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**COMMISSION STAFF WORKING DOCUMENT**

**Follow-up on recommendations to the Commission report on the protection of the EU's  
financial interests – fight against fraud, 2017**

*Accompanying the document*

**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND  
THE COUNCIL**

**30th Annual Report on the Protection of the European Union's financial interests - Fight  
against Fraud  
Annual Report 2018**

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## LIST OF ABBREVIATIONS

- AEO:** Authorised Economic Operator
- AFIS:** Anti-Fraud Information System
- B2C:** Business to consumer
- BTI:** Binding tariff information
- CIS:** Customs Information System
- CP 42:** Customs procedure 42
- CRMS:** Common Customs Risk Management System
- CSM:** Container status message
- CUP:** Customs Union Performance
- CDV:** Countervailing duties
- ENS:** Entry summary declaration
- EP:** European Parliament
- EU:** European Union
- MAAs:** Mutual assistance agreements
- PTA:** Preferential trade arrangement
- RIF:** Risk Information Form
- SAD:** Single administrative document
- TARIC:** Integrated customs tariff of the Community
- TOR:** Traditional Own Resources
- UCC:** Union Customs Code
- UCC DA:** Union Customs Code delegated act
- UCC IA:** Union Customs Code implementing act
- VAT:** Value added tax

## EXECUTIVE SUMMARY

In the 2017 Article 325 TFEU Report on the protection of the European Union's financial interests, the Commission made two sets of recommendations to the Member States, one for the revenue side and another for the expenditure side of the budget as follows:

### A. REVENUE (Recommendation 1)

**Member States were asked to remain vigilant as regards the risk of undervaluation of goods, in particular cheap products imported in extremely large quantities, such as textiles and footwear.**

**In order to enhance customs controls, Member States were requested to ensure that:**

- **strategies are in place and target all types of customs procedure and all operators;**
- **proper coordination among all customs services dealing with risk analysis and controls exists; risk profiles provide clear instructions and risk information is shared with other Member States;**
- **close monitoring of the controls results (feedback) and strict follow-up of mutual assistance instructions are in place.**

**They were also requested to:**

- **systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis;**
- **risk-orient post-release audits and strictly monitor their results; and**
- **carry out customs controls on operations made by authorised economic operators (AEO) taking account of the risk management performed with respect to the different elements of these operations.**

### B. EXPENDITURE (Recommendation 2)

**Member States were invited to:**

- **further exploit the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in this report;**
- **facilitate and assess the spontaneous reporting of potential irregularities and strengthen the protection of whistleblowers, who are also a crucial source for investigative journalism; and**
- **promote systematic and timely cooperation between judicial and administrative authorities.**

**All these measures would have a greater impact if embedded in a national anti-fraud strategy.**

The follow-up on the 2017 PIF Report recommendations aims to serve as a reference document to show the efforts made by the EU Member States in 2018. This is achieved through an analysis of their replies to illustrate the measures taken by EU Member States at national level to combat fraud and irregularities in accordance with the recommendations included in the 2017 PIF Report.

The recommendations' purpose is to strengthen a trend which is already visible in several Member States and is supported by the analysis presented in the 2017 PIF report in terms of policy and legislative initiatives: the correct and targeted use of information is effective for stepping up the fight against fraud and keeping up with the expectations of civil society. European citizens not only look at their own country, but increasingly judge the success of the European project also on the basis of what happens in other Member States. This staff working document collects, in a comprehensive manner, updated information and presents the measures taken by EU Member States in 2018 in certain areas of revenue and expenditure.

As a general remark, the continuous efforts made by Member States to provide an informative follow up to the recommendations were evident through their replies and details provided. The replies received confirmed the growing willingness to share information and good practices. The replies also illustrated the increasing commitment by Member States to enhance their role in the fight against fraud and the protection of the European Union's financial interests. Measures provided by the Member States, as well as examples shared, are listed further in this document.

As regards the first recommendation on revenue, the Member States were guided to report on three main issues;

- undervaluation,
- enhancement of customs controls, and
- other measures.

As concerns '*undervaluation*', the majority of Member States provided a positive follow-up as most have fully implemented this recommendation and also provided details with measures taken in 2018 to tackle undervaluation.<sup>1</sup>

Regarding '*enhancement of customs controls*', most Member States replies indicated full implementation of the recommendation, with a small number of Member States indicating partial implementation. Member States provided details on updates concerning their customs strategies in place and information about the treatment of Authorised Economic Operators (AEOs) in risk management. Also, they provided information on coordination methods among customs services, as well as on risk information shared with other Member States.<sup>2</sup> The replies to this recommendation show a more uniform approach on risk-selection criteria for

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<sup>1</sup> See Table 1 Q.1.1 and section 1.1.1 replies on *Undervaluation* (pages 8-10)

<sup>2</sup> See Table 1 Questions 1.2.a, 1.2.b, 1.2.c, 1.2.d and section 1.1.2 on *Enhancement of Customs Controls* (pages 10-18)

controls, supported by computerised systems. As a general remark, control methods and strategies are given much attention by the EU Member States.

Concerning '*other measures*', information collected by Member States focused on the description of practices regarding post-release audits and risk analysis, monitoring of audit results, the operations carried out by AEOs, the use of the customs audit guide and the use of the handbook on operational customs controls. About half the Member States have fully implemented the recommendation with regard to the inclusion of an automated random element and the three year time-barring period for the communication of customs debt in post-release risk analysis. The same applied for ensuring risk-oriented post-release audits. The majority of Member States indicated that customs controls on operations by AEOs are carried out taking into account risk management. Treatment of AEOs varies across EU Member States. Most EU Member States make use of the Customs Audit Guide<sup>3</sup>. The Commission has updated the Customs Audit Guide by aligning it to the UCC and the translation in all official languages is expected to be available within the end of 2019.

Regarding the second recommendation, EU Member States were invited to report on four different areas:

- results from the use of findings from the 2016 PIF Report in their fraud risk assessments,
- results deriving from the exploitation of risk analysis concerning elements highlighted in the 2017 PIF Report,
- the facilitation and assessment of spontaneous reporting and the protection of whistleblowers and,
- the promotion of systematic and timely cooperation between judicial and administrative authorities.

As concerns the first area, information received focused on sharing results deriving from the *use of findings from the 2016 PIF Report in the Member States' fraud risk assessments*. The majority of the Member States were in a position to share their findings, which, among others, concerned different measures, risk indicators and red flags as well as relevant updates in various strategies related to the protection of the EU's financial interests in different governmental sectors managing EU funds. Some replies indicated the increasing use of different IT tools such as Arachne for the purpose of fraud risk assessments.<sup>4</sup>

The second area concerned the *exploitation of the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and risk elements highlighted in last year's PIF report*. The results showed that about half the Member States fully implemented this recommendation, whereas the other half only partly implemented it. Details provided focused on the description and developments of Member States' risk management systems, risk assessment methodologies, updates and the adoption of

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<sup>3</sup> See Table 1, Questions Q1.3.a, Q.1.3.b, Q.1.3.c, Q.1.3.d and Section 1.1.3 on '*Other Measures*' (pages 18-25)

<sup>4</sup> See Table 2, Question 2.1 and Section 1.2.1 on the '*Use of the 2016 PIF report findings in fraud risk assessments*' (pages 27-30)

measures within their national strategies to better address risk elements enshrined in the 2017 PIF Report.<sup>5</sup> The exploitation of the potential of risk analysis through available databases such as Arachne or/and IMS was mentioned only by a few Member States.

The third area concerned the *facilitation and assessment of spontaneous reporting of potential irregularities and strengthening the protection of whistleblowers*. The results showed that about half of the Member States indicated full implementation and about half partial implementation of this recommendation. Details provided to explain the actions undertaken and the respective results were focused on features such as strengthening the national legal framework, facilitating channels for anonymous reporting and providing safeguards for whistleblowers such as the non-disclosure of personal data, and systematising the obligation to report irregularities.<sup>6</sup> More Member States should be encouraged to create such safeguards and safe channels of reporting, preferably in a computerised form especially after the approval of new EU-wide rules on the protection of whistleblowers by the European Parliament in April 2019.<sup>7</sup>

Lastly, the fourth area concerned the *promotion of systematic and timely cooperation between judicial and administrative authorities*. Just about half of the Member States reported full implementation of this recommendation. The details provided featured the description of various settings facilitating cooperation regularly in the framework of national agreements established between judicial and administrative authorities. Most Member States provided information as concerns cooperation between Managing Authorities and other national bodies including judicial and police/investigative bodies. Examples of cooperation featured cooperation between courts and the public prosecutor's office, the organisation of training sessions for judges on irregularities and fraud related to EU funds and cooperation facilitated by law. A positive remark was that in a number of cases, this cooperation is facilitated through the national AFCOS. As it could be noted that several Member States indicated the need for further strengthening the cooperation between administrative authorities handling EU funds and judicial authorities, as well as law enforcement agencies, the role of the national AFCOS in the facilitation of efficient and effective cooperation has a potential to be strengthened even more. Member States' replies did not include specific information on the timeliness of cooperation.<sup>8</sup> Therefore, it cannot be easily concluded whether the cooperation established is highly effective.

## **1. FOLLOW UP BY RECOMMENDATION**

This section looks at how and at what extent Member States have implemented each of the recommendations. It aims to provide a holistic view on to what degree each recommendation

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<sup>5</sup> See Table 2, Question 2.2 and Section 1.2.2 on the '*Use of risk analysis findings*' (pages 30-34)

<sup>6</sup> See Table 2, Question 2.3 and Section 1.2.3 on the '*Facilitation and assessment of spontaneous reporting of irregularities – whistleblowers protection*' (pages 34-37)

<sup>7</sup> Proposal for a Directive of the European Parliament and of the Council on the protection of persons reporting on breaches of Union law

COM/2018/218 final - 2018/0106 (COD)

<sup>8</sup> See Table 2 Question 2.4 and Section 1.2.4 '*Cooperation between judicial and administrative authorities*' (pages 38-40)

was addressed by Member States and to summarise the replies received for each recommendation.

This section is divided into two sub-sections separating the recommendations related to the revenue and expenditure sides of the budget. Each recommendation is analysed firstly by providing results illustrating the number of Member States that addressed each of the recommendation questions and secondly by depicting a summary of the details provided by Member States.

For the reader's specific reference, the Member States' original replies are listed further in this document, under Section 2: "*Replies of Member States*".

## **1.1. REVENUE**

The Commission provided the following guiding questions to the Member States with regard to formulating structured replies to address the first recommendation:

**Q.1.1** *Are you remaining vigilant as regards the risk of undervaluation of goods?*

**Q.1.2.a** *Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?*

**Q.1.2.b** *Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?*

**Q.1.2.c** *Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?*

**Q.1.2.d** *Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?*

**Q.1.3.a** *Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?*

**Q.1.3.b** *Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?*



**Q.1.3.c** *Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?*

**Q.1.3.d** *Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?*

Overall results of the implementation of recommendation 1 on revenue (in alphabetical order):

**Table 1**

	Q.1.1	Q.1.2.a	Q.1.2.b	Q.1.2.c	Q.1.2.d	Q.1.3.a	Q.1.3.b	Q.1.3.c	Q.1.3.d
AT									
BE									
BG									
HR									
CY									
CZ									
DK									
EE									
FI									
FR									
DE									
EL									
HU									
IE									
IT									
LV									
LT									
LU									
MT									
NL									
PL									
PT									
RO									
SK									
SI									
ES									
SE									
UK									

	fully implemented
	partly implemented
	not implemented
	No indication

### 1.1.1. UNDERVALUATION

The Member States were requested to give information on *whether they remain vigilant regarding the undervaluation of goods, and if yes, whether they target in particular cheap products imported in extremely large quantities*. Member States were asked to provide any

useful detail to explain the actions undertaken in 2018 and why specifically one or another type of goods has been targeted.

23<sup>9</sup> Member States replied that they fully implement this recommendation and five<sup>10</sup> reported partial implementation.

The following Member States provided details for their reply (in summary):

**Belgium** replied that following the report on the TOR audit on undervaluation in April 2018, a national approach was developed for controls for release for Chapters 61 to 64 having China as origin. Five selection profiles were created and the selections are based on fair prices found in Theseus. With regard to the new selection engine Seda 2.0, additional information can be added to fields of declaration. That can be used as a criterion for more effective selection. Also, the RIFs relating to textiles and footwear from China are followed up in a separate SPS fiche.

**Bulgaria:** The administration has created risk profiles focused on checking the declared customs value against specific goods (clothing and footwear) under procedures 40 and 42, country of origin, TR, VN, and CN. Risk profiles have been created for certain companies, with particular attention being paid during checks to the declared customs value.

**Czech Republic** targets specifically the cheap products such as textiles and footwear. Strict measures were applied in 2018. The Czech Republic reported about three court judgments as concerns to the appropriate level of national measures against undervaluation. The court cases examined procedural and substantive requirements. The customs valuation procedure was supported by national courts in three cases. A system of customs valuation procedure in line with binding customs legislation and international agreements has been developed.

**Denmark** reported that in an attempt to prevent Denmark being used as a country of entry for goods declared at very low values, the Danish Customs Authority's analysis units have established risk profiles in the electronic risk analysis system in order to detect consignments/goods with obvious signs of under-invoicing.

**Estonia** reported the creation of a criterion in 2018 that specifically targets the goods which are declared significantly under the EU fair price.

**Ireland** reported that their customs risk management unit commended targeted operations in 2018 to tackle undervaluation. A series of risk operations were mounted using the automated monitoring tool set by OLAF as a guide to values declared.

**Greece:** Risks in the area of customs valuation remain high on the agenda. Risk profiles have been created to indicate declarations for either physical or documentary controls. Two national operations were conducted in 2018 to combat under-pricing in textiles and footwear

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<sup>9</sup> Belgium, Czech Republic, Denmark, Germany, Ireland, Greece, Spain, France, Croatia, Italy, Latvia, Lithuania, Luxembourg, Hungary, Malta, the Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia and the United Kingdom.

<sup>10</sup> Bulgaria, Estonia, Cyprus, Finland and Sweden.

originating from China. Greece is also targeting other goods. Risk profiles have been created for other products such as tableware, household articles and ceramics etc.

**Spain** replied that risk profiles are maintained, and added that analysis carried out by OLAF revealed a limited incidence of undervaluation of imports in Spain.

**France** replied that the fight against undervaluation is a priority for all the customs services. A specific instruction was circulated to the services in 2018 to reinforce the role played by checks carried out at the time of clearance in combating undervaluation. The new instruction is accompanied by several summary factsheets to facilitate the work of the inspection services. The factsheet's purpose is to enable the inspection services to act autonomously and respond rapidly. Valuation fraud is also dealt with in ex post checks.

**Italy** replied that in 2018, their methodologies to combat undervaluation were expanded and their systems include risk profiles based on goods that are systematically undervalued. Italy indicated the use of THESEUS tool to control the flow of goods and reported to have been using two methodologies on selected goods: the 'fair price methodology' and the 'Italian credibility methodology'.

**Cyprus** replied that risk profiles have been created taking into account the risk of undervaluation. These profiles are re-evaluated at least once a year. In 2018, specific threshold values recommended by OLAF in the context of JCO SNAKE on commodity codes under chapters on textile and footwear were applied in the risk analysis system and relevant profiles were created. Cyprus also created risk profiles for other high risk goods on undervaluation, such as leisure boats and vehicles and makes use of information through CRMS. The customs department is in the process to implement financial risk criteria (FRC), one of them relating to undervaluation risk which will be assessed by using threshold values as risk indicator.

**Latvia:** To reduce the undervaluation risk of clothing and footwear from China, risk profiles for goods of chapters 61 to 64 were determined in 2018, with specified risk profiles for the goods of each chapter.

**Lithuania** replied that both risk assessments are performed automatically. They reported about the main tool used for automated risk assessment, the RIKS. Also, 'fair prices' and data mining technologies calculated in THESEUS are used as additional source for identifying high risk cases. Lithuania's rules on customs valuation are in line with EC recommendations and the Guidelines for preventing and detecting irregularities (under invoicing) in imports of textiles and footwear.

**Luxembourg** replied that in addition to the daily risk assessment tasks, they would like to highlight that in 2018 hundreds of electronic risk profiles based on OLAF's fair prices have been implemented to target undervalued goods. It is not a completed action but an ongoing process. Focus was set on textiles and footwear.

**Hungary** replied that risks on undervaluation will persist and their customs authority is paying close attention to fulfil the Commission's recommendations. Hungary emphasised that apart from chapters 61-64, undervaluation is evident for in chapters 50-60 and 95.

**Malta:** imports of textiles and footwear are particularly being targeted since these involve large quantities.

**The Netherlands** implemented necessary measures to assure that irregularities via known and described methodology will be detected. The profiles are based on false declarations, values below the threshold and random. These profiles are regularly changed in detail and/or in percentage.

**Austria** applies a multi-layered approach combining information from local customs offices with information/intelligence gathered on central level. Based on this, they use new technical solutions such as predictive analytics to dismantle deviations/abnormalities.

**Poland** reported about the activities of the appointed Customs Attaché in Beijing, a post created to facilitate communication and cooperation between the Polish and Chinese customs administrations under the 'Strategic Framework for customs cooperation between the EU and the Government of the People's Republic of China' in close cooperation with the EU delegation in Beijing. As a result of this initiative, requests were received and used as a basis for initiating investigations concerning undervaluation. Two requests from 2018 which merit attention, concerned goods exported from China as the combined difference between the declared value and the value provided by the Chinese was over USD 3 million.

**Romania** reported on measures taken at national level to monitor the declared customs value. In 2018, two risk profiles were added: one designed to combat undervaluation based on information from THESEUS and AMT databases and a risk profile based on information from RIFs.

**Slovenia** reported on the actions taken in 2018 and beginning of 2019 on combating customs undervaluation and reported that it is targeting all cheap products imported in extremely large quantities through FARS.

**Slovakia** reported expanding the risk profiles in automated national risk profiling to combat fraud in the area of undervaluation of goods.

**Finland** reported that in 2018, the focus was in royalties and licence payments. As concerns risk profiles, FI reported some technical challenges, because their risk analysis system used on import declarations does not support average price calculation.

**Sweden** reported increased number of blocks in 2018 for clothing and footwear. Sweden is also targeting cheap products from China weighing over 500 kg before 2018 and 300 kg thereafter.

**United Kingdom** employs an end to end approach to tackle customs fraud risks, drawing on experience used successfully to tackle MTIC and alcohol fraud. The UK provided a list of what this comprises.

### 1.1.2. ENHANCEMENT OF CUSTOMS CONTROLS

The Member States were asked to report on measures taken to enhance customs control via providing information on strategies in place, coordination among custom services, whether risk profiles target Traditional Own Resources (TOR), whether they share information with other member states and if there is close monitoring of control results to allow effective follow up.

- a) *Information on strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant*

22 Member States<sup>11</sup> replied that they fully implement this recommendation and six<sup>12</sup> reported partial implementation.

The following Member States provided details for their reply (in summary):

**Belgium** introduced new method for a more targeted selection of profiles through the 'Automated Deselection Logic'. This method is used to make fewer and more targeted selections and to reduce the application of a selection percentage but to make a targeted selection of riskier categories.

**Bulgaria** replied that new functionalities are being created to integrate financial risk profiles. A random selection is being made on the basis of risk profiles and reports are being prepared on the control equipment available and recommendations are made with regard to the availability of new resources.

**Denmark** reported about its operational strategy that aims to ensure effective risk-based customs controls designed to detect fraud and irregularities involving imports from third countries.

**Estonia** reported that most of attention is given to procedures that are used to declare goods for release into free circulation, because the percentage of the other procedures is very small in Estonia.

**Ireland** replied that the Compliance and Post Clearance Unit which oversees a national compliance and post clearance programme for the Customs Customer Case base, including AEO and those authorised for Simplifications. From a post clearance perspective, the customs audit and post clearance check targets include a provision that a specific percentage of the cases or declarations chosen must be authorised traders.

**Greece** replied that in the context of strategic objectives, targets are set centrally for customs controls, for all types of customs procedures, for all operators, without excluding the holders of simplified procedures and AEOs.

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<sup>11</sup> Czech Republic, Denmark, Germany, Ireland, Greece, Spain, France, Croatia, Italy, Latvia, Lithuania, Luxembourg, Hungary, the Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Sweden and the United Kingdom

<sup>12</sup> Belgium, Bulgaria, Estonia, Cyprus, Malta and Finland

**Spain** indicated that risk profiles can work on any customs procedure and on any kind of operators.

**France** explained that their control strategy is based on risk analysis, implementing three types of checks: ex ante at the time of clearance, ex post (1 check) up to 4 months after clearance and ex post (2 checks) implemented until the expiry of the period concerned. For simplified procedures, the ex-ante check is done at the stage of the Initial Simplified Declaration. Special procedures are also checked. In general, the risk arising from the operator's reliability is also considered. The National Risk Analysis Grid is used to determine the risk level for almost 20000 operators for import and export flows and makes it possible to direct the checks. Lastly, the AEO deemed to be reliable are not excluded from targeting during checks.

**Italy** replied that they can target all types of customs procedure and manage the rate of control according to the compliance of the operator (AEO or no AEO).

**Latvia:** all established profiles, including the ones on random selection, also apply to AEO and to simplified procedures.

**Lithuania:** all economic operators could be a subject for customs control based on risk assessment.

**Luxembourg** replied that there are risk profiles in place for targeting specific customs procedures. Although the hit rate of risk profiles is lowered in regard of AEOs they are not excluded from electronic targeting/customs controls.

**Hungary:** The annual control plan focusses primarily on economic operators with high turnover (including AEOs) while also laying down rules for all market participants in the annual monitoring exercise. Prior to issuing each AEO authorisation, a risk analysis must be conducted in relation to the economic operator in question. Also, the central risk analysis department is notified about risk information pursuant to internal rules. Then, it performs an analysis and according to the risks identified, creates a built-in risk profile or proposes thematic or operator-based controls.

**Malta** replied that IT simplified procedures are not implemented as yet. Import and export consignments by AEOs may be physically inspected through random selection.

**Austria** established a national customs control strategy based on the EU risk management strategy, in which they define high risk areas in all customs and excise matters. Compliant companies and AEOs are taken into account, but not automatically excluded, especially forwarding companies with AEO status are not considered as low risk and do not get a lower risk level.

**Poland:** All customs procedures and operators are covered by the National Revenue Administration. There is a strategic analysis centre in this administration that carries out activities such as risk analysis, risk profiles establishment, exchange of risk information with MS and the Commission via CRMS/RIF, cooperation with OLAF and info transmitted via the AFIS system, exchange of info among Visegrad 4.

**Romania** reported that all customs procedures subject to the granting of an authorisation are applied in compliance with the working norms developed at DGV level, the approval of the issuance involving pre-audit and monitoring actions. In 2018, there were updated: a. the norms on the use of simplified customs declarations and entry in the declarant's records and b. the technical norms regarding the registration for customs purposes of the economic operators and other persons.

**Slovenia** replied that all kinds of customs procedures are covered. Also, all kinds of economic operators can be selected regardless if AEO or a large business.

**Slovakia** replied that their post-release control system is in line with current legislation and recommendations of the Commission.

**Finland** replied that this is a development area. E.g. better IT solutions to analyse holder of the authorisations of operations.

**The United Kingdom** replied that controls include both targeted pre-clearance checks alongside post-clearance audit activity. Checks are undertaken using a whole trader approach to assure a range of inherent risks across the Customs activity of a business.

b) *Ensuring proper coordination among customs services dealing with risk analysis and controls*

23 Member States<sup>13</sup> replied that they fully implement this recommendation and five<sup>14</sup> reported partial implementation.

The following Member States provided details for their reply (in summary):

**Belgium** replied that in post release controls, a new work method was developed for checking undervaluation and greater attention was given to giving a clear description of the selection reason. On post release audit, the proposed items for the controls and audits for 2019 are explained in fiches available by topic to the control departments.

**Bulgaria:** proper coordination ensured between all customs units responsible for handling the risk profiles produced and performing checks in their operation. Coordination is ensured between the Customs Agency and other government structures.

The **Czech Republic** reported about the coordination activities on two levels: nationwide and regional. Coordination and cooperation takes place through direct and day-to-day contact between the staff of individual departments and also through planned meetings.

**Denmark** reported that significant control results should be passed on by physical and post-clearance control units to the Financial Customs Analysis Unit to optimise future risk analyses.

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<sup>13</sup> Belgium, Czech Republic, Denmark, Germany, Estonia, Ireland, Spain, France, Croatia, Italy, Latvia, Lithuania, Luxembourg, Hungary, Malta, the Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Sweden and the United Kingdom.

<sup>14</sup> Bulgaria, Greece, Cyprus, Slovakia and Finland.



**Estonia** reported that the entire customs service is on central level and there is close cooperation among customs officers and tax auditors carrying out post-clearance audit.

**Ireland:** risk profiles are set in consultation with the various stakeholders in the EU, Revenue and other Government Agencies to ensure protection of EU and national borders.

**Greece:** coordination between the customs services involved in the risk analysis is adequate and constantly improving.

**Spain** reported that there is a central unit that designs the risk profiles and coordinates all control activities, which are carried out at a regional level.

**France** replied that as part of the 'Customs 2018' project, the General Directorate for Customs and Excise introduced an integrated chain of checks to tackle new challenges relating to safety, security and combating fraud. France noted that the creation of a national risk analysis and Targeting Department (SARC) was ratified by an order of 29 February 2016. Also, France introduced the CRPC Guide (Cellules de renseignement et de pilotage des contrôles) and explained its use.

The **Italian** customs control systems interfaces directly and in real time each local services involved in risk analysis, so any customs officer in charge to carry out customs control is informed about the risk indicator.

**Cyprus:** the regional customs offices and various sections at Headquarters monitor customs control results according to their field of interest including valuation and re-evaluation of profiles in cooperation with the risk analysis and intelligence section at Headquarters. A more enhanced coordination is needed between the relevant sections of the department to assess better the risk of undervaluation.

**Latvia:** There is constant exchange of risk information between those carrying out controls at the time of clearance, carrying out risk analysis and those carrying out post-clearance checks.

**Lithuania:** RIKS clearance component and post clearance component are the main tools for coordination among central, regional and local services dealing with risk analysis, control and monitoring.

**Luxembourg** organised information sessions at local customs offices in the framework of EU Commission decision [C \(2018\) 3293](#). Exchange of info between services is regular.

**Hungary:** The regional service is obliged to forward any risk information to the central service which however, also maintains contact with local services and notifies them of all relevant risk information.

**Austria** has an 'Anti-Fraud Network' which consists of risk/anti-fraud experts on local, regional and central level. The central division is responsible for information gathering, mutual assistance, investigations, profiling, ex post clearance audits and coordination of cases.

**Poland:** risk management is carried out at all levels in the national administration organisational structure (central, local, regional). Exchange of information in risk management and controls generally takes place automatically via the integrated risk analysis system ZISAR.

**Romania** replied that risk analysis is performed both at the moment of receiving conclusive data and info and in the stage of preparation of the control in case of OLAF's financial impact alerts. In 2018, 5 out of 30 alerts identified in the DGV database of customs operation fell under the risk criteria with subsequent controls at the level of territorial structures.

**Slovenia:** proper coordination among customs services is ensured with central risk profiles and unique common view on situation with developed special application for monitoring valuation of goods.

**Slovakia:** Central and local risk analysis are on different section in the Financial Directorate organisation structure.

**Finland:** Yearly audit planning process is done in cooperation among audit control and analysis/intelligence. All interest groups are asked if they have suggestions for risk management and targeting. Feedback is provided to the interest groups on what happened with their suggestions.

**United Kingdom:** Co-ordination is centralised within HMRC's Risk & Intelligence Service.

*c) Risk profiles targeting traditional own resources (TOR) and providing clear instructions with regard to the type of control to be carried out. Risk guidance to customs release officers, sharing of information with other Member States and feedback on the response to this information in the EU customs risk management system*

22<sup>15</sup> Member States replied that they fully implement this recommendation and six<sup>16</sup> reported partial implementation.

The following Member States provided details for their reply (in summary):

**Belgium** replied that since the end of 2018, the tax risk management team was organised in accordance with the Commission Decision on Financial Risk Criteria, making it possible to better target TOR. Significant findings in all risk areas are reported in the CRMS system.

**Bulgaria** replied that risk profiles particularly target TOR. The actions to be taken in profiling are clear and detailed. Where irregularities are detected the information is shared with Member States but only with regard to major seizures or infringements. There is a lack of human resources to be able to disseminate information more effectively. Information via RIF is processed in full.

**Czech Republic:** risk profiles contain specific control instructions for the officers of customs office. Information on newly identified risks is shared with other member states by registration into the system RIF.

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<sup>15</sup> Czech Republic, Denmark, Germany, Ireland, Spain, France, Croatia, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, the Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Sweden and the United Kingdom.

<sup>16</sup> Belgium, Bulgaria, Estonia, Greece, Italy and Finland.

**Denmark** replied that the customs authority uses CRMS to share risk information with other Member States. Reported receiving information through RIF on new trends of possible areas of fraud and assesses this information. Where necessary, financial RIFs will lead to establishment of risk profiles in the import system indicated a type of control to be carried out.

Customs checks in **Estonia** are focused on goods, irrespective of the incurrence and amount of duties and taxes (customs duty, VAT, excise duty) applicable to the goods or the status of the consignee/declarant. Also RID – data exchange is carried out systematically between Estonia and other Member States. In 2018 Estonia drew up 63 RIFs, one of them being undervaluation.

**Ireland** reported that clear and concise instructions are given to the control officer carrying out the check. Any irregularities are addressed and if necessary shared among other member states via the RIF system.

**Greece** replied that all risk profiles, including those relating to TOR refer to clear guidelines and guidance on the type of control and provide risk information to those responsible for control at the customs clearance stage. Risk information is shared with other member states and feedback is provided to a satisfactory degree.

**Spain** reported that clear instructions about the actions to perform once the declaration has been selected for its control are in place. RIF is used to inform other Member States. An analysis of all information received from other MS is carried out.

**France** replied that each selection profile contains a description explaining the reason for the profile, the type of fraud being investigated and the action to be taken. The services are informed each month of the RIF messages sent by other Member States. The MA cases sent by OLAF on TOR are given specific treatment by the Risk Analysis and Targeting Department (SARC): the fraud mechanism described is studied and the French traffic analysed. The SARC sets up one or more dedicated profiles and gives precise instructions to the services on the action to be taken.

**Italy:** risk profiles exist to fight against losses in TOR. They mainly concern anti-dumping, undervaluation, misclassification and origin. Risk information is shared by CRMS when are deemed to be relevant for another Member States.

**Cyprus** replied that if a declaration is selected for control, based on a risk profile, then customs officer/examiner follows the instructions given by the profile for the type of control to be carried out.

**Lithuania** reported that 1019 fiscal risk profiles were created in RIKS clearance component in 2018. Risk information is shared with other member states and 2 RIF were placed in 2018. Feedback on the response is constantly being filled.

**Luxembourg** replied that risk profiles target TOR. There are instructions in place and Luxembourg considers the exchange of and feedback to risk information as a very important element in risk management. They make use of the EU customs risk management system on a daily basis.

**Hungary** continuously monitors the risks to TOR and a risk profile is created for them in the risk management system. In all cases, specific instructions exist to indicate for what kind of risk a given control must be conducted and possibly whether any sort of special document needs to be requested and forwarded to the central service for any potential risk information to be further processed.

**Malta** replied that TOR is one of the key risk areas incorporated in profiles uploaded on the electronic systems. The profiles may incorporate instructions to customs officials conducting physical inspection of goods. Potential (new) risks noted are shared with other member states through the RIF system.

In **Austria**, tax and customs are merged. The central anti-fraud department covers anti-fraud measures in the fields of customs, excise duties and taxes. Risk profiles cover customs, tax, excise and any combination. Information is shared, also with other Member States and the Commission, the full risk management circle is implemented including monitoring and evaluation.

**Poland:** Risk profiles include guidance for the entity performing the control, setting out clearly what measures are to be taken and the scope of those measures. There are guidelines on 'verifying the declared customs value of textiles and footwear imported from far eastern countries (mainly China). Exchange of information takes place via CRMS/RIF, AFIS, Visegrad 4 forum.

**Romania** reported that in 2018 the automatic selection of customs declarations based on existing risk profiles in the risk management IT module functioned at national level. Risk profiles can be set to target a heading or a combination of headings in the customs declaration. A total of 139 risk profiles were implemented in 2018 of which 30 following OLAF alerts, 1 profile was updated following the ISPRA database analysis and 1 profile as a result of a RIF message analysis. In all cases a feedback to RIFs is entered.

**Slovenia:** risk profiles specifically target TOR and provide clear instructions about the type of control. These profiles also give guidance at customs clearance. In some cases, the mutual assistance requests are launched.

**Finland:** Profiles specifically target TOR. Finland uses both FRC and national profiles. Risk profiles always contain guidelines on how to perform control and use CRMS system, and make new RIF message based on the results of the risk profiles, controls of corporate audit unit etc. if there is new element of fraud.

**United Kingdom:** where they consider that there is an EU wide implication, details of an examination are passed to the team responsible who will raise a RIF and share the risk identified with OMS.

*d) Close monitoring of the controls results in a structured manner, to allow effective follow up and strict implementation of mutual assistance instructions*

23 Member States<sup>17</sup> replied that they fully implement this recommendation and four<sup>18</sup> reported partial implementation. One Member State gave a negative reply.<sup>19</sup>

The following Member States provided details for their reply (in summary):

**Belgium:** feedback for pre-release controls is taken into account by Seda 2.0 and feedback for post-release controls (not automated) is less structured but is included in the development of data mining models.

**Bulgaria** replied that checks based on the risk profiles produced are carried out at regular intervals and, if necessary, additional information is requested or a post-release control is carried out.

**Czech Republic:** post-release controls results are regularly evaluated. In 2018, 449 post-release controls were finished from which almost 87% identified breaches of regulations.

**Estonia** replied that the Intelligence and customs departments are regularly monitoring the efficiency of selectivity/risk criteria and make a decision accordingly.

**Ireland** reported that control results are regularly monitored and any irregularities identified which would constitute infringements are dealt with locally by the control officer. Any irregularities or fraudulent activity detected is reported to the investigation and prosecution division.

**Greece** replied that the full content of the instructions and guidelines provided to the member states with the AM messages of OLAF is without any delay notified to all customs authorities.

**Spain** reported that the central unit performs the proper follow-up.

**France** replied with details about the updated document on the implementation of the provisions of Regulation [517/97](#) to improve the treatment of MA cases and explained the circuit for handling MA cases concerning the protection of the EU's financial interests. Further, France informed that the results of checks on MA cases are sent to the SARC which draws up a table for monitoring the cases. This table is sent each quarter to OLAF via AFIS mail.

**Italy** referred to the monitoring of structured control results (feedback) carried out by the Analysis Office. The latter provides to consult the results of the controls arising from the selections made by the risk profiles developed, to implement new ones or to modify existing ones.

**Cyprus** reported that a new structure was recently created to have a more effective follow-up and strict implementation of mutual assistance instructions. The intelligence and analysis

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<sup>17</sup> Denmark, Germany, Estonia, Ireland, Spain, France, Croatia, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, the Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Sweden and the United Kingdom.

<sup>18</sup> Belgium, Bulgaria, Czech Republic and Greece.

<sup>19</sup> Finland

section delegates each AM message to the relevant sections and monitors it so that the data for the reply are received timely.

**Lithuania:** the results of the verification of declarations in RIKS are monitored in a structured manner. The effectiveness of risk profiles is continuously assessed and the decisions are made on risk profiles correction, their further need or the introduction of the new profiles.

**Luxembourg** set up an IT tool to evaluate control results. Both local and central services have access to this system. The evaluation itself is systematically performed at central level.

**Hungary** replied that the controls results are available to all services involved in performing the control and to the central service carrying out risk analysis. If, within the context of mutual assistance, the national tax and customs administration receives a request to generate a risk profile to check some kind of defined turnover, the risk profile is generated. Depending on the nature of the request, searches and assessments of profile match results are scrutinised daily/weekly/monthly. Also, the internal operating and filing for real time risk analysis is in the process of being fully computerised.

**Malta:** Feedback is submitted in the 'electronic inspection result' tab by the customs official conducting the inspection. A detailed report outlining all endangered taxes and any additional anomalies found is also submitted manually and registered in the relevant file which is then forwarded to the risk management unit for any necessary action they deem appropriate.

**Austria** replied that this question is regulated in an internal rule book.

**Poland** reported about the integrated risk analysis system (ZISAR). In addition, in the context of the tasks it carries out in the area of mutual cooperation, the DSCA implements and monitors/coordinates the cases that have been initiated in CRMS/RIF or by OLAF, and ensures that feedback is provided.

**Romania:** mutual assistance and customs cooperation are carried out at the central level based on requests coming from local structures. All requests have to be analysed in terms of the subject matter of the request, the scope of action and measures required. In 2018, Romania updated the OLAF alert methodology, which provides all steps to address these alerts.

**Slovenia:** feedback at customs clearance is monitored in the risk profile files and the post-release audit files which allow effective follow-up.

**Finland:** there is manual monitoring of the results of risk profiles with the present risk analysis system. For example, the risk profiles based on AM messages. Monitoring of the control results is a development area in Finland. There are new IT solutions under development.

**United Kingdom:** AM messages are received via AFIS mail and are allocated to an Officer to establish what is required. This is completed by use of HMRC databases and CHIEF MSS. Responses are sent to the named Investigating Officer in OLAF via the AFIS mailbox.

### **1.1.3. OTHER MEASURES**

Member States were asked to report on several other measures on customs controls. These included whether they systematically include an automated random element and consider the

time-barring 3 year period for communicating customs debt. Also, there was a question on whether they ensure risk-oriented post-release audits and if the results are strictly monitored. Another question was whether customs controls made by AEO are carried out taking account of the risk management. Lastly, whether national authorities make full use of the handbook on operational customs controls based on MS best practices, and of the customs audit guide.

*a) Systematic inclusion of an automated random element taking into account the time-barring three year period for the communication of customs debt*

16 Member States<sup>20</sup> replied that they fully implement this recommendation and seven<sup>21</sup> reported partial implementation. Four Member States gave a negative reply.<sup>22</sup> One did not indicate any information.<sup>23</sup>

The following Member States provided details for their reply (in summary):

**Belgium** replied that to draw up the proposed items for post-release controls, they go back 2.5 years to allow sufficient time to carry out the checks within deadlines. Risk management does not assign random items for post-release controls.

**Bulgaria** reported that 5% of checks of economic operators are carried out at random selection.

The **Czech Republic** replied that within post-release controls the automated random element is not included. The time limit for notification on customs debt is one of the pieces of data that are taken into account during the preparatory phase, regarding whether it is possible to carry out the post-release control and notify about the debt within the time limit. The length of how long a post release control lasts is evaluated twice a year.

**Denmark** replied that when carrying out controls, the customs authority applies a statistical element to the control selection, and also focuses on the time-barring three year period.

**Estonia** carries out random checks regularly and uses random selection.

**Greece** explained that the customs information system is not designed to indicate random checks in in the context of post-release risk analysis in an automated manner. This function is in the process of being re-designed. The time-barring three year period is taken into account.

**Italy** explained in detail, the reason that for posteriori controls, the risk analysis system does not include randomness.

