



EUROPEAN COMMISSION

REGIONAL POLICY
EMPLOYMENT, SOCIAL AFFAIRS AND INCLUSION
OLAF
MARE

DG REGIO, DG EMPL and DG MARE with the support of
OLAF

**Joint Anti-Fraud Strategy (JAFS) for
ERDF, ESF, CF and EFF 2012-2013**

1. INTRODUCTION

This document outlines a Joint Anti-Fraud Strategy (JAFS) for the 2012-2013 period for the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF) and the European Fisheries Fund (EFF), implemented by the Commission under shared management with the Member States.

The existing close and systematic cooperation between DG REGIO, DG EMPL, DG MARE (hereafter: DGs) and OLAF shall be further developed, based on a regular exchange of views and mutual support in implementing the actions of the JAFS.

The JAFS seeks to reinforce existing measures which are in place for the purpose of protection of the financial interests of the Union by providing support to Member States in their anti-fraud efforts and strengthening the capacity of DGs to deal with fraud as well as intensifying cooperation with OLAF.

On 24 June 2011 the Commission adopted a Commission-wide Anti-Fraud Strategy (CAFS)¹. The JAFS 2012-2013 incorporates the action points related to structural actions which are set out in the CAFS.

The JAFS 2012-2013 covers the whole anti-fraud cycle: prevention, detection, investigation and corrective measures.

The document has been prepared in close and systematic cooperation by a technical working group, composed of representatives of the Audit Directorates of the DGs and the Policy Directorate of OLAF.

The JAFS is without prejudice to OLAF's investigation responsibilities for fight against fraud.

The JAFS 2012-2013 has three annexes:

- an Action Plan;
- Practical Working Arrangements for cooperation with OLAF (*a separate document internal to the Commission only*);
- the legal background and the definitions relevant to the protection of the financial interests of the European Union under shared management.

¹ COM(2011)376 final of 24 June 2011 *Communication from the Commission to the European Parliament, the Council, the Economic and Social Committee, the Committee of the Regions and the Court of Auditors on the Commission Anti-Fraud Strategy.*

2. ROLES AND RESPONSIBILITIES

The obligations for the Commission services and the Member States to ensure sound financial management and to counter fraud are laid down in Articles 317 and 325 TFEU respectively and the sectorial legislation. See also Annex 3 for the legal background in this respect.

2.1. DG REGIO, DG EMPL and DG MARE

As the funds disbursed by the Member States under structural actions exceed more than 50 % of the total EU budget, DG REGIO, DG EMPL and DG MARE have an important role to play in the protection of the financial interests of the Union. The Financial Regulation, the internal control standards and the sectorial regulations require the Commission to ensure that the Member States have set up, and effectively run, management and control systems which make sure funds are efficiently and correctly used so as to ensure legality and regularity of expenditure.

The geographical units and the audit units of the DGs must have sufficient knowledge related to prevention, detection, reporting and correction of irregularities and fraud. An important task is to ensure that OLAF's financial and administrative recommendations are implemented in an appropriate and timely manner. In order to ensure that the desk officers and auditors have sufficient skills and competencies in the area of anti-fraud, the JAFS contains actions in order to train the desk officers and auditors. Trainings are offered by each DG, with the assistance of OLAF.

DGs carry out audits in the Member States to verify the effective functioning of national systems (including anti-fraud measures)² in the framework of a multi-annual audit strategy. The audit strategy is revised annually on the basis of updated risk assessments per country. The audit strategy contributes to the anti-fraud policy by promoting well-functioning internal control systems in Member States which can prevent, detect and correct irregularities and fraud. Procedures have been agreed between the DGs in order to ensure effective coordination in relation to the authorities to be audited and sharing of audit results, in order to avoid duplication of audit work. An inter-service agreement was validated in this respect in February 2011. The JAFS recognises that according to ISA standard 240, the internal auditor (and the external auditor) should have sufficient knowledge to identify indicators of fraud but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

The DGs and OLAF will seek to further strengthen their cooperation under the JAFS.

