



The system of second-level controls in the Tuscany Region

10 May 2013

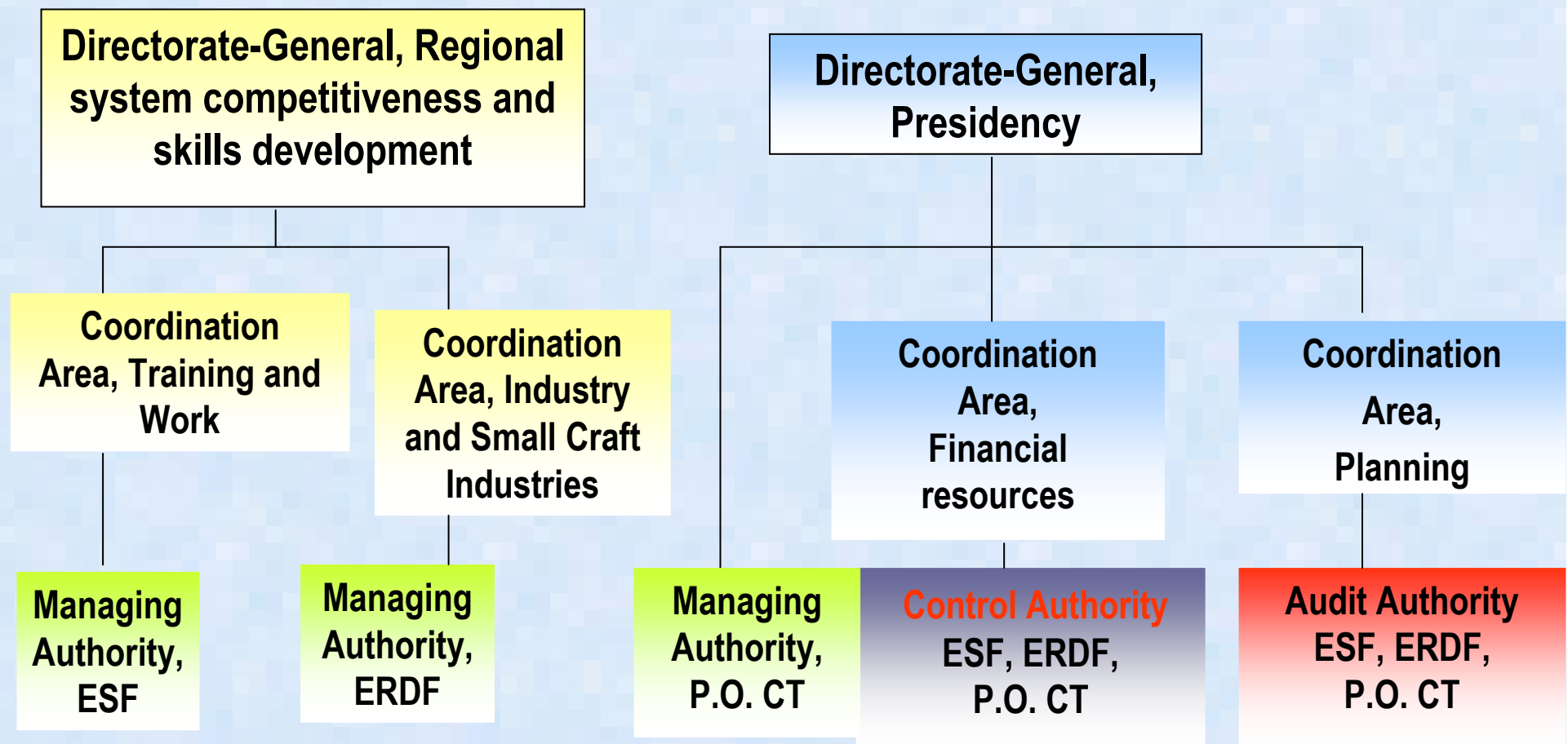