**Spain** indicated that the expiration date is always taken into account.

**France** replied that with regard to the checks made at the time of clearance, an automated random selection of the declarations is set up. With regard to ex post 1 checks, a schedule is implemented on the basis of the general guidelines set by the Inspection Information and

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<sup>20</sup> Bulgaria, Denmark, Estonia, Spain, France, Croatia, Latvia, Hungary, Malta, the Netherlands, Austria, Portugal, Romania, Slovenia, Slovakia and Sweden

<sup>21</sup> Belgium, Czech Republic, Germany, Lithuania, Poland, Finland and the United Kingdom

<sup>22</sup> Greece, Italy, Cyprus and Luxembourg

<sup>23</sup> Ireland.

Steering Units (CRPC) which takes into account the reliability of the operators (managing sensitive traffic and/or procedures).

**Lithuania:** an automated random element is not included as a risk indicator. Random company selection is not used for the purpose of customs audit.

**Luxembourg** takes into account the time-barring period but this is not included as a risk indicator in the risk analysis. The only thing they do depends on case by case basis. A risk profile is put into the analysis with regard to either the economic operator or the product (tariff/value/origin).

**Hungary** replied that selection is conducted at random to make economic operators aware that controls can be imposed anytime, irrespective of operators' risk rating with local customs services. When planning post-release controls, particular attention must be paid to the communicability of the customs debt; conducting a planned post-release control at a later date may not impede communication of the debt.

**Austria:** a random element is used in the electronic profiling system. The three year period is an indicator for the risk analysis.

**Poland** replied that the random element is applied in automated risk analysis in IT systems when selecting customs declarations for checks. It is not used in the post-release selection of goods for checks. The 3 year period for the communication of a customs debt before it is time-barred is taken into account as a risk factor.

**Romania** provided extensive details on this question. It is noted that in 2018 the implementation of a random selection program for customs declarations with customs clearance was completed in the IT system.

**Slovenia** replied that in post-release audit plan, the time-barring 3 year period and random automated selection are taken into consideration. This kind of economic operators are selected and examined.

**Slovakia** replied that the limitation of a 3 year period of a customs debt is taken into account in the planning phase of post-release controls. When as a result of criminal offence, the time limit is extended to 5 years.

**Finland** has automated random profiles in all operative declaration systems. Also, they are using random element during the audit planning process. Time-barring period is one risk indicator which is used during audit planning process.

**United Kingdom:** The UK's uses risking techniques to target their activities in effective ways. In certain circumstances, there is coverage across the trader population.

*b) Ensuring risk orientated post-release audits which cover the operator's systems and the application of a random element, providing guidance to the auditors and taking account of the results of the pre-authorisation stage and of standardise checklists*



Fifteen Member States<sup>24</sup> replied that they fully implement this recommendation and seven<sup>25</sup> reported partial implementation. Three Member States gave a negative reply.<sup>26</sup> Two did not indicate any information.<sup>27</sup>

The following Member States provided details for their reply (in summary):

**Belgium:** the proposed items for post-release audits are in part supplied by the risk management department and are risk oriented, not random.

**Bulgaria** reported that risk-oriented audits are carried out using an automated process for selecting economic operators based on data in customs declarations for a period of 3 years. Further to the findings of post-release control, import duties and taxes assessed and other state receivables are entered in the accounts. Administrative proceedings are initiated when infringements are established.

The **Czech Republic** provides post-release audits. Random element is not applied. The audits are performed at those subjects where the risks are identified. The control lists are used and the results are evaluated.

**Estonia** replied that all the objects directed to the Tax Audit department in 2018 had been selected on the basis of risk analysis and sent to post-release controls due to their risk. Estonian companies are in many cases small and therefore the performance of post release audit does not bring any additional effect. All post-release audits are classified as "other kinds". There is a national manual for performing controls, called "Tax Auditor's Operating Procedure".

**Ireland** replied that the Irish customs post clearance interventions are based on risk analysis using automated data processing techniques. Ireland has produced a national customs audit and control guide that encompasses standard checklists to assist their officers in carrying out their post-clearance roles. A random element is also incorporated to the post clearance programme. The customs division works closely with regional control officers and customs audit personnel to provide advice and guidance. All results from customs post release controls are monitored closely and rules, procedures and processes are updated as required.

**Greece:** post release audits are carried out on the basis of a non-automated "local" risk analysis by the competent authorities.

**Spain** replied that each actuary decides how to perform the control. Audits are revised by the superior who may decide to perform additional actions. The Commission's guide is at their disposal. Company records can usually be assessed and all previous information is taken into account.

**France** explained how post-release audits are conducted (in a hierarchical manner) in France. The results of the checks are incorporated in the anti-fraud information system and can be

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<sup>24</sup> Belgium, Bulgaria, Germany, Ireland, France, Croatia, Italy, Latvia, Lithuania, Hungary, the Netherlands, Austria, Poland, Portugal, Slovenia, Slovakia

<sup>25</sup> Czech Republic, Estonia, Greece, Spain, Malta, Finland and the United Kingdom

<sup>26</sup> Cyprus, Luxembourg and Romania

<sup>27</sup> Denmark, Sweden

consulted by all the services responsible for risk analysis and targeting. Random selection is not part of the post-release audits mechanisms.

**Italy** explained the process of ensuring risk-oriented post-release audits with continuous monitoring of results.

**Lithuania** reported that pre-audits and post release cover the operators' systems and for all of them instructions, guide and standardised checklists are used. Results of pre-audits and post-release audits and other verifications are uploaded into the RIKS. This allows monitoring all the information in one e-system, RIKS.

**Luxembourg** indicated that as they don't have an IT tool, they cannot conduct risk-oriented audits. They are conducted on the experience of the officials or by a request from another department.

**Hungary:** when drawing up the annual post-release control plan, 87 distinct risk topics were taken into account in selecting for the control, but a random sample was also taken. Those performing control, received information on the risk topics being investigated in writing. The results of the controls are uploaded into an electronic register and are easy to access and may serve as a basis for further risk analyses.

**Malta** replied that the relevant department carries out risk-oriented post-release audits but does not have the capacity to carry out system-based audits.

**Austria** fully applies the EU audit guide.

**Poland:** a provision has been introduced to national law that indicated that controls including post-release controls are to be performed on the basis of risk analysis results. The exceptions to this are random checks or those arising from a legal obligation. The control activities carried out use the methodology set out in the customs audit guide.

**Romania** reported that up to now, no further customs controls have been carried out on operators' systems in the absence of the national legal framework. Currently, the process of amending the ANAF order on the technical norms of customs surveillance and control is in progress and new provisions will include this method of customs control later with the full application of the methodology in the DG TAXUD customs audit guide.

**Slovenia** reported that a random element is included in different post-release audits. There is use of the customs audit guide and check list where necessary. Auditors also examine minutes of previous post-release audits and other information to include the risk areas.

**Slovakia:** the unit of post-release control continuously processes the incentives from the unit of risk analysis and forwards them to the units of post release control. – Exchange of analysis is taking place.

**Finland** explained corporate audit. The transactions concerned are chosen to the audit mainly with risk analysis and random sampling is used less frequently in an ordinary audit. The checklists are accessible to all auditors. The results of the audits and the proposed and realised

measures are entered into the monitoring system of the corporate audit and used e.g. in audit planning.

The **United Kingdom** replied that HMRC undertake a 3 year rolling audit/assurance programme of authorised traders. This activity is supplemented with Authorisation & Returns Teams monitoring activity on the authorised population.

*c) Customs controls on operations made by authorised economic operators (AEOs) carried out taking into account of risk management performed*

23 Member States<sup>28</sup> replied that they fully implement this question and five<sup>29</sup> reported partial implementation.

The following Member States provided details for their reply (in summary):

**Belgium:** on the basis on the risk assessment in granting or reassessing an AEO authorisation, a selection percentage is awarded that is used in the selection process within SEDA 2.0 engine.

**Bulgaria:** automated risk analysis is conducted for all operations, regardless of the role of economic operators in the supply chain.

**Denmark:** companies with AEO authorisation will also be monitored on the basis of materiality and risk, although to a lesser extent on account of their status.

**Estonia:** companies holding AEO status are controlled on the same grounds as other companies.

**Ireland:** AEOs are subject to the same rules and regulations as other importers but do not come under the same level of customs controls as their status is based on mutual transparency, correctness, fairness and responsibility. From a compliance perspective each AEO in Ireland is monitored within the first 12 months of being granted such an authorisation and at least every three years after that.

**Greece:** customs controls carried out on operations made by AEO take into account risk analysis and apply on all the different elements of these operations.

**Spain:** AEOs are subject to customs controls. However, they might be adapted to their risk level.

**France** replied that the AEO are considered to be trustworthy operators in the context of the customs operations they perform. As such, they have specific customs benefits, pursuant to EU rules. France explained the cases where AEO have special treatment and explained that apart from these cases, the AEO are treated like other operators. The same selection profiles are used for them where these profiles are not based on an Economic Operator Registration and Identification number and all the data in the declaration can be targeted.

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<sup>28</sup> Belgium, Bulgaria, Czech Republic, Denmark, Germany, Ireland, Greece, Spain, France, Croatia, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, the Netherlands, Portugal, Romania, Slovenia, Sweden and the United Kingdom

<sup>29</sup> Estonia, Austria, Poland, Slovakia and Finland

**Italy:** The rate of control for an AEO is systematically narrowed down according to the rate of compliance of the operator. When a high risk indicator related to potential losses in own resources applies, AEO is managed as normal operator for a short period and subjected to normal type of control.

**Cyprus:** an import system at low risk value is given to all Cypriot AEOs. As regards the import control system and the export control system, all benefits granted to AEO are based on Common Risk criteria.

**Lithuania:** AEOs operations are checked under the same criteria as the other economic operators.

**Luxembourg:** only the risk profile for the financial category is reduced to a 50% rate.

**Hungary:** When selecting for post release controls, AEOs are treated just like any other market participants, although when taking customs controls into consideration on the whole, there are fewer physical and documentary controls, as a reduction is applied.

**Austria:** this question is dealt with on a case by case basis.

**Poland:** The DSCA and all other regional revenue administration offices have been instructed to take the necessary measures set out in this recommendation with a view to factoring them into the risk management process.

**Romania:** The selection of controls is based on risk analysis, using a specialised IT module. The selection is automatically performed in the system. There is no requirement for the non-application of the risk criteria to AEO so that they can be selected if there is a risk indicator. AEO is considered a trustworthy company, and therefore their operations are considered as low risk and in some cases, based on local risk analysis, may not be part of the controlled sample.

**Slovenia:** When AEO authorisation is done, a special monitoring plan applies.

**Slovakia:** AEOs are subject of risk analysis and only the internal guideline allowed performing less controls.

**Finland:** During their risk management and post-release process they treat AEO and other operators the same way.

**United Kingdom:** AEOs are included in a targeted risk assessment and risk working as part of Large Businesses and RIS monitoring of the authorisation. They are included in pre-clearance profiling exercises and their consignments checked if appropriate.

*d) The use of the handbook of operational customs controls based on Member States' best practices and of the Customs audit guide*

Twenty-four Member States<sup>30</sup> replied that they fully implement this question and four Member States<sup>31</sup> gave a negative reply.

The following Member States provided details for their reply (in summary):

**Bulgaria:** The customs audit guide is used when performing post release control.

**Estonia** has its own national guidelines for the verification of customs value and determination of a new value. Likewise, there is a national manual for carrying out controls: "Tax Auditor's Operating Procedure".

**Ireland:** The audits are conducted in line with the EU customs audit guide. From a post-clearance perspective, the national customs audit guide takes primary guidance from the EU customs audit. The EU documents are an integral part of the control programme formulation.

**Greece** a key tool for carrying out post release audits is the customs audit guide.

**Spain:** the guides are available to the actuaries who perform the controls.

**France** responded that these guides are not used directly by the services although their indications are included and used in national guides.

**Italy** replied that both are used for operational customs checks and audit guide.

**Cyprus:** the handbook on operational customs control is uploaded on intranet departments and is available to all customs officers since 2015.

**Lithuania:** the customs audit guide is used. Based on info from this guide, checklists (questionnaires) for auditors in RIKS post-clearance component are created. Currently, they use 17 checklists (risky areas) for preparation phase for audit and 31 for execution phase. Finally, the auditor is required to assess the company's residual risk. Lithuanian customs are familiar with the handbook (2013) and apply its provisions. However, this handbook contains references to regulations that are no longer valid and they believe it should be updated.

**Hungary:** Full use of the customs audit guide is being made at the time of post-release controls. The departments use the handbook when checking declarations, performing physical controls, checking the classification of goods, and making recommendations of sampling.

**Malta:** A 'yes' reply is being submitted to this question conditionally, as the department consults the customs audit guide when conducting any type of audit assignment.

**Poland:** For the purpose of performing post-release controls, the KAS uses the methodology set out in the customs audit guide.

**Romania:** In 2018, both documents were distributed to the specialised personnel within the structures with control responsibilities at the local level (2014 version of the customs audit

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<sup>30</sup> Belgium, Bulgaria, Czech Republic, Denmark, Germany, Ireland, Spain, France, Croatia, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, the Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia and Finland

<sup>31</sup> Estonia, Greece, Sweden and the United Kingdom

guide) as "savoir faire" for usage of the information in the activity of preparing and carrying out control actions.

**Slovenia:** national authorities make full use of the handbook on operational customs controls and the customs audit guide.

**Slovakia:** all the units of post release controls have a customs audit manual available.

**Sweden:** the Swedish customs doesn't use the handbook because they are not sufficiently familiar with it. They use the customs audit guide. Unfortunately, the guide has not yet been updated by TAXUD to take account of the new legislation.

**United Kingdom:** the UK authorities apply the Customs Audit Guide and have national guidance in place. The UK authorities would like confirmation of the current status and developments of the handbook on best practices.

## 1.2. EXPENDITURE

Under the second recommendation, the Member States were invited to further exploit the potential of risk analysis, tailoring the approach to different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF report. Also, to facilitate and assess the spontaneous reporting of potential irregularities and strengthen the protection of whistleblowers as they are also a crucial source for investigative journalism. Lastly, the Member States were invited to promote systematic and timely cooperation between judicial and administrative authorities. The summary of the results in accordance with the Member States' replies are listed in this section.

The Commission provided the following guiding questions to the Member States with regard to formulating structured replies to address the second recommendation:

Guiding questions:

**Q.2.1** *Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?*

**Q.2.2** *Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?*

**Q.2.3** *Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistle-blowers, who are also a crucial source for investigative journalism?*

**Q.2.4** *Have you promoted systematic and timely cooperation between judicial and administrative authorities?*

Overall results of the implementation of recommendation 2 on expenditure (in alphabetical order):

Table 2

	Q.2.1	Q.2.2	Q.2.3	Q.2.4
AT	fully implemented	fully implemented	fully implemented	partly implemented
BE	not implemented	partly implemented		
BG	fully implemented	fully implemented	fully implemented	fully implemented
HR	fully implemented	fully implemented	fully implemented	fully implemented
CY	fully implemented	fully implemented	not implemented	fully implemented
CZ	fully implemented	fully implemented	partly implemented	fully implemented
DK	fully implemented	partly implemented	partly implemented	not implemented
EE	fully implemented	partly implemented	partly implemented	partly implemented
FI	fully implemented	partly implemented	partly implemented	fully implemented
FR	not implemented	partly implemented	partly implemented	
DE	fully implemented	partly implemented	partly implemented	partly implemented
EL	fully implemented	partly implemented	partly implemented	partly implemented
HU	fully implemented	fully implemented	fully implemented	fully implemented
IE	not implemented	fully implemented	fully implemented	fully implemented
IT	fully implemented	partly implemented	fully implemented	partly implemented
LV	fully implemented	partly implemented	fully implemented	fully implemented
LT	fully implemented		fully implemented	fully implemented
LU	not implemented	partly implemented	fully implemented	fully implemented
MT	fully implemented	fully implemented	fully implemented	fully implemented
NL	fully implemented	partly implemented	fully implemented	not implemented
PL	not implemented	fully implemented	partly implemented	fully implemented
PT	fully implemented	fully implemented	fully implemented	fully implemented
RO	fully implemented	fully implemented	partly implemented	partly implemented
SK	fully implemented	fully implemented	fully implemented	fully implemented
SI	fully implemented	partly implemented	partly implemented	partly implemented
ES	not implemented	fully implemented	partly implemented	partly implemented
SE	fully implemented	partly implemented	fully implemented	fully implemented
UK	fully implemented	partly implemented	partly implemented	not implemented

fully implemented	fully implemented
partly implemented	partly implemented
not implemented	not implemented
No indication	No indication

### 1.2.1. USE OF THE 2016 PIF REPORT FINDINGS IN FRAUD RISK ASSESSMENTS

Member States were asked *whether they could share any results deriving from the use of the findings from the 2016 PIF report in their fraud risk assessments*. 22 Member States replied

that they were in a position to share such results<sup>32</sup> whereas six Member States<sup>33</sup> gave a negative reply to this question.

The following Member States provided details for their reply (in summary):

**Belgium:** Fraud prevention and detection in the Flemish paying agency is based on the principle of progressive insight. Different elements that are provided in different for a, including the PIF report, are taken into account in the anti-fraud policy of the paying agency.

**Bulgaria** shared results from the use of findings from the PIF Report 2016 at the level of both operational programmes and individual operations. They reported about additional measures in areas of priority in the 2016 PIF Report, (tourism, RTD, transport, investment in social infrastructure, technical assistance to fisheries). They also reported on additional checks established, the use of Arachne in public procurement procedures, the update of checklists by some authorities, new methodology on fisheries in 2018, an audit workshop in 2018 and continuous verification and implementation of Commission recommendations on ESF, ERDF, CF and ETC programmes. They also reported additional controls in the form of red flags, and emphasised the list of red flags role in the prevention of fraud and offering additional protection for the agricultural funds related grants.

**Czech Republic** reported about the strategy to fight fraud and corruption in the framework of absorption of the CSF 2014-20 and its implementation. Also, about the reporting procedure in case of suspicion of a criminal offence (e.g. fraud) to the national monitoring system MS2014+(IRQ3). Also, reported about enhanced cooperation with the Police in case of fraud, about the officers of the control and audit unit of EU funds' cooperation with the intermediate bodies, and the use of Arachne by managing authorities and intermediate bodies. Lastly, about the implementation of recommendation 4 of the 2016 PIF report in changes in the operation of the risk management system.

**Denmark** replied that the Agricultural Agency reported that it has held internal guidance meetings for fraud awareness raising in relation to the rules on markets organisation. Compared to 2016 and 2017, 2018 saw an increase in detected cases with red flags under the rules on markets organisation. The fisheries agency reported that it has provided information on the location and priority area of projects reported for fraud in 2017 and 2018.

**Germany** reported that in the agricultural sector fraud risks are continuously assessed including with reference to the PIF report. If there are an indication of a fraud risk for certain measures, appropriate action is taken. In structural and investment funds, Germany reported that the comprehensive approaches devised and reviewed by managing authorities take account of the 2016 PIF report's assessments and findings. Also, the Commission guidance note on fraud risk assessment is followed, and the self-assessment instrument provided by the Commission in the guidance note is regularly reviewed and adjusted to specific features of local situations.

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<sup>32</sup> Belgium, Bulgaria, Czech Republic, Denmark, Germany, Estonia, Greece, Croatia, Italy, Cyprus, Latvia, Lithuania, Hungary, Malta, the Netherlands, Austria, Portugal, Romania, Slovenia, Slovakia, Finland, Sweden and the United Kingdom

<sup>33</sup> Ireland, Spain, France, Luxembourg and Poland



**Estonia** reported that their audit authority improved the auditing methodology and checklists with the fraud indicators provided by in the OLAF public procurement guidelines.

**Greece:** the Special Management Service of the 2014-2020 Rural Development Programme is implementing a technical support project. The Special Management Service of the Maritime and Fisheries Operational Programmes implements a law transposing directives No 24 and 25 of 2015 and the e-procurement system as recommended by the 2016 PIF report. The results of the report in fraud risk assessments have been recorded in the FRA tool in the form of measures. The Fiscal Control Committee (EDEL) reported that taking into account the 2016 PIF report findings, in 2018, the Audit Authority reformulated and updated the audit questionnaires for transactions, paying particular attention to the incorporation of the requirements arising from the new directives on public procurement. In 2017, it participated in a training programme in Athens on combating fraud and corruption in EU investment and structural funds organised by the national centre for public administration and HAUS (Finland).

**Spain** explained that the report findings are only one of the multiple elements taken into account in fraud risk assessments so it is difficult to isolate the effects that each of those elements has as a result of its inclusion in the fraud risk assessments.

**Croatia** reported that fraud risk assessment is carried out for prevention and detection of fraud and corruption. They collect the assessment and the Ministry of Finance is processing and analysing the results. The paying agency for agriculture, fisheries and rural development in 2017 has taken into account all types of financing in the frame of European agricultural guarantee fund and for rural development. It has taken into account the management and control system's weaknesses in accordance with an internal risk management procedure. Emphasised that the Ministry of Finance requested identification of risks related to irregularities and fraud in 2017 and provided the basis for risk identification.

**Italy** reported that the managing authority has established a fraud risk assessment task force and a checks quality review task force in addition to implementing the Arachne system with assistance from the Ministry of Economy and Finance/Auditing authority.

**Cyprus** reported that risk assessment has been incorporated in all administrative and on the spot procedures undertaken by responsible bodies involved in programmes under shared management. Risk analysis is also used to select transactions to verify in terms of payment claims submitted by beneficiaries with a large number of supporting documents or during on the spot controls for measures with a large number of final recipients. Risk analysis incorporates data on the nature of beneficiaries, projects and the type of expenditure, based on ex ante assessment of the associated risk to each category and incorporating results of previous verifications and audits.

**Latvia's** Ministry of Agriculture reported that they implemented the recommendations as reported in the previous follow-up in 2016 and 2017.

**Lithuania** reported about the analyses performed by the Ministry of Finance as managing authority of the operational programme for the EU investments 2014-2020. After the analyses, it assesses the need for additional measures to reduce the probability of possible occurrence of fraud and corruption manifestations. Following the assessment in 2018, the

need for additional preventive measures in evaluations of applications, carrying out on the spot checks, communication activities, public procurement, etc. have been established. Additional measures to be implemented in 2019 include both various checks and preventive actions.

**Luxembourg** explained that the only European structural funds managed there and falling within the scope are the ones covering the agricultural sector. As no fraud cases related to market support measures have occurred yet in the agricultural sector, they did not make improvements in this area after the 2016 PIF report.

**Malta** reported that with respect to the PIF report's recommendations, the fraud risk registers have continued to be reviewed on a regular basis to address new emerging fraud risks.

**The Netherlands** reported that they organised workshops about the updated legislation on public procurement.

**Austria** reported that OLAF's fraud risk assessment confirms their own findings derived from the Paying Agency administrative and on the spot controls and clearance of accounts as well as audit findings. Nevertheless, Austria continues working to reduce the reasons for irregularity and possible fraud step by step. Improvements are mainly necessary in market subsidies and rural development projects. In these sectors strict rules for application, claim authorisation and on the spot controls are essential. All these steps may further take advantage of professional IT support.

**Poland** could not report any findings. The competent national institutions in Poland typically use risk analysis to identify the most vulnerable areas to fraud. With regard to the use of the risk elements discussed in the PIF report, the partnership agreement coordinating authority will bring this aspect to the attention of all relevant cohesion policy managing authorities, giving recommendations for drawing up annual control plans for the financial year 2018/19.

**Portugal** highlighted that the content of the communications to OLAF is taken into account during risk assessment, particularly when establishing the sample for on the spot checks on applications and aid requests submitted.

**Romania:** the Managing Authority for operational programme for fisheries 2014-20 reported that the checklist called "Fraud Indicators checklist" was introduced at the levels of the procedures in place at Managing Authority level including questions related to conflict of interests.

**Slovenia** reported about the cooperation with the attorney general, better information, better cooperation, early detection of fraud, improved system performance and consequently fewer corrections.

**Slovakia** reported about several points. The Supreme audit office has an obligation to assess fraud risk when planning and conducting audits. The public procurement office activities during the transposition period of the revised directives, for example, enhanced transparency via the register of beneficial owners. The Ministry of Environment of the Slovak Republic reported the carrying out of the management of risks/risks of fraud relevant to the Operational programme quality of Environment. They listed what the managing authority uses for the risk management procedure such as the Arachne system, the IT monitoring system ITMS2014+, a

whistleblowing system. The agricultural paying agency adopted the directive on solution of irregularities and refunded financial funds of the agricultural payment agency. The ministry of Labour, social affairs and family as a MA tries to apply all recommendations and procedures for the European Social Fund Program (OP HR) and its tools. The Ministry of Transport and Construction as a managing authority of the operational programme integrated infrastructure implemented prevention measures of the fraud risk self-evaluation during 2016 in accordance with COM regulations.

**Finland** reported about a new law concerning public procurement and cohesion contracts executed from 2017. The functions of the electronic project management system EURA 2014 include corrective measures and findings, which can be marked as suspected fraud. In the field of agriculture, the cooperation between different actors has increased with the development of risk assessment. Also, fraud awareness has improved among regional authorities.

**Sweden** reported that there is still a need to continue training both management and administrators/economists in public procurement, something that was detected in the 2016 PIF report.

**The United Kingdom** reported that potential or actual fraud cases relating to expenditure issues are being considered as part of subsequent reviews of their fraud risk assessment tool, with risk and controls revised accordingly. Also, in relation to their risk scoring tool, they are currently developing the narrative to clarify their decision making in relation to the scoring of risks (both gross and net risk), their confidence in the controls, and the necessity for considering any additional planned controls.

### 1.2.2. USE OF RISK ANALYSIS FINDINGS

Under this question, Member States were asked to provide information on *whether they have further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure. Also, whether they have taken advantage of best practices and the risk elements highlighted in the 2017 PIF Report.* Thirteen Member States<sup>34</sup> replied that they were in a position to fully implement this recommendation whereas fourteen Member States<sup>35</sup> could implement it only partly. None of the Member States replied negatively to this question. One did not indicate any information.<sup>36</sup>

The following Member States provided details for their reply (in summary):

**Bulgaria** reported that Managing Authorities introduced measures in accordance with the Commission's guidance on the application of Article 125(4)(c) of the Common Provisions Regulation. They also updated their risk assessment methodology and action plan for ESI funds. They explained the practical use of red flags carried out at all stages of the project

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<sup>34</sup> Bulgaria, Czech Republic, Ireland, Spain, Croatia, Cyprus, Hungary, Malta, Austria, Poland, Portugal, Romania, Slovakia

<sup>35</sup> Belgium, Denmark, Germany, Estonia, Greece, France, Italy, Latvia, Luxembourg, the Netherlands, Slovenia, Finland, Sweden and the United Kingdom

<sup>36</sup> Lithuania

cycle. They also reported about the use of Arachne for programmes financed by structural and cohesion funds. Bulgaria reported about the carrying out of checks based on specific checklists and the use of a self-assessment tool of the risk of fraud provided by the European Commission. They reported taking account of good practices and experience when developing the methodology for assessing fraud risk for the 2014-2020 operational programmes. Lastly, Bulgaria reported about measures in agricultural funds.

**Czech Republic** reported details about 1) the control in the project approval process prior to the issuance of a legal act on grant provision and 2) Control in the project implementation process. When identifying risk operations, the data from the information systems are used (e.g. Arachne and others). In the risk management system, the second phase of implementation was launched, in which the risk introduced would be linked to the primary assets of the organisation i.e. processes. At this stage Rec. 2 of 2017 PIF was taken into account. In order to exploit the potential of risk analysis, it is planned to extend access right to the ARM system to 260 users of the ARM risk management system will be performed in IQ/2019.

**Denmark:** the Danish agricultural agency has not analysed risk areas and introduced improvement measures in the meantime. The Agency has, however, allocated resources for external assistance with risk assessment in 2019, and will take the conclusions of the report into consideration in this context. The Fisheries Agency is currently working on fraud procedures that are adapted to the EMFF area, including the fraud risks occurring in that area. In 2019, the Fisheries Agency will receive a contribution commissioned from the Danish Government's legal Adviser to develop a method for identifying fraud and irregularities more easily. The Danish business authority, MA for ERDF and ESF has in 2018 prepared on organising a more risk-based administrative verification of accounts based on internal data from the fund monitoring system and the company register. It is expected to be implemented in 2019.

**Germany** reported on measures under the structural and agricultural funds from 2018 at Länder level and at Federal level. Also they reported that fraud prevention is also a regular item on the agenda of the bi-annual meeting of the Federation-Länder working party on 'EU financial controls of the audit authorities in the sphere of structural funds'.

**Estonia** reported that the Agricultural Register and Information Board have focussed on risk analysis before granting the decision to reduce the administrative burden and possible financial losses in later phases.

**Greece:** The special management service of the 2014-2020 rural development programme reported about the risk analysis carried out during on the spot checks and ex post controls. The special management service of the Maritime and fisheries operational programmes on the procedure for communicating irregularities in IMS and reporting complaints to AFCOS as well as the creation of a fraud risk assessment tool. The Directorate for financial controls, inspections and cooperatives reported the application of a risk analysis methodology to select the undertakings to be audited. Proposals for the use of risk analysis are presented to the competent department of the European Commission each November. The risk analysis application selects the undertakings to be audited on the basis of the archives of the computer

system and the scoring for each eligibility criteria. The Fiscal Control Committee (EDEL) reported that taking into consideration the 3<sup>rd</sup> part of the 2017 PIF report recommendation, the audit authority, as part of the audit of the 2018 accounts, cooperated with the jointly responsible services to assess the complaints submitted on suspected fraud in order to assess whether corrective measures are required as part of the accounts declaration for the 4<sup>th</sup> accounting year.

**Spain** reported an example 'Research and Technological development (RTD) and 'Transport' priorities which are highlighted in the 2017 PIF Report as relevant risk sectors will be considered by the ERDF Managing Authority to better focus the scope of its controls.

**France** explained that this matter comes under systems audits and operations audits. System audits should test the effectiveness and efficiency of management checks during the operation selection phase, financial management and control of operation audits as well as the existence of risk mapping to target checks on the highest-risk beneficiaries, projects and providers.

**Croatia** reported on measures and fraud risk assessment being carried out and the Agency for payments in agriculture, fisheries and rural development taking account of the weakness of the management and control system in accordance with an internal risk management procedure.

**Italy** reported that risk analysis is carried out by the fraud risk assessment task force and is tailored on the specific needs of the national operation programme for school which mostly covers state-run schools, and thus does not perfectly mirror the 2017 PIF Report.

**Cyprus** reported that information on staff involved in co-financed projects was incorporated in the MIS for the management of four shared management programs covering cohesion and fisheries policy and aid to the most deprived. Staff cost has been assessed as a high risk area for fraud during the fraud risk self-assessment exercise undertaken by the responsible authorities.

**Latvia** set up internal risk management and anti-fraud control system in the managing authorities on dealing with FEAD. The institutions involved in the management of FEAD shall take the measures necessary to prevent and detect potential risks including fraud. The risk management for expenditure shall be applied uniformly to all types.

**Luxembourg** reported about a continuous process as a measure, which is still being implemented. The paying agency for agricultural funds services must set up an alert system to detect facts that may indicate fraud or attempted fraud (Article 58 of Regulation 1306/2013).

**Hungary** reported that fraud risk is identified and assessed by the Managing Authorities on the basis of the EGESIF\_14-0021-00 model recommended by the Commission and Hungary has drawn up methodological guidelines for this. They also reported on the processes assessed.

**Malta** reported on 2 examples: 1. the responsible authority within the funds and programmes divisions revised its anti-fraud policy and anti-fraud strategy. The anti-fraud strategy facilitates embeds further an anti-fraud culture with a zero tolerance to fraud principle. Also, Malta reported that in recent months, the risk register of the national authority of the same

programmes was reviewed and updated with special emphasis to the achievement of target indicators.

**The Netherlands** reported they are in the acceptance phase of an operation they use software company-info and testing the use of Arachne. Before the start of an EU financed project they organise information meetings with beneficiaries and discuss topics like public procurement and conflict of interest.

**Austria** reported that in EAGF and EAFRD a widespread set of rules is applicable since years for administrative and on the spot controls including risk assessment and sample selection securing a 20% share of random on the spot check samples.

**Poland:** the national institutions are regularly made aware of the need to take into account the findings of the Commission in the PIF Reports when implementing and controlling EU funds. In addition, the paying agency compiled a document: *'List of signs of fraud'* that contains the most frequent signs of fraud in the agency's area of activity and was made available to relevant staff. This document contains descriptions of fraud that involves artificially creating the conditions for obtaining financial assistance, methods of checking the evidence pointing to fraud and the procedure to be followed in the event that fraud is confirmed. Also, E-learning courses on fraud prevention are provided on an annual basis for all staff and units carrying out delegated tasks, and conventional training courses are provided for individual organisational units.

**Portugal:** Risk assessment is an integral part of the management systems and the checks on measures financed by the IFAP; it is also particularly important when establishing the sample and procedures for administrative checks and on the spot checks on applications and air requests submitted.

**Romania:** The managing authority for operational programme for fisheries and maritime affairs 2014-2020: having in view the risk analysis system set in place at MA level, presentations at decision maker's level and regional centres were organised. National Agency for Public Procurement: reported about a methodology introducing a risk analysis in case the number of ex officio intimations is greater than the actual possibility of performing ex post control on the award of public procurement contracts/agreements, works on concession contracts and service concession contract.

**Slovenia:** the Office for development and EU cohesion policy reported that cooperation with the Attorney-General has been and will be strengthened. Arachne was introduced and will be more spread to implement in the future. Reference to the use of Arachne was made on co-financing agreements like it is with anti-corruption clauses. More education on Arachne will follow, including to intermediate bodies.

**Slovakia:** detailed reports received by the supreme audit office, the public procurement office, the ministry of environment, the Ministry of Agriculture and rural development and the agricultural paying agency partly implementing the recommendation, the Ministry of Labour (partly implementing the recommendation), Social Affairs and Family, and the Ministry of Transport and construction.

**Finland** reported about training and education to the intermediate bodies on fraud risks combating (MA of ERDF and ESF) and plans to improve the system of red flags. EMFF authorities carried out a fraud risk analysis. In agriculture, disseminating information on possible methods of fraud has been part of the cooperation between the authorities.

**The United Kingdom** reported that good practice is to ensure tighter processes are in place for Grant Recipients and their delivery partners and that stricter tests are undertaken by the managing authority when SMEs are providing evidence for payment e.g. checks in companies house that the company is active; further evidence and checks to support invoices submitted to claim their small grant or voucher.

### **1.2.3. FACILITATION AND ASSESSMENT OF SPONTANEOUS REPORTING OF IRREGULARITIES - WHISTLEBLOWER PROTECTION**

Under this recommendation, Member States were invited to share information on *whether they have facilitated and assessed the spontaneous reporting of irregularities and strengthened the protection of whistleblowers*. Thirteen Member States<sup>37</sup> replied that they fully implement this recommendation and twelve<sup>38</sup> reported partial implementation. Two Member States replied negatively to this question.<sup>39</sup> One did not indicate any information.<sup>40</sup>

The following Member States provided details for their reply (in summary):

**Belgium:** The Walloon government has adopted a legal framework for the protection of whistleblowers within its administrations.

**Bulgaria** reported that whistle-blowers play an important role in the detection and timely prevention of fraud affecting agricultural schemes and measures financed from the EU's budget. Bulgaria reported, in detail, about available platforms of reporting of irregularities, including anonymous reporting and through websites of various Ministries responsible for EU funds. Also, when the report is not anonymous, they reported ensuring the whistle-blower's personal data by not disclosing information. Bulgaria provided details on how Managing Authorities handle information on irregularities such as verification of information and potential on the spot checks. Also, they reported on channels of reporting agricultural funds.

**Czech Republic** has no special act for the protection of whistle-blowers, but this act is currently under preparation. The protection of whistle-blowers is solved with in the Civil Service Act and on the basis of this Act. Each resort has its own methodological guidelines, which solve the protection of whistle blowers, reporting of fraud and corruption.

**Germany** reported that the management and control systems of spending programmes include the obligation to report irregularities. Although Germany does not yet have unified Federal provisions on the protection of whistle-blowers, some of the Federal Länder have

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<sup>37</sup> Bulgaria, Ireland, Croatia, Italy, Latvia, Lithuania, Luxembourg, Hungary, Malta, Austria, Portugal, Slovakia, Sweden

<sup>38</sup> Czech Republic, Denmark, Germany, Estonia, Greece, Spain, France, Poland, Romania, Slovenia, Finland, the United Kingdom

<sup>39</sup> Cyprus and the Netherlands

<sup>40</sup> Belgium

implemented such protection measures such as for example 'lawyer post-boxes' which whistleblowers can use to report information while remaining protected. Germany advocates EU-wide protection of whistleblowers and supports the adoption of an EU directive to this effect.

**Estonia** reported that whistleblowers have the possibility to contact the Implementing Agency directly and have made use of this possibility. Two of their Implementing Authorities (Enterprise Estonia and the Environmental Investment Centre) have added the possibility to submit anonymous hints regarding the misuse of support through their webpages.

**Greece** reported that whistleblower protection was introduced by the Anti-corruption Law and the General Secretariat for anti-corruption submitted a proposal to the competent Alternate Minister for justice, transparency and human rights to improve the protection mechanism for whistleblowers. Also, the revised national anti-corruption action plan for 2018-2021 includes the legislative initiative to establish an effective protection mechanism (to be implemented by June 2019).

**Spain** reported that it established (in mid-2017) a confidential channel for complaints which is centralised at the AFCOS, and through which any person aware of facts that may constitute fraud or irregularities in relation to projects or operations fully or partially funded by EU funds can report these to the administration so that the competent authorities can take the necessary measures to investigate or verify the information and if applicable, require responsibility to be taken as appropriate in each case. Spain reported about the developments in this reporting channel during 2018 such as the adoption of this practice by Managing Authorities. AFCOS made presentations to Managing Authorities and Intermediate bodies as well as antifraud seminars on this channel. As a result, the number of allegations received through this channel has increased during 2018. Also, there is a legislative proposal currently discussed in Parliament, on the protection of whistleblowers. A number of autonomous communities have adopted laws to protect whistleblowers at regional level, covering measures similar to the ones included in the legislative proposal at national level.

**France** replied indicating the insertion of a new line of reporting concerning conflicts of interest with a question: Has a conflict of interests been detected? This question precedes the question relating to cases of suspected fraud as a category of irregularity.

**Croatia:** The Ministry of Regional development and EU funds reported that the common national rules contains a procedure for submitting reports on suspicion on irregularity and fraud and consists protection measures for whistleblowers in line with national protection rules. The rules apply to employees, persons not employees of the management and control systems and grant beneficiaries, as well as representatives of the public concerned. The Ministry of Justice reported that a whistleblowers law was adopted on 8 February 2019, to be entered into force on 1 July 2019. The law foresees 3 channels of reporting (internal, external and exceptionally public disclosure). Croatia reported on the role of the Ombudsman in dealing with external reporting and, among other things, for providing legal information to whistleblowers, protecting confidentiality and providing reports on the protection of whistleblowers to the public. Also, Croatia reported that provisional measures are prescribed aiming to protect whistleblowers from retaliation during court proceedings. The law



prescribes sanctions for breaching rights of whistleblowers and also sanction for the protection against malicious reporting. The Agency for payments in agriculture, fisheries and rural development reported that irregularities can be reported to the paying agency anonymously. The applicant's personal data is protected.