² From 2014 onwards, but depending on the outcome of the negotiations with the European Parliament and the Council, arrangements should be laid down in the services' audit strategies for auditing the mechanisms set up by the Member States for fraud prevention and detection as part of the overall management and control system, taking into account that the draft provisions require Member States to put in place "effective and proportionate anti-fraud measures, taking into account the risks identified".

2.2. The Member States

By virtue of Articles 28a and 53b (2) of the Financial Regulation and the sectorial regulations in force, under shared management the Commission has delegated implementation tasks to the Member States which are thereafter responsible, in the first instance, to prevent, detect investigate and correct irregularities and suspected fraud. In order to ensure that the funds are used in accordance with all the applicable rules and principles, the Member States shall take all the legislative, regulatory and administrative or other measures necessary for protecting the Union's financial interests and in particular to prevent, detect and correct irregularities and suspected fraud.

The DGs and OLAF will support the Member States in this respect by raising awareness about the importance of having adequate anti-fraud measures in place.

The appropriate fora to discuss anti-fraud issues with the Member States are on the one hand the COCOLAF and on the other hand the COCOF and annual coordination meetings. The DGs, together with OLAF, will seek to make better use of these fora in order to support Member States in developing proper anti-fraud policies. Activities could be developed regarding exchanges of best practices in particular as regards risk assessment, national anti-fraud measures, training etc.).

2.3. OLAF and the DGs' cooperation with OLAF

As above, Article 325 (2) TFEU lays down that the Member States shall take the same measures to counter fraud affecting the financial interests of the Union as they take to counter fraud affecting their own financial interests.

On the basis of Regulation (EC) no 1073/1999 OLAF's main task is to carry out investigations. In addition, according to Art. 1(2) of Regulation (EC) no 1073/1999, it shall contribute to the design and development of methods of fighting fraud.

On the basis of its experience and expertise in the conduct of administrative investigations OLAF will support other Commission Services in the prevention and detection of fraud.

With regard to fraud proofing of legislation, DGs will involve OLAF at the earliest stage possible in the preparation of any type of draft legislation where appropriate fraud prevention issues can be raised and OLAF will provide its support.

DGs on the one hand and OLAF on the other hand will systematically invite each other to any event with the Member States where fraud prevention issues are raised. In particular, DG REGIO, DG EMPL and DG MARE will be invited to participate in the COCOLAF (Advisory Committee for the Coordination of Fraud Prevention), and OLAF will provide presentations in the annual meetings with the MS control and audit authorities and other fora, as appropriate.

In the framework of the Annual Report on the Protection of the EU Financial Interests, OLAF produces a Statistical annex (II) containing statistical evaluation of the Member States' reporting on irregularities and suspected fraud cases.

OLAF will provide assistance in training events on fraud prevention, detection and investigation matters (such as fraud patterns, trends, risk indicators and methodologies).

OLAF will, on a regular basis, inform DG REGIO, DG EMPL and DG MARE about its decisions regarding opening of investigations, with a view to support and feed into the DGs' fraud prevention measures and audit activities.

On a case by case basis and depending on requests made by the DGs, OLAF will on the basis of the analysis of its cases provide guidance to DGs and Member States, in a collaborative way, regarding ways of improving the systems from a fraud prevention point of view.

3. IDENTIFIED RISKS

The structural funds DGs are the responsible Commission services for the ERDF and the CF, the ESF and the EFF respectively. The management of the four funds carries a high inherent risk since they are delivered by a multiplicity of organisations and systems in 27 Member States and involve hundreds of thousands of diverse operations. In addition there are a wide range of eligibility rules which condition the regularity of expenditure.