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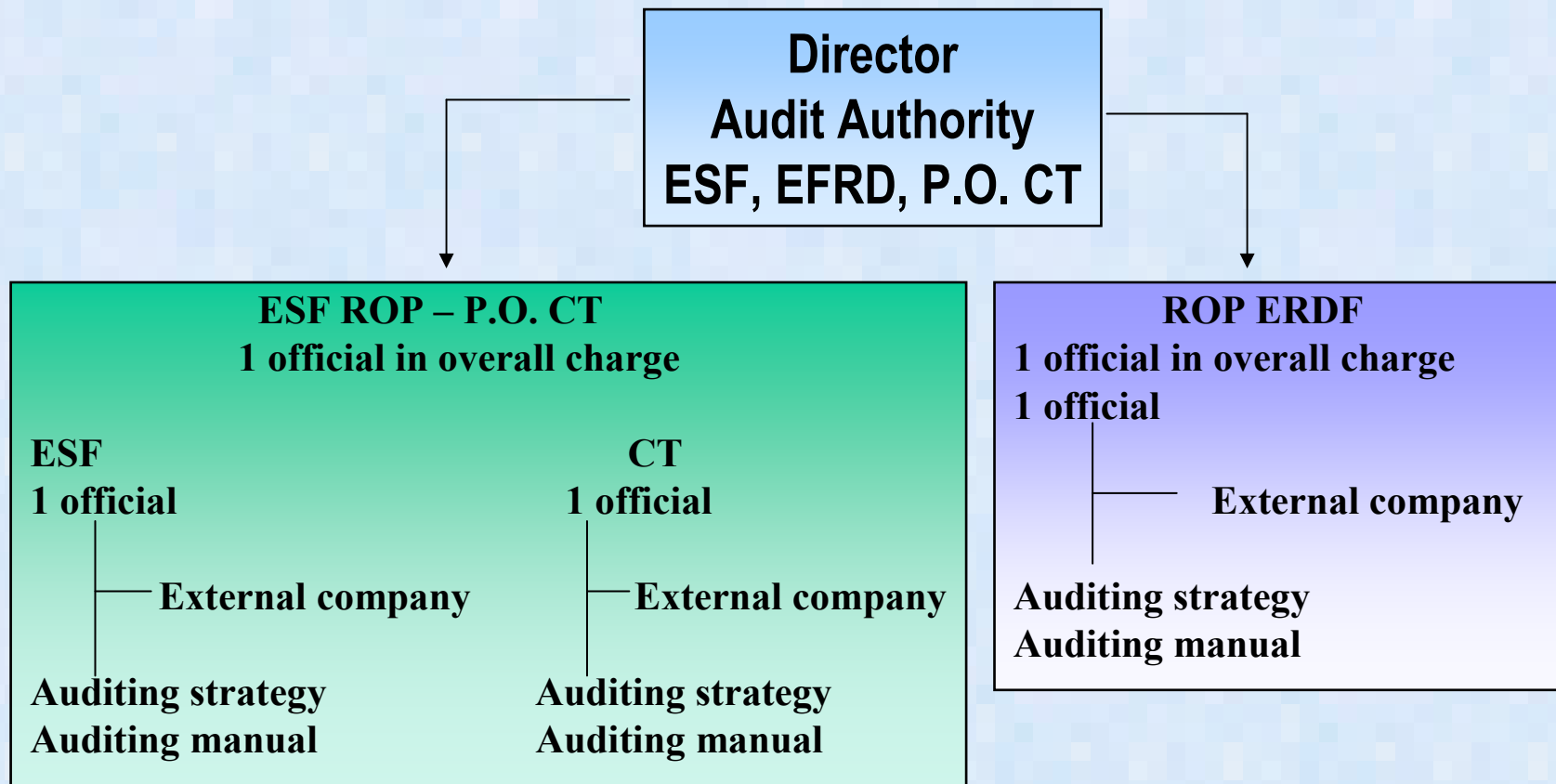