**Italy** reported that pursuant to Italian legislation, the Ministry of Education, under which the Managing Authority operates, has implemented a comprehensive whistleblowing protection system. The MA itself routinely receives reports from whistleblowers, which are always investigated, while ensuring that the identity of the whistleblower is not disclosed.

**Latvia** reported that the whistleblowing law was adopted by parliament in final reading on 11 October 2018 and will enter into force on 1 May 2019. Latvia reported about various legal tools used towards channels of reporting of conflict of interests, corruption and other offences and the protection of whistleblowers and anonymity reports. The Competition council endorsed a leniency program that provides the possibility to get full immunity from fines to first applicant and significant reduction to next undertakings that admit violation and submit additional evidence.

**Luxembourg** reported that their managing authority in charge of FEADER & FEAGA already implemented a whistleblower procedure in 2015 and since then, this authority has not changed anything.

**Hungary** reported that citizens' complaints are of great assistance in the investigation of cases and identification of irregularities. The website <http://www.anti-lop.hu/> provides a forum for making these complaints. Citizens can signal fraud there anonymously and have their identity as whistleblowers respected and protected.

Although **the Netherlands** have responded with a negative answer to the recommendation on whistleblowers, they already have a 'House of Whistleblowers' in place and there is not any new initiative in place to further strengthening it.

**Malta** reported and gave details on its computerised system for reporting irregularities. They reported that the protection of whistleblower act was already implemented in Malta in 2013 and this act provides for procedures in terms of which employees in both the private and public sector may disclose information regarding improper practices by their employees or other employees and be protected from detrimental actions.

**Austria** reported that there is full implementation of the recommendation in the framework of risk based paying agency control procedures.

**Poland** reported that the competent institutions are creating tools for information on fraud or/and irregularities to be submitted electronically, using forms or mailboxes. Information which whistleblowers give in good faith is of particular importance, however, the degree of willingness with which they share knowledge still depends on the quality of the arrangements in place and how they ensure no repercussions for whistleblowers will be there. This was illustrated with examples from two institutions in Poland, and their reporting mechanisms procedures. Also, Poland reported that works on a draft law on transparency in public life including whistleblower protection is in draft phase, along with the initiative on a citizens draft act on the protection of whistleblowers.

**Portugal** highlighted that IFAP continuously monitors tip-offs it receives (relating to irregularities that may have been committed or attempted in its area of activity) and has put procedures in place to assess and deal with such incidents. This is particularly important when establishing the (risk based) sample for on the spot checks on applications and activities receiving financial support.

**Romania:** the Ministry of European Funds reported that at national level, protection of whistleblowers is regulated through law 571/2004. At the level of the Ministry of EU funds, the system procedure concerning the protection of whistleblowers is under internal endorsement. The Operational Programme for Fisheries and Maritime Affairs reported that it was not the case up to the present, but in the procedure related to the control unit, such a reporting tool is included.

**Slovenia:** the office for development and EU cohesion policy referred to the Integrity and Prevention of Corruption Act on applicants/reporters of potential irregularities in the field of corruption. The Agency for Agricultural Markets and Rural Development reported that they encourage the employees to report any irregularities. A mailbox has been put in the hallway for employees to anonymously report irregularity or other infringements. The applicants or other parties can choose a contact in the Agency's website and report irregularities via email.

**Slovakia:** In 2018, the Government's Office endorsed an updated law on the protection of whistleblowers that includes the EU and OECD recommendations on the improvement of the protection of whistleblowers and the latest proposal for a directive of the EU Parliament and the Council on the protection of persons reporting on breaches of Union law. This law was adopted by the Slovak Parliament in January 2019 and is expected to come into force in March 2019. The Public Procurement Office, the Ministry of Agriculture and Rural Development and the Ministry of Labour, Social Affairs and Family partly implemented this recommendation. The Ministry of Transport and construction follows the regulations prescribed by law on the protection of whistleblowers and has a register of reporting potential irregularities. The Ministry of Culture amended its staff regulations to introduce procedures for reporting fraud, corruption or serious irregularity and the protection of staff from negative consequences.

**Finland:** the Managing Authority of ERDF and ESF is on the stage of finalising decisions about a system of whistleblowing. The process of dealing with the information from the system is going to be established. A clear guidance has been published by the EMFF programme on how to report suspected fraud. Also with the agriculture funds, the reporting methods have been highlighted during training sessions.

**Sweden:** several authorities have a whistleblower function in place and policies to strengthen the protection of whistleblowers.

**United Kingdom:** the fraud referral process within MHCLG European Directorate has been established and is functioning effectively. A team of trained Counter Fraud Designated Officer are the first point of contact. The Growth Delivery Teams are aware of the CFDOs rules and assurance of confidentiality of whistleblowing from staff members. Policy and guidance has been strengthened with the development of the new Counter Fraud and Conflict

of Interest Policy. Good links with Governmental internal audit authority and their investigation team are being utilised to pursue suspected fraud cases.

#### 1.2.4. COOPERATION BETWEEN JUDICIAL AND ADMINISTRATIVE AUTHORITIES

This recommendation invited Member States to share information with regard to the *promotion of systematic and timely cooperation between judicial and administrative authorities*. Fifteen Member States replied having fully implemented the recommendation<sup>41</sup> whereas eight replied partial implementation<sup>42</sup>. Three Member States gave a negative reply to this question.<sup>43</sup> Two did not indicate any information.<sup>44</sup>

The following Member States provided details for their reply (in summary):

**Bulgaria:** All managing authorities enjoy good working relations with law enforcement agencies. Also, they regularly provide the judicial authorities with information concerning appeals against administrative decisions establishing irregularities or refusing payments and monitor the case law of Bulgarian courts. All managing authorities are actively involved in the work of the AFCOS Council together with the Prosecution's Office, based on the Agreement for interaction and cooperation. The Action plan of the National strategy for preventing and combating irregularities and fraud (2014-2020) adopted by the AFCOS Council, includes enhanced cooperation at national level between the administrative and judicial authorities in charge of combating irregularities and fraud in the implementation of operational programmes financed by ESIF. The Executive Agency for the Audit of EU funds provides prosecutions services with systematic and prompt cooperation. In 2018, it submitted 6 final reports containing suspicions of fraud. Also, the Executive Agency 'Certification audit of European agricultural funds' submitted 3 final audit reports containing suspicions of fraud. Bulgaria provided very detailed information about the good cooperation between AFCOS Directorate and AFCOS Council with Prosecution's Office.

**Czech Republic:** Cooperation between the courts and the public prosecutor's office is ensured through MS2014+ where all irregularities involving more than 10 000 euro of the EU share are reported. All irregularities reported in an external report are subsequently entered in IMS which is accessible to the public prosecutor's office. This ensures early provision of information on suspected crime related to the ESIF also to judicial authorities. In the event the managing authorities detect infringement of public procurement rules, it cooperates with the Office for the protection of competition.

**Estonia:** ESI Funds managing authority has been conducting legal training for Estonian court judges to clarify the legal space of the structural funds. AFCOS Estonia has organised joint regular training courses for the participants from judicial and administrative authorities since 2007.

**Greece:** Communications from the Supreme Court were sent to all prosecutors in Greece to monitor cases of major financial crimes including fraud against the EU's financial interests

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<sup>41</sup> Bulgaria, Czech Republic, Ireland, Croatia, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, Poland, Portugal, Slovakia, Finland, Sweden

<sup>42</sup> Germany, Estonia, Greece, Spain, Italy, Austria, Romania Slovenia

<sup>43</sup> Denmark, the Netherlands and the United Kingdom

<sup>44</sup> Belgium, France

with the aim of establishing a monitoring procedure and setting up a reliable data archive every four months.

**Spain:** The dispersion from the administrative side has been reduced, as AFCOS has tried to centralise cooperation being the focal point for administrative authorities to coordinate their activities with judicial authorities. Also, managing authorities include in their training for intermediate bodies the duty to submit to the judicial authorities any irregularity which they consider to be fraudulent. Highlighted the initiative to create the "Advisory Council for the prevention and fight against fraud affecting the EU's financial interests" to be finalised in 2019. This organ aims to formalise the AFCOS network and will be of crucial importance for promoting a systematic cooperation between the administrative and judicial authorities.

**Croatia:** the Ministry of Regional Development and EU funds: Managing Authorities cooperation with all national bodies in the fight against irregularities and fraud. Agency for Payments in Agriculture, Fisheries and Rural Development: provides relevant information to judicial authorities upon their requests in duly matter gives their statements upon requests of the State Attorney's Office, on the civil actions of beneficiaries against the Republic or paying agency and maintains good cooperation with State Attorney's Office. The Legal Service in the paying agency monitors and participates in the civil and/or administrative proceedings on relevant courts which results in claims against the Republic or the paying agency being rejected or dismissed.

**Italy:** The cooperation between administrative authorities is mandated by Italian law. Italy noted that Italian judicial authorities are independent from the Civil Service; moreover, proceedings will often be classified.

**Cyprus:** Enhanced cooperation between judicial and administrative authorities exists in cases of detected irregularities which may result to a suspicion of fraud or established fraud. Any other type is handled within administrative authorities. The Legal department of the Government (particularly MOKAS) is involved in the AFCOS composition.

**Latvia** consistently organises seminars and working parties for institutions involved in administration of EU financial interests and investigative bodies (gave examples in 2018). Also, referred to the competition council enhanced cooperation with other judicial and administrative authorities during enforcement and cartel investigation activities.

**Lithuania:** Law amended to provide access for tax authorities to anti-money laundering information.

**Luxembourg:** systematic cooperation and in conformity with the legal and regulatory framework. AFCOS, despite not having any investigative power, furthers such cooperation amongst national authorities and between national authorities and OLAF.

**Hungary:** training provided by the Prime Minister's Office on the relevance of competition policy and regularity of public procurement when implementing EU funds.

**Malta:** the judiciary gradually enhances cooperation with other authorities as part of the remit to combat fraud. The Funds and Programmes Division submits all irregularities detected to the AFCOS (Malta) in computerised form. It continued to seek advice from the lawyers within the Attorney General's Office on grey areas and to liaise with the Department of

Contracts on procurement issues and with the VAT department on financial issues falling within the remit of this department.

**Poland** described the cooperation in 2018 between the Paying Agency, the law enforcement authorities and tax authorities. Poland added that the cooperation between judicial and administrative authorities in cohesion policy is implemented under a cooperation agreement between the national public prosecutor and the minister responsible for regional development. Added 4 more agreements concluded in 2017-2018 between the head of the KAS and 4 other authorities.

**Portugal:** the IFAP maintains strong links with the judicial authorities.

**Romania:** the Ministry of European Funds reported that cooperation with judicial and administrative authorities is governed by national legislation and mainly consists in case by case data communications. The MA for Fisheries and Maritime affairs fully implements and rural investments financing agency indicated that the control and anti-fraud directorate ensures a permanent collaboration with bodies that have attributions in investigating cases of irregularities and suspicions of fraud.

**Slovenia** replied that there is an institutional cooperation between MA and the Attorney General in the field of exchange of information and cooperation when the lawsuit is lodged, in interpretation of European cohesion policy. The list of open cases before the courts is actualised each year. The link between judicial and administrative authorities has to be strengthened in the future, to have a seminar for court employees to comprehend the logic of European cohesion policy.

**Slovakia** provided very detailed replies. Firstly, the function of the Central Contact Point for OLAF to coordinate legislative, administrative and operative activities, to closely cooperate with the Slovak bodies and institutions engaged in the system of such protection – AFCOS network. Several governmental authorities provided information on how and by what means they cooperate with judicial authorities and law enforcement. It is worth noting that the Ministry of Finance Certifying Authority perceived as insufficient the cooperation among the managing authorities and police bodies in exchange of information about ongoing criminal investigations in EU funded projects.

**Finland:** Both the Managing Authority of the ERDF and the ESF and the intermediate bodies are all public authorities obliged by legislation. The administrative and criminal legislations concern public servants. The exchange of information and contacts between the authorities of the agriculture funds and the judicial authorities has increased as this has been highlighted during the training.

**Sweden** replied that the eight managing authorities (some administrative some judicial) have regular networking meetings several times a year. They meet to discuss OLAF reporting, take part in COCOLAF meetings and are also part of the SEFI Council headed by the Swedish Economic Crime Agency.

## 2. REPLIES OF MEMBER STATES

### 2.1. REVENUE

#### Background information

In 2017, OLAF investigations highlighted large-scale revenue frauds through the undervaluation of goods imported in the EU. Such fraud results in huge losses, not only in customs duties, but also in evaded VAT. OLAF's investigations underlined that fraudsters will exploit any loopholes and that quantity fraud can pay off. OLAF's experience shows that undervaluation will remain a threat to be dealt with in the coming years.

To close these loopholes, customs control strategies involving a combination of different controls are pivotal. The customs control strategy should strike the right balance between trade facilitation/simplification and the protection of the EU's financial interests.

<b>BE</b>	1.1 UNDERVALUATION
	<p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p>Following the report on the TOR audit on undervaluation in April 2018, a national approach was developed for controls for release for Chapters 61 to 64 having China as country of origin. To this end, five selection profiles (SPS fiches) were created, depending on the degree of undervaluation (&lt;10 %, between 10 and 20 %, between 20 and 30 %, between 30 and 40 %, and between 40 and 50 %). The selections are based on the fair prices that we found in Theseus. In the new selection engine (Seda 2.0 – active since June 2018), extra information can be added to the available fields of the declaration. That information can be used as a selection criterion with the aim of more effective selection. The necessary steps are being taken to use the information regarding the average price in this way so that it can easily be used in the selection lines.</p> <p>In addition, the RIFs relating to textiles and footwear originating from China are followed up in a separate SPS fiche. Here, too, we are preparing to use the fair prices as an extra field in the selection lines.</p>

**If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?**

YES, specifically those goods

## 1.2 ENHANCEMENT OF CUSTOMS CONTROL

**1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?**

YES, partly implementing the recommendation.

Since the new selection engine ‘Seda 2.0’ was implemented on 20 June 2018, we have been applying an automated deselection logic on the basis of the status and profile of the operator and we use more information in our selection profiles so that we make a more targeted selection (particularly when applying a selection percentage).

The main objective of automated deselection is to increase the hit rate and reduce the duplication of identical compliance checks, by reducing the ‘false positives’, with the result that there are also fewer selections which have to be manually refined.

Automated deselection takes place chiefly in two phases (status and profile):

a) Deselection on the basis of the operator’s status:

Operators with the AEO status or the MGO (medium-sized operator) status can be automatically deselected. Within the AEO status, we distinguish between three types of AEO (see reply to Question 1b). The MGO status is explained in Question 1c.

It concerns a random deselection in accordance with the selection percentage proposed.

b) The operator profile:

The profile is made up of compliance (determined on the basis of checks prior to release), conduct in relation to declarations, and the findings in checks other than these prior to release (e.g. audits, investigations). It involves cumulative criteria, meaning that they must all be met in order to be eligible for deselection. It follows from the above that a large compliant operator with a constant supply of goods will be more likely to be deselected than an operator with few consignments.

As regards compliance, we look at whether the operator has traded compliantly during the last three months, taking into account the compliance



percentage, the number of (non-) compliant items/MRNs and the date of the last check. Compliance is recalculated every night and the three-month time period also shifts forward so that the most up-to-date situation is taken into account.

As regards conduct in relation to declarations, we look at whether or not the operator made other similar shipments in the last year and whether this type of shipment is substantial enough to be considered as normal.

Since the criteria are cumulative, a flow of goods that deviates from the norm in the case of a compliant operator will therefore not be deselected.

These phases run consecutively, i.e. an AEO can enjoy the benefits on the basis of profile, in addition to the benefits on the basis of status.

However, which deselection phases are run consecutively is determined by selection profile. It is therefore possible not to apply deselection for certain selection profiles or to apply deselection only on the basis of the status or profile. For instance, no automated deselection is applied for random selections or selections on the basis of AM messages.

The system described above is made possible by the quantity of information added to the declaration before it is assessed for the selection profiles. This also allows for this extra information (enhancements) to be used in the selection profiles themselves to make the selection even more targeted. We use it in two ways:

- making fewer and more targeted selections by using one or more of the enhancements;
- reducing the application of a selection percentage but making a targeted selection of riskier categories. Example: targeting operators who have not been checked in a long time or who display low compliance. Under standard use of a selection percentage, such operators would not be regularly selected, but using this targeted approach, this is not the case. These categories are assessed and adjusted periodically.

**1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?**

YES, fully implementing the recommendation

Pre-release controls:

The SPS fiches provide the means of communication between the risk management department and the first-line control services. Over the course of 2018, greater attention was given to providing a clear description of the reason for selection. A new work method was also developed for checking undervaluation, which is referred to in the SPS fiche. Post-release controls/audit: The proposed items for the controls and audits are in part submitted by the risk management department. The proposed items for 2019 are explained in fiches that are available by topic to the control departments. The risk management department also presented it to the departments concerned.

**1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, partly implementing the recommendation

See also Question 1.2.b

Since the end of 2018, the tax risk management team has been organised in accordance with the Decision on Financial Risk Criteria (Commission Implementing Decision C(2018) 3293), making it possible to better target the traditional own resources.

Significant findings within all risk areas are reported in the CRMS system.

**1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?**

YES, partly implementing the recommendation

The feedback for pre-release controls, which is automated, is taken into account by the SEDA 2.0 selection engine (see also Question 1.2.a).

The feedback for post-release controls is not automated and is less structured, however, it is included in the development of the data mining models.

### 1.3 OTHER MEASURES

**1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?**

YES, partly implementing the recommendation

In order to draw up the proposed items for the post-release controls, we go back 2.5 years to allow sufficient time to carry out the checks within the deadline set. Risk management does not assign 'random' items for post-release controls.

**1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?**

NO

	<p>The proposed items for the post-release audits are in part supplied by the risk management department and are therefore risk-oriented, not random.</p> <p><b>1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?</b></p> <p>YES, fully implementing the recommendation</p> <p>On the basis of the risk assessment in granting or reassessing an AEO permit, a selection percentage is awarded that is used in the selection process within the SEDA 2.0 selection engine.</p> <p><b>1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?</b></p> <p>YES, fully implementing the recommendation</p>
<b>BG</b>	<b>1.1 UNDERVALUATION</b>
	<p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b></p> <p><input checked="" type="checkbox"/> YES, partly implementing the recommendation</p> <p><b>If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?</b></p> <p><input checked="" type="checkbox"/> YES, specifically those goods</p> <p><i>Protecting the EU's financial interests is one of the Customs Agency's main tasks. In order to prevent attempts to diminish the EU budget and to avoid revenue losses, serious measures are needed to improve the collection of import duties as a traditional own resource of the EU. In this context, coordinated control actions by customs authorities are needed to counter attempted fraud involving under-invoicing. As regards the risk of undervaluation of goods, the administration has created risk profiles focused on checking the declared customs value against specific goods (clothing and footwear) under procedures 40 and 42, country of origin, TR, VN and CN. Risk profiles have been created for certain companies, with particular attention being paid during checks to the declared customs value.</i></p>
	<b>1.2 ENHANCEMENT OF CUSTOMS CONTROLS</b>
	<i>To fulfil this obligation in the Customs Agency's draft annual plan for 2019 and to achieve the objective 2. 'Increasing State budget revenue by effectively preventing and combating customs, currency and excise infringements', in particular Measure 2.2. 'Preventing opportunities to evade and avoid taxes and charges by improving legislation, implementing more effective control, strengthening inter-institutional cooperation and</i>

*coordination and exchanging information effectively', the Directorate for Customs Activities and Methodology has proposed including the following new tasks in the draft:*

- 1. Reinforced checks on goods being released for free circulation, the documents accompanying them, including additional documents where necessary, checks on goods and taking samples for analysis, with a view to establishing the accuracy of the data declared, in particular the taxation elements in the customs declarations accepted, without prejudice to the application of provisions on administrative penalties;*
- 2. Carrying out documentary checks on the customs declarations accepted, the documents accompanying them, requiring additional documents where appropriate, checking goods and taking samples for analysis or detailed examination in the case of products of CN Chapters 61, 62, 63 and 64 of the EU from China;*
- 3. Using international cooperation to send invoices used to under-declare customs value for checks;*
- 4. Tightening checks on goods that constitute a potential threat as regards the evasion of anti-dumping and/or countervailing duties. Creating indicators for the purposes of risk analysis;*
- 5. The task of establishing unified practice when determining the elements of taxation (tariff classification, origin of goods and customs value) and applying customs exemptions has also been included.*

**1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?**

YES, partly implementing the recommendation

*A report has been drawn up on the risk of the under-declaration of the customs value of goods, clothing and footwear. Risk profiles are being prepared for certain CN codes (CN Chapters 61, 62, 63, 64) and risk thresholds will be indicated; New functionalities are being created for the purposes of integrating financial risk profiles approved by European Commission decisions. The profiles will be available for use after the publication of guidelines for their integration into national systems; A random selection is being made on the basis of the profiles;*

*The release for free circulation of goods is being analysed at regular intervals and risk profiles are being created with a particular focus: tariff classification, customs value, country of origin, etc.; Reports are being prepared on the control equipment available and recommendations are made with regard to the availability of new resources;*

**1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?**

YES, partly implementing the recommendation

*Proper coordination has been ensured between all customs units responsible for handling the risk profiles produced and performing the checks required in their operation. Proper coordination has also been ensured between the Customs Agency and other government structures carrying out checks on goods released for free circulation: the National Revenue Agency (NAP), the State Agency for National Security (DANS) and the Directorate General for Combating Organised Crime (GDBOP).*

**1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, partly implementing the recommendation

*The risk profiles are in particular aimed at preventing the loss of traditional own resources, focusing mainly on checking for the wrong tariff classification, checking the customs value actually declared, verifying the country of origin, and checking that anti-dumping and countervailing duties have not been avoided. The actions to be taken in profiling are clear and described in detail. The instructions in the profiles are specific to the actions to be taken. Where necessary, further coordination takes place between different units. Where irregularities are detected in respect of the above criteria, the information is shared with the other Member States, but only with regard to major seizures or infringements. We currently lack the human resources needed to be able to disseminate this information as effectively as we would like. With regard to information shared by other Member States belonging to the RIF system, it is processed in full, feedback is sent to the originator of a message and, where necessary, there are further contacts to clarify specific details or other additional information.*

**1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?**

YES, partly implementing the recommendation

*Checks based on the risk profiles produced are carried out at regular intervals and, if necessary, additional information is requested or a post-release control carried out.*

### 1.3 OTHER MEASURES

**1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the**

	<p><b>communication of customs debt as a risk indicator in the post-release risk analysis?</b>  YES, fully implementing the recommendation  <i>The annual selection of economic operators to be checked is made using an automated process in which 5 % of checks are carried out on operators selected at random.</i></p> <p><b>1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?</b>  YES, fully implementing the recommendation  <i>Risk-oriented audits under Article 48 of Regulation (EU) No 952/2013 of the European Parliament and of the Council (UCC) are carried out using an automated process for selecting economic operators on the basis of data in customs declarations for a period of 3 years. 5 % of the total number of planned checks is selected at random. Further to the findings of post-release control, the import duties and taxes assessed and other State receivables are entered in the accounts. Administrative proceedings are initiated when infringements are established.</i></p> <p><b>1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?</b>  YES, fully implementing the recommendation  <i>Automated risk analysis is conducted for all operations, regardless of the role of economic operators in the supply chain.</i></p> <p><b>1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?</b>  YES, fully implementing the recommendation  <i>The Customs Audit Guide is used when performing post-release control under Article 48 UCC.</i></p>
<b>CZ</b>	<p><b>1.1 UNDERVALUATION</b></p>
	<p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b>  <input checked="" type="checkbox"/> YES, fully implementing the recommendation  <b>If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?</b></p>

YES, specifically those goods

*In 2018, these strict measures were applied and are still being applied:*

*A) Custom Value Control Strategy in the Czech Republic*

*Director General Order No. 14/2012 Measures on imports of specific textiles and footwear (This Order repealed and replaced Director General Order No. 77/2008)*

*Director General Order No. 14/2012 Measures on imports of specific (i.e. subject to taxes and duties) textiles and footwear came into effect on 12 March 2012. This order describes individual steps to be taken by customs offices in case of a suspicion of undervalued goods import from Southeast Asia. The order defines a procedure following automatically generated risk profiles based on threshold values; these indicate that there is available information on similar goods imports proving a higher than the declared customs value.*

*Article 1 of Director General Order No. 14/2012 is based on the following principle: If there are reasonable doubts based on analytical tools, the documents submitted by the declarant shall be verified by means of international administrative assistance based on the Agreement between the European Community and the Government of the People's Republic of China on cooperation and mutual administrative assistance in customs matters (OJ L 375, 3 December 2004) or based on agreements on cooperation and mutual assistance with other states. All document checks are performed within the proceedings on the rejection and determination of declared customs value, which is commenced upon the activation of the respective risk profile. Director General Order No. 14/2012 is binding for all customs offices in the Czech Republic. Electronic risk profiles are defined for goods in chapters 42, 52, 54, 55, 56, 58, 59, 60, 61, 62, 63, 64 and 65 of the Common Customs Tariff. (The list of individual subheadings newly contains these as of 1 July 2014, when based on an analysis of specific goods in chapters 61, 62, 63 and 64 the list also contains goods from other chapters.) The Amendment to Director General Order No. 14/2012, i.e. Director General Order No. 16/2015 (Measures on imports of specific textiles and footwear) and the initiative preceding this amendment A meeting of V4 (Visegrád Four) countries on the goods undervaluation took place in Prague in March and April 2015 based on an initiative by the Czech Republic, its objective being the unification of methodology for risk thresholds for the checks of imported textiles and footwear in the V4 countries. The use of OLAF AREP AFIS-AMT tool was agreed on; this tool was examined from the analytical and legal perspective. The V4 countries identified the shortcomings of AREP AFIS-AMT and sent the results to OLAF in April 2015. In the light of the outputs of the Prague meeting as well as of the recommendation by OLAF, another V4 meeting was held in Budapest in June 2015. During these meetings, the Trenčín Declaration of the V4 customs administrations was prepared in relation to the introduction of risk profiles with respect to textiles and footwear imported from Asian countries. Risk profiles were defined, the thresholds of which were based on the OLAF AREP AFIS-AMT tool. The Czech Republic is an active member of the OLAF UWG (Undervaluation Working Group), where the Czech delegate informed OLAF about the declaration in September 2015. The Trenčín Declaration came into force on 1 Jan. 2016 and in this respect the Director General Order No. 14/2012 was amended by Director General Order No.*

*116/2015 in the Czech Republic. The risk thresholds were defined to reflect OLAF AREP AFIS-AMT tools. Director General Order No. 116/2015 is binding for all customs offices in the Czech Republic.*

*Methodological information No. 13/2016 Customs Valuation:*

*Comprehensive methodological information No. 13/2016 Customs Valuation effective as of 1 May 2016 has replaced Internal Regulation No. 11/2004 Customs Valuation. The Regulation has been amended mainly with respect to Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code. The methodology provides for customs valuation, including indices and procedures related to doubts of a customs office related to the declared customs value. This methodology applies to all goods listed in the Customs Tariff and to all customs offices in the Czech Republic. Methodological information No. 26/2017 Measures on imports of specific textiles and footwear and further specific products (further amendment to Order No. 14/2012) On 2 June 2016 Methodological information No. 26/2017 Measures on imports of specific textiles and footwear and further specific products, which has replaced General Director Order No. 14/2012, came into effect, further stipulating and defining the checks and procedures of customs offices. In line with the methodological information, if there are reasonable doubts based on analytical tools, the documents shall be checked by means of international administrative assistance based on the Agreement between the European Community and the Government of the People's Republic of China cooperation and mutual administrative assistance in customs matters (OJ L 375, 3 December 2004) or based on agreements on cooperation and mutual assistance with other states. All document checks are performed within the proceedings on the rejection and determination of declared customs value, which is commenced upon the activation of the respective risk profile. Director General Order No. 14/2012 is binding for all customs offices in the Czech Republic. Electronic risk profiles are defined for goods in chapters 42, 52, 54, 55, 56, 58, 59, 60, 61, 62, 63, 64 and 65 of the Common Customs Tariff. This methodology applies to all customs offices in the Czech Republic.*

*B) Threshold Value Systems*

*The basic tool for checking customs values is OLAF AREP AFIS-AMT providing for 120 subheadings from chapters 61, 62 and 64 of the Customs Tariff, which were also provided for by the Trenčín Declaration of V4 customs administrations in relation to the introduction of risk profiles for textiles and footwear imported from Asian countries. Subheadings to which the threshold values are applied in the Czech Republic and which exceed the scope of the Trenčín Declaration. It is to point out that the Czech Republic broadened the scope of 120 headings covered by the V4 Trenčín Declaration and applies the procedures of the Declaration to goods from chapters 42, 52, 54, 55, 56, 58, 59, 60, 61, 62, 63, 64 and 65 too. For the above chapters, the threshold values for the risk profile activation are calculated as at least 50% of the calculated EU fair prices based on the source data by OLAF AREP AFIS-AMT. If the declared value equals or is lower than this threshold a risk profile is activated and all customs offices in the Czech Republic are obliged to follow the procedure stipulated by Methodological information No. 26/2017 Measures on imports of specific textiles and footwear and further specific products. The above procedure is in accordance with the national system to check*



*the declared value applied as of 12 March 2012. As of 1 Jan. 2016, risk thresholds were brought into line with the OLAF AREP AFIS-AMT threshold values, which were also used within JCO SNAKE in 2014. The access to the AMT fair price database was for the Czech Rep. allowed in 2015.*

*National System for Threshold Value Determination:*

*Thresholds in the national system are determined as follows: The declared customs value (it's unit price) in the SAD (single administrative document) is compared with the unit price of the cleared customs decision for the last 90 days, which represents the middle value of declared import unit prices. The middle value is cleared of extreme values and is calculated from the data on goods imported to the Czech Republic in the period of 3 months prior to the goods import to the Czech Republic in line with trade practice and market conditions. (By 31 Dec. 2017 the goods imports to the EU were reflected, where the data source was Eurostat. Since fair prices from OLAF AREP AFIS-AMT are included in the whole process, the data from Eurostat are no longer used because AREP AFIS-AMT has fully replaced these.) The middle value (median) is thus an objective criterion, since it is the middle value generated from the imports of similar goods to the Czech Republic in the respective period. If the decision uses the term middle value, then it refers to the middle value (median) of unit prices of goods imported to the Czech Republic in the above period of 3 months. The term middle value (median) is well-known, i.e. the value separating the higher half from the lower half of a data sample. The national median calculation is based on the following: For the calculation only data related to the goods released for free circulation (domestic consumption) are used, where the customs value was determined by the means of transfer value in accordance with Art. 70 Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code. Data on air and post shipments are not included in the generated data and in case of other means of transport the shipments under 100 kg are not included. With regards to the above declared items of the single administrative document the cases with pending procedure on the questioning of declared customs value are not included. To the above acts is to add that in case of a lawsuit against this national system the courts accepted it in favour of the customs administration. The courts saw the use of the middle value (median) as appropriate and objective. It is not right to decide based on the highest declared customs values to the detriment of the declarant (plaintiff). It is also not right to decide based on the lowest declared customs values in favour of the declarant (plaintiff).*

*C) Confirmation that national measures are appropriate*

*Court procedures in the Czech Republic It was confirmed by the following judgments that national measures against the undervaluation were correct as to the procedural and substantive requirements:*

- Judgment of the national regional court in Plzeň 57 Af 1/2016-43 - an accusation against the entire system of questioning customs values (the judgment was presented to the representatives of OLAF during the meeting on 26 July 2018)*
- Judgment of the national regional court in Hradec Králové 52 Af 39/2016*

- *Judgment of the national regional court in Ústí nad Labem 15 Af 115/2015 from 22 August 2018 established obligation of importer to duly prove price actually paid. The customs valuation procedure was in three cases supported by the national courts and measures taken can be applied in the future successfully. In the Czech Republic has been developed system of customs valuation procedure in line with binding customs legislation and international agreements. With regard to this legitimate approach, the valuation procedure is supported by national courts and it is a crucial point for future work in the field of fight against undervaluation.*

## 1.2 ENHANCEMENT OF CUSTOMS CONTROLS

**1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?**

YES, fully implementing the recommendation

**1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?**

YES, fully implementing the recommendation

*Coordination of activities takes place at two levels. The first level is nationwide and here there is the cooperation of the unit 605 Customs and International Analysis of the department 60 with the units of the department 2; and the second level is regional, at the level of customs offices where there cooperate the dept. 02 Analysis and Information Support of customs offices with department Customs and Controls of the customs offices. Coordination and cooperation takes place through direct and day-to-day contact between the staff of individual departments and also through planned meetings of these departments. At the regional level, the analytical units process, based on a request of departments dealing with post-clearance controls, some analysis, incentives or background material for the preparatory phase of the controls. Within the customs office, there are information transferred between the units which release the goods and the ones who realise the post-clearance controls. These include, for example, handing over of incentives to carry out the control. At the central level, the analysis department also ensures the functionality of the risk analysis application that is used in the preparatory phase of the post-clearance controls. It serves both for the central and the regional units of post-clearance controls. From the results of the carried out post-clearance controls there is processed a bulletin once in three months, which lists the confirmed risks. This bulletin is used on the regional level by the units of post-clearance controls, of analysis and also of the units which*

*release the goods. If one regional unit of post-clearance control identifies and checks some possible risk during a control, for example misclassification, such risk is via the central level of post-clearance control transferred via the bulletin to other regional units of post-clearance control, unit which release the goods or analysis units.*

**1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, fully implementing the recommendation

*Risk profiles are connected with risk analysis on import or export of risk commodities; they contain specific control instructions for the officers of customs office. This procedure is also applied in the context of cases coordinated by OLAF so called AM messages. Information on newly identified risks is shared with other Member States by registration of such risks into the system RIF. The risks registered in the system RIF are evaluated regularly, and processed into the national systems of risk analysis.*

**1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?**

YES, partly implementing the recommendation

*From the point of view of non-tariff measures, the control and evaluation of the activation of the risk profiles in force are carried out. The results of controls are recorded by the customs offices into electronic records. Methodological unit of post-clearance controls evaluates the results from post-clearance controls which were carried out. Apart from assessment of the individual risk towards other subjects, the results from post-clearance controls are used also for internal training activities with the aim to improve the procedures. The results of the post-clearance audits (also the conditions of the permit are checked) are transmitted to the relevant departments, which use them for example for re-assessment of the conditions. The results of the post-clearance controls are also regularly evaluated, for example in 2018 there were finished 449 post-clearance controls, from which almost 87 % identified breaching of regulations.*

### 1.3 OTHER MEASURES

**1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?**

YES, partly implementing the recommendation

*Within post-clearance controls the automated random element is not included. Before the post-clearance controls are carried out there is the preparation phase within which the risk is identified in relation to the particular customs declaration resp. a specific subject. This is a situation where the risk is identified and the subjects are sought, or the other way round, the subject is identified and the risk is sought, which would be subsequently verified. The choice of subjects and risks is carried out both at the customs offices and at the methodical unit. If the risk is identified by the methodological unit, such information is transferred to customs offices as an incentive to carry out the control or as so called thematic focus. If a new risk is identified and confirmed at the customs office (verified within the control), it is subsequently evaluated by the methodological unit in relation with other subjects. Then, within the preparatory phase, there is used the application for risk assessment (AVR). This application identifies risks at an individual subject, and the risks are possible to be verified within the control, for example in relation to tariff classification or the customs value. The time limit for notification on customs debt is one of the piece of data which are taken into account within the preparatory phase, in relation to the fact whether it is possible to carry out the post-clearance control and notify about the customs debt within the set time limit. Within methodological unit the length of how long a post-clearance control lasts evaluated twice a year, with respect to the 3 years' time limit for the notification of customs debt.*

**1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?**

YES, partly implementing the recommendation

*Yes, we provide post-clearance audits concentrated on declarant systems. The random element is not applied; post-clearance audits are preferably performed at those subjects where the risks are identified. Within post-clearance audits, among other things, there are taken into account the results of audits before the permission was granted, and whether the conditions are still met. During the post-clearance audits the control lists are used. The results of post-clearance audits carried out are transferred to the relevant departments for further use, for example re-assessment of conditions. The results of carried out post-clearance audits are evaluated by the methodological unit and then used in internal training to improve the performance of further audits.*

**1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?**

YES, fully implementing the recommendation

	<p><b>1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?</b>  YES, fully implementing the recommendation</p>
DK	1.1 UNDERVALUATION
	<p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b>  <input checked="" type="checkbox"/> YES, fully implementing the recommendation  <i>The Danish Customs Authority: In 2018, the inspection topic of under-invoicing generally continued to be an important and prominent focus area for the Danish Customs Authority, which must be able to match and optimise analysis methods/tools in relation to risk information on irregularities and patterns of fraud received at any given time. Thus, data from a range of sources — mainly declaration information in the customs system — are used in connection with risk analyses conducted by the Danish Customs Authority's Financial Customs Analysis Unit. The data are analysed in the Business Intelligence (BI) and Tableau IT systems. An advantage of Tableau is its effectiveness in visually representing trends and irregularities in import patterns, and the fact that it is operated in cooperation with OLAF.</i></p> <p><b>If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?</b>  <input checked="" type="checkbox"/> YES, specifically those goods  <i>The Danish Customs Authority: In an attempt to prevent Denmark being used as a country of entry for goods declared at very low values, the Danish Customs Authority's analysis units have established risk profiles in the electronic risk analysis system in order to detect consignments/goods with obvious signs of under-invoicing. Risk profiles and physical checks are intended to put a stop as early as possible to repeated declarations of under-invoiced goods, where necessary by requesting a security as a condition for release. Profiles were created, among other things, for products under textile Chapters 61 and 62, as well as for footwear under Chapter 64 originating from China. Precisely such goods were involved in the earlier cases in both Denmark and the rest of the EU.</i></p>
	1.2 ENHANCEMENT OF CUSTOMS CONTROLS
	<p><b>1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?</b></p>

YES, fully implementing the recommendation

*The Danish Customs Authority: The Danish Customs Authority sets priorities for the annual operation on the basis of an assessment of materiality and risk, using the resources available for the operation. The priorities are also based on the collection and management of the customs duties that constitute the EU's own resources. The general aim of the operational strategy is to ensure effective risk-based customs controls designed to detect fraud and irregularities involving imports from third countries.*

**1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?**

YES, fully implementing the recommendation

*The Danish Customs Authority: Risk analysis carried out in the Customs Authority's Financial Customs Analysis Unit focused on the legal movement of goods in respect of financial customs duties. It was agreed, among other things, that significant control results should be passed on by physical and post-clearance control units to the Financial Customs Analysis Unit in order to optimise future risk analyses.*

**1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, fully implementing the recommendation

*The Danish Customs Authority: The Financial Customs Analysis Unit receives risk information (RIF) on new trends concerning possible areas of fraud from the Commission or other EU customs authorities via the EU communication system (CRMS). The unit assesses all the RIFs. Where necessary, financial RIFs will lead to the establishment of risk profiles in the import system, with the profile indicating clearly which type of control is to be carried out. The Customs Authority uses the CRMS to share risk information with other Member States.*