Fraud risk is the probability that fraud will occur and have potential severity or consequences to the EU budget when it occurs, including potential damage to the European project

The degree to which the EU budget is exposed to fraud is affected by (inter alia):

- the overall fraud risks inherent to the management of Structural Actions;
- the extent to which effective internal controls are present and function reliably the effectiveness of the management and control systems and the reliability of the systems for certification of expenditure in the Member States);
- quality of anti-fraud strategies and other actions at Member States level;
- the general level of fraud risk regarding disbursement of public funds in a Member State.
- the degree of prevalence of corruption (bribes, kickbacks and undisclosed conflict of interest)

Based on audit-related and other information (reports of the Court of Auditors, reports of the Internal Audit Service of the Commission (IAS), OLAF Final Case Reports) for each of the funds, it is considered that the funds *could be vulnerable* to the potential fraudulent practices listed below under sections 3.1 to 3.3.

It is planned to offer to the Member States, before end of 2012, a methodology for carrying out a fraud risk assessment of the management and control systems in line with the action under section 5 in the Action Plan in Annex 1. The methodology will also entail a section on how the Member States could set up effective and proportionate anti-fraud measures, as needed, on the basis of the aforementioned fraud risk assessment. This fraud risk assessment which is to be carried out by the Member States themselves will subsequently form the basis for more targeted and detailed strategic anti-fraud priorities to be established by the DGs in the course of 2013.

3.1. ERDF and Cohesion Fund

Prevention: there is a risk that the management and control systems in some high-risk Member States do not comply with all the relevant provisions (in particular the sectorial regulations and the provisions laid down in the EU public procurement directives) and may therefore not be entirely fraud-proof.

Detection: the fraud detection risk relates to fraudulent practices related to manipulation of procedures for awarding public procurement contracts, potentially in combination with bribery in order to facilitate the fraud scheme. There is a risk that manipulation of public procurement contracts, falsification and conflict of interest go undetected by the management and control systems and can therefore harm the financial interests of the EU.

Corrective measures: there is a risk that although funds have been reimbursed to the EU budget by the national authorities they may not have been recovered from the beneficiaries in question, thus decreasing the dissuasive effect.

Tentatively, in particular based on the volume of irregularities and cases of suspected fraud reported by the Member States, OLAF's investigative and risk assessment activities, the audit work of the DG, a survey on mechanisms for fraud prevention and detection carried out by DG REGIO and DG EMPL, the Member States most exposed to the risk of fraud have been identified.

3.2. European Social Fund

Prevention: there is a risk that the management and control systems in some high-risk Member States do not comply with all the relevant provisions (in particular the sectorial regulations and the provisions laid down in the EU public procurement directives) and may therefore not be entirely fraud-proof.

Detection: the fraud detection risk relates to fraudulent practices related to public procurement procedures, conflict of interest and use of civil contracts.

Corrective measures: there is a risk that although funds have been reimbursed to the EU budget by the national authorities they may not have been recovered from the beneficiaries in question, thus decreasing the dissuasive effect.

Tentatively, in particular based on the volume of irregularities and cases of suspected fraud reported from the Member States, OLAF's investigative and risk assessment activities, the audit work of the DG, a survey on mechanisms for fraud prevention and detection carried out by DG REGIO and DG EMPL, the Member States most exposed to the risk of fraud have been identified.

3.3. European Fisheries Fund

Prevention: there is a risk that the management and control systems in Member States do not contain provisions and mechanisms sufficient to effectively prevent fraud, and therefore the management of EU funds may not be entirely fraud-proof. There is a risk

that the fraud risk awareness is insufficient in national or regional administrations and that appropriate measures are not adopted to deter fraud.

Detection: given the number of operations, there is a risk that the management and control systems in Member States are oriented towards ex ante verification of the compliance with the European or national criteria (e.g. eligibility criteria) and do not take into sufficient consideration fraud detection especially when it affects only part of an operation.

Corrective measures: there is a risk that although funds have been reimbursed to the EU budget by the national authorities they may not have been recovered from the beneficiaries in question, thus decreasing the dissuasive effect.

Tentatively, in particular based on the volume of irregularities and cases of suspected fraud reported from the Member States, OLAF's investigative and risk assessment activities, the audit work of the DG, the Member States most exposed to the risk of fraud will be identified.

