



Unione europea
Fondo sociale europeo



POR FSE
2007-2013

**Survey of irregularities recorded at the regional level and
strategies implemented to prevent and combat fraud
ESF Managing Authority 2007-2012**

Fighting financial fraud against the EU – Control strategies and instruments
Florence, 09 May 2013

General remarks

at the European level

six levels of legislation (common provisions, general provisions, specific provisions of the Funds, delegated acts, implementing acts, Commission guidelines)

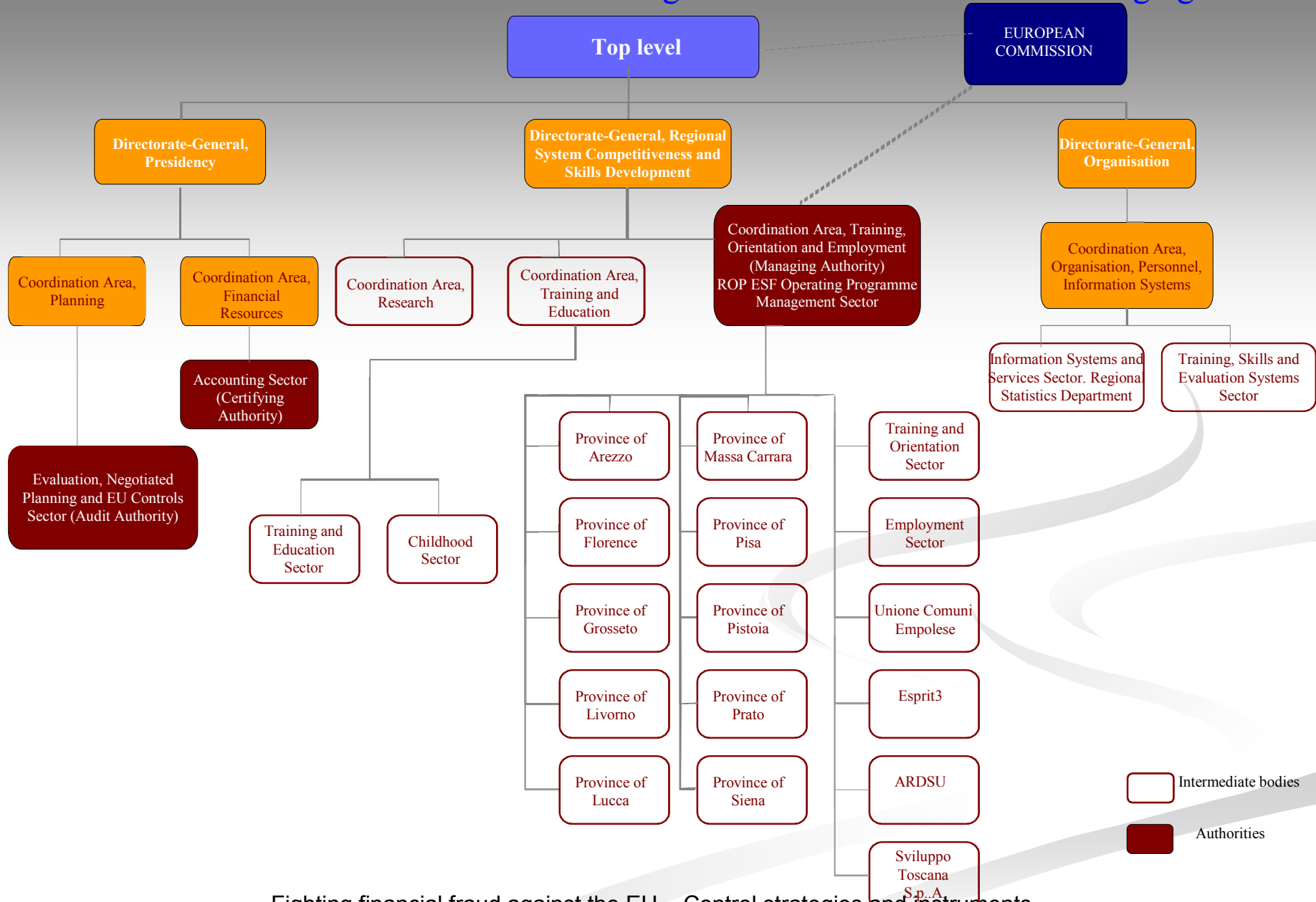
at the national level

national and regional legislation

General remarks

A significant effort is being made by the Administrations concerned to reduce the administrative burden weighing on beneficiaries (for example through the greater use of *lump sums* and *standard costs*). Nevertheless, the burden for national administrations remains high, and may even grow in relation to the current situation.

