

Interreg IPA CBC Italy-Albania-Montenegro Programme

PROGRAMME MANUAL

4.12 - FLC QUALITY REVIEW

Current manual version: Version 04

Updated on: 20 January 2020

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INTRODUCTION

In compliance with art. 125 of CPR Reg. (EU) No. 1303/2013 together with art. 23 of ETC Reg. (EU) No. 1299/2013, recalled by the IPA Implementing Regulation (EU) No. 774/2014, the Managing Authority of the Interreg IPA CBC Italy-Albania-Montenegro programme (hereafter referred to as the Programme) shall assure that the system for management verifications is properly functioning.

The Managing Authority of ETC programmes has the responsibility for all necessary functions of the management verifications, which have the objective to verify that co-financed products and services have been delivered and expenditure declared by the beneficiaries has been paid and that it complies with applicable law, the Cooperation Programme and the conditions for support of the operation. According to art. 23 of ETC Reg. (EU) No. 1299/2013, management verifications may also be carried out through appointed national controllers, as it is the case for the Programme.

In order to fulfill this obligation, but also to ensure the well-functioning of national First Level Control systems and in compliance with the Programme quality standards, the Managing Authority adopted the Quality Review system described below, fundamentally based on management verifications and quality checks.

In compliance with the Management and Control System (par. 2.1.3), the Managing Authority does not conduct controls in accordance with Article 125, paragraph 4, letter a) of Regulation (EU) n. 1303/2013 of the whole Program territory. For this reason, the participating countries Italy, Albania and Montenegro have designated the body or the person responsible for controls on its territory according to procedures laid down in its rules.

The Managing Authority shall ensure that the controls on the expenditure declared by the beneficiaries has been carried out. In accordance with the Management and Control System Description, each State is responsible for the checks carried out in its territory and carried out by the respective controllers identified according to the procedures described in the paragraph 2.2.3.6 of MCSD.

The Management and Control System provides that, in Italy, the first level controls are conducted in a decentralized mode, i.e. a controller is identified as: either 1) internal office within the beneficiary, in case of a public body; or 2) external to the beneficiary, in case of body / private company.

If the controller is identified as "external", it will be selected by public tender according to the EU, National and Programme procurement rules; if, on the contrary, the beneficiary opts for the selection of the controller within its "internal" offices, these should not be hierarchically and functionally depending on the office that implements the operation.

In both cases, the controller identified must meet the following requirements (Art. 23 of Reg. (EC) no. 1299/2013 and Art. 125 of Reg. (EC) 1303/2013): professionalism, independence, integrity, sufficient knowledge the program language, i.e. English.

In compliance with the provisions of the Italian Permanent Conference for relations between the State, Regions and Autonomous Provinces of Trento and Bolzano, which outlined the fundamental requirements for the national governance for the implementation and management of European Territorial Cooperation Programmes 2014-2020 with a technical note n.66 of 14.04.2016, Puglia Region as Managing Authority of the Programme is responsible for verifying the fulfillment of these requirements by the controllers proposed by the beneficiaries and to grant the so called *Nulla osta* (security release), on the basis of which the beneficiary may proceed to the contracting of each controller.

Puglia Region has appointed the officer P.O. *"Studi, ricerca e controlli Programma di cooperazione"* to be responsible for these activities (formally appointed with Act 65 of Executive MA of 09.26.2017 and Act 90 of Executive MA of 11.10.2019) and established the *Unit Office of managing Authority responsible for sampling procedure and quality review*, which is also in charge to assess that the controllers selected by the beneficiaries meet the requirements.

Project beneficiaries must also declare which public procedure have implemented for the selection of the controller and send all the documents attached to the templates included in Factsheet

4.9 (FLC Nulla Osta release manual). For this reason, the assessment carried out by the *Unit Office of Managing Authority responsible for sampling procedure and quality review* is based on a risk analysis (legal nature of beneficiary, number of projects financed, type of selection adopted), in order to sample at least 20% of the FLC appointed and verify, before the release of Nulla Osta, the public procedure implemented for the selection.

With regard to the first level control activities in Albania and Montenegro, the system is instead centralized, as both countries have chosen to make verifications implemented by employees, belonging to internal offices to appointed Ministries. For this reason, quality review procedure will be slightly different for National Authorities, with special reference to sampling methodology and number of certificates included in the quality assessment. In accordance with the Management and Control System Description, each State is indeed responsible for the checks carried out in its territory and carried out by the respective controllers identified.

