



CORTE DEI CONTI

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*The Italian Experience In Auditing And Pursuing Disasters And Catastrophes*

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CORTE DEI CONTI





## INTRODUCTION

Emerging situations caused by natural disasters recur with increasing frequency. Disasters impact statistics show there are now more disasters, but fewer people die in proportion, even though more population is affected and economic losses are increasing.

New settlement patterns, such as population growth, increased urban/rural migration act as dynamic pressures and contribute to augment people's exposure to hazards.

- SAs must respond quickly and make sure to be prepared to audit emerging issues and situations, at different governance level.



## INTRODUCTION

The Italian territory has a high exposure to natural risks: earthquakes, floods, landslides, volcanic eruptions, fires.

- 10% of the Italian territory has high hydrogeological problems;
- More than 6,000 municipalities are involved;
- 2/3 of the areas exposed to risk concern urban centers, infrastructures and productive areas;
- 100% of the national territory is at risk of landslides and floods.

Natural catastrophes and human activities, contribute to make our territory increasingly fragile.

Seismic events have seriously affected central Italy in the last few years and our Regional Audit Chambers and the Central Chamber for Audit Management have been highly concerned and have done and are still working on several reports.



## **INTRODUCTION - THE ITALIAN SYSTEM OF DISASTER RECOVERY AND RECONSTRUCTION**

The Civil Protection Department is grounded in the offices of the Presidency of the Council of Ministers.

It has a guiding role, in agreement with regional and local governments, of projects and activities for the prevention, forecast and monitoring of risks and intervention procedures that are common to the whole system.

The Department coordinates the response to natural disasters, catastrophes or other events, that for intensity and extent, should be faced with extraordinary powers and means.

Moreover, also in agreement with the regional governments and local authorities, working in the drafting of legislation on the prevention of risks and regulatory measures needed to cope with disasters and minimize damage to people and property.



## **INTRODUCTION - THE ITALIAN SYSTEM OF DISASTER RECOVERY AND RECONSTRUCTION**

Risk prediction, prevention, relief activities as well as operative interventions and reconstruction are fundamental and money consuming activities.

Operative interventions, prompt recovery and reconstruction of places are assigned to different bodies at central, regional and local level.

The system is very complex as responsibilities and funds in carrying out these activities are assigned to several Bodies and operative structures.

These are predictable playing fields for misuse and waste of public resources, irregularities and corruption.



## THE ROLE OF THE CORTE DEI CONTI

**The Corte dei conti, with its audit and jurisdictional functions, plays a fundamental role in the above-mentioned scenario.**

THE CORTE DEI CONTI'S FUNCTIONS:

- 1) **Ex ante audit** to assess the correctness of public procurements;
- 2) **Performance audit** to monitor the correctness of financial flows, the economy, effectiveness and efficiency of the public resources management;
- 3) **Judicial Competence in the Assessment of administrative and accounting liabilities** for any damage caused to the State by fraud or gross negligence in post-disaster recovery and reconstruction activities.



## THE ROLE OF THE CORTE DEI CONTI – THE AUDIT FUNCTIONS

- 1) The *ex ante* audit is extremely useful for its capacity to intercept unlawful conduct and to assess regularity and lawfulness of administrative proceedings for public procurement;
- 2) The performance audit covers the correctness of financial flows and the economy, effectiveness and efficiency of the management.

It provides hints and suggestions for the management and accountability of future disasters.

The Corte dei conti audits all public bodies involved in the emergency, recovery and reconstruction phases, both at national and local levels.



## THE ROLE OF THE CORTE DEI CONTI – THE JUDICIAL FUNCTION

3) Public Prosecutors of the Corte dei conti can bring liabilities' action in case of misuse of public funds and of any loss of public resources in emergencies' management and reconstruction before the Regional Jurisdictional Chambers of the Corte dei conti.

They can lodge an action in case of administrative and accounting liability of agents and private person managing public "resources" in the public general interest for any damage they caused to the State and the European Union or to any public entity by fraud or gross negligence.

All losses caused by an unlawful conduct or omission can be taken into account (corruption; fraud in the management of public funds – European, national, regional and/or local –; infringements or unlawful conducts or omissions in directing and/or monitoring the performance of works, supply and service agreements causing breach of contracts, unlawful additional payments, unlawful variant solutions; damages to the treasury, etc.).

The harm could also take into account non-material damages: damages to reputation (loss of reputation of the public body involved as a consequence of the agent's conduct), damages to competition, damages to the environment, damages deriving from bribes; costs incurred to ascertain the violation; damage to the public resources caused by inefficiencies in managing a service of general interest or a public office; subsequent losses from illegitimate use of public funds allocated for works, which includes the costs of rectifying quality or quantity and the project.

In case of alleged corruption or other criminal infringements, he has to report the notice to the Criminal Prosecutor Office.



## A CASE STUDY: THE AUDIT REPORT ON THE EARTHQUAKE IN UMBRIA



The Regional Audit Chamber for Umbria of the Corte dei conti prepared an interesting report on the earthquake occurred in Umbria in 2016 and its replicas 2017.

It analysed the intervention system post-earthquake which was divided into two phases: Emergency and Reconstruction, assessing mainly the Emergency stage and the relevant activities managed at national, regional and local level on the basis of data provided by regional and local authorities of Umbria: the reports of the Region of Umbria, the Province of Perugia and the Municipalities affected by earthquake.

**It is worth to note that, as a consequence of replicas, the Reconstruction was still ongoing and there has been an overlapping between the two phases and their funding/management.**

## A CASE STUDY: THE AUDIT REPORT ON THE EARTHQUAKE IN UMBRIA



### ***The Contents of the Report:***

**(1) Compliance Audit.** The report analyzed the specific legislation related to the emergency phase with reference to the structures involved, the organizational set-up, the proceedings relating to the identification, evaluation and satisfaction of the needs of the territory and the population affected by earthquake.

**(2) Accounting – Financial Audit.** The report contains an in-depth financial audit regarding: (i) the transfer of the funds to manage the emergency, (ii) the bodies which incurred in the expenditures, (iii) the eligible expenditures, (iii) the methods for reporting.

**(3) Assessment of measures.** The report dealt with the assessment of single measures (they highlighted 18 measures) implemented from August 24, 2016 (seismic event) to October 30, 2017 by local authorities of Umbria.

## A CASE STUDY: THE AUDIT REPORT ON THE EARTHQUAKE IN UMBRIA



In the case at stake, the Corte dei conti highlighted that:

- The transfer of funds for emergency was made on the basis of **the mere esteemed needs** and, only successively, for the **refund of expenditures** incurred and reported;
- In this case, the expenditures' report was assigned to the Umbria Region which, monthly, assessed the expenses of local authorities and sent the relevant document to the Civil Protection Department which carried out its own assessment to refund the resources.

## A CASE STUDY: THE AUDIT REPORT ON THE EARTHQUAKE IN UMBRIA



### FINAL REMARKS

The Corte de conti also underlined that:

- (i) the “double check” system on the expenditures made by the Umbria Region and the Civil Protection has not ensured the certainty of the closure of all the expenditure proceedings;
- (ii) The Municipalities did not grant a sufficiently detailed control on expenditures so impeding the possibility to effective measure and verify the reliance between each expenditure and the quality of services provided to citizens affected by the earthquake and its replicas;
- (iii) The overlapping of Emergency and Reconstruction phases determined certain uncertainties in the destination and management of funds;
- (iv) The Reconstruction was still ongoing, so it was not possible to fully report it.



# We warmly thank you for your attention!

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