

*La Coopération au coeur  
de la Méditerranée*



*La Cooperazione al cuore  
del Mediterraneo*

## **The Italy - Maritime France Cross-border Territorial cooperation programme 2007 - 2013: First Level Control systems**

### **Hercules seminar**

***Florence, 09<sup>th</sup> and 10<sup>th</sup> May 2013***

### **1. General information about the programme**

The Italy – Maritime France operational programme is linked to the European Territorial Cooperation 2007/2013 programming period, like all programmes financed with structural funds, and is part of a cross-border cooperation effort.

The European Commission approved it with Decision C (2007) 5489 on 16<sup>th</sup> November 2007. The programme is 75% funded by resources from the European Regional Development Fund (ERDF) while the remaining 25% comes from national resources. The percentage of cofinancing for Italy is guaranteed by the Fondo di Rotazione Nazionale (national revolving fund); the Corsica region's cofinancing can be guaranteed both from public and private resources.

Four regions are involved in the programme: three Italian regions (Liguria, Sardinia and Tuscany, with an eligible territory limited to its five coastal provinces) and a French region (Corsica).

Tuscany Region is the programme's managing authority through its International Activities department. It is assisted in its work by the joint Technical Secretariat. The other authorities involved are the Certification Authority, the Audit Authority, the monitoring committee and the steering committee.

The Programme's resources amount to a total of 1 61,976,354.00 euros, 121,482,265.00 of which are EU Investment and 40,494,089.00 of which are national public contributions. Approximately 9 million euros are earmarked for technical assistance.

To date, the programme has financed 62 projects, 13 of which are currently negotiating their launch, and has used all the funds for the priorities described below.

#### *a. The aims pursued and the strategy adopted*

**The programme's general purpose** is to improve and qualify cooperation between cross-border areas in terms of accessibility, innovation, the best use of natural and cultural resources and the integration of resources and services so as to improve competitiveness at a Mediterranean, south European and global level, ensure the cohesion of these geographical areas and encourage employment and sustainable development over time.

**The strategy adopted:** to identify a common approach on certain key issues shared by regional administrations of the area: cross-border maritime areas, tangible and intangible networks, competitiveness integrated in a Mediterranean and global context, cultural and natural assets and the exchange and integration of rare and/or high quality functions.

The programme has five priorities, four of which are in keeping with the programme's theme and one which focuses on technical assistance.

Priority 1 – accessibility and communication networks

Priority 2 – innovation and competitiveness

Priority 3 – natural and cultural resources

Priority 4 – integrating resources and services

## 2. Control

Article 16 of General Regulation (EC) No. 1080/2006 concerning the 2007/2013 programming period states that in order to validate expenditure, each Member State must set up a control system that makes it possible to verify the delivery of co-financed products and services, the soundness of declared expenditure for operations or the parts of those operations carried out on their own national territory and the compliance of such expenditure and related operations, or parts of operations, with EU rules and national legislation.

The general features of the Italian control system of territorial cooperation programmes are defined by Interministerial Committee for Economic Planning (CIPE) resolution no. 158 of 21<sup>st</sup> December 2007 (which approved guidelines for activating European territorial cooperation programmes consistent with the priorities outlined in the QSN National Strategic Framework adopted by the European Commission) and the circular letter issued in 2008 by the Ministry of Finance's General Inspectorate for Financial Relations with the European Union (IGRUE) entitled "General Characteristics of the National System of Monitoring Programmes of European Territorial Cooperation 2007 – 2013, Rome, June 2008" (*hereafter referred to as IGRUE circular 2008*).

The circular describes two methods for implementing the control system that differ depending on whether the programme's managing authority is Italian or from a different European country.

The French system is defined on the basis of the Prime Minister's circular letter no. 5210/SG issued on 13 April 2007.

## 3. First Level Control

The document particularly focuses on the so-called First Level Control systems of the Italy – Maritime France Programme of which Tuscany Region, as mentioned earlier, is the managing authority.

### *a. Controllers/certifiers: internal and external controls*

The structure adopted by the programme allows for two different First Level Control methods, due to – among other things – the involvement of two member states: internal and external controls.