4. STRATEGIC PRIORITIES

Based on the experience and implementation of the JFPS 2010-2011 and the preliminarily identified risks under section 3, the strategic objectives of the JAFS are as follows and will be implemented through the four areas of the anti-fraud cycle: prevention, detection, investigation and corrective measures.

4.1. Fraud prevention

Fraud prevention is an important aspect in the management and implementation of the EU funds. Effective fraud prevention can contribute to mitigate the risk of irregularities and/or fraud in the implementation stage. It can also contribute to reducing the cost of the ex-post controls and investigations.

The strategic priorities for 2012-2013 will be:

- to train the DGs desk officers and auditors in fraud prevention and corrective measures;
- to raise awareness on fraud prevention, detection and corrective measures with the authorities responsible for management, implementation and control of structural actions in the Member States and to provide training sessions, taking into account available resources;
- to intensify the dialogue with the Member States on anti-fraud policies in order to raise awareness and increase the involvement of national authorities in the fight against fraud;
- to reinforce the capacity of the Member States to carry out a fraud risk assessment and to strengthen anti-fraud measures by providing a methodology in this respect;

4.2. Fraud detection

All actors (DG and Member State officials) involved in the management and implementation of EU funds shall pay specific attention to and shall inform relevant bodies about facts which give rise to a presumption of the existence of possible illegal activity detrimental to the interests of the EU.

DGs officials: if, in the course of carrying out their work (fund management, audits) DG's officials become aware of facts which give rise to a presumption of suspected fraud, they shall, according to established internal procedures, transmit this information to OLAF for the purpose of investigation.

Member States officials: if in the course of their regular activities related to EU Funds managing/controls, Member State' officials become aware of facts which give rise to a presumption of suspected fraud, they shall report it to the national competent bodies.

OLAF and DGs in relevant fora will remind Member States about their obligation to report suspected fraud to competent investigative bodies.

OLAF and DGs will also encourage Member States to establish formal internal procedures and templates for reporting on (suspected) fraud to competent national and EU bodies.

The DGs may make use of IT-tools, such as ARACHNE, to identify areas of high risk of irregularities and fraud to better focus their audit activities and improve their reporting of cases of suspected fraud to OLAF.

The strategic priorities for 2012-2013 will be:

- to provide more proactive guidance and support for Member States for fraud detection work, including the use of specific tools (such as ARACHNE), and to ensure that appropriate measures and procedures are in place in order to report suspected fraud cases;
- to provide training on fraud and corruption indicators to Member States (red flags), in particular regarding public procurement.

4.3. Fraud investigation

On the basis of Regulation (EC) No 1073/1999, OLAF's main task is to carry out investigations. Based on received information on cases of suspected fraud, OLAF can decide to open an investigation case, a coordination case or to dismiss the case.

The strategic priorities for 2012-2013

The Investigative Policy Priorities (IPP) of OLAF are determined annually with OLAF's management plan and cover all EU expenditure and revenue, not only shared management. The priorities are therefore not presented here. However, in order to ensure close cooperation between the DGs and OLAF to increase the efficiency of the fight against fraud, Practical Cooperation Working Arrangements have been agreed between OLAF and the DGs which are presented in Annex II of the JAFS.

4.4. Corrective measures

The Authorising Officers by delegation have at their disposal certain corrective mechanisms³ to secure the EU financial interests if irregularities or (presumed) fraud affecting EU funds were disclosed.

In the area of European Regional Development Fund, European Social Fund, Cohesion Fund and European Fisheries Fund, three warning and/or corrective tools are currently available to the Authorizing Officer by Delegation:⁴

- interruption of the payment deadline;
- suspension of (part of) the operational OP;
- financial corrections.

Evidence to apply one of the above corrective tools, may also come from an OLAF Final Report, apart from other sources, such as audits. OLAF investigations may lead to a recommendation to recover a specific amount linked to an irregularity or raise a systemic problem.

