on the categories as listed in section 4.3.2 – *The System reliability assessment* of the Audit Manual. The audit opinion on the overall MCS functioning is crucial for the definition of the sample size for the audit of operations.

In the framework of the audit of operations, the audit report includes indications on:

- the description of the audit objectives,
- the description of the audit scope,
- the description of the methodology/principles applied,
- the list of the documents considered,
- the description of the audit work carried out,
- the assessment of the operation compliance with the project proposal approved,
- the assessment of the operation compliance with the national and EU (Programme) rules on eligible expenditures,
- the indications on irregularities detected and consequent financial corrections, if any, and/or follow up measures.

The audit report is shared with the GoA members whenever the AA deems it, as necessary.

Once the provisional audit report/s are sent officially by the AA the contradictory procedure begins. The announcement letter and/or the audit report itself, contains indications on the terms set for the audited body reply. Such terms are defined according to the procedure as set in Audit Manual.

At the end of the contradictory procedure the AA examines the additional information provided by the audited body and draws up the final audit report. The final audit report keeps into consideration all new elements provided during the contradictory procedure as well as any corrective measures implemented meanwhile. Failure to receive additional documentation/clarifications are provided the provisional audit report becomes definitive.

If at the end of the contradictory procedure some irregularities persist and/or some of the suggested corrective measures need more time to be implemented, the final audit report foresees a follow up plan, containing indications on the timeframe for the implementation of the corrective measures, indication of the body responsible for their implementation and schedule of the follow up visit to be carried out by the AA (if necessary). Follow up might be carried out also by means of desk verifications only. It is up to the professional judgment of the auditor/s in charge to set up the most appropriate follow up measures.

The final audit report is sent to the audited body following the same procedure as for the provisional audit report. It is shared with the GoA members as well whenever the AA deems it, as necessary.

8. AUDIT DOSSIER

For system audits and audit of operations the AA applies the standard audit procedures and tools as approved in the Audit Manual. The audit tools are therefore the ones listed in the above-mentioned Manual and could be resumed as follows:

- the audit strategy,
- the audit planning memorandum,
- the audit announcement letter,
- the sampling report/s (for sample of compliance tests, and operations),
- the inspection report/s (for on the spot verifications),
- the provisional audit report and checklist/s,
- the final report and checklist/s,
- the evaluation tables for system audit.

For each audit mission a separate dossier will be prepared. Such dossier might be either electronic and/or on paper based and will include a short summary of all documents, all documents acquired by the auditors during the audit work, all communications with the audited body, included the announcement letters, the provisional and final audit reports and check-lists.

As far the audit of operations is concerned a separate dossier is prepared for each sampled unit (partner or operation). The audit dossier contains all GoA members observations. The filing system used for each dossier allows the AA to have immediate access to the documents and keep an adequate audit trail, according to the procedures as set in the Audit Manual.

For both system audit and audit of operations, the AA performs quality reviews of the internal or external audit works, which are documented through specific checklists and/or reports, to be collected and archived in the pertaining audit dossier.

9. AMENDMENTS OF THE AUDIT PLANNING MEMORANDUM

Within the Audit Manual the AA has defined the procedures and principles to be followed while carrying out the audit work, nevertheless it is possible that during an audit mission, specific issues might arise and make necessary the amendment of the original audit plan that was defined in the APM. Changes in the regulation framework might also determine the need to amend both the audit plan and the procedures used. The above amendments might also occur due to unexpected events and circumstances, unexpected audit evidence acquired during the on the spot verification, etc.

Moreover, in the framework of the Audit Planning Memorandum revision, the AA might need to implement/amend some of the Audit tools. Any changes/additions to the audit tool, deemed necessary during the planning of the audit mission, will be documented in the audit planning memorandum, shared with the GoA members and if relevant, inserted in the Audit Manual.

AUDIT PLANNING MEMORANDUM
SYSTEM AUDIT TEMPLATE

| | |
|---|--|
| SYSTEM ISSUES DETECTED BY THE AA WITHIN THE SYSTEM AUDIT PERFORMED DURING THE PREVIOUS ACCOUNTING PERIOD | |
| AUDITED BODY: | |
| DATE OF ANNOUNCEMENT OF THE AUDIT MISSION: | |
| AUDIT PLANNING MEMORANDUM APPROVED ON: | |
| DATE OF THE ON THE SPOT VERIFICATION/S: | |
| ANNOUNCEMENT OF THE PROVISIONAL AUDIT REPORT TO THE GoA ON (IF APPLICABLE): | |
| GoA APPROVAL OF THE PROVISIONAL AUDIT REPORT ON (IF RELEVANT): | |
| ANNOUNCEMENT OF THE PROVISIONAL AUDIT REPORT TO THE AUDITED BODY ON: | |
| ANNOUNCEMENT OF THE FINAL AUDIT REPORT TO THE GoA ON (IF APPLICABLE): | |
| GoA APPROVAL OF THE FINAL AUDIT REPORT ON (IF APPLICABLE): | |
| ANNOUNCEMENT OF THE FINAL AUDIT REPORT TO THE AUDITED BODY ON: | |
| TIMEFRAME FOR THE IMPLEMENTATION OF THE ACTION PLAN: | |