**1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?**

YES, fully implementing the recommendation

*See point 1.2.b.*

3 OTHER MEASURES

**1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the**

	<p><b>communication of customs debt as a risk indicator in the post-release risk analysis?</b>  YES, fully implementing the recommendation  <i>The Danish Customs Authority: When carrying out controls, the Customs Authority applies a statistical element to the control selection, and also focuses on the three-year time-barring period.</i></p> <p><b>1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?</b>  <i>The Danish Customs Agency cannot answer, as the question is unclear for us.</i></p> <p><b>1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?</b>  YES, fully implementing the recommendation  <i>The Danish Customs Authority: Companies with AEO authorisation will also be monitored on the basis of materiality and risk, although to a lesser extent on account of their AEO status.</i></p> <p><b>1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?</b>  YES, fully implementing the recommendation</p>
<b>DE</b>	1.1 UNDERVALUATION
	<p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b>  <input checked="" type="checkbox"/> YES, fully implementing the recommendation  <b>If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?</b>  <input checked="" type="checkbox"/> YES, specifically those goods.</p>
	1.2 ENHANCEMENT OF CUSTOMS CONTROLS

**1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?**

YES, fully implementing the recommendation

**1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?**

YES, fully implementing the recommendation

**1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, fully implementing the recommendation

**1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?**

YES, fully implementing the recommendation

### 1.3 OTHER MEASURES

**1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?**

YES, partly implementing the recommendation

**1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?**

YES, fully implementing the recommendation

**1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?**

YES, fully implementing the recommendation



	<p><b>1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?</b></p> <p>YES, fully implementing the recommendation</p>
EE	<p><b>1.1 UNDERVALUATION</b></p>
	<p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b></p> <p><input checked="" type="checkbox"/> YES, partly implementing the recommendation</p> <p><i>In 2018 Estonia paid a lot of attention to the goods the declared value of which was below the normal value (either EE internal or from EU databases). In addition to the criteria implemented by COM and delivered via the TARIC database (measures of type 430 and 431), Estonia also used many national criteria. At the end of 2018, a criterion was created which specifically targets the goods which are declared significantly under the EU fair price. The reason for the late introduction of this criterion by EE was the outdated data of the EU database AMT (data was 2 years old and not updated). The criterion created at the end of 2018 (taken into use in January 2019 due to technical reasons) works on the data of the Theseus database.</i></p> <p><b>If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?</b></p> <p><input checked="" type="checkbox"/> YES, but targeting also other goods</p> <p><i>Estonia continues to apply all the national minimum price profiles to all goods from the nomenclature. Moreover, increased attention is paid to and checks are carried out on ALL the goods under COM actions 430 and 431. The new criterion introduced in 2018 takes into account all the goods which come from China and Vietnam belonging to Chapters 61-64, irrespective of the quantity and consignee of the goods.</i></p>
	<p><b>1.2 ENHANCEMENT OF CUSTOMS CONTROLS</b></p>
	<p><b>1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?</b></p> <p><input checked="" type="checkbox"/> YES, partly implementing the recommendation</p> <p><i>Most of attention is given to the procedures which are used to declare the goods for release into free circulation (IM40 and IM42), because the percentage of the other procedures is very small in Estonia. COM measure 430 applies to all procedures. The declared value of goods is checked to the same extent in respect of all declarants/consignees with no distinction between AEOs and non-AEOs.</i></p>

**1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?**

YES, fully implementing the recommendation

*In Estonia the entire customs service is on the so-called central level. We have very close cooperation among the customs officials in the areas of risk analysis and control (risk analysis - Intelligence Department, customs control - Customs control officers (Customs Department) and tax auditors (Audit Department) carrying out post-clearance audit). Twice a year the so-called customs valuation round tables take place with the participation of the officials from the departments engaged in the field (intelligence/risk, customs control, policy, legal, post-release audit), where we share information, give guidance and take decisions on difficult (extraordinary) cases. When the Intelligence department spots a risk, they consult the Customs Department (customs value, classification, origin) and the Tax Audit Department. As a result of such cooperation, it is decided whether the declaration/goods are to be directed to supplementary checks in the course of customs clearance and/or subsequent verification (post-clearance control). Please provide any useful detail to explain the actions undertaken in 2018 and why the recommendation have been partially implemented or not implemented.*

**1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, partly implementing the recommendation

*Customs checks in Estonia are focused on goods, irrespective of the incurrence and amount of duties and taxes (customs duty, VAT, excise duty) applicable to the goods or the status of the consignee/declarant. The relevant instructions have been made available to officials through internal guidelines and correspondence. In addition, an official responsible for creating a criterion also provides relevant instructions of practise (annex to the criterion). For example: Criterion no 9175: the criterion applies to the control of goods' statistical value. Verification whether the goods' statistical value is correctly indicated (calculated) and comparison of the goods' declared price per kg (EUR) with the average EU price per kg. Please see the tables of average prices under profile 636 in the RIHO database. Please describe the control actions in the CTMS (Control Task Management System) notebook. Taking into account the new circumstances revealed, direct the declaration to the red, green channel. Check/control even if the consignor/consignee and/or declarant is AEO. In case of further questions, contact the expert in the customs value. RIF – data exchange is carried out systematically between Estonia and other Member States. In 2018 Estonia drew up 63 RIFs, one of them on*

*undervaluation.*

**1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?**

YES, fully implementing the recommendation

*The Intelligence Department and the Customs Department are regularly monitoring the efficiency of selectivity/risk criteria, and on the basis of monitoring results they make a decision: either to change or remove a criterion, or to send the object to subsequent verification, or apply the criterion to the same extent as before.*

### 1.3 OTHER MEASURES

**1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?**

YES, fully implementing the recommendation

*Estonia carries out random checks regularly. In those cases the declarations have been selected randomly for physical check of the goods or/and documents. As a result of such controls in most cases no major errors (mistakes) are detected.*

**1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?**

YES, partly implementing the recommendation

*All the objects directed to the Tax Audit Department in 2018 had been selected on the basis of risk analysis and sent to post-clearance controls due to their risk. Estonian companies are, in many cases, relatively small and therefore the performance of post-clearance audit (where also internal control systems are audited) does not bring any additional effect. All post-clearance audits in Estonia are classified as “Other kinds of post-clearance controls”. As a general rule, in case of all post-clearance controls we request documentary evidence which should prove that the transactions have been entered into accounts and corresponding payments have been made. In other words, post-clearance controls are not limited to supplementary documents of customs declarations, accounting is checked as well. In Estonia there is a national manual for performing controls, called “Tax Auditor’s Operating Procedure.*

**1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk**

	<p><b>management performed with respect to the different elements of these operations?</b>  YES, partly implementing the recommendation  <i>When a risk criterion applies, the declared value of the goods is verified, which is a uniform procedure, no matter whether the declarant/consignee is AEO or not. Accordingly, companies holding an AEO status and lodging declarations in their own name and on behalf of another person (debtors jointly and severally) are controlled on the same grounds as other companies.</i></p> <p><b>1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?</b>  NO  <i>Estonia has its own national guidelines for the verification of customs value and determination of a new customs value. Likewise, there is a national manual in Estonia for carrying out controls: "Tax Auditor's Operating Procedure". Sometimes we use Customs Audit Guide to get ideas.</i></p>
<b>IE</b>	<p><b>1.1 UNDERVALUATION</b></p> <p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b>  <input checked="" type="checkbox"/> YES, fully implementing the recommendation  <i>DG Budget expressed concern over undervaluation of products from China as to whether the EU's customs controls protect its financial interests and whether the Commission and the Member States have designed robust import procedures that protect those interests. They identified serious weaknesses indicating that there are shortcomings such as ineffective implementation of customs controls on imports and this adversely affects the financial interests of the EU. In this regard, and with a view to the customs audit in 2019 which will address undervaluation, Customs Risk Management Unit commenced targeted operations in 2018 to tackle undervaluation. A series of risk operations were mounted using the Automated Monitoring Tool set by OLAF as a guide to values declared.</i></p> <p><b>If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?</b>  <input checked="" type="checkbox"/> YES, specifically those goods  <i>As stated in 1.1 above, footwear and textiles were considered to be grossly undervalued coming into the EU from China. Therefore a number of targeted risk operations were mounted to specifically address this issue and verify the values declared for consignments of Chapters 61 - 64.</i></p>

## 1.2 ENHANCEMENT OF CUSTOMS CONTROLS

### **1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?**

YES, fully implementing the recommendation

*Risk profiles are in place to target imports to safeguard the financial interests of the Union, among other interests. One of these considered risks is non-compliance with customs procedures. In this regard risk profiles regularly target import consignments for documentary checks to verify if importers are complying with their obligations. AEO status is a trade facilitation measure granted on the basis that a business/entity has met standards in relation to safety & security, financial solvency and compliance with customs rules. Therefore priority treatment in customs checks is a benefit of AEO status. Similarly simplified procedures are granted on the bases of a clean record of customs compliance. In this regard, risk profiles only target a % of AEOs.*

*Customs Division in Ireland have a centralised Compliance and Post Clearance Unit which oversees a national compliance and post clearance programme for our Customs Customer Case base, including AEO and those authorised for Simplifications. From a post clearance perspective our Customs Audit and Post Clearance Check targets include a provision that a specific percentage of the cases or declarations chosen must be authorised traders.*

### **1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?**

YES, fully implementing the recommendation

*The National Risk Analysis Unit is a centrally operated unit. Risk profiles are set in consultation with the various stakeholders in the EU, Revenue and other Government Agencies to ensure protection of our EU and national borders. These profiles are monitored for effectiveness and are updated according to EU Regulations or intelligence received. From a post clearance and compliance perspective Customs Division oversees and coordinates our compliance and post clearance programs. This includes support, guidance on best practice and advice on legislation. Customs Division also chairs a post clearance and a control officer group which consists of all our post clearance and compliance personnel and provides a central forum for discussing relevant issues around this aspect.*

### **1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be**

**carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, fully implementing the recommendation

*Risk profiles cover all aspects of customs risk, including fiscal risk. Our categories of financial risk include origin, valuation, classification, anti-dumping, quota & customs procedures which are considered to affect the financial budget. Each profile is specifically designed to target any of the above either at the point of importation or at the trader's premises. Clear concise instructions are given to the control officer carrying out the check. Any irregularities are addressed and if necessary shared among other Member States via our RIF system (Risk Information Forms) which requires feedback from each.*

**1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?**

YES, fully implementing the recommendation

*Control results are regularly monitored and any irregularities identified which would constitute infringements are dealt with locally by the control officer. Any irregularities or fraudulent activity detected is reported to our Investigation & Prosecution Division.*

### 1.3 OTHER MEASURES

**1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?**

*N/a*

**1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?**

YES, fully implementing the recommendation

*Ireland's Customs Division oversees a national Compliance and Post Clearance Interventions planning policy in accordance with identified priorities with relevant monitoring and controls in place, utilising available risk analysis and risk assessment tools. Our Customs post clearance interventions are based on risk analysis, using automated data processing techniques, with the purpose of identifying and mitigating the risks.*

*This is an overall strategy which incorporates all aspects of risks identified and/or signalled through various channels including results from pre-authorisation stage. We have produced a national customs audit and control guide that encompasses standard checklists to assist our officers in carrying out their post clearance roles. We also incorporate a random element to our post clearance programme to compliment the electronic risk analysis aspect. Customs Division in Ireland work closely with our Regional Control Officers and Customs Audit personnel on all aspects of Customs Control to provide support, advice and guidance. All our Divisional structures have responsibility for putting in place a risk-based programme for customs post clearance controls around the customs economic activity taking place within their remit. All results from this programme are monitored closely and our rules, procedures and processes updated as required.*

**1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?**

YES, fully implementing the recommendation

*A.E.O. status and their treatment by customs is set out in 1.2.a above. AEOs are subject to the same rules and regulations as all other importers but do not come under the same level of customs controls as their status is based on mutual transparency, correctness, fairness and responsibility. However from a Compliance perspective each AEO in Ireland is monitored within the first 12 months of being granted such an authorisation and at least every three years after that. In addition, our compliance programme ensures that relevant information is available and assessed on an on-going basis in order to provide early signals of any issues with such traders.*

**1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?**

YES, fully implementing the recommendation

*A customs audit is the examination of accounts and business records to verify the compliance of the importer with their obligations with relevant legislation and Revenue requirements. Revenue operates a presumption of honesty that all customs declarations submitted contain the correct information. Therefore it is necessary to validate a selection of declarations by post release checks and audit to confirm compliance. These audits are conducted in line with the EU Customs Audit Guide which sets out the requirements of conducting the audit. From a Post Clearance perspective our National Customs Audit Guide takes primary guidance from the EU Customs Audit Guide. On our Compliance side the EU guidance documents are an integral part of our control program formulation*

EL	1.1 UNDERVALUATION
	<p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>Risks in the area of customs valuation remain high on the agenda. Risk profiles have been created to indicate declarations for either physical or documentary controls. There is a systematic risk assessment and continuous feedback for risk profiling. Greece participated in the joint customs operations organized by OLAF. In addition, two national operations were conducted in 2018 to combat underpricing in textiles and footwear originating from China.</i></p> <p><b>If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?</b></p> <p><input checked="" type="checkbox"/> YES, but targeting also other goods</p> <p><i>Apart from targeted risk profiles for particularly cheap products imported in extremely large quantities, such as textiles and footwear, in the context of AMs, RIFs and other information sources, risk profiles have been created in order to point out declarations for either physical or documentary control also for products, other than textiles and shoes, e.g. ceramics, table ware and kitchen ware etc.</i></p>
	1.2 ENHANCEMENT OF CUSTOMS CONTROLS
	<p><b>1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?</b></p> <p>YES, fully implementing the recommendation</p> <p><i>The strategic objectives of the Independent Authority for Public Revenue and the operational objectives of the General Directorate of Customs and Excise Duties include the fight against tax evasion and smuggling. In this context, targets are set centrally for customs controls, for all types of customs procedures, for all operators, without excluding the holders of simplified procedures and AEOs.</i></p> <p><b>1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?</b></p> <p>YES, partly implementing the recommendation</p> <p><i>An operational plan is drawn up in order to achieve the objectives set for the controls indicated and conducted on the basis of a risk analysis</i></p>



*(central or local) by all the above mentioned services. Measures taken to improve co-ordination and increase audit effectiveness include workshops and meetings on specialized control issues and information use. Coordination between the customs services involved in the risk analysis is adequate and constantly improving.*

**1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, partly implementing the recommendation

*All risk profiles, including those relating to traditional own resources, refer to clear guidelines and guidance on the type of control and provide risk information to those responsible for control at the customs clearance stage. Risk information is shared with other Member States and feedback is provided to a satisfactory degree.*

**1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?**

YES, partly implementing the recommendation

*The full content of the instructions and guidelines provided to the Member States with the AM messages of OLAF is without any delay notified to all customs authorities. The results of the post clearance controls which may be conducted in compliance with the recommendations of each particular AM message are provided by the competent control authorities upon request. There is also the possibility to identify from the records kept by the Directorate of Electronic Governance of the Independent Authority for Public Revenue the results of the controls indicated by the activation of the risk profile/s which was/were created according to the content of the AM recommendations. Additionally, the further stages of assessment and recovery of the customs debt that may be incurred, as well as the possible judicial evolution of the cases, is monitored in the framework of the management of the AM case files.*

### 1.3 OTHER MEASURES

**1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?**

NO

*The three-year period for the communication of the customs debt is taken into account by the competent customs authorities, when local risk*

	<p><i>analysis is carried out. The Customs Information System is not currently designed to indicate random checks in the context of post-release risk analysis in an automated manner; however, the function is in the process of being redesigned.</i></p> <p><b>1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?</b></p> <p>YES, partly implementing the recommendation</p> <p><i>Post release audits are carried out on the basis of a non-automated "local" risk analysis by the competent authorities.</i></p> <p><b>1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?</b></p> <p>YES, fully implementing the recommendation</p> <p><i>Customs controls carried out on operations made by AEO take into account risk analysis and apply on all the different elements of these operations. (The answer is given with caution, because of the unclear -to us- wording of the question).</i></p> <p><b>1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?</b></p> <p><input type="checkbox"/>NO</p> <p><i>A key tool for carrying out post clearance audits, according to the instructions provided, is the Customs Audit Guide which has been translated into Greek and is available to the competent customs authorities to assist with their audit work.</i></p>
ES	1.1 UNDERVALUATION
	<p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b></p> <p><input checked="" type="checkbox"/>YES, fully implementing the recommendation</p> <p><i>Risk profiles are kept. Analyses carried out by OLAF reveal a limited incidence of the current undervaluing of imports in Spain.</i></p> <p><b>If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?</b></p> <p><input checked="" type="checkbox"/>YES, specifically those goods</p>

*Textiles, footwear, handbags and pound shop articles are the main products affected by risk profiles.*

## 1.2 ENHANCEMENT OF CUSTOMS CONTROLS

**1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?**

YES, fully implementing the recommendation

*Risk profiles can work on any customs procedure and on any kind of operators.*

**1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?**

YES, fully implementing the recommendation

*There is a central unit that designs the risk profiles and coordinates all control activities, which are carried out at a regional level.*

**1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, fully implementing the recommendation

*There are clear instructions about the actions to perform once the declaration has been selected for its control. RIF is used to inform other Member States; for instance, in case goods are returned to origin, if someone tried to dispatch them in another Member State. An analysis of all information received from other Member States is carried out.*

**1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?**

YES, fully implementing the recommendation

*The central unit performs the proper follow-up.*

## 1.3 OTHER MEASURES

	<p><b>1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?</b>  YES, fully implementing the recommendation  <i>The expiration date is always taken into account in the risk analysis process carried out in ex-post controls.</i></p> <p><b>1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?</b>  YES, partly implementing the recommendation  <i>There is not a proper index of tests to be performed in every ex-post control. On the contrary, each actuary decides how to perform the control. However, audits are revised by the superior, who may decide to perform additional actions. In any case, the Commission's Guide is at disposal of the actuaries. Also, the company records can usually be accessed and all previous information is taken into account, including the information provided in the previous custom authorizations, if there were any.</i></p> <p><b>1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?</b>  YES, fully implementing the recommendation  <i>AEOs are subject to customs controls. However, they might be adapted to their risk level.</i></p> <p><b>1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?</b>  YES, fully implementing the recommendation  <i>They are available to the actuaries who perform the controls.</i></p>
FR	1.1 UNDERVALUATION
	<p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b>  <input checked="" type="checkbox"/> YES, fully implementing the recommendation</p>



For several years, the inspection services of the DGDDI [General Directorate of Customs and Excise] has made it a priority to combat customs valuation fraud. The background note distributed each year to set the priorities for the following year has made tackling customs valuation fraud one of the key points of its inspection actions for 2018. The fight against undervaluation is therefore a priority for all the customs services.

A specific instruction was circulated to the services in 2018 to reinforce the role played by checks carried out at the time of clearance in combating undervaluation.

The new instruction is accompanied by several summary factsheets to facilitate the work of the inspection services.

The factsheets cover the following points:

- the legal basis for valuation set out in the UCC and Implementing Regulation (EU) 2015/2447 of 24 November 2015;
- the performance of ex-ante checks with regard to valuation. This factsheet was prepared on the basis, in particular, of the European inspection guide entitled ‘Handbook on Operational Controls’;
- the arrangements for implementing the guarantees provided for in Article 244 of Implementing Regulation (EU) 2015/2447 of 24 November 2015. This factsheet sets out the strict cumulative conditions under which a guarantee may be taken (existence of a strong suspicion of undervaluation, existence of a sudden, massive and suspicious flow, the guarantee must be the only way to stop the flow). These specific conditions are intended to ensure that guarantees are not systematically set up at the slightest suspicion. The factsheet also indicates alternative methods for determining value.

The purpose of this factsheet is to enable the inspection services to act autonomously and respond rapidly. Guarantees have already been put in place successfully by the DGDDI, but each time the intervention of the General Directorate was required.

Valuation fraud is also dealt with in ex-post checks. This is because of the difficulty in rapidly obtaining the documents needed to establish whether the declared price reflected the transaction value of the goods. During the ex-ante checks the invoice sent may be false and may correspond exactly to the very low price declared. The ex post checks also serve to identify cases of valuation fraud resulting from the failure to include the elements of value specified in Article 71 of the Union Customs Code (UCC).

**If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?**

YES, but targeting also other goods

These goods are targeted, but not these goods alone. For example, measures 430 and 431 are taken into account. They do not only concern chapters 61 to 64 of the Customs Tariff.

The DGDDI also conducted a data-mining experiment in 2018 in the National Risk Analysis and Targeting Department (Service national d’analyse de risque et de ciblage - SARC). The two cases of usage tested concern:

- identification of undervaluation through a statistical analysis of the value/mass ratio. The method employed is to carry out a statistical study of the distribution of value/mass ratios for a product. This approach makes it possible to identify atypical values that may need to be checked more thoroughly. Once the risk has been confirmed by the analysts, the results obtained may give rise to an ex-post check or the creation of selection profiles in customs clearance applications;
- the study of express freight fraud using a flow chart visualisation tool. The tool put in place makes it possible to observe the distribution of these flows in time, their distribution in space (concentration of imports in specific areas or even at specific addresses), and the links between consignors/consignees/destination addresses, in order to identify atypical schemes that require ex-post checks or the creation of selection profiles.

## 1.2 ENHANCEMENT OF CUSTOMS CONTROL

### **1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?**

YES, fully implementing the recommendation

The DGDDI has a control strategy based on a risk analysis and the implementation of three types of checks, depending on the challenges identified: ex-ante checks are conducted at the time of clearance, ex-post 1 checks (other types of ex-post checks) are conducted up to 4 months after clearance, and ex-post 2 checks (ex-post audits) are implemented until the expiry of the period concerned). Checks are performed on all operators and procedures after a risk analysis has been conducted and the targeting and/or programming of checks has been established. For simplified procedures, the ex-ante targeting of the checks is done at the stage of the Initial Simplified Declaration. The other clearance procedures introduced by the UCC are not used, or are only occasionally used, in France. Thus, only two procedures have been issued for registration in the declarant's records: one for export and one for import for goods not subject to customs duties. Special procedures are also checked. Generally speaking, in addition to the risk linked to the goods themselves, the risk arising from the reliability of the operator is also taken into account. The National Risk Analysis Grid (GRINAR) is used to determine the risk level for almost 2 000 operators for import and export flows. This grid makes it possible to direct the checks. The AEO deemed to be reliable are not excluded from targeting during checks. However, in line with the UCC, in the case of certain ex-ante controls, fewer checks are carried out on these AEO. A reduction of the control rate is provided for in Article 24(1) of the DA and concerns the two authorisations (AEO-C and AEO-S) based on the type of check carried out by the customs authority.

The selection profiles therefore apply to them.

**1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?**

YES, fully implementing the recommendation

As part of the ‘Customs 2018’ project, the General Directorate for Customs and Excise decided to introduce an integrated chain of checks to tackle the new challenges relating to safety, security and combating fraud. This decision was taken in the context of the increasing move towards paperless procedures for the flow of declarations and also the implementation of the new Union Customs Code (UCC).

In order to rationalise the chain of controls, the control policy has been made more integrated and consistent, and risk analyses have been centralised in a single service in order to improve the quality of targeting and of the control instructions.

The creation of a national Risk Analysis and Targeting Department (SARC) was ratified by an order of 29 February 2016.

The decision to centralise in a single service the risk analyses in the areas for which it has responsibility (pre-clearance – safety/security, clearance and taxation) was taken in order to better target customs checks to make them more efficient.

This centralisation makes it possible to:

- have better expertise and improve the control guidelines;
- bring together the information needed for the analyses at a single point;
- avoid duplication;
- monitor and analyse the results in order to adapt the control guidelines;
- introduce more consistent arrangements and obtain better results in legal proceedings;
- optimise the implementation of data mining.

The SARC is therefore responsible for all risk analyses and operational studies, particularly those which concern clearance. It thus has a monopoly on creating national selection profiles (PRONAT) in the RMS (declarations targeting tool) and in planning ex-post checks.

On the basis of the SARC’s risk analyses and the national control guidelines, the Inspection Information and Steering Units (Cellules de renseignement et de pilotage des contrôles – CRPC) guide and coordinate the checks in cooperation with the regional supervisor or the supervisors at the investigation offices and services. The CRPC were set up in 2018 by reorganising the Units for Information and Planning of Inspections

(Cellules de renseignement et d'orientation des contrôles – CROC).

The CRPC sets out the work objectives for the year and the control priorities. It ensures that the programming of the checks takes account of the priorities established in coordination with the other services of the Directorate.

The CRPC is the regional service in charge of steering all the checks and monitoring their efficiency. It follows up the regional control guidelines and draws up the review of the regional action plans.

The CRPC is the linchpin of all the regional services responsible for conducting checks and following up legal proceedings. It uses the steering tools at its disposal to ensure the effectiveness of the measures adopted and suggests the adaptations needed to improve results. Lastly, it ensures that the programming of the controls is effectively implemented.

**1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, fully implementing the recommendation

The DGDDI'S targeting engine groups together all the selection profiles used by the services in charge of targeting (SARC at national level, the Inspection Information and Steering Units (CRPC) at regional level and the supervisor at the level of the customs offices). Each profile contains a description explaining the reason for the profile, the type of fraud being investigated and the action to be taken. The services are informed each month of the RIF messages sent by the other Member States. Generally speaking, the quality of the RIF sent by the other Member States does not always allow a return. Moreover, very few RIF messages are sent by France. The MA cases sent by OLAF concerning traditional own resources are given specific treatment by the SARC. The fraud mechanism described is studied and the French traffic analysed. The SARC sets up one or more dedicated profiles and gives precise instructions to the services concerning the action to be taken.

**1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?**

YES, fully implementing the recommendation

The implementation of the provisions of Regulation 517/97 by the DGDDI is detailed in an instruction to the services which was circulated in January 2015 (Note 1500032). This document was endorsed by the EU authorities. After 3 years' experience of implementation and, above all, the creation of the SARC, it became necessary to update this document, mainly in order to improve the treatment of MA cases.



A new instruction, issued by the JCF2 office of the General Directorate in cooperation with office JCF3, SARC and the National Directorate for Customs Information and Investigations (DNRED), was sent to the customs services by a note of May 2018.

The circuit for handling MA cases concerning the protection of the Union's financial interests (PFI) is as follows:

1. Receipt of the MA cases by the SARC and the General Directorate;
2. The SARC's PFI team investigates the case in cooperation with the offices of the General Directorate;
3. Establishment of the selection profiles in the RMS targeting tool;
4. Circulation of control instruction to the services using an Investigation and Control Suggestion Sheet (SDEC – Suggestion d'enquête et de contrôle).
5. Implementation of the checks by the DNRED's Directorate for Customs Investigations (DED) or the Regional Investigation Departments (SRE) and the customs offices via the CRPC, on the basis of the risk analysis with input by the SARC;
6. Transmission to the SARC of the information and the results of the control and investigation services responsible for MA cases relating to PFI for transmission to office JCF2;
7. Transmission of the information and results of the checks to OLAF.

Specifically, when an MA case concerning the protection of the EU's financial interests is sent by OLAF by AFIS mail, it is received by SARC and the General Directorate. It is immediately studied so that one or several selection profiles can be set up as quickly as possible. The case is then subjected to extensive analysis by SARC's PFI group so that input and specific details can be added for France. An Investigation and Control Suggestion Sheet (SDEC) is drawn up by the SARC. This sheet details the case, the analysis of the case and the input added. It also specifies the action to be taken by the control services. The sheet is submitted to the General Directorate for validation before it is circulated to the service.

The results of checks are sent by the services to the SARC, which draws up a table for monitoring the cases. This table is sent each quarter by the JCF2 office to OLAF via AFIS Mail.

### 1.3 OTHER MEASURES

**1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?**

YES, fully implementing the recommendation

With regard to the checks made at the time of clearance, an automated random selection of the declarations is set up.

With regard to ex-post 1 checks, a schedule is implemented on the basis of the general guidelines set by the CRPC. The head of the customs office, in coordination with the supervisor, draws up a timetable for performance of the checks. This schedule takes into account the reliability of the operators. Priority is given to scheduling the weakest operators (managing sensitive traffic and/or procedures). However, the service ensures that it performs checks at least once every three years on operators that are subject to few checks during that period.

**1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?**

YES, fully implementing the recommendation

Post-release audits are called ex-post 2 checks (contrôles ex-post 2) or investigations (enquêtes) in France. Ex-post 2 checks are conducted in a hierarchical manner:

1. Depending on the requests for checks by SARC as part of its investigative responsibilities;
2. At the initiative of the CRPC in liaison with the Regional Guideline Directives;
3. At the initiative of the investigative services.

The evaluation sheets drawn up are always accompanied by explanations concerning the fraud investigated and the action to be taken by the services.

In mutual assistance cases, a specific SDEC (Investigation and Control Suggestions and Guidance) sheet specifies, following input from a national traffic analysis, the investigations to be carried out following MA cases for example. In this case too, investigations are based on risk and instructions are given to the investigators.

The results of the checks are incorporated in the SILCF (Anti-fraud information system). They can be consulted by all the services responsible for risk analysis and targeting.

However, random selection is not part of the ex-post 2 check selection mechanisms.

In France all investigations are based on programming. Programming is usually reinforced by the increase in importance of the SARC and of the programming operated by the CRPC at local level, which must ultimately lead to a reduction in the proportion of own-initiative investigations.

	<p><b>1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?</b></p> <p>YES, fully implementing the recommendation</p> <p>The AEO are considered to be trustworthy operators in the context of the customs operations they perform. As such, in accordance with EU rules, they have specific customs benefits.</p> <p>Operators certified as AEO have differentiated and privileged treatment. In addition to personalised monitoring and advice, the AEO enjoy benefits with regard to checks.</p> <p>A reduction of the control rate is provided for in Article 24(1) of the DA and concerns the two authorisations (AEO-C and AEO-S) based on the type of check carried out by the customs authority.</p> <p>The AEO-C, in particular, have the benefit of fewer ex-ante checks (apart from checks relating to the CAP, health checks or checks concerning standards), depending on the operator's risk level.</p> <p>AEOs benefit from fewer checks only in cases of declarations submitted by an AEO on its own account or by an AEO representing another AEO. Control counters in the clearance system allow screen-based supervisors to respect the requirement to perform fewer checks and not to make unnecessary checks of declarations.</p> <p>Apart from these cases where fewer checks are performed, the AEO are treated like other operators. The same selection profiles are used for them where these profiles are not based on an EORI (Economic Operator Registration and Identification number) and all the data in the declaration can be targeted.</p> <p><b>1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?</b></p> <p>YES, fully implementing the recommendation</p> <p>These guides are not used directly by the services. However, practice in the DGDDI's services is in line with the indications in these guides. The instructions in these guides are reiterated or used when specific instructions are sent to the services. This was the case, for example, in 2018 with regard to the performance of ex-ante checks of customs value. (See Question 1.1)</p>
<b>HR</b>	1.1 UNDERVALUATION

**1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?**

YES, fully implementing the recommendation

**If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?**

YES, but targeting also other goods

## 1.2 ENHANCEMENT OF CUSTOMS CONTROLS

**1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?**

YES, fully implementing the recommendation

**1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?**

YES, fully implementing the recommendation

**1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, fully implementing the recommendation

**1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?**

YES, fully implementing the recommendation

## 1.3 OTHER MEASURES

**1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?**

YES, fully implementing the recommendation

**1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element,**

	<p><b>guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?</b>  YES, fully implementing the recommendation</p> <p><b>1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?</b>  YES, fully implementing the recommendation</p> <p><b>1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?</b>  YES, fully implementing the recommendation</p>
IT	<p>1.1 UNDERVALUATION</p> <p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b>  <input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>Following the recommendation 1, in 2018 we have expanded our methodologies to fight against undervaluation, including the “Fair prices methodology”.</i></p> <p><i>Particularly, we have included in our system risk profiles based on goods that are systematically undervalued, as they are detected by THESEUS, a statistical data-mining tool provided by JRC. Through this tool, we prioritize the flows of goods to be checked on the basis of the highest estimate of the taxable base loss.</i></p> <p><i>Once selected the flows of goods to be controlled, we use two methodologies:</i></p> <ul style="list-style-type: none"> <li>- <i>“Fair price methodology” to target documentary checks, where the percentage of control depends on impact analysis</i></li> <li>- <i>“Italian credibility methodology” to target the physical check at the time of Customs clearance, 100% percentage of control.</i></li> </ul> <p><i>The “Risk Threshold Value” used in the “Fair Price Methodology” is the 50% of Fair Price (statistical value/net mass) related to 8 digits code and country of origin as reported in THESEUS. We update the rate of controls on the basis of results of controls.</i></p> <p><i>The “Risk Threshold Value” used in the “Credibility Methodology” is based on percentiles and quartiles of unit values (statistical value/net mass or statistical value/supplementary unit) applied to TARIC 10 digits code, grouping the countries of origin as reported in THESEUS- Cluster of Prices Panel.</i></p> <p><i>We update the thresholds on the basis of results of controls.</i></p>

**If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?**

YES, but targeting also other goods

*Our reference to choose the goods to be checked is THESEUS – Systematic Undervaluation Panel, Among them, there are also textiles and footwear, imported in small or large quantities. Particularly, we target the nature of transaction 11, to exclude small sampling of textiles and footwear.*

## 1.2 ENHANCEMENT OF CUSTOMS CONTROLS

**1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?**

YES, fully implementing the recommendation

*Italian Customs control System allowed us to create risk indicators taking in account each box of the SAD, for this reason we can target all types of customs procedure and managing the rate of control according to the compliance of the operator (AEO or NO AEO).*

**1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?**

YES, fully implementing the recommendation

*For what concern risk analysis at clearance, our Customs Control Systems interfaces directly and in real time each local services involved in risk analysis, so any customs officer in charge to carry out customs control is informed about the risk indicator.*

**1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, partly implementing the recommendation

*Of course we have risk profiles to fight against losses in traditional own resources. this risk profiles are named financial risk profiles and mainly concerning Antidumping, undervaluation, misclassification, origin.*

*When a risk indicator is hit in a customs declaration, , it will be select for the customs control according to the rate of control decided at central level. The risk profile establish the kind of control, which ones can not be narrow down by customs officer who is in charge to carry out*

*the control.*

*Risk information are shared by CRMS when are deemed to be relevant for other member state.*

***1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?***

*YES. There is a monitoring of structured control results (feedback) which is carried out by the Analysis Office. The latter, in particular, provides, on a daily and periodic basis (monthly / quarterly), to consult the results of the controls arising from the selections made by the risk profiles developed, in order to implement new ones or to modify the existing ones.*

### **1.3 OTHER MEASURES**

***1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?***

*NO. For a posteriori controls, the risk analysis system does not include randomness. The selection criteria for the operations / operators to be checked, pursuant to the provisions of art. 48 of EU Reg. 952/2013, are processed through specific risk profiles. These profiles provide for the selection for the subsequent control of the declarations previously requested by CA (automated control) from the customs control circuit, without overlapping the so-called "on-line" controls, whose operation remains unchanged. This is the specific RA selection (so-called blue channel) with which a percentage of the ex-post controls assigned to the individual Customs offices is determined in an automated way by the customs control circuit on the basis of the risk analysis carried out at central level.*

*The automated selection method of the declarations to be subjected to review of the assessment (a posteriori control) makes it possible to improve the qualitative / quantitative relationship of the a posteriori verification activity - as an aid to the Offices also through a constant monitoring of the results - and to implement , within the overall effectiveness of the control system, adequate supervision, through the constant calibration of the risk profiles carried out at central level also on the basis of the results of the controls communicated by the Offices.*

*Finally, it is specified that the three-year prescription period for the communication of the customs debt is not taken into consideration as an indicator of risk in the analysis of the risks afterwards.*

***1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the***

	<p><b>results strictly monitored?</b>  <i>YES. The instructions issued over time on the subject of PCA, both as dissemination of the TAXUD manual, and as a concrete application of the principles contained therein, also with the aid of selective lists, as well as taking into account, among other elements, the results of the phase of pre-authorization of the operators and standardized checklists, are aimed at a continuous monitoring of the results, also ensured by a change in AIDA - Integrated Automation Customs Excise (information system of the Customs and Monopolies Agency) which provided for the introduction of the specific PCA trigger in the control panel a posteriori.</i></p> <p><b>1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?</b>  <i>YES, fully implementing the recommendation</i>  <i>The rate of control for an AEO operator is systematically narrow down according to the rate of compliance of the operator. When a high risk indicator related to potential losses in own resources applies (e.g. INF AM), AEO operator is managed as normal operator for a short period and subjected to a normal rate of control. afterword, if no irregularities come, the rate of control is narrow down as usual.</i></p> <p><b>1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?</b>  <i>YES. Both for operational customs checks and as a customs audit guide.</i></p>
CY	<p>1.1 UNDERVALUATION</p> <p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b>  <input checked="" type="checkbox"/> YES, partly implementing the recommendation  <i>Risk profiles have been created taking into account the risk on undervaluation. Risk profiles are regularly re-evaluated at least once a year.</i></p> <p><b>If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?</b>  <input checked="" type="checkbox"/> YES, but targeting also other goods  <i>Specific Threshold values were recommended by OLAF in the context of JCO SNAKE regarding 20 commodity codes under chapters 61-64 (textile &amp; footwear). Those threshold values were applied in the Risk Analysis System and relevant profiles were created. AM2015/13 recommendations were applied for chapters 61-64 in combination with the High Interest Consignors mentioned in the relevant AM without using</i></p>



*fair prices. In addition, Risk Profiles have been created for leisure boats as well as vehicles. These two types of goods have been targeted due to the high risk for undervaluation and due to the irregularities detected in the past. Moreover, other profiles have been created based on information received through CRMS. The Department is in the process to implement Financial Risk Criteria (FRC) based on the Decision C(2018)3293 of 31/05/2018. One of the criteria is related to undervaluation risk which will be assessed by using threshold values as risk indicator.*

## 1.2 ENHANCEMENT OF CUSTOMS CONTROLS

**1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?**

YES, partly implementing the recommendation

**1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?**

YES, partly implementing the recommendation

*The Regional Customs Offices and the various sections at Headquarters recommend the creation of profiles and they are responsible to monitor customs control results according to their field of interest including valuation as well as to re-evaluate the profiles in cooperation with the Risk Analysis and Intelligence Section at Headquarters. A more enhanced coordination is needed between the relevant sections of the Department in order to assess better the risk on undervaluation. For this reason, the Department of Customs & Excise has already initiated an action by collecting the irregularities detected by all the sections performing controls and a process has been started in order to identify risk indicators including country of origin, high risk traders, commodities etc in order to create new risk criteria.*

**1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, fully implementing the recommendation

*If a declaration is selected for control based on a Risk Profile, then customs officer/examiner at the Customs Station, follows the instructions given by the profile for the type of control to be carried out. Usually, the instructions from the risk analysis results are referred to specific*

*Legislation, Department's Instructions and circulars.*

**1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?**

YES, fully implementing the recommendation

*A new structure has been recently created in order to have a more effective follow-up and strict implementation of mutual assistance instructions. More specifically, the Intelligence & Risk Analysis Section has taken the responsibility to delegate each AM message to the relevant sections and monitor it accordingly so that the data necessary for the reply are received timely.*

### 1.3 OTHER MEASURES

**1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?**

NO

**1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?**

NO

**1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?**

YES, fully implementing the recommendation

*In Import System a low risk value is given to all Cypriot AEOs. As regards the Import Control System (ICS) and the Export Control System (ECS) all benefits granted to AEO are based on Common Risk Criteria and standards.*

**1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?**

YES, fully implementing the recommendation

*The handbook on operational customs control is uploaded on Departments intranet and is available to all customs officers since 2015.*

<b>LV</b>	<b>1.1 UNDERVALUATION</b>
	<p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>As in previous years, customs control measures for imports of clothing and footwear originating in China were continued in 2018. In the framework of customs control measures were carried out in-depth controls of documents and physical controls of certain goods. Also post-clearance checks were carried out for undervalued goods.</i></p> <p><b>If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?</b></p> <p><input checked="" type="checkbox"/> YES, but targeting also other goods</p> <p><i>In order to reduce the undervaluation risk of clothing and footwear originating in China, customs control measures (risk profiles) for goods of Chapters 61 to 64 were determined in 2018. Separate risk profiles were specified for the goods of each chapter.</i></p>
	<b>1.2 ENHANCEMENT OF CUSTOMS CONTROLS</b>
	<p><b>1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?</b></p> <p>YES, fully implementing the recommendation</p> <p><i>All established profiles, including profiles on random selection, also apply to AEO and to simplified procedures also.</i></p>
	<p><b>1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?</b></p> <p>YES, fully implementing the recommendation</p> <p><i>There is a constant exchange of risk information between those who are carrying out controls at the time of clearance, carrying out risk analysis and those who carrying out post-clearance checks.</i></p> <p><b>1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?</b></p>

	<p>YES, fully implementing the recommendation</p> <p><b>1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?</b></p> <p>YES, fully implementing the recommendation</p>
	<p>1.3 OTHER MEASURES</p>
	<p><b>1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?</b></p> <p>YES, fully implementing the recommendation</p> <p><b>1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?</b></p> <p>YES, fully implementing the recommendation</p> <p><b>1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?</b></p> <p>YES, fully implementing the recommendation</p> <p><b>1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?</b></p> <p>YES, fully implementing the recommendation</p>
<b>LT</b>	<p>1.1 UNDERVALUATION</p>
	<p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>In Lithuania, the customs value of the goods (as well as other risk areas) is assessed at the time of customs clearance. In the same manner, the</i></p>

customs value of the goods is assessed additionally after the goods have been released (post clearance). Both risk assessments are performed automatically.

