



## THE COSTS OF THE EMERGENCY AND THE ROLE OF THE COURT OF AUDITOR

Discussion points about the relationship between the controls of the regional chambers of the Italian Court of Auditors and the recording of the costs of the (not only) health emergency.

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The need to quantify, in a transparent and accurate way, the costs of any emergency situation is no easy task, considering political decision-makers finding themselves in situations of urgency to respond to many challenges posed by the complexity of emergency situations.

The Joint Chambers of the Court of Auditors, in their

annual report to the Parliament, pointed out that sli-

ghtly more than half of the resources allocated to the

regions in 2020 to deal with the epidemic were used

in the reference year and that, in parallel, there was a

sharp increase in provisions, which is symptomatic of

the low capacity to use resources at local level. The

report further highlighted the different ways in which

regions responded to the crisis when looking at indi-

vidual cost and revenue items. Differences are also

reflected in the varying conditions of regional health

systems in terms of the quality of the services offered,

staff shortages due to the financial constraints impo-

sed by possible return plans and the slow progress of

investments sacrificed by current needs.

In this research paper, we will highlight how the Italian Court of Auditors, in exercising its control role over all public management, represents a special scope for identifying the costs of any kind of emergency. Such emergency include, as recently, an acute pandemic and threat to public health, as well as environmental emergencies, such as volcanic, seismic, hydro-geological events (flooding, landslides, landslides) and forest fires. Eventually all natural emergency situations are highly likely to result into health emergencies.

## CASE STUDIES

The pandemic crisis has shown that a policy of linear cuts in healthcare expenditure with severe restrictions on staff expenditure has weakened the entire national health service. In the health emergency, this situation has worsened as a result of retirements and the increasing phenomenon of voluntary resignation, which have led local health authorities (ASLs) to contract private health services, following the negotiated procedure and the lowest price criterion. These assignments to private cooperatives occurred in clear circumvention of the public tendering requirement and a lack of professional suitability indicators, resulting, in particular in public hospitals, in the phenomenon of "token doctors". That implies healthcare staff who are members of these cooperatives and intervene on request to cover essential strategic health services in the context of the COVID-19 emergency (such as first aid, intensive care, anesthesia and cardiology) irrespectively of whether or not they possess the specific skills required for that particular service.

The Court of Auditors Regional Section of Lazio raised concerns about the legality of the regional accounting procedures and even greater concerns about the payment of the health fund managed by the central health management body (GSA) in the Lazio Region, which, rather than making the payments, or even transfers to the local health authorities, entrusted the management of the health fund to a third party. This third party was called "Lazio Crea" and was wholly owned by the Region, did however not fall within the area of the

management body (GSA) in the Lazio Region, which, rather than making the payments, or even transfers to the local health authorities, entrusted the management of the health fund to a third party. This third party was called "Lazio Crea" and was wholly owned by the Region, did however not fall within the area of the entities authorized to operate. Furthermore, the GSA entered in its balance sheet a claim on a subsidiary company, including this item as a revenue, when it was clear that the claim was non-existent against the investee company. All these aspects have led the Regional Control Chamber to place a reserve of equal treatment for this part of the Lazio Region's accounts.

In **Abruzzo** the problems linked to compliance with the expenditure ceilings for the recruitment of staff laid down in Law No 191/2009 have fueled the use of private cooperatives, since it is impossible to adopt extraordinary measures for the recruitment of staff which would have led to non-compliance with the expenditure ceilings laid down in Law No 191/2009. The Regional Court of Auditors found that the costs attributable to expenditure on staff recruited to combat the COVID-19 emergency did not create major difficulties for the years 2020 and 2021 in relation to the pursuit of the public finance objective under Article 2 (71) of Law No 191 of 23 December 2009. They were found to be authorized and financed by way of derogation from the expenditure ceilings by means of the Government Emergency Decrees, while for 2022 the costs of managing the pandemic were included in ordinary staff expenditure. This means that the stabilization of staff recruited during the pandemic and the need to maintain the service could probably make it impossible to pursue compliance with the expenditure ceiling laid down in Law No 191 of 2009.