| ISSUES DETECTED AND NOT SOLVED DURING THE CONTRADICTORY PROCEDURE | | DATE OF ACTUAL IMPLEMENTATION OF CORRECTIVE MEASURES |
|---|-------|--|
| KEY REQUIREMENT | ISSUE | |
| | | |
| | | |
| | | |

| SYSTEM ISSUES DETECTED BY THE AUDIT AUTHORITY WITHIN THE AUDIT OF OPERATIONS CARRIED OUT DURING THE PREVIOUS ACCOUNTING PERIOD. | | | |
|---|---|-----------------|---|
| OPERATION | ANNOUNCEMENT OF THE FINAL AUDIT REPORT ON | ISSUES DETECTED | TIMEFRAME FOR THE IMPLEMENTATION OF CORRECTIVE MEASURES |
| | | | |
| | | | |
| | | | |

| SYSTEM ISSUES DETECTED BY OTHER AUTHORITIES | | |
|---|------------------------------|----------------|
| AUTHORITY THAT DETECTED THE | DATE OF COMMUNICATION TO THE | ISSUE DETECTED |



| | | |
|-------|----|--|
| ISSUE | AA | |
| | | |
| | | |
| | | |

| LIST OF AUDIT PRIORITIES DETERMINED FOLLOWING THE RISK ANALYSIS | | |
|---|------------------------------|---------|
| N | AUTHORITY/BODY TO BE AUDITED | REMARKS |
| | | |
| | | |
| | | |

| HORIZONTAL/THEMATIC ASPECTS PRIORITY LIST | | |
|---|-------|---------|
| N | TOPIC | REMARKS |
| | | |
| | | |

| AUDIT PLAN | | |
|---|----------------|--|
| AUTHORITY/BODY TO BE AUDITED | | |
| FIELD OF INTEREST | | |
| AUDIT OBJECTIVES | | |
| AUDIT SCOPE | | |
| MATERIALITY THRESHOLD | | |
| KEY REQUIREMENTS TO BE AUDITED | | |
| RISKS | | |
| AUDIT APPROACH/METHODOLOGY | | |
| AUDIT SET - UP | TIME FRAMEWORK | |
| | RESOURCES | |
| SAMPLED OPERATIONS FOR COMPLIANCE TESTS | | |
| QUALITY REVIEW SET -UP | | |
| ADDITIONAL REMARKS | | |

Date _____

Signatures of the Audit Authority and the audit team

| ORGANIZATION/BODY | NAME | SIGNATURE |
|-------------------|------|-----------|
| | | |
| | | |
| | | |



ANNEX B

AUDIT PLANNING MEMORANDUM REPORT ON THE AUDIT PLAN

On (please insert the date)at the AA premise (please insert the location)..... the planning of audit activities is defined and shared with the auditors in charge (please insert the name and role of each auditor).....

During the meeting, the planning of the audit activities was examined and discussed, determining the priorities and objectives of the audits and assignments per auditor. It was agreed that the audit plan might need to be modified any time during the implementation of the audit activities, due to unforeseeable issues and circumstances.

The audit plan drafted by the AA and the auditors involved was shared with the GoA members by means of official communication sent on _____ (if applicable).

Agreed schedule of the audit activities:

| ACTIVITY | PERIOD OF IMPLEMENTATION | REMARKS/NOTES |
|---|--------------------------|-----------------|
| Update of the audit strategy | To be filled in | To be filled in |
| System audit (preliminary audit report) | To be filled in | To be filled in |
| System Audit (final audit report) | To be filled in | To be filled in |
| Sample of partners/operations | To be filled in | To be filled in |
| Audit of operations (preliminary audit reports) | To be filled in | To be filled in |
| Contradictory procedure regarding the audit of operations | To be filled in | To be filled in |
| Additional sampling (if necessary) | To be filled in | To be filled in |
| Follow up on system audit | To be filled in | To be filled in |
| Evaluation of audit results | To be filled in | To be filled in |
| Consultation with GoA on Audit results | To be filled in | To be filled in |
| Additional checks on accounts | To be filled in | To be filled in |
| Audit report on accounts | To be filled in | To be filled in |
| Annual Audit report and Audit opinion | To be filled in | To be filled in |

Date