The main tool for automated risk assessment, including risk assessment of customs value, is the Risk Assessment and Control System (further – RIKS), which consists of two components:

- RIKS Clearance component;
- RIKS Post-clearance component.

**Control applicable in the process of customs clearance:**

The evaluation of declarations during the customs clearance is performed by the RIKS Clearance component, whose manager is Risk Management Division of the Customs Criminal Service. This Division creates risk profiles based on information received from various sources - EU customs authorities, OLAF, central customs departments of Lithuanian customs, including Customs Valuation Division, territorial and local customs units and other.

RIKS Clearance component contains risk rules, risk profiles and control results.

The risk profiles automatically direct appropriate declarations to the yellow (control of documents), red (control of goods) or green channels. When the declaration is directed to the yellow/red channels, the method of control is indicated at the same time, and the RIKS and declaration processing via transaction systems (MDAS/NTCS) is suspended until the results of the control are entered into RIKS by responsible customs officers.

RIKS Clearance component was operated with 70 various risk profiles to protect against undervaluation in 2018.

**Applicable post-release controls:**

The automated risk assessment for the selection of cleared declarations and the operators for the post-release controls are carried out by the RIKS Post-clearance component, whose manager is the Post-clearance Control Division of the Customs Department.

The RIKS Post-clearance component assesses risks according to the special rules and the result of the assessment is indicated in the way of the scores. That helps to select the economic operators and/or customs declarations for post-clearance controls regarding various risky areas (including “Customs value of goods“), e.g. there is a rule where the declared customs value of goods is compared with the value of the goods in the national PREMI database, depending on the TARIC code and country of origin. When the value declared is lower than 20 % - 30 %, the highest risk score is assigned to the area of value and the transactions could be as a subject for verification.

“Fair prices” and Data Mining technologies calculated in the THESEUS information system of the EC Joint Research Centre (EC JRC) are used as additional source for identifying high-risk cases.

The Customs Valuation Division of the Customs Department systematically participates in the process of updating algorithms (rules) in the field

*“Customs value of goods”.*

**If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?**

YES, but targeting also other goods

*Customs control measures and procedures, applied by the Lithuanian Customs for the customs valuation of imported goods are in line with the 2017 European Commission`s recommendations and European Commission`s Guidelines for preventing and detecting irregularities (under-invoicing) in imports of textiles and footwear.*

*In the case of the import of textile and footwear goods, an individual customs valuation model, based on the application of combined national and EU-wide average values for risk management purposes, is applied. When applying monitoring after the identification of goods, whose “fair prices“ are significantly higher than the average price indicated in the national customs valuation database, and identification that the flows of import are significant, the creation of special risk profiles with the algorithms to compare the declared average price of the goods with the determined “fair prices“, is initiated. This measure is foreseen to be implemented by IT means in 2019–2020.*

*The typical instruction of the risk profile in the field of customs valuation: “High-risk customs value. Ask to send and check the copies of accounts, contracts, payment, transportation documents. If the presented documents are not sufficient for the justification of the customs value, ask to submit additional documents. In the case of failure to justify, indicate customs value data available to the customs authorities for the calculation of the guarantee or for the application of other customs valuation methods“*

## 1.2 ENHANCEMENT OF CUSTOMS CONTROLS

**1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?**

YES, fully implementing the recommendation

*All economic operators could be a subject for customs control based on risk assessment. The control of all economic operators, including simplified procedures and the holders of AEO status, is carried out through the development and implementation of risk profiles at the time of customs clearance and after goods are released. At the same time, AEO holders are included in specific risk profiles that minimize risk.*

**1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?**

YES, fully implementing the recommendation

*RIKS Clearance component and RIKS Post-clearance component are the main tools for coordination among the central, regional and local services dealing with risk analysis, control and monitoring.*

*As already mentioned in part 1.1, during customs clearance customs officers should carry out all the checks specified in RIKS Clearance component. It is not possible to complete the declaration process, if all the actions specified in the RIKS Clearance instructions are not fulfilled.*

*In certain cases where there is a doubt on the information provided at the time of customs clearance, the declaration shall be automatically directed to post-clearance verification for the relevant departments carrying out post-clearance control.*

*There are written national instructions how to use RIKS, deal with risk analysis and risk analysis results, select companies and (or) cleared customs declarations, prepare for and conduct pre-audits, post-release audits and other controls, record their results and share risk information with other departments, Member States, etc.*

**1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, fully implementing the recommendation

*1019 fiscal risk profiles were created in RIKS Clearance component in 2018.*

*Each method of customs control is classified by code and its description, as well as detailed instructions of inspection are presented in RIKS. Example of instruction of the risk profile in the field of customs valuation is presented under the reply to the question 1.1. (2 part of question).*

*Rules for the customs release officers are regulated by national legislation (risk guidance). Risk information is shared with other MS and 2 RIF were placed in 2018. Feedback on the response is constantly being filled.*

**1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?**

YES, fully implementing the recommendation

*The results of the verification of declarations recorded in RIKS are monitored in a structured manner. The effectiveness of risk profiles is continuously assessed. The decisions are made on risk profiles correction, their further need or the introduction of the new profiles.*

1.3 OTHER MEASURES

**1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?**

YES, partly implementing the recommendation

*RIKS Post-clearance component performs automated risk assessment of the economic operators and released goods/customs declarations in the period of last three years. An automated random element is not included as risk indicator. As has been mentioned before, in Lithuania we have an IT tool (RIKS Post-clearance component), which is designed to assess the risk in accordance with a whole range of risk criteria.*

*In some cases, random sampling is used by post release officers to select cleared declarations, released goods and transactions relying on competence, knowledge, insights, and suspicions. Random company selection is not used for the purpose of customs audits.*

**1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?**

YES, fully implementing the recommendation

*Pre-audits and post-release audits cover the operator's systems and for all of them we use instructions, methodology (guide), standardised checklists (more information in part 1.3.d).*

*Results of pre-audits, post-release audits and other post-release verifications are uploaded into the RIKS. This allows monitoring all the information of the audits and other post clearance verifications in one e-system (RIKS). The monitoring is strictly performed in regional and central levels.*

*Additional information:*

*RIKS Post-clearance component is used for risk assessment, risk management for the pre-audit and post clearance audit controls, grouping (groups A, B and C) and selection process of the economic operators and cleared customs declarations and processing of results of post-clearance audits and other inspections. RIKS Post-clearance component performs an automated risk assessment of the economic operators and released goods/customs declarations for the last three years.*

*Grouping of the operators into groups A, B and C is done according to three criteria: number of import declarations, total statistical value and total amount of duties and taxes. The subject to post clearance control could be the operators from each group A, B and C.*

*Risk assessment results are automatically calculated once a month.*



*Results of risk assessment are used in all pre-audits, post-release audits and other post-release controls, even when information is received from other sources:*

- EU institutions, customs administrations of MS or third countries;*
- Other state institutions;*
- Other customs offices and their structural divisions about possible violations or non-compliance with customs law and other legal acts;*
- Information obtained from applications for the issuance of certificates, statuses or permissions for the execution of customs formalities;*
- The deadlines for the reassessment of the conditions for the issue of these certificates, statuses or permissions;*
- Other selection methods (Data mining technologies, random selection etc.)*

**1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?**

YES, fully implementing the recommendation

*The operations, made by AEO holders, are checked under the same criteria as the other economic operators.*

**1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?**

YES, fully implementing the recommendation

*Apart from the national legislation, the Customs audit guide (CAG) is used as well. A representative of Lithuanian Customs participated in the DG TAXUD International working group on the updating of the CAG. Based on the information provided in CAG, Checklists (questionnaires) for auditors in RIKS Post-clearance component are created. The auditors are required to use these Checklists during customs audits and answer the questions by selecting the standard answer. If there is more important information, they should enter relevant information related to the appropriate questions. Currently we use 17 checklists (17 risky areas) for Preparation phase for audit and 31 Checklist (31 risky area) for Execution phase in Lithuania. Each Checklist consists of several parts: various questions, standard answers, and instructions for auditors, specifying articles of the regulations, potential risks related to a particular issue, as well as accounting records, bookkeeping, and documents of the economic operator which the auditor should check for answers to specific questions. Finally, the auditor is required to assess the company's residual risk. These Checklists ensure the high quality of the audits. Even more, all territorial customs audit units perform audits in accordance with uniform standards. We also are familiar with the Handbook (2013) and apply the provisions of this document. However, this Handbook*

	<i>contains references to regulations that are no longer valid. We believe this document will be updated.</i>
LU	<b>1.1 UNDERVALUATION</b>
	<p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b>  <input checked="" type="checkbox"/> YES, fully implementing the recommendation  <i>In addition to the daily risk assessment tasks, we would like to highlight that during 2018, hundreds of electronic risk profiles based on OLAF's fair prices have been implemented in order to target undervalued goods. This is not a completed action but an ongoing process.</i>  <b>If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?</b>  <input checked="" type="checkbox"/> YES, but targeting also other goods  <i>Any available risk information in the area of undervaluation is assessed. However, the focus in 2018 was set on textiles and footwear.</i></p>
	<b>1.2 ENHANCEMENT OF CUSTOMS CONTROL</b>
	<p><b>1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?</b>  YES, fully implementing the recommendation  <i>There are risk profiles in place for targeting specific customs procedures (e.g. CP 42 &amp; 63). Although the hit rate of risk profiles is lowered in regard of AEO's, they are not excluded from electronic targeting / customs controls. Hence movements of goods related to AEO's are still subject to customs controls.</i></p>
	<p><b>1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?</b>  YES, fully implementing the recommendation  <i>In the framework of the EU restricted Commission decision C(2018) 3293 from 31/05/2018 on financial risk criteria, we organized information sessions at the local customs offices. Relevant information between involved services is exchanged on a regular basis. Example: In case of new risk information (e.g. from CRMS-RIF or AM), a summary evaluation of historical data is systematically performed by national risk analysis centre. Depending on the impact of movements, the intervention of Audit unit is required for deeper analysis and/or a national risk profile is</i></p>

*implemented immediately or based on feedback from Audit unit.*

**1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, fully implementing the recommendation

*Risk profiles are implemented for targeting risks related to traditional own resources. In terms of instructions, when a declaration triggers an electronic hit, guidance on customs controls to be carried out are provided via an electronic risk instruction contained within the risk profile.*

*We consider the exchange of and feedback to risk information as a very important element within risk management. We consequently make use of the EU customs risk management system on a daily basis.*

**1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?**

YES, fully implementing the recommendation

*We set up an IT-tool in order to evaluate control results. Both local and central services have access to this system. The evaluation itself is systematically performed, at central level.*

### 1.3 OTHER MEASURES

**1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?**

*NO. We take into account the time-barring three-year period for reporting the customs debt, but this is not included as a risk indicator in the risk analysis. The only thing we do depends on a case-by-case basis, a risk profile is put into the risk analysis with regard to either the economic operator or the product (tariff / value / origin)*

**1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?**

*NO. Because we do not have an IT tool, we cannot conduct risk-oriented audits. The audits are either based on the experience of the officials or by a request from another department ( for reassessment audits / OPRC).*

	<p><b>1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?</b></p> <p>YES, partly implementing the recommendation  <i>Only the risk profile for the financial category is reduced to a 50% rate.</i></p> <p><b>1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?</b></p> <p>YES, fully implementing the recommendation</p>
HU	1.1 UNDERVALUATION
	<p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation  <i>The risk of undervaluation will persist. The Customs Authority is paying close attention to it and endeavouring to fulfil OLAF's and the Commission's recommendations on it. 'Furthermore, checking the accuracy and calculation of declared customs values (with particular attention also being paid to the factors increasing the customs value and VAT bases) and verification of the terms of delivery/freight costs are also key areas of concern at the time of compiling the annual post-release control plan.</i></p> <p><b>If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?</b></p> <p><input checked="" type="checkbox"/> YES, but targeting also other goods  <i>International campaigns and experience of database analyses show that, apart from the products in Chapters 61-64, underevaluation is also very evident for products in other chapters. These are, namely, bags, cases and other containers under heading 4202, the textile products referred to in Chapters 50-60 and the toys and leisure goods referred to in Chapter 95.</i></p>
	1.2 ENHANCEMENT OF CUSTOMS CONTROLS
	<p><b>1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?</b></p> <p>YES, fully implementing the recommendation</p>

*According to the NTCA procedural order on the conduct of customs and post-release controls, as part of the control strategy, the annual control plan focusses primarily on economic operators with high turnover (including simplified procedures and authorised economic operators (AEO)), while also laying down rules for all market participants in the annual monitoring exercise. According to the provision on customs risk management and risk analysis activities issued by the National Tax and Customs Administration, prior to issuing each AEO authorisation, a risk analysis must be conducted in relation to the economic operator in question. Should any sort of risk factor emerge in relation to an AEO holding an authorisation, however, the authority which granted the authorisation is notified thereof and, in the light of the information received, it reviews the authorisation. In addition to the above, all of the risk information which comes to light must, pursuant to internal rules and regulations, be notified to the central risk analysis department (the Risk Management and Selection Department) which, on the basis of that risk information, performs an analysis and, in the light of the risks identified, creates a built-in risk profile or proposes thematic or operator-based controls. The provisions of point 1.2.c. apply uniformly across the country to any customs procedure, regardless of the client's AEO status.*

**1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?**

YES, fully implementing the recommendation

*On the basis of the procedure referred in point 1.2, the regional service is obliged to forward any risk information to the central service. The central service however also maintains contact with local services via the contact points designated on the basis of the aforementioned internal rules and regulations and notifies them of all relevant risk information.*

**1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, fully implementing the recommendation

*We continuously monitor the risks to traditional own resources using the procedure referred in point 1.2 and a risk profile is created for them in the risk management system. Risk profiles can only be generated, amended or deleted centrally by the Risk Management and Selection Department, but proposals to generate or amend them may also be made by the directorates. Every single risk profile contains clear information on the level of risk (low, moderate or high) and clear instructions to customs officials on the risk analysis approach to be followed, such as, for instance:*

- *enhanced documentary controls;*
- *a physical inspection;*
- *sampling;*
- *a batch inspection;*
- *a check of the veracity of the customs value.*

*In all cases, these instructions indicate for what kind of risk a given control must be conducted and possibly whether any sort of special document needs to be requested and forwarded to the central service for any potential risk information to be further processed. In all cases, a risk analysis is conducted on the basis of the risk information obtained from the Anti-Fraud Information System and Risk Information Form to determine whether an identified risk is relevant in Hungary and whether there is a need to deal with it in some way (by means of a customs procedure or post-release control). In all situations, the organisational unit sharing the risk information is informed of the measures taken in Hungary on the basis of that information. Risk information identified in Hungary is shared by means of the Risk Information Form system with other Member States and the Commission.*

**1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?**

YES, fully implementing the recommendation

*The results of the controls are available to all services involved in performing the control and to the central service carrying out the risk analysis. The results are trackable and the information needing to be provided can be obtained from them. Where an AEO is concerned, negative control results must also be notified separately to the directorate supervising it. If, within the context of mutual assistance, the National Tax and Customs Administration receives a request to generate a risk profile to check some kind of defined turnover, the risk profile is generated. Should there be a match with the risk profile, the text of the instruction to the customs official performing the customs procedure is drawn up in such a way that the control activities required to deal with the risk enable the requested information to be obtained. Depending on the nature of the request, searches and assessments of profile match results are scrutinised daily/weekly/monthly to determine whether the directorate carrying out the customs procedure has sent all the desired information to the Risk Management and Selection Department. If not, the Risk Management and Selection Department seeks further information from the directorate . If the requested information is available, it is sent to the party which requested mutual assistance in the form and at the frequency requested via the data transfer interface appropriate to the nature of the case. In addition to*

*the above, the internal operating and filing for built-in risk analysis is in the process of being fully computerised.*

### 1.3 OTHER MEASURES

#### **1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?**

YES, fully implementing the recommendation

*Prior to notifying a proposal for a post-release control, the Risk Management and Selection Department always conducts analyses. These may concern a particular operator, a specific theme or specific goods. As a result of the analysis, customs procedures are selected which have given rise to suspicion of a VAT or customs debt or any other sort of abuse. The shortcomings identified are prioritised according to their seriousness (low-, moderate- or high-risk), then transferred, by means of a proposal for a post-release control, to customs experts, identifying those declarations which are at risk of limitation. According to the National Tax and Customs Administration provision on the performance of customs controls and post-release controls, an annual post-release control plan must be drawn up in which selection – i.e. the precise determination of verifiably risky thematic issues and operators – takes place on the basis of defined and documented risk criteria. The risk assessment must ensure that, during the selection process, operators and transactions (declarations, notifications) representing the greatest risk are selected for post release controls, and selection of operators or issues representing a moderate or low risk and the random selection of operations are reasonably applied. Selection is conducted at random to make economic operators aware that controls can be imposed at any time, irrespective of operators' risk rating with local customs services. When planning post-release controls, particular attention must be paid to the communicability (limitation) of the customs debt; conducting a planned post-release control at a later date may not impede communication of the debt.*

#### **1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?**

YES, fully implementing the recommendation

*When drawing up the annual post-release control plan, 87 distinct risk topics were taken into account in selecting for the control, but a random sample was also taken. Those performing the control received information on the risk topics being investigated in writing. The results of the controls are uploaded into an electronic register and are therefore easy to access, and may serve as a basis for further risk analyses. On the basis*

*of the checklists in the Customs Audit Guide and taking these checklists into account, a Handbook was drawn up, which is available as an Annex to the National Tax and Customs Administration procedural order on the performance of customs controls and post-release controls.*

**1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?**

YES, fully implementing the recommendation

*When selecting for post-release controls, AEOs are treated just like any other market participants, although when taking customs controls into consideration, on the whole, there are fewer physical and documentary controls, as a reduction is applied. Also, pursuant to the provision on customs risk management and risk analysis activities issued by the National Tax and Customs Administration, when determining whether there are goods declared for a customs procedure which have to be excluded from simplification, AEOs must be considered separately. Therefore, on the basis of the procedure referred to, prior to issuing an authorisation, the granting authority always requests that the Risk Management and Selection Department analyse those risks. When granting authorisation, the directorate takes into account the results of the control communicated in the case to the Risk Management and Selection Department. If, however, any directorate identifies any new risk which could have implications for the AEO's customs procedures, the Risk Management and Selection Department is informed thereof, conducts an analysis of that risk and verifies whether the risk indicated does actually emerge in that operator's case. If it does, the granting directorate is notified and a proposal on reviewing the authorisation is drawn up.*

**1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?**

YES, fully implementing the recommendation

*The provision, issued by the National Tax and Customs Administration, on customs controls was drawn up on the basis of the principles enshrined in the Customs Audit Guide. Therefore full use is being made of the Guide at the time of post-release controls. The directorate uses the handbook when checking declarations, performing physical controls, checking the classification of goods and making recommendations on sampling. For a specific field, directorate applies the contents of the handbook to origin mutatis mutandis pursuant to the Union Customs Code. In terms of the customs value for a specific field, the handbook is not based on current legislation, so the part of the handbook relating to the provisions of the Union Customs Code applies to the directorates in full. The provisions on customs procedures contains the recommendations of the handbook, so the directorates apply them during their practice.*



MT	1.1 UNDERVALUATION
	<p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p>If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?</p> <p><input checked="" type="checkbox"/> YES, specifically those goods</p> <p><i>Note that imports of textiles and footwear are particularly being targeted since these involve large quantities.</i></p>
	1.2 ENHANCEMENT OF CUSTOMS CONTROLS
	<p><b>1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?</b></p> <p>YES, partly implementing the recommendation</p> <p><i>IT simplified procedures are not implemented as yet. Import and export consignments by AEOs may be physically inspected through random selection.</i></p> <p><b>1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?</b></p> <p>YES, fully implementing the recommendation</p> <p><b>1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?</b></p> <p>YES, fully implementing the recommendation</p> <p><i>Traditional Own Resources are one of the key risk areas incorporated in profiles uploaded on the electronic systems. The profiles may incorporate instructions to Customs officials conducting physical inspection of goods. Potential (new) risks noted are shared with other Member states through the RIF system.</i></p> <p><b>1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?</b></p>

	<p>YES, fully implementing the recommendation</p> <p><i>Feedback is submitted in the 'electronic inspection result' tab by the Customs Official conducting the inspection. A detailed report outlining all endangered taxes and any additional anomalies found is also submitted manually and registered in the relevant file which is then forwarded to the Risk Management Unit for their perusal and any necessary action they deem appropriate.</i></p>
	<p>1.3 OTHER MEASURES</p>
	<p><b>1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?</b></p> <p>YES, fully implementing the recommendation</p> <p><b>1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?</b></p> <p>YES, partly implementing the recommendation</p> <p><i>The Department carries out risk-oriented post clearance audits but does not have the capacity to carry out system-based audits.</i></p> <p><b>1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?</b></p> <p>YES, fully implementing the recommendation</p> <p><b>1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?</b></p> <p>YES, fully implementing the recommendation</p> <p><i>A 'yes' reply here is being submitted conditionally as the Department consults the Customs audit Guide when conducting any type of audit assignment.</i></p>
NL	<p>1.1 UNDERVALUATION</p>
	<p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b></p>

YES, fully implementing the recommendation

*The Netherlands have implemented all the necessary measures to assure that irregularities via the known and described methodology will be detected. We have our profiles based on misdeclarations, values below the threshold and ad random. We do regularly change our profiles in detail and/or in percentage.*

**If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?**

YES, but targeting also other goods

## 1.2 ENHANCEMENT OF CUSTOMS CONTROLS

**1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?**

YES, fully implementing the recommendation.

**1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?**

YES, fully implementing the recommendation

**1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, fully implementing the recommendation

**1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?**

YES, fully implementing the recommendation

## 1.3 OTHER MEASURES

	<p><b>1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?</b>  YES, fully implementing the recommendation</p> <p><b>1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?</b>  YES, fully implementing the recommendation</p> <p><b>1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?</b>  YES, fully implementing the recommendation</p> <p><b>1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?</b>  YES, fully implementing the recommendation</p>
AT	<p><b>1.1 UNDERVALUATION</b></p> <p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b>  <input checked="" type="checkbox"/> YES, fully implementing the recommendation  <i>We apply the multi layered approach, combining information from the local customs offices with information/intelligence gathered on central level. Based on this we use new technical solutions (predictive analytics) to dismantle deviations/abnormalities. The products of these analysis are either risk profiles or ex post controls (document checks or post clearance audits) or a combination of measures depending on the supposed risk.</i>  <b>If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?</b>  <input checked="" type="checkbox"/> YES, but targeting also other goods  <i>We are also targeting other goods, always in combination with other risk indicators as companies, countries, routing, new companies, final destination of goods.</i></p>

## 1.2 ENHANCEMENT OF CUSTOMS CONTROLS

### **1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?**

YES, fully implementing the recommendation

*Based on the EU risk management strategy we have established a national customs control strategy in which we have defined high risk areas in all customs and excise matters, applying combinations of several risk indicators.*

*Compliant companies and AEOs are taken under consideration, but not automatically excluded, especially forwarding companies with AEO status are not considered as low risk and do not get a lower risk level.*

### **1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?**

YES, fully implementing the recommendation

*In Austria we have a so called "Anti-Fraud Network" which consists of risk/Anti- Fraud experts on local level, regional level and also on central level*

*On central level (Federal Ministry of Finance) the Central Anti-Fraud Division is responsible for*

- Information gathering/intelligence gathering*
- Mutual assistance*
- Investigations*
- Profiling*
- Ex post clearance audits*
- Coordination of cases*

### **1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, fully implementing the recommendation

*In Austria Tax and Customs are merged. So the Central Anti-Fraud Department covers anti-fraud measures in the fields of customs, taxes, excise duties. Risk profiles cover customs, tax, excise and any combination. Information is shared, also with other member states and the commission, the full risk management circle is implemented including monitoring and evaluation.*

**1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?**

YES, fully implementing the recommendation

*Yes, regulated in an internal rule book.*

### 1.3 OTHER MEASURES

**1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?**

YES, fully implementing the recommendation

*A random element is used in the electronic profiling system. The three year period is an indicator for the risk analysis.*

**1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?**

YES, fully implementing the recommendation

*We fully apply the EU audit guide.*

**1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?**

YES, partly implementing the recommendation

*On case by case basis.*

**1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?**

YES, fully implementing the recommendation

PL	1.1 UNDERVALUATION
<p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>The competent national departments are aware of the irregularities relating to imports into the EU of certain products originating in, for example, China, which may be concerned by the issue of customs undervaluation raised in the PIF Report. The activities of the Customs Attaché at the Polish Embassy in Beijing, a post created in 2016 in order to facilitate communication and cooperation between the Polish and Chinese customs administrations, continued in 2018, under the ‘Strategic Framework for Customs Cooperation between the European Union and the Government of the People’s Republic of China’ and in close cooperation with the European Union Delegation in Beijing. Following the meeting of the Polish delegation responsible for international administrative assistance with Chinese partners in November 2017 to discuss problems in implementing requests for administrative assistance, and thanks to the support of the Customs Attaché, a number of replies to such requests were received and were then used as a basis for initiating investigations concerning undervaluation. Two requests from 2018 which merit attention concerned goods exported from China via Ningbo and Xiamen, as the combined difference between the declared value and the value provided by the Chinese was over USD 3 million.</i></p> <p><b>If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?</b></p> <p><input checked="" type="checkbox"/> YES, specifically those goods</p> <p><i>Poland has implemented a control strategy for customs valuation in respect of goods classified under Chapters 61, 62 and 64 of the Common Customs Tariff (CCT) which are the most relevant from the risk analysis point of view. This strategy has been in place since 2014 and is known as the Reference Price System (System Cen Referencyjnych, SCR). Automatic risk analysis based on the SCR is carried out centrally. It is possible to carry out risk analysis both for customs declarations submitted under the standard procedure and for those submitted under the simplified procedure. The SCR is applied to goods imported from or originating in China, Bangladesh and Turkey. The strategy may cover all types of customs procedures (the elements of the strategy are also described in subsequent sections of the document). In 2018, the scope of the SCR was extended to include goods of certain headings of Chapter 63 of the CCT imported from or originating in China.</i></p> <p><i>In addition, Poland is involved in the work of the V4 Working Group on preventing customs undervaluation of textiles and footwear originating in Asia. The group implements the joint declaration of the V4 countries’ customs administrations on introducing risk profiles for textiles and footwear imported from Asian countries, which was adopted by the Heads of Customs Administrations of the Visegrad Group of countries in</i></p>	

*Trenčín in 2016. This declaration provides the basis for the introduction of a common methodology for determining 'fair prices' and threshold values as a tool for estimating risk in relation to the declared customs values of certain textiles and footwear of Chinese origin. The risk profiles make it possible to automatically identify cases in which the customs authorities may have reasonable grounds to doubt the reliability of the declared customs value of the above goods. The risk analysis covered goods classified under 120 tariff codes (Chapters 61, 62 and 64) which are presented under customs procedures 40, 42 and 63.*

## 1.2 ENHANCEMENT OF CUSTOMS CONTROLS

### **1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?**

YES, fully implementing the recommendation

*The activities carried out by the National Revenue Administration (KAS) in the area of controls and risk management cover all aspects set out in EU and national customs legislation, and IT systems and analytical tools cover all customs procedures and operators.*

*Within the KAS there is a dedicated Strategic Analysis Centre (Dział Strategiczne Centrum Analiz - DSCA), which among other things carries out the activities referred to in Recommendation 1, such as:*

- conducting risk analysis for trade in goods at central level;*
- establishing risk profiles in operational systems (inter alia: AIS, AES, NCTS);*
- exchanging risk information with Member States and the EC via the CRMS/RIF system and providing feedback;*
- cooperating with OLAF on the use of risk information transmitted via MA communications in the AFIS system, implementing the OLAF recommendations they contain and providing feedback;*
- exchanging information under agreements which Poland has signed with the Visegrad (V4) countries.*

*The activities of the DSCA serve to make use of control units and enhance the effectiveness of controls.*

### **1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?**

YES, fully implementing the recommendation



*With a view to ensuring that actions are properly distributed and are coherent and coordinated, risk management, including in the area of customs valuation, is carried out at all levels in the organisational structure of the KAS:*

- central – the Strategic Analysis Centre (DSCA);*
- regional – the regional revenue administration offices and customs and revenue offices;*
- local – the customs posts.*

*Providing and exchanging information in the area of risk management and controls is standard practice among the KAS organisational units and generally takes place automatically via the integrated risk analysis system (ZISAR). In the case of IT systems, due to process automation, risk profiles (or post-import control instructions) entered into the systems contain guidance (or a recommendation) for the entity performing the control, clearly stating the control measures to be taken and the scope of those measures.*

**1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, fully implementing the recommendation

*The use of the central tool (SCR) allows risk analysis to be performed at each risk management level, which may ultimately lead to the creation of risk profiles with the relevant scope. Risk profiles are also established at central level, at the request of a regional or local unit, where the risks identified may not just be local. Risk profiles include guidance for the entity performing the control, setting out clearly what measures are to be taken and the scope of those measures.*

*The detailed procedure, the roles and duties of the organisational units of the KAS responsible for tasks related to the processing of customs declarations related to the activation of the risk profile concerned, and checks on these customs declarations after the release of the goods, are described in the guidelines on ‘Verifying the declared customs value of textiles and footwear imported from Far Eastern countries (mainly from China)’. In addition, the SCR includes links to the benchmark database with the average prices of goods classified under the same CCT code on the export market. The SCR, a computerised tool which supports risk assessment relating to customs undervaluation, allows ‘reference prices’ (threshold values) to be determined on the basis of accepted assumptions. The price level in the SCR is updated on the basis of the findings of a systemic risk analysis in the area of customs value. The price levels indicated are variable and are regarded as comparative values or points of reference rather than fixed or mandatory values. The solutions adopted make it possible to focus verification and control activities on entities*

*which grossly understate the customs value of imported goods. The reference prices in the SCR are implemented in the operating systems which register the customs declarations upon import: CELINA and AIS.*

*The Member States and the Commission exchange information on risks and provide feedback via the CRMS/RIF system. We cooperate with OLAF on the use of risk information transmitted via MA communications in the AFIS system and OLAF recommendations, and information is exchanged under the agreements which Poland has signed with the V4 Visegrad countries.*

**1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?**

YES, fully implementing the recommendation

*The integrated risk analysis system (ZISAR) is in operation in the KAS. The system was created:*

- to streamline and improve the flow of information between control entities;*
- to provide coherent automated risk analysis services for operating systems;*
- to manage control processes;*
- to support decision-making on information assessment activities, risk analysis, selecting and commissioning control measures and monitoring their effects;*
- to streamline control procedures through the use of risk analysis mechanisms.*

*The system allows the operation and effectiveness of risk profiles in the operational systems and the results of controls carried out on the basis of those profiles to be monitored; at a later stage of the risk management process this is reflected in the assessments of risk profiles carried out as part of their periodic reviews.*

*In addition, in the context of the tasks it carries out in the area of mutual cooperation amongst others, the DSCA implements and monitors/coordinates the cases that have been initiated in the CRMS/RIF system or by OLAF and ensures that feedback is provided.*

**1.3 OTHER MEASURES**

**1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?**

	<p>YES, partly implementing the recommendation  <i>The random element is applied in automated risk analysis in IT systems when selecting customs declarations for checks. It is not used in the post-release selection of goods for checks.</i>  <i>The three-year period for the communication of a customs debt before it is time-barred is taken into consideration as a risk factor.</i>  <i>In addition, the DSCA and all other regional revenue administration offices have been instructed to take the necessary measures set out in this recommendation with a view to factoring them into the risk management process.</i></p> <p><b>1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?</b></p> <p>YES, fully implementing the recommendation  <i>A provision has been introduced into national law which clearly indicates that controls, including post-release controls, are to be performed on the basis of risk analysis results. The exceptions to this are random checks or those arising from a legal obligation. The control activities carried out use the methodology set out in the Customs audit guide. At the same time, the control activities and their results are monitored using the functionalities of the ZISAR system referred to in points 1.2b and 1.2d.</i></p> <p><b>1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?</b></p> <p>YES, partly implementing the recommendation  <i>The DSCA and all other regional revenue administration offices have been instructed to take the necessary measures arising from this recommendation with a view to factoring them into the risk management process.</i></p> <p><b>1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?</b></p> <p>YES, fully implementing the recommendation  <i>For the purpose of performing post-release controls, the KAS uses the methodology set out in the Customs audit guide.</i></p>
PT	1.1 UNDERVALUATION

**1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?**

YES, fully implementing the recommendation

**If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?**

YES, specifically those goods

**1.2 ENHANCEMENT OF CUSTOMS CONTROLS**

**1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?**

YES, fully implementing the recommendation

**1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?**

YES, fully implementing the recommendation

**1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, fully implementing the recommendation

**1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?**

YES, fully implementing the recommendation

**1.3 OTHER MEASURES**

**1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?**

YES, fully implementing the recommendation

**1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element,**

	<p><b>guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?</b></p> <p>YES, fully implementing the recommendation</p> <p><b>1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?</b></p> <p>YES, fully implementing the recommendation</p> <p><b>1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?</b></p> <p>YES, fully implementing the recommendation</p>
<b>RO</b>	<p><b>1.1 UNDERVALUATION</b></p> <hr/> <p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>At national level, measures were taken to monitor the declared customs values by:</i></p> <ul style="list-style-type: none"> <li>- <i>for the selection at customs control, periodic updating of the database used for under-valuation risk profile existing in the risk management IT module (RMF), by updating the threshold values (EFP);</i></li> <li>- <i>methodological guidance to territorial structures which, taking into account the Commission's recommendations, clarify the follow-up of under-valuation and setting the values considered acceptable for establishing the actual transaction value of the operations that were the subject of the risk profile of OLAF's alert AM 2015/013.</i></li> <li>- <i>methodological guidance to territorial structures which, taking into account the findings of the DG BUDGET Report no. 18-27-1 requires that a risk analysis be carried out on declarations lodged in the period 01/01/2015-01/09/2019 that have been selected by the risk profiles for under-valuation to include in the re-verification programs those for which the customs value is less than the LAP value.</i></li> <li>- <i>Carrying out checks at the premises of economic operators as a result of requests from customs offices;</i></li> <li>- <i>In October 2018 territorial structures received the updating of the document "Recommendations for the determination of the customs value of goods brought into the customs territory of the Union" for the application of the methods for determining the value in the wake of the Agreement on the Application of Article VII of the Agreement general for tariffs and trade.</i></li> </ul> <p><b>If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and</b></p>

**footwear?**

YES, but targeting also other goods

*Regardless of the category of goods, any information regarding customs operations carried out at national level suspected of under-valuation, transmitted by the system of signaling set up at OLAF level is being subject to an analysis at the level of the specialized structure from the DGV in order to update risk profiles in the RMF module database. In the year 2018, acted two risk profiles:*

- a risk profile designed to combat under-valuation, which includes 671 tariff CN codes at 8 digits for 36 countries of origin, updated for a number of 91 items, based on the information available in the THESEUS and AMT data bases.*
- A risk profile based on information from RIFs and encompassing both CN codes and companies names (exporters and / or recipients).*

**1.2 ENHANCEMENT OF CUSTOMS CONTROLS**

**1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?**

YES, fully implementing the recommendation

*In accordance with the provisions of Reg. 952/2013, all customs procedures that are subject to the granting of an authorization are applied in compliance with the working norms developed at DGV level, the approval of the issuance of authorization involving pre-audit and monitoring actions. In 2018, they were updated:*

- the Norms on the use of simplified customs declarations and entry in the declarant's records.*
- the Technical Norms regarding the registration for customs purposes of the economic operators and other persons.*

**1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?**

YES, fully implementing the recommendation

*According to the working methodologies in force, the risk analysis is performed both at the moment of receiving the conclusive data and information and in the stage of preparation of the control. Thus, in the case of OLAF's financial impact alerts, each message has a case officer, who analyzes the data and information received, develops the associated risk profile, ask for the start of controls and tracks the results. In 2018,*

*for the 30 received alerts, for 5 of them were identified in the DGV database of customs operations that fall under the risk criteria, with subsequent controls at the level of territorial structures, prescription and reporting deadlines for OLAF being taken into account.*

**1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, fully implementing the recommendation

*In the year 2018 functioned at national level the automatic selection of customs declarations based on the existing risk profiles in the risk management IT module. The risk profiles are set to target the mandatory fields to be filled in the customs declarations. When the data in one of these fields corresponds to the risk profile indicators / criteria, the declaration is selected for a control lane (documentary or physical) and customs officers have to apply a mandatory procedure described in the risk profile. Risk profiles can be set to target a heading or a combination of headings in the customs declaration, using logic combining algorithms. Additionally there is a random selection that directs declarations to different customs clearance (without control –green lane, physical control-red line or documentary control- orange line) as well as a risk profile that selects the companies that perform the first operation at a customs office and these are automatically directed to the physical control. These risk profiles can target any information existing in the customs declaration, from the consignee and the sender to the tariff classification or origin declared. A total of 139 risk profiles were implemented in 2018, of which 30 following OLAF alerts, 1 profile was updated following the ISPRA database analysis and 1 profile as a result of the RIF message analysis. Romania introduced or updated in 2018 a total of 243 RIF forms, 18 being updated.*

*Regarding RIF forms introduced by the Commission or other States, they are analyzed by specialized services according to the risk category (financial, safety and security, etc.). In general, for the risks described in RIF forms introduced by the Commission it is established a risk profiles and for the RIF forms issued by other Member States an analysis is made to identify whether or not the risk exists in Romania. If there are identified operations in Romania containing data from those RIF forms and their number is significant, risk profiles based on the specific information in the RIF form are introduced. In all cases a feed-back is sent to the RIF form.*

**1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?**

YES, fully implementing the recommendation

*In accordance with the internal procedures applicable, mutual assistance and customs cooperation are carried out at the central level based on requests coming from local structures. All requests have to be analyzed in terms of the subject, matter of the request, the scope of action and the measures required. In 2018, we updated the OLAF alert methodology, a methodology that provides all steps to address these alerts.*

### 1.3 OTHER MEASURES

#### **1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?**

YES, fully implementing the recommendation

*In 2018, the implementation of a random selection program for customs declarations with customs clearance was completed in the IT system with a view to their inclusion in the subsequent quarterly control program. Starting with the Control Program for the IV quarter 2018 the territorial structures will include in the post-control activity at the headquarters of the economic operator controls of customs declarations that were randomly selected by the IT system, control taking into account all possible violations of customs legislation according to the object of activity and the specificity of the foreign trade operations carried out by the economic operator, the number of customs declarations selected financial impact as well as actions to re-verify at the customs office issuing the customs declarations that have been issued on the green customs clearance corridor.*

#### **1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?**

NO

*Up to now, no further customs controls have been carried out on operators' systems in the absence of the national legal framework. Currently, the process of amending the ANAF Order 7521/2006 on the Technical Norms of Customs Surveillance and Control is in progress and the new provisions will include this method of customs control later, with the full application of the methodology contained in the TAXUD document - Customs Audit Guide.*



	<p><b>1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?</b></p> <p><input type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>The selection for customs controls is based on the risk analysis using the specialized IT module. The selection is performed automatically in the system, based on the existing risk criteria at a given time. There is no requirement in the system for the non-application of the risk criteria to AEO operator, so that if the operations performed by an AEO operator are covered by a risk criterion, they are certainly selected. Because AEO operator is considered trustworthy company, their operations are considered as low-risk and in some situations, based on local risk analysis operations may not be part of the controlled sample. Because in the ICS module we implement the CRC information, only authorizations AEO S and AEO C+S are not selected by the IT system.</i></p> <p><b>1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?</b></p> <p><input type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>In 2018 both documents were distributed to the specialized personnel within the structures with control responsibilities at the local level (2014 version of Customs Audit Guide) as "savoir faire" for usage of the contained information in the activity of preparing and carrying out the control actions.</i></p>
SI	<p><b>1.1 UNDERVALUATION</b></p> <hr/> <p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>Undervaluation and the fight against undervaluation fraud are one of the main topics in Financial Administration in the Republic of Slovenia (FARS). To achieve these goal, the indicators of undervalued goods are developed according to the Estimated Fair Prices (EFP), which can be found in AFIS (OLAF) – Automated Monitoring Tool (AMT) and also in Theseus application developed by Joint Research Centre (JRC). According to these specific reference prices (EFP), which take into consideration the 8-digit Tariff Code and Country of Origin, the risk profiles are launched to ensure the further activities needed at customs released phase. Furthermore, some analyses are performed in order to monitor the stay of play, to plan the post-release audits and sometimes Mutual Assistance requests. Moreover, the special application was developed by FARS</i></p>

to ensure the detailed analyses in real time and to estimate the possible customs debt made by undervaluation. Goods are not released into free circulation unless declarants of potentially undervalued goods remove the authorities' reasonable doubts about the accuracy of the declared value.