Actions to be taken by the AOSDs in case of receipt of Final Report from OLAF:

- the final reports to be carefully analysed by the DGs operational/audit/legal/coordination units;
- the authorising DG to ensure the appropriate financial follow-up to OLAF final reports.

The strategic priorities for 2012-2013 will be:

- to apply adequate financial corrections, and interruptions and suspensions as appropriate, in particular based on OLAF's Final Reports. Procedures for this shall be set out in the DG's internal manuals;
- to systematically request Member States to recover from final beneficiaries by including a phrase to this effect in the recovery letters addressed to the Member States

³ Cf. Council Regulation (EC) 1083/2006, Articles 91, 92 and 99 thereof

⁴ For further details please see DGs respective procedures; DG EMPL has set out the procedures in its manual of operational procedures on Interruption of the payment deadline/suspension of interim payments and financial corrections

regarding financial corrections. This phrase will be adapted to each DG's individual practice.

ACTION PLAN FOR JAFS 2012-2013

Action area	Objective	Description	Lead service(s)	Expected output	Target deadline
IFRAUD PREVENTION Internal to the Commission	1) Improved dissemination of anti-fraud information	The DGs will continue to regularly update their intranet sites as regards their anti-fraud activities in order to ensure they cover all relevant information that desk officers and auditors may need in the area of fight against fraud. A dedicated Commission anti-fraud website has been developed by OLAF. The DGs are committed to provide information on their anti-fraud activities and to provide updates of available information at their own initiative and at OLAF's request.	All three DGs and OLAF	Anti-fraud websites in use	Continuous
Internal to the Commission	2) Provision of instructions to staff of the DGs regarding all OLAF-related	The DGs will continue to regularly update their internal manuals on relations with OLAF.	All three DGs	Up-to-date manuals on relations with OLAF	Continuous

Action area	Objective	Description	Lead service(s)	Expected output	Target deadline
	procedures				
Internal to the Commission	3) Training desk officers and auditors on anti-fraud issues	<p>Auditors and desk officers should be vigilant regarding prevention and detection of fraud.</p> <p>Desk officers: Fraud prevention is a responsibility of all operational services within the DGs. Fraud awareness raising actions and training will be targeted at desk officers. They will also include training sessions on risk assessment following action 5 of the JAFS. Presentations will be organised in the DGs (the contents will include the manual on relations with OLAF and the JAFS 2012-2013).</p> <p>Auditors: Auditors should be particularly alert to opportunities for fraud, such as weaknesses in the management and control systems. Auditors should have sufficient knowledge to identify the indicators of fraud, but are not intended to have the expertise of a person whose primary responsibility is detecting and investigating fraud. Fraud awareness raising actions and training will be targeted at auditors. Presentations will be organised in the DGs (the contents will include the manual on relations with OLAF and the JAFS 2012-2013).</p>	All three DGs with the support of OLAF	<p>Training actions</p> <p>Desk officers and auditors alert to possible fraud cases</p>	Continuous

Action area	Objective	Description	Lead service(s)	Expected output	Target deadline
Internal to the Commission	4) Staying up-to-date with the development of anti-fraud measures at EC level and exchanging best practices	<p>The DGs will participate in the FDPNet of the Commission's meetings and use the expertise and best practice identified through the network.</p> <p>The DGs and OLAF will have regular meetings to discuss fraud prevention and detection issues and form a subgroup for structural actions of the FDPNet.</p>	All three DGs	Active participation in FDPNet meetings	According to frequency of FDPNet meetings
External action addressed to Member States	5) Ensuring Member States obtain appropriate guidance on fraud risk assessment and anti-fraud measures	<p>The proposal for a Regulation for 2014-2020, in line with the CAFS, introduces more stringent requirements for the Member States compared to previous programming periods: "...the managing authority shall put in place effective and proportionate anti-fraud measures taking into account the risks identified. "Adoption of these provisions is dependent on the forthcoming Inter-institutional negotiations.</p> <p>The establishment of anti-fraud measures should be preceded by a fraud risk assessment in order to evaluate potential vulnerabilities in the management and control system.</p> <p>In order to provide assistance and guidance to the Member States, a fraud risk assessment methodology as well as guidance for an anti-fraud framework/strategy and fraud risk management tools, resulting from the fraud</p>	REGIO supported by EMPL, MARE and OLAF	Fraud risk assessment methodology and guidance on putting in place effective and proportionate anti-fraud measures, taking into account the risks identified and disseminated to the MS.	01.03.2013