Organisational structure of the Managing Authority



Intermediate bodies
 Authorities

Management of irregularities

Article 70, point 1 of Regulation (EC) No. 1083/2006 states that Member States are responsible for the management and control of operational programmes and specifically “*for preventing, detecting and correcting irregularities and recovering amounts unduly paid together with interest on late payments where appropriate [...] notifying these to the Commission and keeping the Commission informed of the progress of administrative and legal proceedings.*”

Management of irregularities

1) *prevention* may be implemented through:

_ transparent decision-making processes

_ stepping up internal control systems

_ regular use and wide availability of procedures manuals and checklists.

_ systematic adoption of risk analysis. The EU budget will be more or less exposed to risks of fraud as a result of:

- an extremely high inherent risk owing to the large number of organisations and systems involved, the complexity of the rules and the large number of operations;
- the effectiveness and reliability of the internal system of controls of Member States;
- the intensity and quality of controls performed;
- the honesty and moral integrity of beneficiaries and the people involved in managing the funds.

Management of irregularities

2) *detection of irregularities* may be pursued through:

- _ the adoption and regular use of specific methods and instruments in controls;
- _ more frequent controls;
- _ management of dedicated personnel with adequate skills and numbers
- _ information measures for departments in different locations throughout the country
- _ regular information exchange
- _ a database which is accessible to all
- _ greater integration, consolidation and shared strategies with other organisations responsible for detecting fraud/irregularities
- _ closer relations of cooperation between central and local authorities, and between authorities responsible for payment collection and certification and authorities responsible for communication
- _ regular coordination meetings at the central level
- _ recording and dissemination among personnel of information concerning the main types of fraud recorded during previous programming periods

Management of irregularities

3) *correction* may be implemented through:

- _ constant monitoring of the progress of proceedings and procedures concerning irregularities
- _ in cases of suspected fraud, encouraging the use of the “dual track” principle (criminal and administrative proceedings)
- _ searching for new forms and initiatives in order to reduce the time necessary for proceedings to recover funds.

Organisation of controls

The issue of controls and combating fraud is a matter of decisive importance to the management of structural funds, and is directly linked to the following aspects:

- the complexity of the 'management machinery', given the large number of parties involved and the diversification of implementation procedures
- the many levels of internal and external control in respect of the Programmes
- The complexity of the rules laid down by Community regulations

Organisation of controls

The controls which the Managing Authority is required to perform under Article 60 (b) of Council Regulation (EC) No. 1083/2006 and Article 13 of Council Regulation (EC) No. 1828/2006, regard – depending on the specific case concerned – the administrative, financial, technical and physical aspects of the operations.

These controls are divided into:

- a) administrative checks on all applications for refunds submitted by beneficiaries;
- b) spot checks on individual operations.

Organisation of controls

Checks on documentation

Checks on state of progress in terms of operation procedures and funding through the analysis of accounting and administrative documentation on 100% of applications for refunds submitted by beneficiaries.

Spot checks

Spot checks pursuant to article 60, letter b) of Council Regulation (EC) No. 1083/2006 performed on a random sample of operations.

Organisation of controls

Checks on documentation

During the start-up phase

formal and fiscal correctness (where applicable) of the application for advance payment (*for example inclusion of beneficiary details and bank details issued by project, project reference details, etc.*);

project added to Information System.

Organisation of controls

During the project implementation phase:

administrative and accounting consistency (*consistency of total amount of refund applied for, list documenting expenses and checkability thereof*);

declared hours of progress correspond to records provided (by type of relevant operations, such as concession notices for operations at standard unit costs)

the **financial regularity of expenditure**, verifying the following aspects:

correctness and compliance of documentation recording expenditure in legislative terms;

compliance with the period of eligibility and types of expenditure allowable under EU and national regulations;

traceability of expenditure to beneficiaries/implementing parties and to the operation selected.