In particular, in Albania, the National Authority (Ministry for European Integration (MEI) or corresponding Ministry carrying out the National Authority functions, in the current institutional setting) - First Level Control Office is the entity responsible for the system of first-level controls for each individual project partner of Albania. Within the Ministry, it was identified that the Office will designate responsible controllers (FLC) qualified to perform the first level control activities. The minimum requirements in the possession of the controllers must be: 1. knowledge of EU regulations, the Programme and the national legislation; 2. Sufficient knowledge of English.

The first level control office's structure includes the Head of the FLC and the designated controllers. The head of FLC is responsible primarily for the definition and distribution of tasks and allocation of beneficiaries to each controller, as required. The selected controller carries out checks on desk and inspections (on the spot checks) on documented expenditures.

In addition, the National Authority carries out checks on first level control performance, quality of the control system and correct application of the provisions of art. 23 (4) of Reg (EU) n. 1299/2013. At the end, the Office issues a report on the inspections and report any irregularities

detected in a specific report on irregularities. More on-the-spot checks will be carried out on a sample basis using risk assessment analysis to determine which projects should be inspected.

As for Montenegro, the National Authority decided that the Ministry of Finance of Montenegro - Directorate for Finance and Contracting of the EU Assistance Funds or corresponding Ministry in its CFCU function, in the current institutional setting, is the entity responsible for the system of first-level controls for each individual project partners from Montenegro. Within the Ministry, an Office has been appointed to designate the controller (FLC) qualified to perform the first level control activities. Minimum requirements of controllers must be: 1. knowledge of EU regulations, the Programme and the national legislation; 2. Sufficient knowledge of English.

The Ministry of Finance of Montenegro - Directorate for Finance and Contracting of the EU Assistance Funds (CFCU), or corresponding office in its current institutional settings, carries out checks on FLC performance, the quality of the control system and the correct application of the provisions to art. 23 (4) of Reg (EU) n. 1299/2013. At the end, the Office issues a report on the inspections and report any irregularities detected in a specific report on irregularities. More on-the-spot checks will be carried out on a sample basis using a risk assessment analysis system to determine which projects should be inspected.

QUALITY REVIEW PROCEDURE

During the project lifecycle, the Managing Authority puts in place initiatives to ensure a satisfactory level of quality and effectiveness of activities carried out by First Level Controllers, between 1 January of the Year N and 30 June of the Year N, in relation to expenditures certified from 1 January Year N-1 to 31 December Year N-1.

In particular, the MA may implement following initiatives:

- 1) training and technical workshop meetings on an annual basis with the First Level Controllers, concerning the eligibility rules and the compliance with public procurement rules, aimed at increasing the effectiveness of the control work, while harmonizing the understanding on the key requirements and disseminating good practices in control procedures both on desk, i.e. through the eMS platform that on-the-spot;

- 2) FLC on-line multiple-choice test in order to verify the level of knowledge of the issues related to the control (eligibility rules, public procurement and audit trail inherent in each category of expense). Especially on the occasion of the FLC training, or any time that the FLC needs online training, each controller is asked to perform the test. If the error rate exceeds the total of 30%, the MA will organize required technical workshops, additional and more, in order to increase the average skills of FLCs;
- 3) representatives of MA and JS may play, random, on-spot checks, eventually at the same time with first level controllers, in order to verify the state of progress of the projects and their compliance with the Progress Reports validated by the controllers themselves. In this way, in addition to performing the monitoring function of the projects, the MA and the JS may verify the quality of the activities performed by the controllers .

The Managing Authority ensures the supervision of controllers' activity through a quality check, to be implemented on the expenditures certified and on the related annexes issued by each FLC. The quality review is performed on the basis of the Quality review with annual sampling in application of a methodology strictly based on the stratification of population of certificates associated with high/medium/low risk, better detailed below. The purpose of the Quality Review is to verify if the First Level Controller has implemented the correct activities and thus the level of effectiveness of the first-level control work.

The annual sampling time schedule for quality checks is implemented selecting the certificates issued between 1 January and 31 December of year N and the related quality checks will be carried out in the first half of the year N+1 and concluded by 30/6/N+1.

The quality checks concerns the following activities to be implemented through check list expressly elaborated: correct filling of control check-list, including comments and results of the control activity, related to each certificate of verified expenditures and their consistency with supporting documents provided by the beneficiary; progress report and table of expenditures; correctness of certificate of verified expenditures; consistency of controller's opinion expressed in control check-list and admissibility / eligibility of the expenditure certified.