#### *Internal controllers for Italian regions and for the region of Corsica*

For Italian Beneficiaries of the programme legally classed as public Authorities, the monitoring activities stated in Article 16 of General Regulation (EC) No. 1080/2006 can be carried out by specially created **in-house organisations** that are part of the authorities themselves, as long as their functional independence from offices responsible for carrying out operations is guaranteed.

For French beneficiaries, monitoring activities are carried out by a group of controllers gathered together in the **Autorité de Certification Unique** set up in the Collectivité Territoriale de Corse's general directorate of finances. This authority, which possesses all the necessary prerequisites of independence and professionalism, certifies the expenditure of all Corsican beneficiaries, whether they be public or private.

#### *External controls: for Italian beneficiaries only*

External controllers for Italian regions are set up by drafting a **shortlist of controllers**, as described in the circular letter "General Characteristics of the National System of Monitoring Programmes." The external controllers included in the Programme's single shortlist are identified by the managing authority through the proper public notice as legally defined in Article 7 paragraph 6 of Leg. Decree 165/2001.

All those who possess the required levels of professionalism and good standing as described by the IGRUE circular of 2008 can **participate in the notice** and are added to the list. Particularly as far as professionalism is concerned, those enrolled in the Registry of Qualified Accountants and Bookkeepers (section A) can be added to the list or, alternatively, those who have been enrolled in the Register of Auditors as stated in Legislative Decree no. 88 of 27<sup>th</sup> January 1992, for no less than three years.

Given the programme's special characteristics, the programme's managing authority requires a third requisite: an understanding of French. Even though the Italian controller is not asked to control the expenditure of Corsican partners, they are however always present in these projects and when the lead partner of the project is Italian, the controller will have to read through all the project's records.

All those who apply and possess the necessary requisites on the basis of declarations made in compliance with Articles 46 and 47 of Italian Presidential Decree (DPR) no. 445 of 28<sup>th</sup> December 2000 are added to the shortlist.

In any case, the managing Authority will verify whether a candidate possesses these requirements by verifying the declarations made. Despite what is stated in the document on programme management and control systems, where verifications are only carried out on a 10% sample of candidates picked at random, these verifications will be carried out on all eligible candidates.

#### *b. The beneficiaries' choice of controller*

As mentioned earlier, the programme's French beneficiaries have one single certification centre, the Autorité de Certification Unique, whether they be public or private beneficiaries.

Italian beneficiaries can choose from the two monitoring methods described above: internal control or external control (which in any case is obligatory if the beneficiary is a private body).

Should the Italian beneficiary choose an internal controller, the appointment must be made with the due attention paid to the requirements of functional independence and professionalism of the appointed office.

The organisation certifies the existence of the necessary requirements via: i) a specially drafted signed declaration, ii) a deed identifying the office which will carry out controlling activities, iii) a chart showing the structure of the organisation, proving its independence. Over time, a constructive dialogue between the managing authority and the beneficiaries that chose the internal control method has developed, a dialogue which could verify any problems before the final choice was made.

Should a beneficiary opt for external control, the choice of controller is made with a shortlist using a random selection method in order to guarantee **the controller's independence**. This method, developed with the help of Tuscany Region's Statistics Service, is open to beneficiaries online from the Programme's website (<http://servizi.regione.toscana.it/cooperazioneterritoriale/>).

The appointment system allows for the possibility of removing from the list of controllers those who the Beneficiary declares are not sufficiently independent. The random appointment then takes place from the list of approved controllers once such candidates have been removed.

Once the controller is appointed, he or she will be asked for a statement of independence, in line with the procedure set down by the IGRUE.

The project's lead partner can appoint the controller for three years at most (the entire duration of the project). The maximum fee is established by the Interministerial Decree in line with Article 13 of Leg. Decree 88/92.

*c. Control methods and aims*

**Document verification.** First Level Control and certification services check the paperwork of 100% of all declared expenses. By examining accounting records and the documents produced by the beneficiary using the information management system, they evaluate the eligibility of expenses and go on to certify what was deemed eligible.