Action area	Objective	Description	Lead service(s)	Expected output	Target deadline
		risk assessment, will be developed and disseminated to the MS. The provision of a methodology will be outsourced. OLAF will play an active role in the evaluation of the deliverables.			
External action addressed to Member States	6) Develop extensive exchanges with MS on anti-fraud policy	<p>COCOLAF, COCOF, monitoring committee meetings and annual coordination meetings with audit authorities are appropriate fora to raise anti-fraud issues with Member States.</p> <p>OLAF will seek to reinforce the role of COCOLAF in this respect in particular by organising specific fraud prevention meetings between Member States aiming at exchanging best practices and supporting Member States' actions in this area. Issues such as fraud patterns, trends, risk indicators and methodologies shall be presented and discussed in such fora.</p> <p>DGs and OLAF should systematically invite each other to these fora. The participants will diffuse relevant information in their respective DGs for awareness-raising purposes.</p>	All three DGs and OLAF	Development of extensive dialogue with MS in place.	Continuous
External action addressed to Member States	7) Providing up-to-date anti-fraud measures to Member	A site for anti-fraud issues is available on SFC2007. SFC2007 is the electronic tool for exchange of SF data between the Commission and the Member States. A range of information is posted to the attention of the Member States	All three DGs with REGIO in the lead	An up-to-date platform on SFC2007 accessible to MS staff.	Continuous

Action area	Objective	Description	Lead service(s)	Expected output	Target deadline
	States, thus supporting them in their anti-fraud efforts	for awareness-raising purposes: e.g. the JAFS, the COCOF document on fraud indicators and the compendium on anonymised cases in Structural Funds.			
External action addressed to Member States	8) Providing the national audit authorities with up-to-date information on reported irregularities and suspected fraud cases	The standard agenda for the annual bilateral meetings, in which the annual control reports and audit opinions from the Member States' audit authorities are examined systematically, includes a report on the implementation of reporting obligations on irregularities, which are laid down in Regulation (EC) N° 1681/94 and 1831/94, as amended respectively by Regulation (EC) N° 2035/2005 and 2168/2005, and Regulation (EC) N° 1828/2006, as amended by Regulation (EC) N° 846/2009, and Regulation (EC) N° 1198/2007 (Articles 54-63). OLAF will present its analysis of irregularity notifications with a focus on fraud risks in the framework of these annual bilateral control coordination meetings.	OLAF	Report on the implementation of reporting obligations regarding irregularities and suspected fraud cases	One report annually for each of the EU-27 MS
External action addressed to Member States	9) Raising anti-fraud awareness and provide training to Member States	DG REGIO, DG EMPL and DG MARE and OLAF will together examine how to further develop awareness raising actions toward the MS audit authorities and will develop a training plan for 2012-2013, which could include an anti-fraud conference involving MS. Common authorities will be identified in	All three DGs and OLAF	Awareness raising actions and a training plan for 2012-2013	Continuous and training plan before 31.12.2012