The sampling methodology will be based on the following criteria:

- 1) the stratification of population with low risk is represented by certificates issued after desk or on-the-spot checks with a total amount of expenditures certified higher than Euro 5.000 and less than or equal to Euro 20.000. At least 20% of this stratification will be selected for the quality control;
- 2) the stratification of population with medium risk is represented by certificates issued after desk or on-the-spot checks with a total amount of expenditures certified higher than Euro 20.000 and less than or equal to Euro 300.000. At least 50% of this stratification (this is the sample with larger population) will be selected for the quality control;
- 3) the stratification of population with high risk is represented by certificates issued after desk or on-the-spot checks with high amount of expenditures (>Euro 300.00). At least 30% of this stratification will be selected for the quality control.

As for National Authority of Albania and Montenegro, where first level controls are conducted in a centralized mode, quality review procedure will be slightly different, with special reference to sampling methodology and number of certificates included in the quality assessment. For this reason, the sample of projects will be reduced on 1 (one) project per each Axis of the Programme (Standard Call, Targeted Call and Thematic Call) in order to assess quality of FLC performance.

In conformity with the Document *“Quality Control Procedure for 2014/2020 Programmes”* released by Agenzia per la Coesione in 2018, the sample will include certificates covering at least 10% of total expenditures certified for the year N and at least 10% of the total number of certificates per Country. In any case, the annual sampling will also automatically include any First Level Controller previously checked by Audit Authority, in case of verification / audit closed with error. Only for Italian decentralized system, if an appointed FLC is repeated, the certificate shall be excluded from this first sample and an additional certificate shall be added, in order to cover a wider percentage of controllers.

As for monitoring and quality review of First Level Controllers, the assessment will be carried out through a quality Check-list formally approved by the *“Joint Committee State-Regions for the coor-*

dination of the national control system of ETC Programmes 2014/2020” during the session held on 14/11/2017, later confirmed in 2018 by Agenzia per la Coesione with the Document “*Quality Control Procedure for 2014/2020 Programmes*”, enclosed in Annex 1.

The quality check-list is completed with the following summary-report in which the outcome of quality check is presented and could be 1) *Positive*; 2) *Satisfactory*; 3) *Unsatisfactory* and 4) *Negative*, including a short overview with remarks and findings. On the basis of the Quality Check outcomes, taking into account also the remarks and the detailed information included in the check-list, the Managing Authority and National Authorities of Albania and Montenegro will take progressive measures towards the first level controllers, according to the following methodology:

Outcome	Action
<i>Positive</i>	No measure - Information to FLC in case of potential findings pointed out as remarks
<i>Satisfactory</i>	Recommendation to FLC based on the remarks
<i>Unsatisfactory</i>	FLC must take part in annual training seminars organized by MA until the end of his/her assignment - In case of new unsatisfactory outcome, withdrawal of Nulla Osta is taken into consideration
<i>Negative</i>	FLC is suspended for 3 months and is required to take part in annual training seminars organized by MA until the end of his/her task; in case of new negative outcome, Nulla Osta will be withdrawn. In case of serious and justified reasons, Nulla Osta will be withdrawn Region even at first negative assessment

In order to align the quality check procedures to the quality check performed by the Italian National Authority, the Managing Authority and Albanian/Montenegrin National Authorities shall ap-

ply the same procedure. For this reason, in Albania and Montenegro, according to questionnaire submitted during the designation process:

- carries out checks on the first level control performance, on the quality of the control system and the correct application of the provisions of art. 23 (4) of Reg (EU) n. 1299/2013;
- issues a report on the inspections and report any irregularities detected in a specific report on irregularities on a sample basis using a risk assessment analysis system and is carried on-the-spot checks.

In Italy, where first level controls are conducted in a decentralized mode, quality review procedure is carried out by the *Unit Office of Managing Authority responsible for sampling procedure and quality review*, within the *Department of Economic Development, Innovation, Education, Training and Work*, supported by the technical assistance staff and joint secretariat.

In the other participating countries, where the system is instead centralized, in order to grant always a hierarchical and functional separation with the FLC involved, quality checks are carried out respectively by:

- in Albania, the *Department of EU Funds* inside the *Ministry for Europe and Foreign Affairs, National Authority for Territorial Cooperation*;
- in Montenegro, the *European Integration Office* inside the *Prime Minister's Office of the Government of Montenegro*.