First Level control and certification methods applied to the entire programme include a control checklist which must be verified with every certification. Before validating an expense, the controller ascertains whether all the items on the checklist have been examined and approved. The validation of any expense considered to be ineligible will be: a) momentarily left outstanding if it is deemed possible to rectify it with additions and/or corrections, or b) definitively denied if deemed impossible to rectify.

***On-site verification***

As well as the verification carried out on documents concerning all declared expenses, First Level controllers also carry out First Level verification on single operations on site. Such verification is carried out on a random sample organised by the Single Managing Authority based on a sampling method that focuses on risk analysis, taking into account what is stated in Article 13 paragraph 3 of Regulation (EC) No. 1828/2006.

The choice of **operations subject to on-site verification** by controllers (whether they be internal or external) will be made using a common and generally agreed method of **stratified sampling** which offers more precise estimates compared to other sampling methods.

In order to define a common benchmark for projects to be subjected to controls, the programme has set a minimum threshold for declared expenses of 25% of the total cost eligible for a grant. The aim is to carry out on-site verification capable of producing significant results, even when it comes to ensuring that initial achievements match the programme's predetermined objectives.

Starting with projects that have reached this minimum threshold, the variables at the heart of the stratified sampling process are identified on the basis of a risk analysis which takes into account the types of cofinanced operations, the types of beneficiaries and the amount of funding granted. Two or more reference values will be identified for each variable, each of which will be associated with a specific risk factor.

For the types of risks considered, both the intrinsic, or management, risk – i.e. the risk of irregularities associated with the peculiarities of the operation being financed (type of activity, type of beneficiary, etc.) – and the control risk – i.e. the risk that the checks carried out on operations may not be able to identify irregularities or significant errors – are evaluated.

Last but not least, the programme has decided to allow on-site control for all strategic projects, provided they involve greater risks a priori.

*d. Documents available to controllers and beneficiaries*

The programme provides controllers and beneficiaries with its accounting manual and the administrative system's user manual. A manual on operational methods for carrying out controls has also been prepared for controllers.

The control lists, the control certificate and the declaration form where controllers can state their independence have also been finalised.

The programme is managed through a 'maritime' administrative system, a system for managing, monitoring and controlling operations to which the following have access:

- the project's lead partner and its beneficiaries
- First Level controllers (Italian and French)
- French national authorities: the Collectivité Territoriale de Corse and the DAEI (Direction des Affaires Européennes et Internationales)
- the system's administrators

The managing authority has organised both information/training seminars on recording expenses (for beneficiaries and controllers) and special seminars for controllers, held throughout the programme's duration.

Furthermore, specific circular letters on controls are issued every time the need for one arises.

*e. The cornerstones of the maritime operational programme's control system*

Below is a summary of some of the strengths which make the system of First Level expenditure control and certification effective and which guarantee that controllers have the necessary independence.

- For both control systems, the constant verification that the requirements of a **controller's functional separation and independence** continue to exist
- A **management information system** which beneficiaries and controllers can access and which allows them to upload all expense records
- A control **checklist** which must be filled in by all controllers (internal and external; Italian and French). The control checklist must be verified with every certification. Before validating an expense, the First Level control and certification service ascertains that all items on the checklist have been examined and approved
- An **administrative check** carried out by controllers on **all expenses declared** by beneficiaries
- First Level **on-site verification** of single operations carried out on a sample chosen according to the sampling method used
- The drafting and annual renewal of the shortlist of controllers prepared by the managing authority for the benefit of Italian beneficiaries
- The managing Authority's direct management of the shortlist and the access portal for the random selection of the controller (this body also has the role of administrating the random selection system)
- The control of selections made by beneficiaries with a cross-referenced verification system comparing the names of the controllers selected and the names that have been assigned the role of project controllers
- Approval of a standard contract by the managing authority – for Italian beneficiaries using the shortlist – which these organisations must use as the basis for appointing controllers
- Previously established fees for controllers (at least a maximum threshold) calculated according to the cost of the approved project (as regards each beneficiary) and not calculated on certified expenses