AUTHORITY ORGANISATION CHART





ORGANISATION OF AUDIT AUTHORITY





The role of external companies (Technical Assistance) and the role of the Audit Authority

External company:

- Carries out checks and collects documentation
- Prepares check lists and control reports
- Reports periodically on activities conducted

Audit Authority:

- Provides addresses, manuals and models of check lists and reports
- Carries out sampling of operations
- Validates results of checks and formulates corrective actions
- Handles disputes with subjects inspected and follow-ups
- Performs quality controls on the work of companies
- Prepares the Annual Control Report (RAC) and Annual opinion



Characteristics of the 3 programmes

Management System

ESF: a large number of Intermediate Organisations which carry out all phases of the process

ERDF: a small number of Intermediate Organisations specialising in a number of phases of the process

CT: no Intermediate Organisation, a number of aspects of the Management and Control System, varying from Country to Country

Nature of interventions

ESF: grants allowances for active labour policies (vocational guidance, training, employment placement, etc.)

ERDF: aid for enterprises, research, infrastructure measures

CT: partnership projects, mainly of an intangible nature

Number of operations to date

ESF: approximately 35,000 operations, including operations involving small sums

ERDF: approximately 1,700 operations, for widely varying sums

CT: fewer than 100 operations (simple projects and strategic projects)



System Audit

Subject of Audit

ESF: intermediate organisations analysed according to all key requirements

ERDF: individual key requirements analysed across several lines of intervention, cross-cutting issues, Intermediate Organisations, Lines of intervention

P.O. CT: individual key requirements analysed according to general and local characteristics, cross-cutting issues



Evaluation of the functionality of the Management System

ESF

Method based on the attribution of risk values to evaluation criteria, weighted average of values and evaluation of reliability of system

ERDF

Summary method based on direct attribution of qualitative evaluations to key requirements

CT

Summary method based on direct attribution of qualitative evaluations to key requirements



Operations Audit

Sampling Methods

ESF, ERDF, P.O. CT (simple operations)

- Statistical/random method
- Stratification according to equal aggregate rule
- Approximated to MUS

P.O. CT (strategic operations)

- Analytical method



Performance of Operations Audit

External company

- Performs check on selection and management of operation in administrative and accounting terms
- Conducts inspection on premises of final beneficiary (spot check)
- Sends control report and check list to Managing Authority

Audit Authority

- Checks and validates report
- Sends report to the O.I. or person responsible for dispute measure
- After counterarguments have been acquired, expresses verdict regarding irregularities reported and formulates corrective actions
- Sends results of checks to Managing Authority and Control Authority
- Manages follow-up



CHECKS ON OPERATIONS AND RESULTS (as of 2012)

	No. of checks	Total funds checked	Percentage of irregularities
ROP ESF	298	€ 36,534,429	1.15 %
ROP ERDF	84	€184,637,432	0.11 %
P.O. CT	21	€ 9,958,822	0.48 %



TYPES OF IRREGULARITIES RECORDED

ROP ESF

- **incorrect documentation**
- **duplications of roles/responsibilities**
- **disallowed expenditure**
- **recording hours of training not provided**

ROP ERDF

- **failure to comply with procurement regulations**

PO CT

- **small expenses which are not proportionate or unauthorised**



CRITICAL ISSUES IDENTIFIED

- Need for specific professional skills on the part of auditors
- Operational, organisational and management difficulties of performing controls in projects with broad-based partnerships: what is the right balance between the financial cost of the check and the amount of spending to be checked?
- Excessive proliferation of Intermediate Organisations
- Monitoring activity of external companies



FACTORS WHICH FACILITATE CHECKS

- Options for simplifying costs (indirect costs declared on flat-rate basis, fixed-rate costs calculated by applying standard tables of unit costs and on flat-rate sums)
- Collaboration between various Authorities of each Programme
- Efficient functioning of first-level controls
- Information Systems that are “open” to all Authorities.



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