## CONCLUSIONS

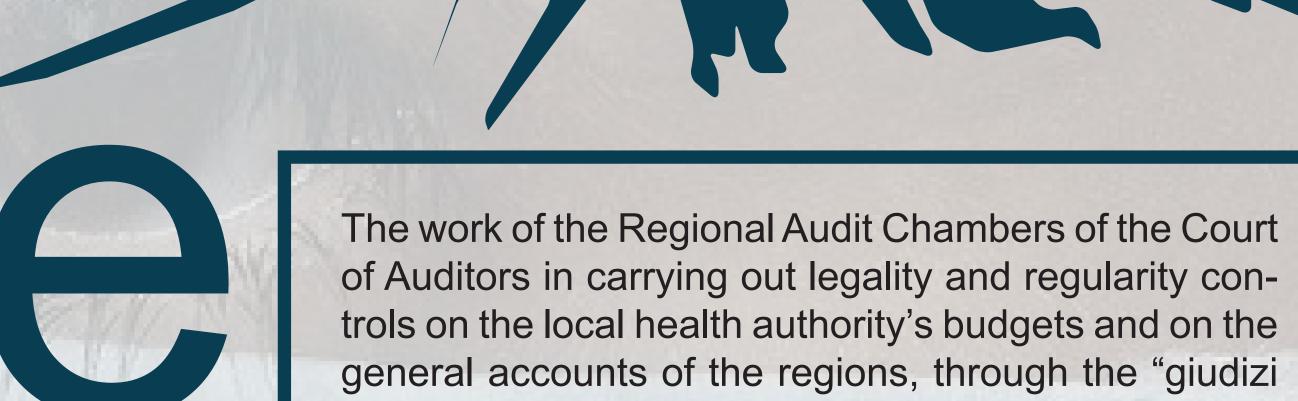
The cases examined show that the role of the Court of Auditors, and in particular the controls carried out by the Regional Chambers on the general accounts of the Regions and on the budgets of the local health authorities, is crucial for the assessment of the costs of the health emergency, now and for any future emergency.

Such a control would make it possible to reveal critical management situations (such as those of the national health system) by calling upon the responsibility of the regional elected assemblies when presenting the same general accounts. On the other hand, the control cannot be fully effective. Despite the law stipulating that the detection of economic financial imbalances or management irregularities entails an obligation on the part of the body to take appropriate measures to remedy the irregularities, and, in the event of non-compliance, the blocking of spending programs, such a measure has never been applied by any regional chamber of the Court of Auditors. Notwithstanding the fact that this law explicitly applies to ASLs and hospitals and has been recognized by the Constitutional Court itself as constitutionally legitimate (judgment n.39/2014).

The reasons that the regional control chambers have never activated the measure of blocking spending programs to this dare are complex. They are essentially related to the nature of the "right to health", which in Italy constitutes a fundamental right and that the Italian Constitutional Court has defined this right as financially "uncompressible". Unfortunately, it has shown all its fragility in terms of effectiveness, regardless of the pandemic emergency. Therefore, the measure could not be easily applied in the health emergency.

Nonetheless, recent emergencies have also stimulated changes in the functions of the Court of Auditors by emphasizing its advisory and steering role which could be a pre-law instrument. Old and new prerogatives increasingly enable the Court, in its role as guardian of the budget as a public good, to capture aspects beyond the strict accounting figure and, based on the financial data of the public administration, assess the effects and effects of the planned objectives in relation to the results achieved. Important information can be extracted from the Court's advisory and control functions, not only to identify the costs of the emergency but also to guide public policies in general.

In conclusion, during a health emergency that has rapidly become an economic and social emergency, the Court of Auditors has taken on a new role. Besides its traditional financial and budgetary controls, the Court has evolved into an auxiliary to the elected assemblies of national, regional, and local governments. During the pandemic emergency this role has been played in defense of the effectiveness of the right to health, considering also intergenerational fairness and sustainable development.



of Auditors in carrying out legality and regularity controls on the local health authority's budgets and on the general accounts of the regions, through the "giudizi di parificazione", revealed that the deficit situation in regional budgets stems mainly from health expenditure, which accounts for around 80 % of the regional budgets.

Particular attention should be paid to the situation of those regions that are already affected by various health spending review measures and are currently in deficit recovery plans, such as Abruzzo, or in a situation of "extraordinary management" such as Calabria. The pandemic has aggravated situations that were already financially precarious due to pre-existing health deficits and bad management.

It is sufficient to read the report attached to **Calabria's** "giudizio di parificazione", which shows a suboptimal result on the management of the health emergency. Even though, in 2020 and 2021, the Region received over EUR 251,911 million in financial resources, 67% of the amount had not yet been transferred to the health bodies and the status of the 'Covid operational plan' operations were far behind schedule as of 31.12.2021.

Lastly, the comments made by the **Lombardy** Regional Control Section, which was one of the regions most affected by the emergency, are important. In addition to the increase in provisions and non-compliance with the SPEA's ceilings, SRC's comments focused on the transparency of health accounts.

In the Region's health management, the Court of Auditors has generally found that accounting practices vary to such an extent, that it is sometimes difficult to identify the origin of funds, thereby undermining the principle of transparency in terms of forecasting and making it difficult to plan both current and investment expenditure properly.