On this basis, the Managing Authority and the National Authorities shall assure themselves that the appointed controllers function and, for this reason, in compliance with the proportionality and effectiveness principles, the quality assurance must not duplicate or overlap with the verifications carried out by other levels of control. Management verifications shall not overlap or be repeated on the same expenditure items, but rather build on and complement previous control levels and must not replace the audit of operations and system audit carried out by the Audit Authority.

To this purpose, the quality check to be performed by the Managing Authority and National Authorities shall be based on:

- a desk verification of the work carried out by the national appointed controllers on a sample of first level control certificates;
- an on-the-spot visit by the Managing Authority and National Authorities carried out on the basis of the results of the desk verification.

During the quality review process, Managing Authority is supported by Joint Technical Secretariat of the Programme, on the basis of set tasks and responsibilities that, on the basis of Joint Progress reports and all the outputs and delivered described, as well as on-the-spot visits once during the project life, checks the performance of the project beneficiaries, i.e. if the outputs and expected results are achieved in compliance with the approved project, on time and according to the Programme intervention logic.

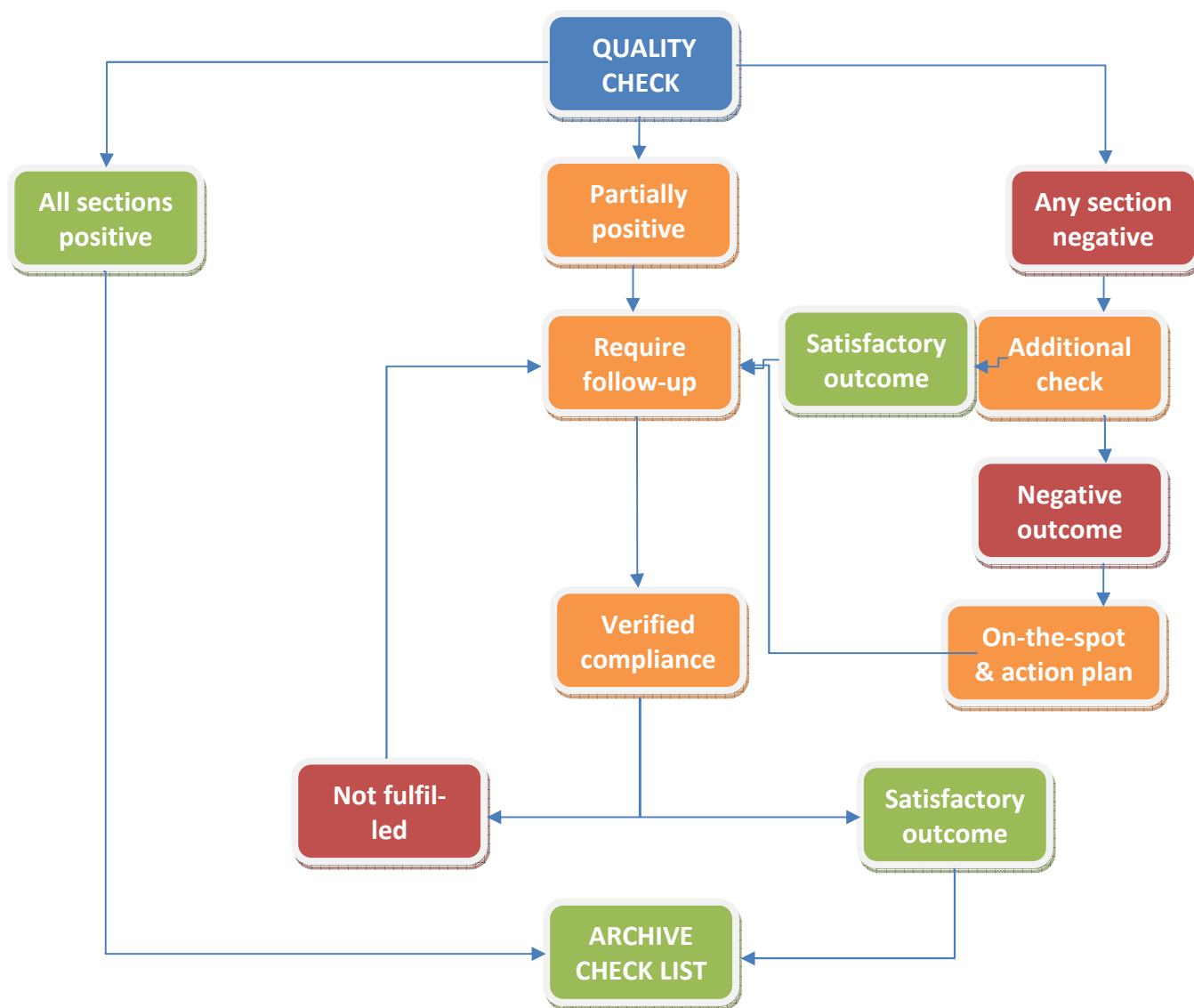
In order to complete the assessment of First Level Controllers and examine all the potential issues during their activity, the procedure of quality check will be also focused on the following features:

- control of working environment (working facilities, archives, retention policy, training, appraisal)
- FLC dynamics for issuing declaration for verification of costs (time between reports submitted and time when declaration were issued)
- quality of communication with project partners
- percentage of accepted / rejected costs
- irregularities identified
- risks identified
- substitution plan (in case of absence of the FLC officer)
- check based on the approved costs (by checking the documents and tender procedure for different types of costs on the projects, using the sample approach)

Joint Secretariat is also involved in controlling completeness of the activity report, in monitoring project progress with detailed reporting within work package, in project total budget monitoring, regarding the presence in the eMS system of FLC certificates according to the eMS documentation, as set in the Programme Manual.

FOLLOW-UP PROCEDURE

The following work flow chart shows in details the procedure adopted in Quality Check:



The procedure for the follow-up on the quality check implemented is the following:

Outcome	Follow-up
<i>a) All sections of CL are positives</i>	Archive Check-List
<i>b) Any section is partially positive - general outcome is satisfactory</i>	<p>1) Concerned controllers are required to follow-up on the observations, within a set deadline and in writing. MA or Albanian or Montenegrin Authorities shall verify the written follow-up by the concerned controller.</p> <p>2) If the outcome is satisfactory, archive Check-List.</p>
<i>c) Any section is negative and/or general outcome not satisfactory</i>	<p>1) Additional 20% of the certificates issued by the Albanian and Montenegrin controller (centralized systems) and all certificates issued by the same controller in Italy are checked.</p> <p>2a) If the outcome of the additional check is still negative, an action plan is adopted and an on-the-spot visit is planned. The on-the-spot visit shall be recorded in a report and where necessary an action plan shall be adopted and followed up. Additionally, the same controller has to be checked in subsequent report again.</p> <p>2b) If the outcome of the additional check (point 1) is satisfactory, concerned controllers are required to follow-up in writing (see point b).</p> <p>3) If the outcomes of the follow-up is satisfactory, archive the check-list.</p>

During the follow-up procedure, MA examines in details weaknesses identified, clarification provided by First Level Controller, risk assessment and mitigating measure to be implemented.

In order to verify and assure that the system for management verifications is properly functioning, the Managing Authority of the Programme is continuously engaged in supervision, control and assessment of the FLC Systems. In order to achieve the above mentioned target, MA has adopted a quality review system to guarantee the full compliance with ETC Programmes quality standards.

After the end of the annual quality review procedure, Managing Authority shall include the findings on the quality review on the First Level Controls in a specific report on quality review controls (Annual Summary), identifying those finding that may have an impact on the Management and Control System, including a summary of all findings grouped in categories and information on the planned on-the-spot verifications of the following year. All the measures to be achieved for the proper function of the FLC systems will be described in this report and will include training, guidance, quality checks of the work carried out by the FLC.

Partner countries are invited to report every year to the MA on the quality assurance measures actually implemented in the territory of Albania and Montenegro and also to elaborate a summary of all findings grouped in categories and information on the planned on-the-spot verifications of the following year.

On the basis of all the information collected, MA completes and records FLC assessment, which shall be also monitored and updated every year. Analytically the MA examines and assesses:

- 1) organization and functionality of the First Level Control System;
- 2) compliance of the FLC system to the EU and national regulations and legislation;
- 3) controls realized on the controllers (both administrative and on the spot);
- 4) number of findings and how the FLC system corresponds to their actions.

In order to assure the quality of the FLC systems, MA will make a summary of quality checks implemented that could lead to change the content of project guidance, FLC guidance documents, FLC checklists, trainings (project partners and controllers) and the programme risk assessment procedure.

In case of important and significant deviations from EU Regulations and Programme rules during the FLC quality check assessment, including objectives, weaknesses or shortcomings in its management and control acts or in the execution of tasks, in relation with the size and the importance of the problems encountered, Managing Authority can:

- organize meetings to resolve specific issues and / or propose corrective measures, if the FLC system works well and requires little or some improvements;
- take corrective measures and monitor their implementation;
- draw up an Action Plan, in order to set a coherent series of actions/corrective measures to be implemented, within specific deadlines.