Action area	Objective	Description	Lead service(s)	Expected output	Target deadline
		<p>order to avoid overlaps.</p> <p>The DGs' representatives will participate in any appropriate seminar organised by the Member States, OLAF or other organisation as well as in events organised by Member States financed by the Hercule II programme.</p> <p>Each DG will draw up its own plans in this respect and exchange information on the plans.</p>			
<p>II. FRAUD DETECTION</p> <p>Internal to the Commission</p>	<p>1) Treatment of information dismissed by OLAF as investigation or coordination cases.</p>	<p>When a DG has sent a case with a possible investigative interest to OLAF, OLAF may decide, if the financial impact of the case is below a certain threshold, to dismiss the case.</p>	<p>All three DGs and OLAF</p>	<p>Guidance note on how to treat dismissed cases.</p>	<p>31.12.2012</p>
<p>Commission services and Member States</p>	<p>2) Improvement of the cooperation between OLAF and the audit units of the DGs</p>	<p>The audit services and the geographical desks of the DGs are regularly in touch with the authorities in the Member States. Therefore it is necessary for OLAF to establish reinforced links and working procedures with the audit services and geographical desks of the DGs. Especially the reporting of irregularities, irregularities reported as fraudulent and irregularities not reported as fraudulent should be discussed, as well as the reporting of cases</p>	<p>All three DGs and OLAF</p>	<p>Improved cooperation between OLAF and the audit units of the DGs.</p> <p>Training on fraud detection for auditors and desk officers of the DGs.</p>	<p>Continuous</p>

Action area	Objective	Description	Lead service(s)	Expected output	Target deadline
		<p>with a suspicion of fraud has to be addressed.</p> <p>Reporting can be improved through:</p> <ul style="list-style-type: none"> • Additional training of auditors and desk officers of the DGs on fraud detection and fraud (or suspicion of fraud) reporting. • OLAF will develop a template which can be used by the Commission Services to report fraud to OLAF and to accompany information with a possible investigative interest. 			
External action addressed to Member States	3) ARACHNE Risk Scoring Tool (RST)	<p>Following the audit on fraud awareness conducted by the Commission's Internal Audit Service, the services of DG EMPL started, in 2009, the development of a fraud/irregularities risk tool. Upon completion of a pilot exercise comprising a scientific risk scoring in three member states, both DG EMPL and DG REGIO decided to identify a number of Operational Programmes for which the risk scoring would be further developed.</p> <p>The tool will be made accessible to the Member States in order to allow them to proceed to better risk analysis with a view of lowering the error rates for the Cohesion Policy.</p>	EMPL, REGIO	ARACHNE Risk Scoring Tool in use	31.12.2013

Action area	Objective	Description	Lead service(s)	Expected output	Target deadline
		<p>The risk scoring tool will facilitate the continuous monitoring of internal and external data regarding projects, beneficiaries and contracts/contractors. Its primary functions will be the following:</p> <ul style="list-style-type: none"> i) promote the use of a risk based approach to the planning of the audits of projects; ii) complement the risk assessments with regards to fraud and irregularities in a consistent way across EU Member States; iii) identify irregular circumstances on a continuous basis on the basis of pre-defined risk criteria in internal and external data regarding beneficiaries; iv) provide guidance to Member States on risk indicators and internal controls; and v) build an overall better defence against fraud and errors. <p>The tool is currently under development. To test the validity of the original assumption used in the design actual data will be collected in three pilot Member States. The roll-out of the tool is foreseen by October 2012. The end of the project, including training for all users, is</p>			

Action area	Objective	Description	Lead service(s)	Expected output	Target deadline
		estimated to be March 2013.			
Internal to the Commission	3) Treatment of information dismissed by OLAF as investigation or coordination cases.	When a DG has sent a case with a possible investigative interest to OLAF, OLAF may decide, if the financial impact of the case is below a certain threshold, to dismiss the case.	OLAF and all three DGs	Guidance note on how to treat dismissed cases	31.12.2012
III. FRAUD INVESTIGATION Internal to the Commission	1) Elaboration of adapted Practical Working arrangements (PWA)	Following OLAF's reorganisation of February 2012, new working arrangements should be developed, given OLAF's new Instructions to Staff on Investigative Procedures (ISIP).	OLAF in the lead, supported by the three DGs	Revised PWA for JAFS 2012-2013	31.10.2012
IV. CORRECTIVE MEASURES Internal to the Commission	1) Monitoring of recommendations by OLAF	DGs annually inform OLAF, following its request, regarding the follow-up actions undertaken in relation to OLAF's Final Reports. Following the OLAF review and OLAF's new Instructions to Staff on Investigative Procedures (ISIPs), OLAF will conclude its investigations with a Final Report and, if	All three DGs	Timely reporting to OLAF	Continuous timely feedback to OLAF