In 2018 and beginning of 2019 the following actions were undertaken:

- workshops on all (eight) Financial Offices (follow up of the Seminar on undervaluation, held in 2017) where different topics were discussed:

a) new Guidelines on the verification of the declared customs value and procedures for determination of a new customs value, No 35/2017,

b) Protocol for recording the process of a verification of the customs declaration due to undervaluation, and

c) actual undervaluation cases.

Support and advice at the moment of assessment of accuracy of the declared value and with implementation of the Protocol was offered.

- customs officers dealing with undervaluation use national application QlikView as a tool for controlling customs value through OLAF-JRC clean average prices,

- two trainings for experts in post-release audits,

- creation of a third national risk profile on undervaluation in the risk management system aiming at first time declarants with procedure 40 and/or 42 for chapters 42, 54 to 64, HS codes 3923 and 3926, for goods with Chinese origin,

- creation of a fourth national risk profile on undervaluation in the risk management system aiming at all declarants, all procedures, certain origins and only certain goods with which the highest financial effect is estimated, where declared customs value reaches from 21% to 50 % of the OLAF-JRC clean average prices. In the risk profile visible to the customs officer actual undervaluation percentage is shown.

**If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?**

YES, specifically those goods

As stated above, the whole set of EFPs are downloaded for whole Chapters of Customs Tariff Code and possible Country of Origin and in this way all kind of goods, which are imported into EU in SI can be examined and compared with EFPs. Consequently, the rate of undervaluation of particularly imported goods according to EFPs can be established. As can be seen, all kind of goods of different Origin can be targeted against undervaluation not only textiles and footwear. FARS is targeting all cheap products imported in extremely large quantities, such as textiles and footwear, but targeting also other goods, through:

- national application QlikView as a tool for controlling customs value through OLAF-JRC clean average prices,

- *four national risk profiles on undervaluation in the risk management system*

## 1.2 ENHANCEMENT OF CUSTOMS CONTROLS

### **1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?**

YES, fully implementing the recommendation

*As we said before, our strategies are based on possible customs debt, rate of undervaluation, country of origin or Customs Tariff Code, Economic Operator,[...]. In this way, we can cover all kind of customs procedures including simplified procedures and all kind of economic operator no matter if there are AEO or large businesses.*

### **1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?**

YES, fully implementing the recommendation

*The proper coordination among customs services is ensured with central risk profiles and unique common view on situation with developed special application for monitoring valuation of goods. Furthermore, some workshops were carried out with local officers to acquaint them with best practice and the strategies and to get proper feedbacks. A special working group was also set up to deal and enhance the activities with undervaluation. Moreover, some meetings were also held with the post-release audit inspectors to give them the guidelines about the topics and to get some oral feedbacks. Feedbacks can be also monitor with the activation history of particular risk profile or with examination of the minutes in post-release audits control.*

*FARS ensures proper coordination among General Financial Department`s units dealing with:*

- *customs value,*
- *financial controls (post-release),*
- *risk profiles,*
- *QlikView Application,*

*and all Financial Offices` Operational Centres where declared customs value is verified and new one is determined where estimated necessary.”*

*Unit dealing with customs value ensures proper coordination with in detail instructions:*

- *at the Seminar on undervaluation held in 2017 at which representatives from all stated above have been present,*
- *at workshops on all Offices` Operational Centres,*
- *at trainings for experts in post-release audits,*
- *to customs officers in the text of risk profiles, created in cooperation with Risk Profile Unit.*

**1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, fully implementing the recommendation

*Created risk profiles provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers. Risk profiles specifically target Traditional Own Resources (TORs) and provide clear instructions about the type of control. These profiles also give the guidance concerned at customs clearance. Furthermore, special guidance is given to the inspectors at post-release audits in order to have the common approach of particular topic. In some cases, the Mutual Assistance requests are launched.*

**1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?**

YES, fully implementing the recommendation

*Feedback at customs clearance is monitored in the risk profile files and the post-release audit files, which allow effective follow-up. Sometimes the special analyse is made on these findings in order to set up another risk profile or to launch another post-release audits based on these findings.*

### 1.3 OTHER MEASURES

**1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?**

YES, fully implementing the recommendation

*In post-release audit plan, the time-barring three-year period for the communication of customs debt and random automated selection are taken*

	<p><i>into consideration. In this way, these kind of economic operators are selected and examined.</i></p> <p><b>1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?</b></p> <p><input type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>We implement different risk-oriented elements in post-release audits including random element. We also use the Customs Audit Guide for auditors and check list when necessary. The auditors also examine minutes of previous post-release audits and other information to include the risk areas and to ensure the more successful audit.</i></p> <p><b>1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?</b></p> <p><input type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>When the AEO authorisation is achieved by the economic operator, a special monitoring plan is established, which also contains the risks with regard to particular conditions and measures. These plans are published in FURS Intranet, and the risks shall be followed-up by the auditors who perform latter audits. After new post-release audit, new findings are entered in the monitoring plan, which are valid until next post-release audit.</i></p> <p><b>1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?</b></p> <p><input type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>Our national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide. These documents are adopted in our system. We also use the guidelines or special instructions when necessary, depended on the main topic of the post-release audits.</i></p>
<b>SK</b>	1.1 UNDERVALUATION
	<p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>Expanding of the „risk profiles" in automated national risk profiling to combat fraud in the area of undervaluation of goods.</i></p>

**If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?**

YES, but targeting also other goods

*Risk profiles were also applied to other risk goods for which the highest degree of undervaluation was recorded in relation to the quantity of imported goods.*

## 1.2 ENHANCEMENT OF CUSTOMS CONTROLS

**1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?**

YES, fully implementing the recommendation

*The post-release control system for simplified authorization holders is in line with current legislation and is in line with the recommendations of the European Commission where the risk analysis for post-clearance checks should take due account of the business risks of the operator, as well as the risk of a preclusion of a customs debt notification after three years.*

**1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?**

YES, partly implementing the recommendation

*Central risk analysis and local risk analysis are on different section in the Financial Directorate organisational structure. While the Central risk analysis is the part of the Risk analysis section, the local analysis is the part of the Customs Office, which is the part of Customs Section.*

**1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, fully implementing the recommendation

**1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?**

YES, fully implementing the recommendation

### 1.3 OTHER MEASURES

**1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?**

YES, fully implementing the recommendation

*Already in the planning phase of post-release controls, the limitation of a three-year period for the notification of a customs debt within the meaning of Article 103 (1) of the Union Customs Code have to be taken into account. Where the customs debt is established as a result of a criminal offense, the time limit for the notification of a customs debt, within the meaning of Article 103 (2) of the UCC is, in accordance with Slovak law, extended to 5 years.*

**1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?**

YES, fully implementing the recommendation

*The Unit of Post-Release Controls requires the Unit of Risk Analysis (and some more Units) to prepare a National Plan of Controls with a requirement to suggest operators to be subject of post-release control. In addition to this, the Unit of Post-Release Control continuously processes the incentives from the Unit of Risk Analysis and forward them to the Units of post-release control located on the particular Customs offices to perform post-release control. The outcome of the post-release control is get back to the Unit of Risk Analysis.*

**1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?**

YES, partly implementing the recommendation

*AEO's are subject of risk analysis and only the internal guideline allowed perform less controls.*

**1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?**

	<input type="checkbox"/> YES, fully implementing the recommendation <i>All the Units of post release controls located on customs offices have a customs audit manual available and should be guided by the post-release control carry-out. In 2016, training on audit performance was also carried out under this manual, with representatives of all the Units of post release controls located on customs offices.</i>
FI	1.1 UNDERVALUATION
	<p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b></p> <input type="checkbox"/> YES, partly implementing the recommendation <i>Regarding the post-release analysis on undervaluation, in 2018 the focus was in royalties and license payments. The Finnish Customs have had some good results with this kind of analysis (e.g. RIF FI/2017/011). Several targets were included to the annual audit plan for year 2019. In addition to this, we carried out risk analysis where we used the information on payments regarding the immaterial licenses paid by companies. We got this information from tax administration and compered it against the customs import declarations. Two target companies were send to company audit as a result. Considering the risk profiles on undervaluation, we have technical challenges, because our current risk analysis system, used on import declarations, does not support average price calculation. Therefore, we are not able to include the threshold prices in our risk profiles.</i> <p><b>If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?</b></p> <input type="checkbox"/> YES, but targeting also other goods <i>During 2018, we have analyzed more royalties and licences in general. Normally we analyse larger sector of products, not only textiles and footwear. Textiles and footwear has been one target area during the audit planning process. We use RIF messages and those taric codes that appear most frequently in financial RIF messages, as a guidance for annual audit plan. The aim is to look at the trends in RIF messages and respond to the threats that have been detected in other member states and by Taxud.</i>
	1.2 ENHANCEMENT OF CUSTOMS CONTROLS
	<b>1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking</b>



**into account AEOs and other large businesses considered compliant?**

YES, partly implementing the recommendation

*Different kind of operators and control areas/procedures are taken into account during real-time and audit planning process and targeting. However, this is a development area in Finland e.g. better IT solutions to analyse holder of the authorisations.*

**1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?**

YES, partly implementing the recommendation

*Yearly audit planning process is done in cooperation between audit control and analysis and intelligence. During the process, we ask all the interest groups, if they have any suggestions or initiatives for risk management and targeting. We give feedback to the interest groups, what has happened to these initiatives.*

**1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, partly implementing the recommendation

*Yes, profiles are specifically target traditional own resources. Finland participates commissions Customs2020 financial risk criteria (FRC) – group. There we create together profiles for import and especially for own resources (anti-dumping, undervaluation etc.). In Finland, we use both FRC profiles and national profiles. Risk profiles contains always guidelines (help text) how to perform the documentary and/or physical control. In case of physical controls of more challenging goods, there can also be more detailed, separate guidelines to perform the physical control. Finland use CRMS system and make new RIF message based on results of the risk profiles, controls of Corporate audit unit etc. if there is a new element of fraud.*

**1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?**

NO

*The monitoring of the results of risk profiles with our present risk analysis system is manual. All the findings and results of risk profiles has to*

*pick up one by one. We analyse some of the results and some more profound analysis is made because of these results. Eg. The risk profiles based on AM messages. Monitoring of the control results is a development area in Finland; we have new IT solutions under development.*

### 1.3 OTHER MEASURES

1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?

YES, partly implementing the recommendation

*We have automated random profiles in all operative declaration systems. We also use random element during the audit planning process. Time-barring three-year period is one risk indicator, which is used during audit- planning process.*

1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?

YES, partly implementing the recommendation

*In the Corporate Audit one audits and investigates particularly the functionality of the firm i.e. internal control and information systems. The transactions concerned are chosen to the audit mainly with risk analysis and random sampling is used less frequently in an ordinary audit. The auditors are subject to instructions given by inter alia their supervisors or substance coordinators. The assessment reports of the authorization phase are accessible for the auditors and when needed, the auditor can query for the authorization assessment details of e.g. an AEO while auditing other performance of the firm. The checklists are accessible for all auditors and those have been used in some audits. The supervisors approve the audits. The results of the audits as well as the proposed and realized measures are entered into the monitoring system of the Corporate Audit, in where one can monitor in real-time, and in where the quarter reports are created. The results are used e.g. in the Audit Planning.*

1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?

	<p><input type="checkbox"/> YES, partly implementing the recommendation</p> <p><i>During our risk management and post-clearance process we treat AEO operators and other operators same.</i></p> <p>1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?</p> <p><input type="checkbox"/> YES, fully implementing the recommendation</p>
SE	1.1 UNDERVALUATION
	<p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b></p> <p><input checked="" type="checkbox"/> YES, partly implementing the recommendation</p> <p><i>Increased number of blocks in 2018 for clothing and footwear. Blocking is imposed on the basis of significance and risk and applied to those commodity codes where the risk of loss of duties is deemed to be greatest and where goods are being imported into Sweden.</i></p> <p><b>If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?</b></p> <p><input checked="" type="checkbox"/> YES, but targeting also other goods</p> <p><i>Yes, for consignments under Chapter 61-64 from China weighing over 500 kg before 2018 and 300 kg thereafter, as well as blocks on codes under which large quantities are imported into Sweden. In 2018 Swedish Customs revised, extended and increased the number of blocks based on threshold values. Customs also has a trade statistics system that selects low value consignments regardless of commodity code.</i></p>
	1.2 ENHANCEMENT OF CUSTOMS CONTROLS
<p><b>1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?</b></p> <p><input type="checkbox"/> YES, fully implementing the recommendation</p> <p><b>1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?</b></p>	

YES, fully implementing the recommendation

**1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, fully implementing the recommendation

**1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and strict implementation of mutual assistance instructions in place?**

YES, fully implementing the recommendation

### 1.3 OTHER MEASURES

**1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?**

YES, fully implementing the recommendation

**1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?**

*Swedish Customs cannot answer this question because we do not understand what it means.*

**1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?**

YES, fully implementing the recommendation

**1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?**

NO

	<p><i>Swedish Customs does not use the handbook on operational customs control based on Member States' best practices because we are not sufficiently familiar with it. Swedish Customs does use the Customs audit guide. Unfortunately, the guide has not yet been updated by DG TAXUD to take account of the new legislation.</i></p>
<p><b>UK</b></p>	<p><b>1.1 UNDERVALUATION</b></p>
	<p><b>1.1 Are you remaining vigilant as regards the risk of undervaluation of goods?</b>  <input checked="" type="checkbox"/> YES, fully implementing the recommendation  <b>If YES or YES, PARTLY, are you targeting in particular cheap products imported in extremely large quantities, such as textiles and footwear?</b>  <input checked="" type="checkbox"/> YES, but targeting also other goods  <i>The UK treats the issue of customs duty undervaluation fraud very seriously. The UK employs an end to end approach to tackling customs fraud risks, drawing on experience used successfully to tackle MTIC and alcohol fraud. This comprises of:</i> <ul style="list-style-type: none"> <li>• <i>Physical pre-clearance checks targeted at high risk traders. HMRC is expanding its capacity for conducting these checks by moving to new purpose-equipped sites as the contracts on the previous sites come to an end.</i></li> </ul> </p>

- *Where appropriate requiring importers to provide security before suspected undervalued goods are released.*
- *Seizure of mis-described goods*
- *Trader monitoring to examine supply chains and check documentation*
- *Post clearance compliance activity including cross tax audits to check the credibility of information provided.*

## 1.2 ENHANCEMENT OF CUSTOMS CONTROLS

### **1.2.a Do you have strategies in place that target all types of customs procedure including simplified procedures and all operators taking into account AEOs and other large businesses considered compliant?**

YES, fully implementing the recommendation

*HMRC's national control approach uses sophisticated risking techniques to target our activities in the most effective ways. Our controls include both targeted pre-clearance checks alongside post-clearance audit activity. Our checks are undertaken using a whole trader approach to assure a range of inherent risks across the Customs activity of a business such as valuation, classification, origin and customs procedures.*

### **1.2.b Did you ensure proper coordination among customs services dealing with risk analysis and controls (central, regional, local services involved in risk analysis and release and post-release departments)?**

YES, fully implementing the recommendation

*Co-ordination is centralised within HMRC's Risk & Intelligence Service.*

### **1.2.c Do risk profiles specifically target traditional own resources and provide clear instructions with regard to the type of control to be carried out and risk guidance to the customs release officers? Is risk information shared with other Member States and feedback on the response to this information provided in the EU customs risk management system?**

YES, fully implementing the recommendation

*Specific guidance in relation to Undervaluation risk profiles is created within HMRCs Risk & Intelligence Service. Additional help cards are available detailing specific guidance per profile. Where we consider there is an EU wide implication, details of an examination are passed to the team responsible who will raise a RIF and share the risk identified with OMS.*

Please provide any useful detail to explain the actions undertaken in 2018 and why the recommendation have been partially implemented or not implemented.

### **1.2.d Is there close monitoring of the controls results (feedback) which is done in a structured manner to allow effective follow-up and**

**strict implementation of mutual assistance instructions in place?**

YES, fully implementing the recommendation

*AM Messages are received via AFIS mail to UK-IDL mailbox. We have a system in place which is supported by a flow chart and standard working instructions, for each message on receipt to be booked onto a register. The messages are then allocated to an Officer and triaged to establish what is required, this is completed by use of HMRC databases and CHIEF MSS. Dependent on the message, and the analysis of the triage action, we will consider the course of action: e.g. collection of documents, CHIEF Profiles, audit action. The required work will be undertaken as appropriate to the message. Responses are sent to the named Investigating Officer in OLAF via the AFIS mailbox.*

**1.3 OTHER MEASURES**

**1.3.a Do you systematically include an automated random element and take into consideration the time-barring three-year period for the communication of customs debt as a risk indicator in the post-release risk analysis?**

YES, partly implementing the recommendation

*The UK's uses sophisticated risking techniques to target our activities in the most effective ways. In certain circumstances, there is coverage across the trader population as mentioned at 1.3.b below.*

**1.3.b Do you ensure risk-oriented post-release audits which cover the operator's systems where this is necessary, apply a random element, guide the auditors and take due account of the results of the pre-authorisation stage and of specific standardised checklists? Are the results strictly monitored?**

YES, partly implementing the recommendation

*HMRC undertake a 3 year rolling audit/assurance programme of authorised traders. This activity is supplemented with Authorisation & Returns Teams monitoring activity on the authorised population.*

**1.3.c Are customs controls on operations made by authorised economic operators (AEO) carried out taking account of the risk management performed with respect to the different elements of these operations?**

YES, fully implementing the recommendation

*AEOs supervised by Large Business (LB) and Individuals & Small Business Compliance (ISBC) are required to be visited a minimum of once every three years as part of the required monitoring programme. These visits include traditional own resources (TOR) Post Clearance Audit*

*(PCA) controls taking account of the different elements of the operations in question. AEOs are subject to annual on-going monitoring by the AEO Central Site. This has the potential to generate audit activity if risk assessment deems it necessary. AEOs are also included in targeted risk assessment and risk working as part of LB and RIS monitoring of the authorisation. This activity also has the potential to generate further risk-based compliance interventions where appropriate. AEOs are included in pre-clearance profiling exercises and their consignments checked if appropriate.*

**1.3.d Do national competent authorities make full use of the handbook on operational customs controls based on Member States' best practices and of the Customs audit guide?**

NO

*The UK authorities apply the Customs Audit Guide and have national guidance in place. The UK authorities would like confirmation of the current status and any development of the 'handbook on operational customs control based on Member States' best practice.'*

## **2.2. EXPENDITURE**

### **Background information**

The analysis in the 2017 PIF report confirms the main trends and patterns highlighted in previous years. Detection rates remain high for programmes in the least-developed regions of Europe and in fisheries, and low in relation to cross-border programmes. In agriculture, market support measures are affected by a limited number of highly costly irregularities, which still require an appropriate level of attention. The focus is shifting towards fraud aimed at artificially creating the conditions to access funding. Several Member States have reported specific measures in this respect. Although fewer irregularities and less fraud were reported in 2017, the average financial amounts increased, suggesting that controls are better targeted. Risk analysis, tips from informants or whistleblowers, or information from the media can play a role in improving targeting, especially as it seems that their use is still not widespread. Information from judicial enquiries led to the discovery of some non-fraudulent irregularities involving high average financial amounts. The same was true of controls that started because of information/requests from, or irregularities identified by, an EU body.



**Recommendation 2:**

**Member States are invited to:**

- further exploit the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in this report;
- facilitate and assess the spontaneous reporting of potential irregularities and strengthen the protection of whistle-blowers, who are also a crucial source for investigative journalism; and
- promote systematic and timely cooperation between judicial and administrative authorities.

**All these measures would have a greater impact if embedded in a national anti-fraud strategy.**

<b>BE</b>	<p><i>On behalf of the Department of Agriculture and Fisheries from the Flemish Authority, hereby a general statement about the recommendations in the 2016 and 2017 PIF-reports: “Fraud prevention and fraud detection in the Flemish Paying Agency is based on the principle of progressive insight. Different elements which are provided in different fora, including the PIF-report, are taken into account in the antifraud-policy of the Paying Agency. The actual state of the play is described in the response for the PIF-report 2018.”</i></p> <p><i>The Walloon government has adopted a legal framework for the protection of whistleblowers within its administrations.</i></p> <p><b>2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?</b></p> <p><input checked="" type="checkbox"/> <b>YES, partly implementing the recommendation</b></p> <p><i>Development of the new SEDA 2.0 selection engine.</i></p> <p><i>There is strong investment in attracting data miners to the risk management department.</i></p>
<b>BG</b>	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b></p> <p><input checked="" type="checkbox"/> <b>YES,</b></p> <p><i>The managing authorities of operational programmes being implemented in the territory of the Republic of Bulgaria have taken the findings of the 2016 Commission Report on the Protection of the EU’s Financial Interests — Fight against fraud into account in the process of managing</i></p>

*the risk of fraud at the level of both operational programmes and individual operations. In line with the Guidance Note on Fraud Risk Assessment and Effective and Proportionate Anti-Fraud Measures (ARES (2013) 3769073 of 19 December 2013) published by the European Commission's Directorate-General for Regional and Urban Policy, procedures for assessing the risk of fraud are described in the management manual for each operational programme. Under these procedures, managing authorities carry out each year an autonomous fraud risk assessment. The 2016 Commission Report on the Protection of the EU's Financial Interests — Fight against fraud sets out the priority areas with the highest fraud indicators, namely: 'Tourism', 'Research and technological development', 'Transport', 'Investment in social infrastructure' and 'Technical assistance for fisheries'. Further to this finding, the managing authorities of programmes financing operations in these fields implement additional measures for projects financed under the relevant priority axis. Additional checks are carried out at the implementation and verification stage, before carrying out on-the-spot checks and verifying expenditure, and a mandatory check on the indicators of Group 7 'reputation and fraud risks' is carried out in the ARACHNE system before checks on public procurement procedures. Some managing authorities took account of the Report's findings by identifying the risk of omissions when identifying errors and irregularities, optimising the checks on fraud indicators (red flags) in their existing checklists. In 2018 a methodology was approved for assessing the fraud risk when planning checks under the Maritime and Fisheries Programme 2014-2020. In 2018 the risks of fraud under the 2014-2020 Maritime and Fisheries Programme were assessed using the fraud risk self-assessment tool provided by the European Commission. In 2018 the Audit Authority continued to focus its efforts on the implementation of the transposed Directive 2014/24/EU in the area of ESIF inspections and monitoring. 12 workshops were held to share the results of the audit engagements and 15 training sessions for managing authorities and beneficiaries on irregularities and infringements under the Public Procurement Act. In 2018 the Executive Agency 'Certification Audit of European Agricultural Funds' (IA SOSEZF), as Audit Authority for the Maritime and Fisheries Programme and certification body for the audit to certify the truthfulness and accuracy of the financial statements and the control system in place at Bulgaria's Paying Agency of the Republic of Bulgaria, held 14 workshops to share the results of the audit engagements performed.*

*The Ministry of Finance's National Fund Directorate, as certification body for operational programmes financed by the ESF, ERDF and CF and European territorial cooperation programmes, continues to implement the actions set out in the recommendations of the Article 325 Report for 2016, namely:*

- maintaining and improving the directorate's administrative capacity through training courses, seminars and discussions;*
- improving procedures to ensure a reliable control environment for detecting and correcting errors in the financial management and control system;*
- performing checks to verify fraud indicators (red flags);*
- using the ARACHNE system for the certification body's control functions.*

*In addition to the checks relating to the preparation and submission of a request for payment, the certification body carries out planned checks on the compliance with the managing authorities' procedures and control activities, including an analysis of progress in the implementation of the operational programme, accounting documents, procedures for the selection of a contractor, the provision of grants. The purpose of these checks is to obtain assurance that the expenditure declared for payment has been verified by the managing authority and that the certification body has been duly informed by the managing authority of the procedures applied and the checks carried out. Other types of planned checks include on-the-spot checks on beneficiaries, including checks at the site of a project's implementation, for the purposes of monitoring and obtaining further assurance that the beneficiary is implementing the approved project in accordance with the grant agreement and the EU and national law applicable, and that the managing authority is performing its duties and responsibilities in accordance with the rules and procedures for monitoring and controlling the project's implementation. In certain circumstances the certification body may also carry out exceptional checks: in the event of a suspected irregularity; on the basis of a report; in the event of financial or other risks threatening the implementation of a project/priority/operational programme; if the pace of an operational programme's implementation deviates from the norm; where a crisis affecting an operational programme's implementation obliges the certification body to step up control measures; in the event of new guidelines or significant changes to the existing ones; in the event of serious staff changes at the managing authority of the operational programme, deficiencies in the functioning of the managing authority's management and control systems, reports in the media; in other circumstances playing a significant role in the process of certifying expenditure. In the area of the spending of resources from the EU's Agricultural Funds, working groups have been set up to discuss case studies involving related parties applying under different schemes and measures, using 'artificially created conditions' to create an advantage over other funding candidates. In this respect, additional controls have been introduced in the form of red flags. When examining aid applications and payment requests, the case-handlers dealing with documents, bearing in mind the concepts of 'suspected fraud', 'fraud' and 'irregularity', must carry out further analysis if any of the indicators identified as red flags come up. The lists of red flags play an essential role in the prevention of fraud without complicating the administration of procedures for examining applications for support and payment requests. The red flags offer additional protection for the funding of applicants for grants from the EU Agricultural Funds.*

**2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?**

YES, fully implementing the recommendation

*All competent Bulgarian institutions responsible for the spending of European funds are taking account of the recommendations made in the Commission's Article 325 report for 2017 and implementing the actions referred to in paragraph 2.1 in respect of both operational*

*programmes financed by the ESF, ERDF and CF and European territorial cooperation programmes, in accordance with the specificities of each programme. The managing authorities have introduced proportionate anti-fraud measures based on a thorough fraud risk assessment in accordance with the Commission's guidance on the application of Article 125(4)(c) of the Common Provisions Regulation (CPR), which requires the managing authority to establish effective and proportionate anti-fraud measures taking into account the risks identified. An updated risk-assessment methodology and action plan including effective and proportionate anti-fraud measures and responsible persons and deadlines have been approved for operational programmes funded by ESIF. Screening for red flags is carried out at all stages of the project cycle: selection of operations, technical and financial verification, verification of public procurement procedures. Whenever a deviation is recorded in accordance with the instructions in the check list, the case-handler who identified it has to carry out further screening for the presence of irregularities and fraud indicators (red flags). The red flags and the method for carrying out the check are described in detail in the operational programmes' manuals of procedures. If a case-handler finds one or more of the following, they must describe these facts in the relevant check list and classify them. The managing authorities of operational programmes financed by the Structural and Cohesion Funds use the ARACHNE tool provided by the Commission to monitor the risk of irregularities and fraud as a proportionate and adequate anti-fraud measure. The system conducts is used for regular checks on the extent of the risks of fraud. The instrument is used for carrying out checks and in the managing authorities main processes during: evaluation and negotiations before signing contracts with applicants; monitoring and verification before on-the-spot checks and the verification of expenditure, and during checks on the procedures carried out by beneficiaries' for the selection of contractors. There is currently no access to ARACHNE for programmes financed by the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund. The European Commission has granted access to the ARACHNE fraud and irregularities risk assessment system only for programmes financed by the European Social Fund, the Cohesion Fund and the European Regional Development Fund. Checks are documented by a specific check in the check lists concerned. When carrying out checks, the competent directorates/units of the managing authorities are informed of high-risk projects so that they can pay closer attention when handling documents relating to them or, if necessary, take appropriate measures. In addition to the cases described above, any member of staff at a managing authority may, if they suspect fraud and lack the information they need to form an opinion, check specific facts in the ARACHNE system as part of their normal duties. A self-assessment of the risk of fraud using the tool provided by the European Commission takes into account all internal and external risks specific to the individual programmes that may affect the absorption or loss of funds from the general budget of the EU. Account was taken of good practices and experience so far when developing the methodology for assessing the risk of fraud when planning checks under the 2014 2020 operational programmes. Documents provided by the Commission concerning red flags (fraud indicators) and best practices, including forged documents, public procurement fraud, conflict of interest, etc., are annexed to the policy on preventing and combating irregularities, fraud and corruption in the implementation of individual programmes with a view to helping to detect*

*fraud.*

*The following are just some of the documents taken into consideration when updating the internal rules:*

- Identifying conflicts of interests in public procurement procedures for structural actions – a practical guide for managers;*
- 'Detection of forged documents in the field of structural actions - A practical guide for managing authorities', drawn up by a group of Member States' experts coordinated by OLAF's unit D2 'Fraud Prevention, Reporting and Analysis';*
- 'Fraud in Public Procurement – A collection of red flags and best practices', a guide prepared by a group of Member States' experts chaired and coordinated by OLAF's unit D2 'Fraud Prevention, Reporting and Analysis';*
- 'Assessment of the risk of fraud and other serious irregularities to the detriment of the CAP budget', drawn up by Commission DG AGRI and others.*

*Furthermore, at regular intervals each year, in the course of system audits and operation audits, the Executive Agency for the Audit of European Union Funds (IA OSES), which is the audit authority for operational programmes implemented in Bulgaria, analyses irregularities found in public procurement, which is both a tool for sharing best practice and a measure for preventing irregularities and fraud in public procurement.*

*With regard to the agricultural funds, Bulgarian institutions have taken the following measures:*

- 1. In March 2018 the certification body prepared an analysis of irregularities in the area of public procurement and suspected fraud identified under the 2016 and 2017 European Agricultural Funds certification audits.*
- 2. The Internal Rules for handling irregularities and infringements under programmes, schemes and measures financed by the EU budget and the national budget have been updated and two new binding instructions have been created. The Internal Rules for handling irregularities govern the work of staff of the State Fund for Agriculture involved in handling irregularities and infringements under programmes, schemes and measures financed by the EU budget. The Internal Rules are used by the staff of the Fund for the purposes of preventing, identifying, terminating and reporting irregularities. The Internal Rules and the instructions applicable to them are having a positive impact and optimising the process of reporting irregularities at national and European level in an appropriate manner.*
- 3. From 24 to 26 October 2018, the State Fund for Agriculture hosted a delegation from Croatia's Paying Agency for Agriculture, Fisheries and Rural Development (APPRRR). The purpose of the visit by the Croatian delegation was to exchange experience in the area of preventing and combating fraud in the financing and implementation of projects in the agricultural sector. In the course of the meetings between the two parties, State Fund for Agriculture staff shared their good practices and experience of preventing and combating fraud involving EU funds with the Croatian representatives. During the seminar staff from the Fund gave presentations on the following topics:*

- Checks on the quality of operational checks aimed at preventing irregularities/fraud (checks in all phases of the administrative and control cycle);*
- Cross-checks on affiliated companies;*
- Conflict of interests;*
- Artificial creation of conditions for financing;*
- Examples of red flags for fraud and irregularities in high-risk areas;*
- Examples of irregularities/fraud.*

4. *In 2018, 264 State Fund for Agriculture staff were trained on the following topics:*

- 'Internal Rules for handling irregularities and infringements under programmes, schemes and measures financed by the EU budget and the national budget';*
- Red flags.*

**2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistleblowers, who are also a crucial source for investigative journalism?**

**YES**, fully implementing the recommendation

*The managing authorities of operational programmes implemented in Bulgaria are applying a policy of zero tolerance with regard to fraud and corruption, introducing a coherent system of controls aimed at preventing and detecting fraud wherever possible and at remedying its impact when it does occur.*

*The policy covers the following topics:*

- Strategies for developing an anti-fraud culture;*
- Distribution of responsibilities for fighting fraud;*
- Mechanisms for reporting suspected fraud;*
- Cooperation between the different actors.*

*The managing authorities of the operational programmes are organising information campaigns featuring the concepts of 'irregularity' and 'fraud', along with preventive measures and ways of reporting irregularities and suspected fraud, the most common errors in public procurement procedures seen by the Audit Authority and others;*

*The national Regulation on the handling of irregularities involving European Structural and Investment Funds (NANESIF) provides for an authority responsible for handling irregularities to initiate proceedings of its own motion or in response to a report. The managing authorities have made it possible to submit reports via the website for each individual programme, allowing people to report irregularities in the*

*implementation of projects co-financed by EU funds, instruments and programmes. This can also be done via the website of the Ministry of the Interior's AFCOS Directorate.*

*It is also possible to report irregularities under all operational programmes financed by the ESF, ERDF and CF and European territorial cooperation programmes via a button on the website of the Ministry of Finance. The system is updated and maintained, and reports received via this system are handled in accordance with the relevant procedure. The reports obtained through this system primarily concern the work of the managing authorities and are therefore sent to the relevant managing authority so that it can examine the substance of the report and reply to the person who made the report and to the certification body.*

*Under Section 3(1) of the Additional Provisions of the Regulation on the handling of irregularities involving European Structural and Investment Funds, information on the commission of a irregularity is deemed an irregularity report, even if the source is anonymous. The possibility of lodging an anonymous report can be interpreted as a measure aimed at protecting whistle-blowers.*

*Every person has the right and the possibility to report cases of irregularities, suspicions of fraud or fraud in connection with the implementation of projects co-financed by ESIF. Reports may be submitted anonymously. Where reports are not anonymous, the managing authority does not disclose information on the whistle blowers.*

*Managing authorities receive a large number of reports from outsiders concerning irregularities in the implementation of the operational programme concerned. The information in each report is verified by the experts of the managing authority and, where an irregularity is suspected, a procedure for handling irregularities is initiated. Also, in the event of reports of breaches in the physical implementation of projects, the managing authorities carry out on-the-spot checks into the allegations made. Where allegations are found to be justified, the managing authorities establish irregularities and apply financial corrections. If the data in a report concern another operational programme or competent authority, they are duly passed on.*

*For the purpose of protection, data concerning the person who submitted a report are not communicated by the managing authority to the persons concerned by the irregularity. On completion of the procedure for handling the irregularity report, the managing authority notifies the person who submitted the report in writing of the outcome of the procedure.*

*In particular, on 10 December 2018 the head of the managing authority of the Operational Programme 'Science and Education for Smart Growth' approved internal rules for the protection of persons reporting corruption and/or conflicts of interest to the managing authority. The rules are published on the managing authority's website at: <http://sf.mon.bg/?go=page&pageId=248>.*

*As regards the agricultural funds, the channels for making reports to the State Fund for Agriculture are clear within the organisation and ensure confidentiality.*

*Fraud and corrupt practices can be reported to the State Fund for Agriculture in a number of ways:*

- by sending an email to the address: *SIGNALI@DFZ.BG*;
- by telephoning the hotline 0700-106-16;
- by submitting, in the case of an outside source, a written report to the Fund's registry;
- by oral reports, where data are received by a member of the Fund's staff by telephone; during on-the-spot checks; in person during an open day;
- by a member of the Fund's staff.