Organisation of controls

Spot checks regard the following aspects:

- **Administrative** (*accessibility and correct filing of documentation produced by the body, original copies of documentation of expenditure, beneficiary keeps a separate or coded system of accounts, compliance with procedures for outsourcing, selection of participants*)
- **Regularity of execution** (*compliance and eligibility of supporting documentation for expenditure, consistency of supporting documentation for expenditure and its correct allocation to the estimate, supporting documentation clearly linked to the operation*)
- **Inadequate to/not matching project requirements** (*teachers, characteristics of the places, equipment, compliance with schedules, etc.*)

Organisation of controls

Spot checks consist of two phases: the desk phase and the inspection phase

1. *During the desk phase* the documents, procedures and expenditure documentation are verified, attesting to the correct funding of the operation and the beneficiary's entitlement to the contribution
2. *During the inspection phase*, specifically the following aspects are checked:
 - the existence and operational status of the beneficiary – existence of original documentation relating to recorded expenses and correct accounting procedures
 - traceability of expenditure relating to the operation being funded

Organisation of controls

Checklists

constitute the main instrument for carrying out controls, as:

- they guide control activities
- they provide proof that the controls have been performed

are classified according to the characteristics of the procedure implemented (e.g. *notice, procurement, actions concerning individual beneficiaries, assignments, etc.*) and each of its phases (*start-up, performance and completion*)

Organisation of controls

Another key instrument for the management and control of the ROP ESF is the Information System, which makes it possible:

- to verify the life cycle of projects, from their becoming eligible for funding through to their completion;
- to trace expenditure relating to the operations being funded, from applications for refunds by beneficiaries to certification of expenditure;
- to significantly reduce material errors in the processing of information relating to the operations being funded;
- to formulate queries in order to obtain specific information as required and perform checks on data classes

Organisation of controls

The Information System

The ESF DB represents a single system for collecting the necessary quantitative/physical/financial/implementation data for the ROP ESF 2007-2013, for meeting the requirements of EU Regulations and regional programming

it incorporates control mechanisms regarding the completeness and consistency of the information entered by its various users, thus ensuring that it contains all of the information necessary for monitoring purposes