Action area	Objective	Description	Lead service(s)	Expected output	Target deadline
		<p>appropriate, accompanied by a recommendation.</p> <p>The actions taken with regard to financial recommendations, their progress and the results, will be monitored by OLAF's investigative units on an annual basis, according to article 28 of the ISIPs. Implementation of administrative recommendations will be monitored by unit OLAF D.2.</p> <p>Monitoring of administrative recommendations is not covered in the ISIPs.</p> <p>OLAF and the DGs will seek, in close cooperation, a procedure to facilitate the monitoring of OLAF recommendations and which will be laid down in the Practical Working Arrangements in Annex 2 of this strategy.</p>			
External action addressed to Member States	2) Awareness-raising with Member States in relation to the Exclusion Database	In the awareness-raising actions with the Member States, the DGs and OLAF will also cover the Exclusion Database.	All three DGs and OLAF	Awareness-raising actions with the MS Training allowing MS staff to use the Exclusion database	31.12.2013

Action area	Objective	Description	Lead service(s)	Expected output	Target deadline
	under Article 95 of the Financial Regulation				

Annex 3

LEGAL BACKGROUND AND DEFINITIONS FOR JAFS 2012-2013

1) Protection of financial interests of the Union – legal framework Articles 317 and 325 of the Treaty on the functioning of the European Union (TFEU)

In line with Article 317 TFEU, the Commission shall implement the budget under its own responsibility having regard to the principles of sound financial management. Member States shall cooperate with the Commission to ensure that the appropriations are used in accordance with the principles of sound financial management.

Article 325 TFEU stipulates that the Union and the Member States shall counter fraud and any other illegal activities affecting the financial interests of the Union. Furthermore, under Art. 53 b (2) of the Financial Regulation as amended by Council Regulation 1995/2006 (EC, Euratom), Member States are responsible to prevent and deal with irregularities and fraud in the area of shared management. Under the legal arrangements for shared management, in order to protect the financial interests of the EU, the Member States are principally responsible for setting up management and control systems which are in compliance with EU requirements, for verifying that the systems function effectively, through audits by designated bodies, to prevent, detect and correct irregularities and fraud. In the case of suspected fraud or irregularity the Commission shall be informed without delay.

Nevertheless, the Commission remains responsible for the execution of the budget and through its supervisory role, including audit work, it seeks to obtain reasonable assurance that the Member States' systems are in conformity with all EU requirements.

Regardless of whether the irregularity is non-intentional or intentional (fraud), the affected expenditure must be excluded from co-financing by the EU budget. The terms "irregularity" and "fraud" are defined below under points 1.2 and 1.3.

2) Definition of irregularity

The term irregularity is a wider concept and covers both intentional and non-intentional irregularities.

Article 1(2) of Regulation (EC, Euratom) No 2988/95 defines "irregularity" as:

"any infringement of a provision of Union law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Union or budgets managed by them, either by reducing or losing revenue accruing from own resources collected directly on behalf of the Union, or by an unjustified item of expenditure"

3) Definition of fraud

The "Convention drawn up on the basis of Article K.3 of the Treaty on European Union, on the protection of the European Communities' financial interests" defines "fraud", in respect of expenditure, as any intentional act or omission relating to:

- the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Union or budgets managed by, or on behalf of, the European Union;
- non-disclosure of information in violation of a specific obligation, with the same effect;
- the misapplication of such funds for purposes other than those for which they were originally granted.
- It is therefore the component of intentional deceit which distinguishes fraud from irregularity.

Since 2006 the Member States have been required to identify, when they notify irregularity cases to the Commission, whether these cases involved "suspected fraud".