*Any information received by the State Fund for Agriculture, including from anonymous sources, is written up in a document concerning the alleged or established act/omission by the economic operator.*

*The State Fund for Agriculture has an internal procedure for registering and examining the reports received, which complies with the principle of protecting whistle-blowers, and for following up the reports received.*

*Whistle-blowers play an important role in the detection and timely prevention of fraud affecting agricultural schemes and measures financed from the general budget of the European Union.*

**2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?**

YES, fully implementing the recommendation

*The managing authorities of all operational programmes implemented in Bulgaria cooperate in a systematic and timely manner with the following administrative bodies:*

- active cooperation with the Ministry of the Interior's AFCOS Directorate, which organises trainings for all the managing authorities' case-handlers and specialised trainings for staff handling irregularities;*
- exchange of best practices and know-how in fighting ESIF fraud and irregularities with the other operational programmes' managing authorities;*
- active participation in the permanent working group of staff handling irregularities chaired by the AFCOS Directorate;*
- active participation in the AFCOS Council's activities: proposals for legislative changes and initiatives and for measures to be included in the action plan implementing the National Strategy for Preventing and Combating Irregularities and Fraud Affecting the Financial Interests of the EU for the period 2014–2020, taking into account the implementation of measures etc.*

*It is common practice for managing authorities to receive reports of irregularities that may constitute 'suspected fraud' as regards the actions of the beneficiary of a grant or its partners during the implementation of an ESIF grant agreement.*

*If the administrative investigation carried out by the member of the managing authority's staff responsible for irregularities shows there to have been an irregularity warranting the initiation of administrative or judicial proceedings at national level to determine whether conduct*



*was intentional, in particular fraud, the managing authority provides the Prosecutor's Office of the Republic of Bulgaria with the complete dossier, comprising the report on irregularities and all documents collected in the course of the administrative enquiry. The internal rules on handling irregularities ensure that the managing authority immediately refers all cases of suspected criminal offences to the competent authorities, as national law requires.*

*All managing authorities enjoy good working relations with Bulgaria's law-enforcement agencies: all cases involving suspected fraud are promptly passed on to the Prosecutor's Office of the Republic of Bulgaria and any additional information necessary is provided as soon as possible.*

*The managing authorities also regularly provide the judicial authorities with information concerning appeals against administrative decisions establishing irregularities or refusing payments as a result of prior verification and actively monitor the case-law of the Bulgarian courts. Under the Code of Administrative Procedure, any reasoned decision by the head of a managing authority imposing a financial correction that could lead to the recovery of funds granted by the EU may be challenged before a court.*

*All managing authorities of operational programmes implemented in Bulgaria are actively involved in the work of the Council for Coordination in the Fight against Infringements affecting the Financial Interests of the European Union (AFCOS Council).*

*In the framework of the annual activities of the AFCOS Council, whose secretariat is provided by the Ministry of the Interior's AFCOS Directorate, managing authorities implement the tasks set out in the relevant year's action plan implementing the National Strategy for Preventing and Combating Irregularities and Fraud Affecting the Financial Interests of the EU for the period 2014–2020, reporting on the performance of the tasks within the quarterly period fixed by the AFCOS Council.*

*The measures set out in the action plan include enhanced cooperation at national level between the administrative and judicial authorities in charge of combating irregularities and fraud in the implementation of operational programmes financed by ESIF.*

*The managing authorities also cooperate with the AFCOS Directorate, providing information whenever OLAF requests assistance or carries out on-the-spot checks or in respect of reports passed on to the AFCOS Directorate concerning projects financed under the relevant operational programme.*

*All managing authorities use the IMS system to report to the AFCOS Directorate all irregularities and fraud that have to be reported under European law.*

*As Audit Authority, the Executive Agency for the Audit of European Union Funds provides the prosecutions service with systematic and prompt cooperation. In 2018 the Agency submitted 6 final audit reports containing suspicions of fraud to the prosecutions service.*

*In 2018 the Executive Agency 'Certification Audit of European Agricultural Funds' (IA SOSEZF) provided the prosecutions service with systematic and prompt cooperation, submitting 3 final audit reports containing suspicions of fraud. Additional information requested by the*

*competent authorities on these cases was duly provided.*

*All institutions involved in the project cycle for implementing programmes financed under the ESIF regularly attend meetings, training courses and seminars with representatives of the judiciary, during which they examine issues relating to the management and control of ESIF funds, problems encountered by the judicial and administrative authorities and ways of resolving them.*

*With regard to the prevention and investigation of cases of fraud under the agricultural funds, the State Fund for Agriculture works closely with representatives of the AFCOS Directorate, the Ministry of the Interior's Directorate General for Combating Organised Crime (GDBOP), the Ministry of the Interior's provincial directorates, the Supreme Cassation Prosecutor's Office, the specialised unit of the Sofia City Prosecutor's Office for combating crime against the EU financing system and other law-enforcement agencies.*

*Numerous meetings have been held with representatives of the Supreme Cassation Prosecutor's Office and the AFCOS Directorate, which have discussed important issues related to the National Strategy for Preventing and Combating Irregularities and Fraud Affecting the Financial Interests of the EU for the period 2014–2020.*

*One measurable result of these meetings was a transfer of competence for handling reports from the State Fund for Agriculture to the Public Prosecutor's Office of the Republic of Bulgaria, which achieved the objective of enhancing administrative control by the Supreme Cassation Prosecutor's Office over the other prosecutor's offices and increased the effectiveness of action against fraud affecting the EU's financial interests.*

*All managing authorities responsible for the implementation of operational programmes financed by ESIF are represented on the Council for Coordination in the Fight against Infringements affecting the Financial Interests of the European Union (AFCOS Council). The AFCOS Council was established by Cabinet Decree No 18 of 4 February 2003.*

*The AFCOS Council steers, monitors and coordinates the action of the public authorities to prevent and combat fraud, misuse of funds and property belonging to the European Union or provided to Bulgaria by European Union funds and programmes, including the related national co-financing.*

*The AFCOS Council consists of a chair, deputy chair and members. The Council is chaired by the Minister of the Interior, who appoints a member of the AFCOS Council as deputy chair. The Council's members are ministers, deputy ministers and heads of managing authorities of programmes co-financed by the EU, heads of audit and inspection authorities, heads of the revenue authorities and law-enforcement agencies. The AFCOS Council holds regular meetings twice a year and can also schedule extraordinary meetings at the initiative of the chair or a member.*

*At the end of 2015 the Minister for the Interior and the Public Prosecutor signed a new agreement on coordination and cooperation between the Council for Coordination in the Fight against Infringements affecting the Financial Interests of the European Union and the Bulgarian*

	<p><i>Prosecutor's Office.</i></p> <p><i>This agreement allows the AFCOS Directorate to request, and the Public Prosecutor's Office to provide, information on measures taken by the Prosecutor's Office in response to recommendations made in final OLAF reports on completed administrative investigations.</i></p> <p><i>Every year, on the basis of Article 11(6) of Regulation (EU, EURATOM) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by OLAF, a request is made for information on action taken by the Bulgaria Public Prosecutor's Office in response to the recommendations made to judicial authorities in final OLAF reports on cases concerning European programmes and projects implemented in Bulgaria.</i></p> <p><i>The AFCOS Directorate, as the anti-fraud coordination service, supporting effective cooperation and exchange of information with OLAF, receives and processes information on prosecution cases and pre-trial proceedings relating to projects financed by European funds and duly provides this information to OLAF.</i></p>
CZ	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b></p> <p><input checked="" type="checkbox"/> YES,</p> <p><i>The Strategy to Fight Fraud and Corruption in the Framework of Absorption of the Common Strategic Framework (hereinafter referred to as the CSF) Funds in the Period 2014–2020“ (hereinafter also referred to as the Strategy) is in the force. The implementation of the Strategy at the level of implementation structure bodies is coordinated by the National Coordination Authority (hereinafter also referred to as the NCA). The implementation structure bodies regularly (twice a year) submit to the NCA the information on managing the risk of fraud and corruption and at least once a year, as a part of this information, provide the data on achieving the objectives of the Strategy. Based on this information the NCA evaluates the progress in achieving the objectives of the Strategy at the implementation structure level. The risk management system builds on the Methodological guideline for risk management of ESI Funds in the programming period 2014–2020. For the purposes of regular evaluation of efficiency of control mechanisms is used also the managing authority (MA) Self-evaluation tool that is based on the Methodological guideline for the conduct of controls under the responsibility of the MAs in implementing the European Structural and Investment Funds for the period 2014–2020. This tool deals primarily with the fraud occurrence risks.</i></p> <p><i>In the case of suspicion of committing a criminal offense (eg. fraud) if criminal proceedings have already been commenced in the given case pursuant to Section 158 (3) of Act No. 141/1961 Coll., Criminal Procedure Code, the officers of the control and audit unit of EU</i></p>

*funds report these cases as an irregularity through national monitoring system MS2014 + (IRQ3). This procedure ensures the awareness of other relevant authorities such as Payment and Certification Authority, Audit Authority and others. Irregularities over 10 000 EUR of the ESI Funds are secured through OLAF - IMS. The cooperation with the Police of the Czech Republic in the case of fraud has been gradually intensified by written, electronic or phone communication. The officers of the control and audit unit of EU funds in cooperation with the Intermediate body provide them requested information on specific projects. The ARACHNE information system is used by MAs the Intermediate body, especially before the Grant Decision is issued. Furthermore, the ARACHNE system is also used in other project control activities. The Recommendation 4 of PIF 2016 was taken into account in changes in the operation of the risk management system. In the end of 2017, a regular review of the risk library was made and the library of risks of fraud and irregularities in Active Risk Management (ARM) contains risks from previously identified frauds and irregularities and fully covers other possible risk for the organization.*

**2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?**

YES, fully implementing the recommendation

*When identifying the risk of fraud, the Managing Authorities (MAs) capitalize on its own experience gained in the programming period 2007–2013. The guidelines of the Ministry of Finance on identification of fraud indicators have been included by the MAs in the Operational Manuals.*

*Throughout the process of programme administration and implementation, the MAs monitor the occurrence of fraud indicators.*

1) *Control in the project approval process/prior to the issuance of a legal act on grant provision*

*Apart from monitoring the occurrence of fraud indicators in the grant application dossier, the MAs check the level of risk of the applicant/partner of the project against the list of criminal complaints resulting from the implementation of projects in the past and current programming periods, or his interconnection through proprietary structure with other entities or persons included in this list. In case an increased level of risk of the project is identified, this fact is taken into account in the risk analysis conducted in projects.*

2) *Control in the project implementation process*

*When identifying risk operations, the data from the information system are used. These information systems are e.g. ARACHNE, Justice.cz portal, ARES application, Business Register, Trade Register and other publicly accessible information records and registers.*

*During the administration of monitoring reports, the occurrence of fraud indicators is assessed. The MAs keep the Register of Fraud Indicators, which represents an additional input in risk analysis conducted in projects. Another additional input is the use of ARACHNE tool when identifying the projects with the highest risk.*

*In the event the MAs based on their control activities suspect that a crime has been committed, a criminal complaint is filed with the public prosecutor's office.*

*In the risk management system, the second phase of implementation was launched, in which the risk introduced would be linked to the primary assets of the organisation, ie processes. At this stage Recommendation no. 2 of PIF 2017 was taken into account. In order to exploit the potential of risk analysis, it is planned to extend access right to the ARM system to 260 users (to the organizational level of the head of unit in). Subsequently training of all users of the ARM risk management system will be performed in IQ/2019. The goal of the training is to streamline the process of the risk management and minimize the impact of the risk on the organisation's processes.*

**2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistleblowers, who are also a crucial source for investigative journalism?**

YES, partly implementing the recommendation

*The Czech Republic have no a special act for the protection of whistleblowers, but this act is currently under preparation. The protection of whistleblowers is solved with in the Civil Service Act and on basis of this Act; each resort has its own Methodological Guidelines, which solve the protection of whistleblowers, reporting of corruption and frauds.*

**2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?**

YES, fully implementing the recommendation

*The Managing Authorities (MAs) encourages the cooperation with tax offices involved in addressing irregularities. The meetings of MAs are held with representatives of tax offices. Information on addressing irregularities and design of the process is shared also with the other*

	<p><i>authorities, the Paying and Certifying Authority, the Audit Authority and the Central Contact Point of the AFCOS through the platform of the Working Group for Controls, Audits and Irregularities.</i></p> <p><i>Cooperation between the courts and the public prosecutor's office is ensured through MS2014+, where all irregularities involving more than EUR 10,000 of the EU share are reported in an external report. All irregularities reported in an external report are subsequently via the Local Contact Point of AFCOS transferred to the IMS system, which is accessible to the public prosecutor's office of the Czech Republic. This ensures early provision of information on suspected crime related to the ESIF also to judicial authorities.</i></p> <p><i>In the event the MAs detect infringement of public procurement rules, it cooperates with the Office for the Protection of Competition.</i></p>
DK	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b></p> <p><input checked="" type="checkbox"/> YES,</p> <p><i>Danish Agricultural Agency (LBST): The recommendation is only partly relevant for agricultural aid in Denmark, as Denmark does not support wine production which, according to the 2016 PIF report, is one of the major risk areas under the rules on the organisation of markets.</i></p> <p><i>The Danish Agricultural Agency has held internal guidance meetings to raise awareness of the risk of fraud in relation to the rules on the organisation of markets. To a large extent, we have been able to apply our focus on red flags for project expenditure, and our other anti-fraud measures in relation to EAFRD, to the rules on the organisation of markets as well. Compared with 2016 and 2017, 2018 saw an increase in detected cases with red flags under the rules on the organisation of markets.</i></p> <p><i>Danish Fisheries Agency: The 2016 PIF report does not contain much information on the EMFF, as it was analysed together with the much larger cohesion fund. As recommended in the PIF report, the Danish Fisheries Agency has provided information on the location and the priority area of projects reported for fraud in 2017 and 2018.</i></p> <p><b>2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?</b></p>

YES, partly implementing the recommendation

*Danish Agricultural Agency (LBST): The 2017 PIF report was published in September 2018. The Danish Agricultural Agency has not analysed risk areas and introduced improvement measures in the meantime. The Agency has, however, allocated resources for external assistance with risk assessment in 2019, and will take the conclusions of the report into consideration in this context. Danish Fisheries Agency: The 2017 PIF report recommends that authorities adapt procedures for identifying and combatting fraud in relation to the specific risks occurring in their area. The Fisheries Agency currently uses fraud procedures used by the former AgriFish Agency, which was divided into an Agricultural Agency and a Fisheries Agency in 2017. The Fisheries Agency is currently working on fraud procedures that are adapted to the EMFF area, including the fraud risks occurring in the area. In 2019, the Fisheries Agency will receive a contribution commissioned from the Danish Government's legal adviser to develop a method for identifying fraud and irregularities more easily. The Fisheries Agency will also develop the administrative basis in the area of subsidies, including the training of case handlers and the establishment of the necessary control set-up to enhance the Agency's ability to identify circumstances requiring examination on account of suspected fraud. Thus, we expect that the Fisheries Agency's adapted fraud procedures will comply with the recommendations in the 2017 PIF report. A recommendation will also be made on arrangements for receiving reports of suspected fraud from members of the public and whistle-blowers. Since 2014 there has been a portal on the Fisheries Agency's website where external parties or whistle-blowers can report fraud and irregularities. The Fisheries Agency has also set up an anti-fraud mail box to which the public can send reports of suspected fraud involving EU funds. Danish Business Authority: The Danish Business Authority, MA for ERDF and ESF has in 2018 prepared on organizing a more risk-based administrative verification of accounts based on internal data from the fund monitoring system and the company register. This more risk-based approach is expected to be implemented in 2019.*

**2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistle-blowers, who are also a crucial source for investigative journalism?**

YES, partly implementing the recommendation

*Danish Agricultural Agency (LBST): Since 2014, the Danish Agricultural Agency has facilitated external reporting of possible irregularities through its website. The portal was updated in 2018 to take account of new legislation on the use of personal data. Danish Fisheries Agency: Since 2014 there has been a portal on the Fisheries Agency's website where external parties or whistle-blowers can report fraud or irregularities. The Fisheries Agency has also set up an anti-fraud mail box to which the public can send reports of suspected fraud involving EU funds. Danish Business Authority: The Danish Business Authority, MA for ERDF and ESF have specified further guidance for informers of irregularities in the anti-fraud policy.*

**2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?**

	<input checked="" type="checkbox"/> NO
<b>DE</b>	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b></p> <p><input checked="" type="checkbox"/> YES,</p> <p><i>Agricultural Funds: In the field of fraud prevention in the agricultural sector, fraud risks are continuously assessed, including with reference to the fraud report. Should this assessment indicate that there is an increased fraud risk for certain measures (including market support measures), appropriate action is taken.</i></p> <p><i>Structural and Investment Funds: The comprehensive approaches devised and constantly reviewed by the managing authorities, with 'measures to prevent, detect and correct fraud and corruption', take account of the assessments and findings on combating and preventing fraud in the 2016 PIF report and earlier and later Commission annual reports. The managing authorities' strategies and measures to combat fraud and minimise risk basically follow the Commission Guidance Note on fraud risk assessment and effective and proportionate anti-fraud measures. They have four cornerstones: prevention, detection, correction and prosecution and/or recovery. Self-assessment teams have been set up with the participation of certifying authorities, managing authorities, intermediate bodies, contracting authorities and anti-corruption officials. The self-assessment instrument provided by the Commission in the Guidance Note is regularly reviewed and adjusted to the specific features of local situations. In addition, other risks are identified and taken into account. (see also point 2.2)</i></p> <p><b>2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?</b></p> <p><input checked="" type="checkbox"/> YES, partly implementing the recommendation</p> <p><i>In the current funding period, fraud prevention has been one of the key tasks for the establishment of the management and control system, in accordance with Article 125(4)(c) of Regulation EU No 1303/2013 and was also a condition of designation in the field of structural funds and one of the eligibility criteria in the field of agricultural funds.</i></p> <p><i>For example, the following measures under the structural and agricultural funds can be cited from 2018:</i></p> <ol style="list-style-type: none"> <li><i>1. At Länder level: Implementation at OP level by the ERDF Managing Authority of the fraud risk self-assessment recommended in the Commission guidelines</i></li> <li><i>2. At Federal level:</i></li> </ol> <p><i>In the Federal OP for the European Social Funds (ESF), in 2018 the Managing Authority, in accordance with the Commission Guidance Note on fraud risk assessment and effective and proportionate anti-fraud measures, adjusted and updated the self-assessment recommended there from 2015/2016. This involved assessing the likelihood of specific risks arising, their potential impact and the counter-measures needed in the</i></p>

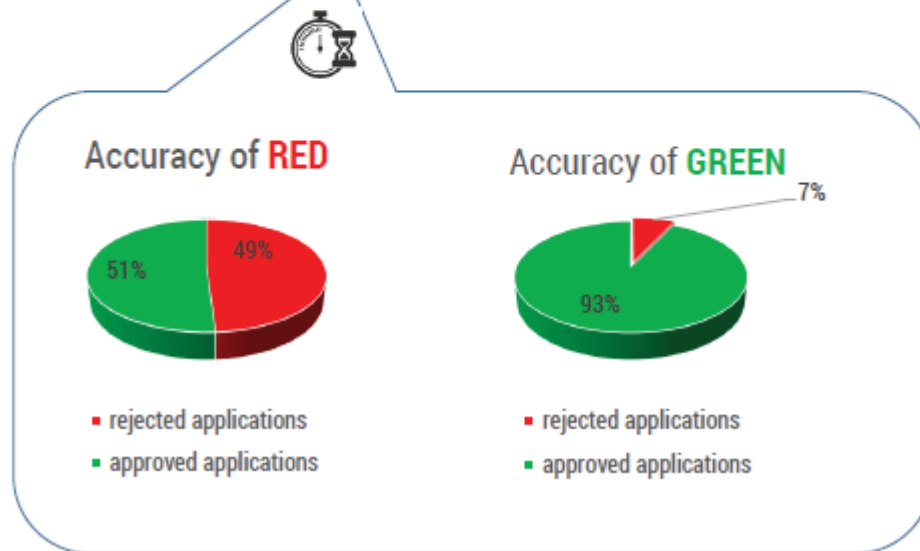
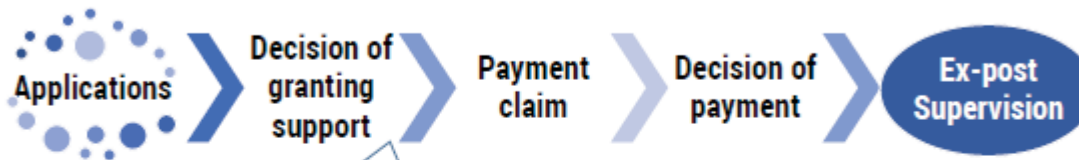


	<p><i>following spheres: expressions of interest and application procedures, implementation by and accountability of beneficiaries, financial instruments, certification and payments, award procedures and procurements.</i></p> <p><i>3. Payment offices and managing authorities under the agricultural and structural funds applied and developed precautionary measures and procedures, which have been set out in the relevant fraud prevention manuals and become part of the management and control system. These manuals are based on the 'Guide for Federal and Länder payment offices on the prevention of fraud in agriculture' and comparable procedural instructions for fisheries under the EMFF, developed in 2014 by a Federation-Länder working party. Focal points of this guidance included identifying fraud risk, analysing management and control systems, drafting registers of fraud indicators, setting up internal arrangements where fraud is suspected and informing and training employees.</i></p> <p><i>Fraud prevention is also a regular item on the agenda of the bi-annual meeting of the Federation-Länder working party on 'EU financial controls of the audit authorities in the sphere of structural funds'.</i></p> <p><b>2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistle-blowers, who are also a crucial source for investigative journalism?</b></p> <p><input checked="" type="checkbox"/> YES, partly implementing the recommendation</p> <p><i>In Germany the majority of spending programmes are managed in the Federal Länder, which are required by EU law to establish effective management and control systems. These include the fundamental obligation to report internal and external irregularities.</i></p> <p><i>Although Germany does not yet have unified Federal provisions on the protection of whistle-blowers, some of the Federal Länder have implemented whistle-blower protection measures. We know that some individual Länder have set up 'lawyer post-boxes', which whistle-blowers can use to report information while remaining protected. Germany advocates EU-wide protection of whistleblowers and supports the adoption of an EU Directive to this effect.</i></p> <p><b>2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p>
EE	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b></p> <p><input checked="" type="checkbox"/> YES,</p> <p><i>The Estonian Auditing Authority improved the auditing methodology and check-lists with the fraud indicators provided by in the OLAF public procurement guidelines.</i></p> <p><b>2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?</b></p> <p><input checked="" type="checkbox"/> YES, partly implementing the recommendation</p>

The Agricultural Register and Information Board have focused on the risk analysis before granting the decision to reduce the administrative burden and possible financial losses in later phases.

Example:

## Results of RED CORRIDOR



	<p><b>2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistle-blowers, who are also a crucial source for investigative journalism?</b>  <input checked="" type="checkbox"/> YES, partly implementing the recommendation  <i>Whistle-blowers have the possibility to contact the Implementing Agency directly and they have used it. Our supervision units start to investigate the case after that. We follow the news in the all regional newspapers to collect information. With fraud cases we are very proactive to give our explanations to the journalists with an aim to clarify to wider the audience that we have a strong fraud control system. It is one part of the prevention activities. Two of our Implementing Authorities (Enterprise Estonia and the Environmental Investment Centre) have added the possibility to submit anonymous hints regarding the misuse of support through their webpages.</i></p> <p><b>2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?</b>  <input checked="" type="checkbox"/> YES, partly implementing the recommendation  <i>ESI Funds Managing Authority has been conducting legal training for Estonian court judges to clarify the legal space of the Structural Funds. AFCOS Estonia has organised joint regular training courses for the participants from judicial and administrative authorities since 2007.</i></p>
IE	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b>  <input checked="" type="checkbox"/> NO</p> <p><b>2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?</b>  <input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><b>2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistle-blowers, who are also a crucial source for investigative journalism?</b>  <input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><b>2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?</b>  <input checked="" type="checkbox"/> YES, fully implementing the recommendation</p>
EL	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b>  <input checked="" type="checkbox"/> YES,  <i>1. SPECIAL MANAGEMENT SERVICE OF THE 2014-2020 RURAL DEVELOPMENT PROGRAMME</i></p>

*As regards the irregularities and cases of fraud in photovoltaic systems in the 2016 PIF report, the Special Management Service of the Rural Development Programme is implementing a technical support project for updating the method for calculating the energy needs of agricultural holdings, determining the reasonable cost of RES and waste management equipment and supporting the assessment of applications under Action 4.1.3 of the RDP for projects implementing RES and waste management system investment operations.*

## **2. SPECIAL MANAGEMENT SERVICE OF THE MARITIME AND FISHERIES OPERATIONAL PROGRAMMES**

*The Special Management Service of the Maritime and Fisheries Operational Programmes implements Law No 4412/2016, which transposes EU Directives No 24 and 25 of 2015. It also implements the e-procurement system in accordance with the 2016 PIF report. With regard to the results of the findings of this report in fraud risk assessments, these have been recorded in the fraud risk assessment tool in the form of measures, as provided for by the 2014-2020 Management and Control System (MCS) of the Special Management Service of the Maritime and Fisheries OP, as approved in accordance with Decision No 1177/01.08.2017 (Government Gazette, Series II, No 3163/12.09.2017) of the Minister for Rural Development and Food. It should be noted that their application in the PP 2014 2020 began in 2017, while the implementation of the e-procurement system by the Special Management Service of the Maritime and Fisheries OP began this year.*

### **3. Fiscal Control Committee (EDEL)**

*Based on the conclusions and recommendations included in the 2016 report, in addition to the inclusion of any cases of suspected fraud arising in the risk analysis on audit planning carried out regularly by the Audit Authority and taking into account the emphasis on public procurement as part of the 2016 PIF report, in 2018 the Audit Authority reformulated and updated the audit questionnaires for transactions, paying particular attention to the incorporation of the requirements arising from the new directives on public procurement.*

*In 2017, the Audit Authority participated, also actively (by attending) a training programme organised in Athens by the National Centre for Public Administration and HAUS (Finland) on combating fraud and corruption in European Union investment and structural funds.*

## **2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?**

YES, partly implementing the recommendation

### **1. SPECIAL MANAGEMENT SERVICE OF THE 2014-2020 RURAL DEVELOPMENT PROGRAMME**

*The on-the-spot and ex-post controls of the Rural Development Programme are carried out in accordance with Articles 50 and 52 of Regulation (EU) No 809/2014 respectively. For both types of controls, part of the sample is extracted using risk analysis (60 % - 70 % for on-the-spot controls and 75-80 % for ex-post controls). For both on-the-spot and ex post controls sampling with risk analysis is carried out on the basis of specific risk criteria which contribute to the occurrence of an error in projects and which have been incorporated into the Parameters Subsystem of the Rural Development Integrated Information System. In order to classify projects according risk of error occurrence, a score is*

given using an appropriate algorithm to which the individual values of the risk criteria are imported. In the risk analysis, one of the risk criteria used is also the error rate of the projects per category of expenditure.

## 2. SPECIAL MANAGEMENT SERVICE OF THE MARITIME AND FISHERIES OPERATIONAL PROGRAMMES

The 2014-2020 Management and Control System (MCS) of the Special Management Service of the Maritime and Fisheries OP describes the procedure for communicating irregularities through the IMS and for reporting complaints to the AFCOS, while a fraud risk assessment tool has been created which describes a series of measures applicable to all stages (assessment-control-payment) of the projects implemented by the Special Management Service of the Maritime and Fisheries OP

## 3. DIRECTORATE FOR FINANCIAL CONTROLS, INSPECTIONS AND COOPERATIVES

The Directorate for Financial Controls, Inspections and Cooperatives selects the undertakings to be audited within the annual audit programme by applying a risk analysis methodology. In this regard, the selection of undertakings for audit to better ensure the effectiveness of the measures for preventing and detecting irregularities in the context of EAGF funding, improves and upgrades the risk analysis computer application.

Proposals for the use of risk analysis are presented to the competent department of the European Commission each November. They include the assessment of the previous year's risk analysis, the weighting of risk factors and all relevant information concerning the approach to be followed, the techniques, the criteria and the method of implementation, in accordance with Regulation (EU) No 1306/2013 of the European Parliament and of the Council and the Implementing Measures thereof.

The selection of undertakings using the risk analysis method is carried out in accordance with the criteria sent to the competent department of the European Commission and in general taking into account the following:

- a) The degree of risk associated with the sector of activity;
- b) The degree of risk associated with the beneficiary;
- c) The level of financial support.

The Risk Analysis application selects the undertakings to be audited on the basis of the archives of the computer system and the scoring for each eligibility criteria.

The risk analysis methodology calculates the Risk Amount for each undertaking, which is the result of the product of the scoring of criteria against the amount of the financial aid. The undertakings associated with the greatest risk are selected first.

The undertakings selected by Risk Analysis for scrutiny under the 2017 EAGF scrutiny programme came from many different sectors of activity, but special emphasis was placed on budget headings and beneficiaries which absorb large amounts of money and which are inherently high-risk, in combination with other risk factors.

*The Service is reforming the audit procedures and checklists for each aid scheme and audited scheme for the better and more effective conduct of the audit. In addition, it extended cross checks to natural and legal persons related to the undertakings to be audited to facilitate the verification of the main data to be inspected and to have a number corresponding to the degree of risk they present.*

*The Directorate for Financial Controls, Inspections and Cooperatives has a structured form of cooperation with other bodies pursuant to Article 83 of Regulation (EU) No 1306/2013 of the European Parliament and of the Council, which provides for mutual assistance between the Member States where an undertaking or third party is established in a Member State other than that in which a) payment of the amount in question has or should have been made or received; b) in which the documents and information required for scrutiny are to be found. Member States shall send the Commission a list of undertakings established in a third country for which payment of the amount in question has or should have been made or received in that Member State. Moreover, if additional information is required as part of the scrutiny of an undertaking in another Member State, and in particular cross-checks, specific scrutiny requests may be made indicating the reasons for the request.*

#### *4. Fiscal Control Committee (EDEL)*

*All 'inflows' concerning fraud risks (included suspected fraud) are brought to the attention of the Audit Authority through the channels of the Management and Control System (MCS) and are taken into account in the risk analysis carried out by the Audit Authority when planning its audits. Specifically, five (5) system audits were carried out at Management Authorities (MA) and part of the audit work concerned the effective application of proportionate measures to combat fraud arising from the fundamental requirements of the national and EU regulatory framework.*

*Taking into consideration the third part of the recommendation for 2017, the Audit Authority, as part of the audit of the 2018 accounts, cooperated with the jointly responsible services to assess the complaints submitted on suspected fraud in order to assess whether corrective measures are required as part of the accounts declaration for the 4th accounting year.*

### **2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistleblowers, who are also a crucial source for investigative journalism?**

YES, partly implementing the recommendation

*Whistleblower protection was introduced by the Anti-Corruption Law No 4254/2014 (Government Gazette, Series I, No 85/7-4-2014). The General Secretariat for Anti-Corruption (GSAC) submitted a proposal to the competent Alternate Minister for Justice, Transparency and Human Rights to improve the protection mechanism for whistleblowers. In addition, the revised national anti-corruption action plan for 2018-2021 includes the legislative initiative to establish an effective protection mechanism (National Anti-Corruption Action Plan 2018-2021, Action 11.2.2, to be implemented by June 2019).*

	<p><b>2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?</b></p> <p><input checked="" type="checkbox"/> YES, partly implementing the recommendation</p> <p><i>Circulars No 2/ref. 8715A/21-8-2018 and 2α/ref. 9097/24-8-2018 from the Supreme Court were sent to all prosecutors in Greece to monitor specific cases of major financial crimes, particularly cases of corruption, money laundering and cases of fraud against the financial interests of the European Union with the aim of establishing a monitoring procedure and setting up a reliable data archive, every four months. The statistics sent are posted on our website.</i></p>
ES	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b></p> <p><input checked="" type="checkbox"/> NO</p> <p><i>The findings from the 2016 PIF Report are only one of the multiple elements which are taken into account in fraud risk assessments, so it is difficult to isolate the effects that each of those elements has as a result of its inclusion in such assessments.</i></p> <p><b>2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>Fraud risk assessments are tailored to the different type of expenditures (public procurement, grants, etc.). Depending on the MA, risk elements highlighted in the 2017 PIF Report either have been already taken into account in their FRAs or will be taken into account in the following update/revision of their FRAs, which is done periodically. As an example, ‘Research and technological development (RTD)’ and ‘Transport’ priorities, which are highlighted in the 2017 PIF Report as relevant risk sectors, will be considered by the ERDF Managing Authority in order to better focus the scope of its controls.</i></p> <p><b>2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistle-blowers, who are also a crucial source for investigative journalism?</b></p> <p><input checked="" type="checkbox"/> YES, partly implementing the recommendation</p> <p><i>As it was reported last year in the framework of the preparation of the PIF Report 2017, Spain established in mid-2017 a confidential channel for complaints which is centralized at the AFCOS, and through which any person aware of facts that may constitute fraud or irregularities in relation to projects or operations fully or partially funded by EU funds can report these to the administration so that the competent authorities can take the necessary measures to investigate or verify these facts, and, if applicable, require responsibility to be taken as appropriate in each case.</i></p> <p><i>During 2018, the Managing Authorities have increasingly adopted this channel by fulfilling the recommendations made by the AFCOS in its</i></p>

*Communication 1/2017, which covers the most important aspects of this channel (see in particular paragraph 6 -SEXTO-). This involves specific measures such as including a reference to this channel in the description of their management and control systems and procedures, including a link to this channel on their respective websites (extranet and intranet) or including a “standard paragraph” -suggested by the AFCOS- in every call for proposals (grants) or every contract to be financed by EU funds, in order for every potential whistleblower (the beneficiary, the employees of the beneficiary or the contractor, its providers or subcontractors, the public employees working in the management of EU funds, etc.) to know that he/she can make use of this channel in order to report fraud or irregularities.*

*The AFCOS has also made specific presentations of this channel to the MAs and IB, and has included an explanation of this channel in all the antifraud seminars in which it has participated during 2018.*

*As a result of this, the number of allegations received through this channel has increased during 2018 with respect to 2017.*

*With regard to the protection of whistleblowers, there is a legislative proposal which is at the moment under discussion in the Spanish Parliament. This proposal covers a broad range of measures in order to protect whistleblowers from retaliation, such as the non-validity or suspension of the effects of any negative measures adopted against the whistleblower, the inversion of the burden of proof (in favor of the whistleblower), the right of the whistleblower to receive free legal advice with regard to the consequences of having blown the whistle, the right to receive psychological assistance, the right to be provisionally assigned to other working post or to be entitled to a period of leave in case of retaliation in his/her actual working post, maintaining his/her remuneration, and the right to be compensated for any negative measure unduly adopted against him/her due to his/her allegation, among others.*

*In addition to this, a number of “Comunidades Autónomas” have adopted laws in order to protect whistleblowers at a regional level, covering protection measures which are similar to those included in the legislative proposal at national level.*

#### **2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?**

YES, partly implementing the recommendation

*Since AFCOS was created in late 2014, an important effort has been done to put administrative and judicial authorities together in those cases where the cooperation between them is needed. The dispersion from the administrative side of this cooperation has been reduced, as AFCOS has tried to centralize this cooperation being the focal point for administrative authorities to coordinate their activities with the judicial authorities.*

*Managing authorities also include in their training sessions for Intermediate Bodies the duty to submit to the judicial authorities any irregularity which they consider to be fraudulent.*

*However, further efforts are to be done in order to make this cooperation more systematic. To this end, it is important to highlight the initiative*



	<p><i>to create the “Advisory Council for the prevention and fight against fraud affecting the financial interests of the EU ”, which was included in the additional provision n°25 of the Law 38/2003, on Public Grants, and which is foreseen to be finally created during 2019 (a Royal Decree of the Government is needed to create this Advisory Council).</i></p> <p><i>The creation of this organ will imply the formalization of the AFCOS network and will be of crucial importance for the purpose of promoting a systematic cooperation between judicial and administrative authorities as it is foreseen that both the relevant administrative authorities (MA, AA, AFCOS, etc.) and the General Public Prosecutor’s Office and law enforcement authorities, will be members of the Plenary and the Permanent Commission of such Advisory Council.</i></p>
FR	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b></p> <p><input checked="" type="checkbox"/> NO</p> <p><b>2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?</b></p> <p><input checked="" type="checkbox"/> YES, partly implementing the recommendation</p> <p><i>This matter comes under systems audits (S.A.) and operations audits (O.A.).</i></p> <p><i>S.A. should test the effectiveness and efficiency of management checks during the operation selection phase, financial management and control of O.P., as well as the existence of risk mapping in order to target checks on the highest-risk beneficiaries, projects and providers.</i></p> <p><b>2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistle-blowers, who are also a crucial source for investigative journalism?</b></p> <p><input checked="" type="checkbox"/> YES, partly implementing the recommendation</p> <ul style="list-style-type: none"> <li>• In line with previous years, suspected fraud is a sui generis category of irregularity (Category 16) in the list of irregularities for the O.A. year 2018/2019.</li> <li>• Insertion in the O.A. model report of a new line concerning conflicts of interest: 4.2 and 6.2 – Question: Has a conflict of interests been detected? The verification concerns the application, in the case at hand, of procedures to prevent conflicts of interest. This question is different from the question relating to cases of suspected fraud, and precedes it.</li> </ul>
HR	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b></p> <p><input checked="" type="checkbox"/> YES,</p> <p><i>The Ministry of Regional Development and EU Funds is the Managing Authority (MA) for Operational Programme Competitiveness &amp; Cohesion 2014-2020: MA establishes effective and proportionate measures to combat fraud, taking into account the identified risks. All</i></p>

*Management and Control Systems (MCS) bodies ( MA, Coordination body, Intermediate bodies level I (IB I), Intermediate bodies level II (IB I and IB II), Certifying body (CB), Audit body) carry zero tolerance policies to fraud and corruption, and accordingly MA, IB I and IB II, CB carry out Fraud Risk assessment for the purpose of their prevention, detection and taking of necessary corrective measures. MA collects mentioned assessment, while the Ministry of Finance is responsible for processing and analysing the obtained results, in accordance with the designated obligations ([https://narodne-novine.nn.hr/clanci/sluzbeni/2014\\_09\\_107\\_2070.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2014_09_107_2070.html)<https://strukturnifondovi.hr/wp-content/uploads/2017/03/Izmjena-uredbe-o-tjelima-ESF-EFRR-i-KF.pdf>).*

**Agency for Payments in Agriculture, Fisheries and Rural Development:** *In 2017, the Paying Agency while identifying risks in relation to irregularities and fraud, has taken into account all types of financing in the frame of European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development, and also has taken account of the weakness of the management and control system in accordance with an internal risk management procedure. In addition, we emphasize that the Ministry of Finance requested identification of risks related to irregularities and fraud in 2017, and provided the basis for risk identification: "Risk management methodology related to the occurrence of irregularities and frauds" and accompanying attachments. The proof of performance can be provided on request.*

**2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?**

YES, fully implementing the recommendation

**The Ministry of Regional Development and EU Funds:**

*In the Common National Rules (CNR) – obligated at the OP level for all MCS bodies; Part 10: Risk Management; chapters 8-11, MA implemented Fraud Risk assessment from Guidance Note on Fraud Risk Assessment and Effective and Proportionate Anti-Fraud Measures ([http://ec.europa.eu/regional\\_policy/en/information/publications/guidelines/2014/fraud-risk-assessment-and-effective-and-proportionate-anti-fraud-measures](http://ec.europa.eu/regional_policy/en/information/publications/guidelines/2014/fraud-risk-assessment-and-effective-and-proportionate-anti-fraud-measures)) . According to mentioned chapter of CNR, MCS bodies are obligated to conduct annual Fraud Risk assessment, while the Ministry of Finance is responsible for processing and analysing the obtained results. Also, mentioned Fraud Risk Assessment is facilitated with supporting documents (guidelines) and forms in CNR to enable more precise definition and recognition any of possible frauds.*