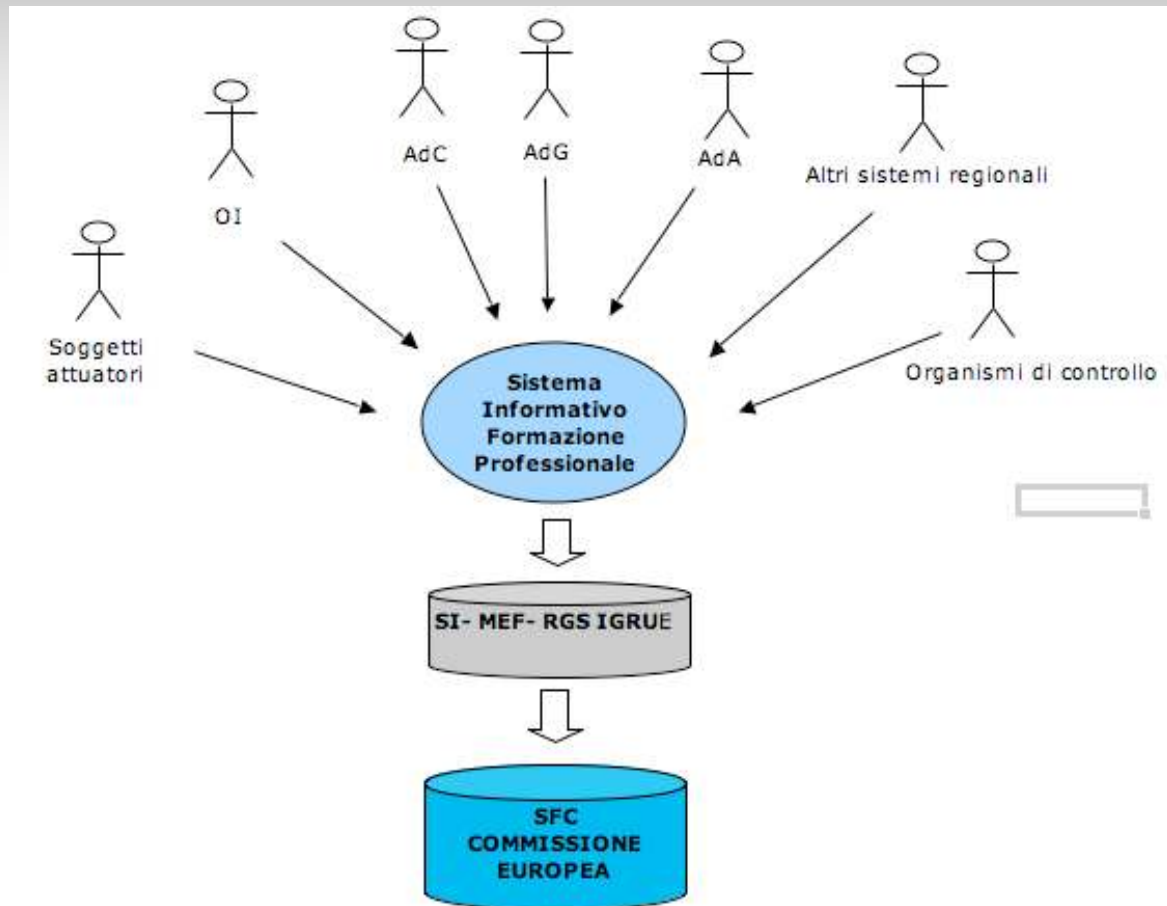
Organisation of controls

Access to the Information System is dependent on the role of each party accessing it in the System. Thus different information can be displayed and entered according to the level of access.

There are essentially four levels:

1. The Tuscany Region, as System administrator;
2. Intermediate body;
3. Party Implementing actions;
4. Auditor.

Organisation of controls



Organisation of controls

With regard to control functions, the system enables:

- loading of administrative and accounting data relating to the operations being funded
- computerised checklists relating to documentation checks and spot checks
- linking of checklists relating to administrative checks on 100% of refund applications with checklists relating to spot checks performed on projects selected by random sampling
- restrictions making payments of refund applications dependent on the completion and validation of the checklists
- forms for revocation and recovery procedures to be created
- a register of debtors in which all cases of revocation with recovery are recorded

Irregularities and recovery

certified expenditure

As of 31.12,2012: € 357,556,702.52

controls by Managing Authority

Documentation checks: on 100% of operations funded

amounts *recovered*: € 147,166.17

amounts *withdrawn*: € 81,968.13

amounts *pending*: € 155,927.05

Irregularities and recovery

controls by Audit Authority.

- **system audit** (*through which it verifies the reliability of management and control systems*)
- **operations audit** (*through which it performs controls on beneficiaries*)

Irregularities and recovery

The 2012 Annual Control Report (*Rapporto Annuale di Controllo*, RAC), drawn up at the end of each year by the Audit Authority on the basis of the results of the control activities conducted, expressed a favourable verdict on the functioning of the ROP ESF management and control system

Controls on operations

No. of spot checks:	298
Expenditure checked:	€ 36,540,017.72
Irregular expenditure:	€ 223,643.21
Materiality rate	0.13

Irregularities and recovery

Main types of irregularity:

- accounting (*codes 102 - 199*)
- documentation (*codes 210 - 211*)
- actions (*codes 811 - 812*)
- eligibility (*codes 822 - 823*)
- entitlement to aid (*established under Article 57 of Council Regulation (EC) No. 1083/2006*)

Concluding remarks

Regarding the management and control system

The ROP ESF management and control system has proven to be efficient:

- low rate of irregularities as a percentage of expenditure checked
- favourable verdict expressed by the Audit Authority in Annual Control Reports

Regarding irregularities detected

The irregularities detected, the low number of which does not allow statistical analysis, do not fall under recurring categories, but are rather the result of individual behaviour on the part of the beneficiaries concerned, and connected to difficulties experienced by undertakings (investment not completed, cessation of activity).