**Agency for Payments in Agriculture, Fisheries and Rural Development**

*In 2018, the Paying Agency while identifying risks in relation to irregularities and fraud, has taken into account all types of financing in the frame of European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development, and also has taken account of the weakness of the management and control system in accordance with an internal risk management procedure.*

**2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistle-**

**blowers, who are also a crucial source for investigative journalism?**

YES, fully implementing the recommendation

***The Ministry of Regional Development and EU Funds:***

*The Common National Rules (CNR); Part 13: Irregularities; chapters 4.2.-4.6. contains the procedure for submitting reports on suspicion on irregularity and fraud. Also, mentioned CNR; chapter: 5.6. consist protection measures for whistle-blowers which are in line with the whistle-blower national protection rules. Those rules apply appropriately to employees, persons who are not employees of the Management and Control Systems (MCS) bodies and to grant beneficiaries as well as to representatives of the public concerned.  
(the documents – CNR Part 13 can be sent to you upon request).*

***Ministry of Justice:***

*Croatia has adopted WB protection Law (namely: Law on protection of persons who are reporting irregularities) on 08 February 2019. In order for relevant authorities to prepare for implementation, the Law is going to enter into force on 1 July 2019.*

*Draft Law was prepared based on the work of special working group, public consultation and opinions of relevant stakeholders has taken in consideration recommendations from Council of Europe for the protection of WB from 2014 and Proposal for the protection of people who are reporting breaches of Union law from 2018. The Law prescribes protection to WB both in private and public sector for broader scope of irregularities (not just criminal offences) and broader scope of persons - not just employees as prescribed in Labour act.*

*The law foresees 3 channels of reporting (internal, external, and exceptionally public disclosure), right to seek indemnity through judicial proceedings (similar like labour disputes) and right for protection of confidentiality. We emphasize that public disclosure is allowed exceptionally in certain cases like if there is an imminent danger to life, health, safety or the occurrence of large scale harm or destruction of evidence, but whistleblowers are primarily encouraged to use internal channels if they exist and function properly, and if there are not functioning or are not established then external channels. All public and private entities which have more than 50 employees are obliged to establish internal procedures for protection of WB and nominate confidential person for protection of WB.*

*Ombudsman is predicted to be competent authority for external reporting primarily with aim to protect rights of WBs (not investigate irregularities): Thus, investigation of irregularities is in competence of other relevant bodies (like public prosecutors, labour inspection), but in Act are prescribed deadlines in which competent authority has to provide feedback to reporting person. Also ombudsman is competent body for providing legal information's to WB, protecting confidentiality and providing reports about protection of WB to public.*

*Regarding external reporting it is also prescribed that irregularities can be reported directly to bodies authorized to deal with the content of the application in accordance with a special law and established system of detection and handling of irregularities. In that kind of competent*

	<p><i>authorities are also included bodies which aim is to protect financial interest of EU . Regarding court proceedings provisional measures are prescribed which aim is to protect WB from retaliation during procedures. Also, Law foresee sanctions for breaching rights of WBs and also sanction for the protection against malicious reporting, because the Law forbids the abuse of whistleblowing.</i></p> <p><b>Agency for Payments in Agriculture, Fisheries and Rural Development:</b> <i>Irregularities can be reported to the Paying Agency anonymously within the Paying Agency and / or by a third party, the applicant's personal data and anonymity is protected.</i></p> <p><b>2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?</b> <input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><b>The Ministry of Regional Development and EU Funds:</b> <i>MA cooperates with all national bodies in the fight against irregularities and frauds. If the Decision on the established irregularity contains elements related to suspicion of fraud, according to The Common National Rules (CNR); Part 13: Irregularities; chapter 4: The Decision on the irregularity, IBs-level II are obligated, without delay, to send an official letter as well as all relevant documentation to the Croatian State Attorney (CSA) and to inform The Anti-Fraud and Fraud Prevention Service (AFFPS) as the organizational unit of the Ministry of Finance of the Republic of Croatia, and all bodies involved in MCS. Besides CSA notified in accordance with the preceding paragraph, IB level II carries out the procedure for determining the irregularity (chapter 5 of the CNR). Until a decision is made about the existence of an irregularity or fraud, member state does not claim funds from EC.</i></p> <p><b>Agency for Payments in Agriculture, Fisheries and Rural Development:</b> <i>In regards with the promotion of systematic and timely cooperation between judicial and administrative authorities, the Legal Affairs and Court Proceedings Service in the Paying Agency within their capacity provides relevant information to judicial authorities upon their requests in duly matter, gives their statements upon requests of the State's Attorney Office, on the civil actions of the beneficiaries against the Republic Croatia or Paying Agency and maintains good cooperation with the State's Attorney Office. Finally, the Legal Affairs and Court Proceedings Service in the Paying Agency monitors and participates the civil and/or administrative proceedings on relevant courts which results in claims against Republic Croatia or Paying Agency been rejected or dismissed.</i></p>
IT	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b> <input checked="" type="checkbox"/> YES,</p>

	<p><i>The Managing Authority has established a Fraud Risk Assessment Task Force and a Checks Quality Review Task Force, in addition to implementing the ARACHNE system with assistance from the Ministry of Economy and Finance/Auditing Authority.</i></p> <p><b>2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?</b></p> <p><input checked="" type="checkbox"/> YES, partly implementing the recommendation</p> <p><i>The risk analysis is carried out by the Fraud Risk Assessment Task Force, under the supervision of the Ministry of Economy and Finance/Auditing Authority. The analysis is tailored on the specific needs of the National Operation Programme for School, which mostly covers State-run schools, and thus does not perfectly mirror the 2017 PIF Report.</i></p> <p><b>2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistleblowers, who are also a crucial source for investigative journalism?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>Pursuant to Italian legislation, the Ministry of Education, under which the Managing Authority operates, has implemented a comprehensive whistleblowing protection system. The MA itself routinely receives reports from whistleblowers, which are always investigated, while ensuring that the identity of the whistleblower is not disclosed.</i></p> <p><b>2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?</b></p> <p><input checked="" type="checkbox"/> YES, partly implementing the recommendation</p> <p><i>The Managing Authority will always respond to any request from a national judicial authority, while at the same time monitoring Court proceedings which are related to irregularities in the Operational Programme. It should be noted that Italian judicial authorities are independent from the Civil Service; moreover, proceedings will often be classified. The cooperation between administrative authorities is mandated by Italian law.</i></p>
CY	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b></p> <p><input checked="" type="checkbox"/> YES,</p> <p><i>Risk assessment has been incorporated in all administrative and on the spot procedures undertaken by responsible bodies involved in programmes under shared management in the areas of Cohesion Policy, Fisheries and Aid to the Most Deprived. E.g. Risk assessment methodologies are incorporated in procedures for selecting procurement procedures in order to perform administrative verifications regarding the legality and regularity of the tender notice, evaluation and assignment procedures. Risk analysis is also used in order to select transactions to verify in terms of payment claims submitted by beneficiaries with a large number of supporting documents, or during on the spot controls for measures with a large number of final recipients. Risk analysis incorporates data on the nature of beneficiaries, the nature of</i></p>

	<p><i>projects and the type of expenditure involved, based on ex-ante assessment of the associated risk to each category and incorporating results of previous verifications and audits.</i></p> <p><b>2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>Information regarding staff involved in co-financed projects has been incorporated in the MIS used for the management of four shared management programmes covering the areas of Cohesion Policy, Fisheries and Aid to the Most Deprived. Staff cost has been assessed as a high risk area for fraud during the fraud risk self-assessment exercise undertaken by the responsible authorities. The information in the MIS will be extracted in reports in order to identify trends and used in the framework of administrative and on-the-spot controls.</i></p> <p><b>2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistle-blowers, who are also a crucial source for investigative journalism?</b></p> <p><input checked="" type="checkbox"/> NO</p> <p><b>2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>Enhanced cooperation between judicial and administrative authorities exist in cases of detected irregularities which may result to a suspicion of fraud or established fraud. Any other types of irregularities are handled within administrative authorities. The Legal Department of the Cyprus Government (particularly the Unit for Combating Money Laundering -MOKAS) is involved in the AFCOS composition. MOKAS and the Legal Department of the Cyprus Government function under the Attorney General of the Republic and in the event of legal cases undertake the responsibility to investigate in cooperation with other administrative authorities.</i></p>
LV	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b></p> <p><input checked="" type="checkbox"/> YES,</p> <p><i>(Information given by Ministry of Agriculture) Recommendation given in the 2016 PIF report has been implemented in Latvia and in the Follow-up to the recommendations 2017 we have already provided a detailed explanation as to what steps we have taken to implement the recommendation.</i></p> <p><b>2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?</b></p> <p><input checked="" type="checkbox"/> YES, partly implementing the recommendation <i>(Information given by Ministry of Agriculture)</i></p> <p><input checked="" type="checkbox"/> NO <i>(Information given by Ministry of Welfare) We set up internal risk management and anti-fraud control system in the managing</i></p>

*authority, clearly defining the roles and responsibilities of personnel in the implementation of the activities, avoiding any conflict of interest in the decision-making process, ensuring at least two participation in decision making and the person responsible for the supervision of operations to be supported and ensuring FEAD beneficiaries of the awareness of the institutions involved in the management of the FEAD readiness ensure the risk management process and capacity to fight fraud.*

*The institutions involved in the management of the FEAD shall take the measures necessary to prevent and detect potential risks, including fraud. The risk management established for expenditure shall be applied uniformly to all type.*

**2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistle-blowers, who are also a crucial source for investigative journalism?**

YES, fully implementing the recommendation

*The Whistleblowing law was adopted by Parliament in final reading on 11 October, 2018 and the law will enter into force on 1 May, 2019 (<https://likumi.lv/ta/id/302465-trauksmes-celsanas-likums>)*

*Corruption Prevention and Combating Bureau (KNAB) has developed appropriate amendments to the Law On Prevention of Conflict of Interest in Activities of Public Officials (Law No 150/Lp13, First reading, 13.12.2018.), which provides “If a public official becomes aware of conflict of interest situations or possible cases of corruption, including bribery of a foreign official in the performance of his or her duties, it informs the Head of an institution of a public person or KNAB. If a State official working in a State security institution becomes aware of information regarding conflict of interest situations in the performance of his or her duties, it shall inform the Director of the Constitution Protection Bureau, but regarding possible cases of corruption - the head of the institution or the KNAB or the Prosecutor General (Section 21, Paragraph 5).*

*However, the obligation of establishment of the internal reporting mechanism of State and local government institutions and State Owned Enterprises (SOE) is laid down in the regulations developed by the KNAB and adopted by the Cabinet of Ministers of 17 October 2017. 630 “Regulations Regarding Basic Requirements for Internal Control System for the Prevention of the Risk of Corruption and Conflict of Interest in Institutions of a Public Person” but recommendations, methodological assistance and examples of internal controls, including the establishment of a reporting mechanism, are contained in the guidelines developed by the Bureau and approved on 31 January 2018 regarding the basic requirements of the internal control system for the prevention of the risks of corruption and conflict of interest in the institution of a public person.*

*In addition, Competition Councils competence is to discover infringements resulted from collusive behaviour of bidders also those participating in all public tenders (also those connected with Competition Council tool build in the webpage provide possibility for whistle-blowers inform unanimously about competition law infringements writing unanimous report. The information given by whistle blower may*

	<p><i>include the information about the cartels (collusive horizontal agreements) between undertakings (also bidders in the procurements). Another legal tool Competition Council have to enhance reporting about cartel infringements is leniency program that provides the possibility to get full immunity from fines to first applicant and significant reduction to next undertakings that admit violation and submit additional evidence (more detailed explained here). This program was substantially improved by legislative amendments in 2016. In 2018 Competition Council finished elaboration and published more detailed guidelines explaining procedure and criteria for potential leniency applicants (available here). During often educational activities to stakeholders (sectoral NGO's, undertakings) CC besides presenting and explaining what is forbidden and constitutes infringement also informs about the possibilities and benefits of leniency program.</i></p> <p><b>2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>We suppose this point should be covered by measures, which are being implemented within training programs. We consistently organize seminars and working parties for institutions involved in administration of EU financial interests and investigative bodies. For example, in 2018 intermediate body (Central Finance and Contracting agency- CFCA) and Procurement Monitoring Bureau (PMB) organized informative workshops sharing the best practices in EU funds administration. One of the seminars, which was led by PMB, was on the request of investigative bodies.</i></p> <p><i>AFCOS LV in 2018 implemented closure events (seminar and study visit) which were co- financed by HERCULE III programme. In both, seminar and study visit participated colleagues from EU funds administrating bodies and investigative bodies.</i></p> <p><i>(1) Seminars main idea was to make a dialog between investigative bodies and investigative media. Using presentations and discussion sessions participants tried to find a compromise between those two sides. OCCRP (<a href="https://www.occrp.org/en">https://www.occrp.org/en</a>) shared their experience in fighting fraud and corruption as well.</i></p> <p><i>(2) Study visit was organised to OLAF, Belgium AFCOS, Antwerp customs and other institutions with investigative powers. After those activities, we see improvement of cooperation between Latvian national institutions and OLAF.</i></p> <p><i>Competition Council consistently enhances cooperation with other judicial and administrative authorities during enforcement and cartel investigation activities (with State Police, Corruption Prevention and Combating Bureau etc.) exchanging evidences and information, advocacy and educational activities.</i></p> <p><i>Competition Council launched in 2017 and continued in 2018 cycle of seminars with Corruption Prevention and Combating Bureau (the KNAB) and the Procurement Monitoring Bureau (the PMB)</i></p>
LT	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b></p> <p><input checked="" type="checkbox"/> YES,</p>



*The Ministry of Finance, as Managing Authority of the Operational Programme for the European Union Investments for 2014-2020 (hereinafter - the Operational Programme), in order to minimize as much as possible the probability of occurrence of corruption and fraud in administration and use of assistance from the European Union Structural Funds, annually analyses various available and received information:*

*- reviews the provisions for reducing the incidence of corruption and fraud manifestations laid down in national legislation and measures for transparency and for reducing the probability of fraud embedded in the legislation governing the management of assistance from the EU Structural Funds;*

*- analyses recommendations specified in surveys and evaluations of the Special Investigation Service, Financial Crime Investigation Service, Transparency International local department in the relevant year, proposals for the improvement of the administration of assistance from the European Union Structural Funds,*

*- reviews received information on possible cases of inappropriate use of assistance from the European Union Funds and etc.*

*In accordance with the aforementioned information, the Ministry of Finance assesses the need for additional measures to reduce the probability of possible occurrence of fraud and corruption manifestations.*

*Following the assessment in 2018, the need for additional preventive measures in such areas as evaluation of applications, carrying out on-the-spot checks, communication activities, public procurement, public and private interests and gift policy, etc. has been established.*

*Additional measures to be implemented by the Ministry of Finance in 2019 include both various checks (e.g. quality control of the application evaluation) and preventive actions: training for institutions of the Operational Programme (e.g. training on public and private interests and gift policy), recommendations to project promoters and employees of the Operational Programme Management and Control System on ethics, conflicts of interest and legal liability for criminal offenses, etc.*

**2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?**

*N/A*

**2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistleblowers, who are also a crucial source for investigative journalism?**

**YES, fully implementing the recommendation**

	<p><i>On 28 November 2017 the Seimas (Parliament) of the Republic of Lithuania enacted a new Law on the Protection of Whistle-Blowers (No XIII-804) which provides for the protection of whistle-blowers. The law entered into force on 1 January 2019. The law lays out a mechanism of the whistle-blower's protection and ensures confidentiality of persons reporting offenses of officers and public servants. Even prior to the enactment of this new legal act, the State Tax Inspectorate (STI) was already undertaking practises to promote whistle-blowing. The STI could receive anonymous reports on possible tax violation via the trust line. Persons could also submit the report via the STI website or by downloading the mobile app "Inform ".</i></p> <p><b>2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>As regards systematic and timely cooperation between judicial and administrative authorities, Article 33(1) of the Republic of Lithuania Law on Tax Administration was amended to provide the access for tax authorities to anti-money-laundering information. When performing the functions assigned to it, the tax administrator (officer) shall have the right: to obtain from persons, including credit, payment, and electronic money institutions, the data required for the performance of its obligations, copies of documents, computer file data (copies thereof) concerning the assets, income, expenses and activities of this or another person, including the beneficial owner as that term is defined in Law on the Prevention of Money Laundering and Terrorist Financing and to use information from the registers and databases administered and managed by itself or other legal persons.</i></p>
LU	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b></p> <p><input checked="" type="checkbox"/> NO</p> <p><i>The only European structural funds managed in Luxembourg and falling within the scope are the ones covering the agricultural sector (i.e. FEADER &amp; FEAGA). We assume that this question refers to recommendation 4 we received last year. According to the latter, Member States have to review their fraud risk assessments in relation to market support measures. As no fraud cases related to "market support measures" have occurred yet in the agriculture sector, we did not make improvements in this area after the 2016 report. Thus, we cannot compare national results with those from the PIF report.</i></p> <p><b>2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?</b></p> <p><input checked="" type="checkbox"/> YES, partly implementing the recommendation</p> <p><i>Following measure is a continuous process and is therefore still being implemented: The Paying Agency for Agricultural Funds Services, whose mission has an impact on the financial operations of the European Union, must set up an alert system (article 58 of regulation</i></p>

	<p>1306/2013) to detect facts that may indicate fraud or attempted fraud. The management service defines as a red alert facts or information that becomes aware of as part of its daily work and whose content raises a suspicion as to the regularity of the action.</p> <p><b>2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistleblowers, who are also a crucial source for investigative journalism?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>Our managing authority in charge of FEADER &amp; FEAGA already implemented a whistleblower procedure in 2015. Since then, this authority has not changed anything.</i></p> <p><b>2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>Administrative and judicial authorities cooperate systematically, and in conformity with the legal and regulatory framework. In this respect, AFCOS Luxembourg, despite not having any investigating power, furthers such cooperation amongst national authorities as well as between national authorities and OLAF.</i></p>
HU	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b></p> <p><input checked="" type="checkbox"/> YES,</p> <p><i>A risk profile was generated for all headings most affected by any undervaluation (a total of more than 90 % of the products in Chapters 61-64 fall under CN code 492); all profiles were based on the fair market prices maintained by OLAF.</i></p> <p><b>2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>Fraud risk is identified and assessed by the managing authorities on the basis of the EGESIF_14-0021-00 model recommended by the Commission. Hungary has also drawn up methodological guidelines for this. The main processes assessed were:</i></p> <ul style="list-style-type: none"> <li>- <i>selection of applicants;</i></li> <li>- <i>implementation and verification of operations;</i></li> <li>- <i>certification and payments;</i></li> <li>- <i>public procurements carried out directly by the managing authorities.</i></li> </ul> <p><b>2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistleblowers, who are also a crucial source for investigative journalism?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p>

	<p><i>Citizens' complaints are of great assistance in the investigation of cases and identification of irregularities. The website <a href="http://www.antilop.hu/">http://www.antilop.hu/</a> provides a forum for making these complaints. Citizens can signal fraud there anonymously and have their identity as whistle-blowers protected and respected.</i></p> <p><b>2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>On 8 March 2018, the Prime Minister's Office provided training entitled 'The relevance of competition policy and regularity of public procurement when implementing EU funds'.</i></p> <p><i>Presentations were made by experts from the Hungarian Competition Authority (GVH), Public Procurement Authority (KH) and Directorate-General for Audit of European Funds (EUTAF). The training session dealt with the following topics:</i></p> <ul style="list-style-type: none"> <li><i>• the role and activities of the GVH in development policy;</i></li> <li><i>• EUTAF's experience of auditing public procurements carried out using Union funds;</i></li> <li><i>• the Public Procurement Authority's practice of auditing contracts;</i></li> <li><i>• key amendments to the Public Procurement Act's provisions on redress.</i></li> </ul> <p><i>The service currently responsible for coordination with regard to official requests and whistleblowing concerning the use of EU funds is the Department of Administration and Security of the Ministry of Innovation and Technology. In this way, enquiries relating to criminality referred to all managing authorities are concentrated in one organisational unit. This leads to reinforced personal contacts between the authorities and law enforcement services, increases transparency, reduced the number of parallel investigations and promotes the investigation and prevention of crimes involving the use of EU funds.</i></p>
MT	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b></p> <p><input checked="" type="checkbox"/> YES,</p> <p><i>The 2016 PIR Report had made 4 main recommendations to Member States. Mainly only 2 of these relate to the Funds Programmes Division (FPD), namely: (i) Improve the quality of data when reporting irregularities (Please vide reply to question 2.3, in particular to the fact that further progress was achieved in the computerised system for reporting of irregularities); (ii) Take into account the risk-analysis findings.</i></p> <p><i>With respect to point ii above, the Fraud Risk Registers of FPD have continued to be reviewed/fine-tuned (on a regular basis) to address new emerging fraud risks that necessitate alterations to the internal control system. (This leads also to the verifications/control checklists being continually updated to cater for new trends/patterns of the ways in which fraud is committed.)</i></p> <p><i>The Fraud Risk Register takes into account, amongst others, that:</i></p> <p><i>(i) The FPD has a specific unit titled 'Financial Control Unit' which reports directly to the Director General – FPD and works independently</i></p>

*of the verifications undertaken by the project desk officers. This Unit provides an added level of assurance to the DG – FPD with respect to financial management and control of funds.*

*(ii) In the case of procurement – a very sensitive area in the ambit of fraud-, the FCU conducts a review of the winning bids for indications such as fraudulent behaviour. This is usually performed on a sample of tenders; however, if irregularities are detected, the original sample is increased to include related tenders, in line with the sampling methodology.*

*(iii) In April 2018, the FCU has issued a circular titled ‘Addressing Fraud and Corruption in Public Procurement’ addressed to beneficiaries of EU Funds managed by the FPD. This not to mention the information sessions to beneficiaries.*

*(iv) The FPD uploads the ‘requests for quotations’ and ‘call for tenders’ on its website to ensure transparency in the award of contracts. Apart from this, the FPD makes the use of the government gazette and/or the government IT procurement system, namely the government’s e-procurement platform.*

*(v) The internal auditor within FPD reviews the operation of internal controls over procurement.*

**2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?**

YES, fully implementing the recommendation

*(In line with section 2.4.1.1 of 2017 PIF Report and section 9.2, Recommendation 2, concluding remark, also of 2017 PIF Report): The Responsible Authority (RA) within the Funds and Programmes Division (FPD) has revised its Anti-Fraud Policy and Anti-Fraud Strategy to address more specifically the needs of the Funds managed by it i.e. by the Responsible Authority. These documents were eventually circulated amongst all RA officers who had time to go through their contents and eventually signed a statement acknowledging their understanding and commitment to anti-fraud. Amongst others, the Anti-Fraud Strategy facilitates embeds further an anti-fraud culture where zero tolerance to fraud is the principle.*

*(In line with section 9.2, Recommendation 2, bullet 1 – 2017 PIF Report). In recent months, the risk register of the National Authority (NAU) within the Funds and Programmes Division (FPD) was reviewed and updated. (The NAU works with respect to educational funds e.g. Erasmus+). Special emphasis was assigned to the achievement of target indicators.*

**2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistleblowers, who are also a crucial source for investigative journalism?**

YES, fully implementing the recommendation

*The system for reporting of irregularities in computerised form has gathered further momentum. It is deemed pertinent to refer once again to the Manual of Procedures (MoP) of the Responsible Authority (RA) / Managing Authority (MA) (Funds and Programmes Division) which*

	<p><i>stipulate that any one player involved in the implementation of funds, who, at any stage of implementation and / or control procedure, becomes aware of an irregularity (whether individual or systemic), has the duty to immediately report the irregularity to the RA/MA by drawing up a specific report. The RA/MA will then circulate the report to all relevant stakeholders. In the case of public sector beneficiaries, the report, signed by the person reporting the irregularity, is sent to the Project Leader. The Project Leader will forward such information to the RA/MA as per preceding paragraph. Though the Manual of Procedures provides also for those circumstances where officers feel constrained to bypass the normal system of reporting irregularities, in which case the officer is given the opportunity to report any irregularity directly to the RA, an officer can still report the irregularity without worrying of having his/her identity known openly, in line with the Protection of the Whistle-blower Act which was already implemented in Malta in September 2013. This Act provides for procedures in terms of which employees in both the private sector and the public administration may disclose information regarding improper practices by their employees or other employees and be protected from detrimental actions.</i></p> <p><b>2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>The Maltese judiciary is made up of serving Judges and Magistrates who have been appointed to sit in the Superior and Inferior Courts. The Funds and Programmes Division (FPD), in handling the management of EU Funds and other Funds allocated to Malta, does not deal directly with the judiciary, but year in, year out, it enhances its cooperation with a number of other authorities having as part of the remit the combating of fraud.</i></p> <p><i>Noteworthy is the fact that irregular amounts, for both systemic and individual irregularities, shall be recovered within three months of circulation of the irregularity report (vide point 2.3 above). In cases where the beneficiary does not affect the payment as outlined in the irregularity report, reminders will be sent to the beneficiary following the three month recovery period and failure to submit the recovered amount, the FPD will institute legal proceedings through the Attorney General, for the recovery of the amounts involved.</i></p> <p><i>The FPD submits all irregularities detected to the Anti-Fraud Coordination Service (Malta) in computerised form. The FPD continued to seek the advice of the lawyers within the Attorney General's Office on grey areas and to liaise with the Department of Contracts on procurement issues and with the VAT department on financial issues falling within the remit of this department.</i></p>
NL	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b></p> <p><input checked="" type="checkbox"/> YES,</p> <p><i>The Netherlands organized workshops about the updated legislation on public procurement.</i></p> <p><b>2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?</b></p>

	<p><input checked="" type="checkbox"/> YES, partly implementing the recommendation</p> <p><i>In the acceptance phase of an operation we use software Company-info. We are also testing the use of Arachne. Before the start of an (EU) financed project we organize information meetings with beneficiaries. Discussed topics are for instance public procurement and conflict of interests. On the website of the Managing Authorities the anti-fraud policy is published. Before performing “on the spot checks” or “behind desk controls” authorities draw up risk analyses.</i></p> <p><b>2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistle-blowers, who are also a crucial source for investigative journalism?</b></p> <p><input checked="" type="checkbox"/> NO</p> <p><b>2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?</b></p> <p><input checked="" type="checkbox"/> NO</p>
AT	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b></p> <p><input checked="" type="checkbox"/> YES,</p> <p><i>The fraud risk assessment of OLAF confirms our own findings, derived from Paying Agency administrative and on the spot controls and Clearance of accounts audit findings as well. Nevertheless we continue working to reduce the reasons for irregularity and possible fraud step by step. We know that improvements are mainly necessary in ABB02 (market subsidies) and Rural development projects. In these sectors strict rules for application, claim authorisation and on the spot controls are essential. All these steps may further take advantage of professional IT support.</i></p> <p><b>2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>In EAGF and EAFRD a widespread set of rules is applicable since years for administrative and on the spot controls including risk assessment and sample selection securing a 20 % share of random on the spot check samples.</i></p> <p><b>2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistle-blowers, who are also a crucial source for investigative journalism?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>Full implementation of the recommendation in the framework of risk based Paying Agency control procedures.</i></p> <p><b>2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?</b></p>

	<input checked="" type="checkbox"/> YES, partly implementing the recommendation
<b>PL</b>	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b></p> <p><input checked="" type="checkbox"/> NO</p> <p><i>The competent national institutions in Poland typically use risk analysis tools to identify the areas most vulnerable to fraud. With regard to the use of the risk elements discussed in the PIF Report, the Partnership Agreement Coordinating Authority will bring this aspect to the attention of all relevant cohesion policy managing authorities, giving recommendations for drawing up annual control plans for the financial year 2018/2019.</i></p> <p><b>2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>Threats and identified risks of fraud are taken into account by the competent national institutions in subsequent analyses and risk assessments drawn up under the 2014-20 programming period, with a particular focus on those priority areas in cohesion policy and those market measures in the agricultural sector which have the highest fraud rates. The national institutions are also regularly made aware of the need to take into account the findings of the Commission in the PIF Reports when carrying out ongoing tasks related to the implementation and control of EU funds.</i></p> <p><i>For example, the Ministry of Agriculture and Rural Development draws up quarterly plans for controls carried out in the framework of the Managing Authority's supervision of subordinate bodies involved in implementing the 2014-2020 Rural Development Programme. For the purpose of drawing up the above-mentioned control plan, a risk analysis is carried out, taking into account, inter alia:</i></p> <ul style="list-style-type: none"> <li><i>• the steps involved in implementing the individual support instruments, including the amount of public funds spent;</i></li> <li><i>• the results of previous controls and audits (e.g. the results of controls by the competent national and EU institutions — Supreme Audit Office, Agency for Restructuring and Modernisation of Agriculture, EC, ECA);</i></li> <li><i>• planned checks by the Paying Agency;</i></li> <li><i>• complaints, requests and other signs of irregularities;</i></li> <li><i>• the results of studies and analyses.</i></li> </ul> <p><i>In addition, the Paying Agency has compiled a document entitled 'List of signs of fraud' which contains the most frequent signs of fraud in the Agency's areas of activity, and it has made this available for use by staff members and entities carrying out delegated tasks. Amongst other things, this document contains descriptions of fraud that involves artificially creating the conditions for obtaining financial assistance, methods</i></p>



*of checking the evidence pointing to fraud, and the procedure to be followed in the event that fraud is confirmed. The list is updated every year based on the results of an annual fraud risk analysis. E-learning courses on fraud prevention are provided on an annual basis for all staff and units carrying out delegated tasks, and conventional training courses are provided for individual organisational units.*

**2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistle-blowers, who are also a crucial source for investigative journalism?**

YES, partly implementing the recommendation

*In order to make it easier for people who have knowledge of potential irregularities and fraud in the use of EU funds, the competent institutions are creating appropriate tools for this kind of information to be submitted electronically, i.e. using dedicated forms or mailboxes. Such arrangements help to ensure that programmes are implemented in an ethical, open and transparent manner. They also allow for a prompt response to problems that could otherwise remain undetected or be identified too late, with irreversible consequences. Information which whistle-blowers provide in good faith on suspected fraud is of particular importance. However, the degree of willingness with which they share knowledge with the competent institution still depends on the quality of the arrangements in place and how they ensure that there are no repercussions for whistle-blowers. This may be illustrated by the example of two institutions.*

*The Paying Agency responds to all reports of irregularities and fraud received, whether or not they have been signed and whether or not they are anonymous, as well as to relevant information in the press. An e-mail address dedicated to reporting fraud committed by beneficiaries and/or the staff of institutions has been made available on the Agency's website. When information is received on irregularities or fraud, the allegations are analysed in all cases and, where justified, investigations and/or checks are carried out.*

*The Managing Authority of the Operational Programme Infrastructure and Environment (OP IE) has developed a mechanism which transmits warning signals of irregularities to a dedicated email address or via an electronic form (e-Nieprawidłowość). Managing Authority staff are responsible for the initial verification of the information. In the event that the report concerns the OP IE, the information it contains is sent to the competent body with a request for detailed analysis in order to confirm the irregularity. Once the analysis has been carried out, the body must inform the Managing Authority of the action taken to resolve the issue, including in particular handing over the case to other authorities and services, i.e.: the Office of Competition and Consumer Protection (UOKiK), the Central Anti-Corruption Office (CBA), the Internal Security Agency (ABW) and the public prosecution service. Where the report does not concern the OP IE, it is passed on to the relevant authority. This mechanism has resulted in a total of 113 reports, of which 76 were concerned projects under the OP IE 2007-13 or 2014-20.*

*With regard to the protection of whistle-blowers, even before the draft directive was published Poland was working on the draft law on transparency in public life, which provides both for protection of whistle-blowers and for an obligation for businesses employing 50 or more employees to introduce effective internal procedures to prevent corruption. This entails ensuring that there are internal procedures for*

reporting irregularities. The draft proposes that whistle-blower status would be conferred by the public prosecutor when reliable information is reported on offences committed. A whistle-blower's long-term contractual relationship with the entity concerned by the report would be protected.

In addition to the government draft, consultations are under way on a citizen's draft act on the protection of whistle-blowers, which provides for comprehensive rules on the legal status of persons who, due to their duties, work or contract, have reported irregularities or have given assistance in making such a report.

Both initiatives are still in the draft phase.

#### **2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?**

YES, fully implementing the recommendation

Cooperation in this area has been carried out and stepped up for a number of years at central and regional levels. This applies to:

- action taken by the institutions to implement and check EU funds with support from, and the involvement of, law enforcement agencies;
- the activities of other institutions, such as the KAS, whose control activities assist in detecting infringements (which may result in irregularities or fraud) and thus help to increase the level of protection of the EU's financial interests.

For example, as regards the promotion of cooperation with law enforcement authorities in the recent past, the Paying Agency has continued the cooperation with law enforcement authorities that was established a few years ago: the Central Anti-Corruption Office and the Police's economic crime units. In 2018, cooperation was established with the Organised Financial Crime Division of the Police's Central Bureau of Investigation. In 2018 the Paying Agency also continued to participate in the regional working groups on fighting crime that is harmful to the European Union, in which it developed cooperation with the tax authorities, law enforcement agencies and other institutions involved in the distribution of EU funds.

The collaboration between the judicial and administrative authorities responsible for cohesion policy is implemented under a cooperation agreement between the National Public Prosecutor and the minister responsible for regional development. On the basis of this agreement, regular exchanges of data take place concerning the recipients of EU funds which have been the subject of investigative measures. In addition, a number of institutions make use of the possibility to consult public prosecution service representatives when timely data on ongoing proceedings are needed.

The KAS and other institutions, including in particular law enforcement authorities, cooperate on the basis of the principles laid down in the official agreements concluded in 2017-2018 between the Head of the KAS and:

- the Commander-in-Chief of the Police;

	<ul style="list-style-type: none"> <li>• <i>the head of the Central Anti-Corruption Office;</i></li> <li>• <i>the head of the Internal Security Agency;</i></li> <li>• <i>the President of the Office of Competition and Consumer Protection.</i></li> </ul>
PT	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b></p> <p><input checked="" type="checkbox"/> YES,</p> <p><i>The Portuguese Institute for the Financing of Agriculture and Fisheries [Instituto de Financiamento da Agricultura e Pescas - IFAP] wished to highlight the following: We wish to point out that the content of the communications to OLAF (sent on a quarterly basis) is taken into account during risk assessment, particularly when establishing the sample for on-the-spot checks on applications and aid requests submitted.</i></p> <p><b>2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>The IFAP wished to highlight the following:</i></p> <p><i>Risk assessment is an integral part of the management systems and the checks on measures financed by the IFAP; it is also particularly important when establishing the sample and procedures for administrative checks and on-the-spot checks on applications and aid requests submitted.</i></p> <p><b>2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistle-blowers, who are also a crucial source for investigative journalism?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>The IFAP wished to highlight the following: The IFAP continuously monitors tip-offs it receives (relating to irregularities that may have been committed or attempted in its area of activity) and has put procedures in place to assess and deal with such incidents. This is particularly important when establishing the (risk-based) sample for on-the-spot checks on applications and activities receiving financial support.</i></p> <p><b>2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>The IFAP wished to highlight the following: The IFAP maintains strong links with the judicial authorities; this is particularly relevant when carrying out investigations to determine criminal liability in cases in which grants are obtained fraudulently, where detailed information on the aid schemes and the implementation of measures is crucial to the success of the investigation.</i></p>

RO	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b></p> <p><input checked="" type="checkbox"/> YES,</p> <p><i>MA for Operational Programme for Fisheries and Maritime Affairs 2014-2020: it was introduced at the levels of the procedures in place at MA level the check list called Fraud indicators 'checklist including questions related to the conflict of interests.</i></p> <p><b>2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>MA for Operational Programme for Fisheries and Maritime Affairs 2014-2020:</i></p> <p><i>Together with the above stated check-list, there are also included at all levels the civil servants sign a declaration of impartiality in relation to the projects verified, approved, controlled, upon case. Having in view the risk analysis system set in place at MA level, there have been organised presentations at decision takers' level and regional centers, in order to make them aware of the responsibilities/ tasks they have in this respect.</i></p> <p><i>The National Agency for Public Procurement:</i></p> <p><i>President of ANAP issued the Order no. 314 on 22.02.2018 for the approval of the Methodology for ex-post control on the award of public procurement contracts/ agreements, sectoral framework contracts/ agreements, works concession contracts and service concession contract. This methodology, compared to the previous one, introduces a risk analysis in case the number of ex officio intimations is greater than the actual possibility of performing ex-post control. The risk analysis is based mainly on the following criteria: the estimated value of the contract, the number of rejected offers in relation to the number of offers received, the public procurement procedure used, the history of the ex-post control carried out at the contracting authority. This order was in effect until 2nd of June, 2018, when the Government Emergency Ordinance no. 45 has entered into force which provides that ANAP has no longer attributions in the ex-post control of public procurement contracts.</i></p> <p><b>2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistle-blowers, who are also a crucial source for investigative journalism?</b></p> <p><input checked="" type="checkbox"/> YES, partly implementing the recommendation</p> <p><i>Ministry of European Funds:</i></p> <p><i>At national level, protection of whistle-blowers is regulated through Law no. 571/2004 concerning protection of the persons from public authorities and institutions which indicate law breaching. At level of Ministry of European Funds the system procedure concerning the protection of whistle-blowers is under internal endorsement.</i></p> <p><i>Operational Programme for Fisheries and Maritime Affairs 2014-2020:</i></p>
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	<p><i>It was not the case up to the present, but in the procedure related to the Control Unit, such a reporting tool is included.</i></p> <p><b>2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?</b></p> <p><input checked="" type="checkbox"/> YES, partly implementing the recommendation</p> <p><i>Ministry of European Funds: Cooperation with judicial and administrative authorities is governed by national legislation, and it mainly consists in case by case data communications on request from the MA to Courts and/or Prosecutors' offices. On the other side, communication from PO and MA is still limited, Pos being reluctant to communicate judicial files stages.</i></p> <p><i>MA for Operational Programme for Fisheries and Maritime Affairs 2014-2020: Is fully implementing the recommendation – in all cases that they were requested till present.</i></p> <p><i>The Rural Investments Financing Agency: Besides the control missions carried out on the basis of a sample and complaint, the Control and Antifraud Directorate ensures a permanent collaboration with bodies that have attributions in investigating cases of irregularities and suspicions of fraud. In this respect, the Control and Antifraud Directorate, through the External Operational Cooperation Service, collaborates with OLAF, DLAF, DNA, Police and the Prosecutor's Office in order to verify, detect, evaluate and monitor cases of irregularities and suspicions of fraud.</i></p>
SI	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b></p> <p><input checked="" type="checkbox"/> YES,</p> <p><i>Cooperation with the attorney general, better information, better cooperation, early detection of fraud, improved system performance and consequently fewer corrections.</i></p> <p><b>2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?</b></p> <p><input checked="" type="checkbox"/> YES, partly implementing the recommendation</p> <p><i>Government Office for Development and EU Cohesion Policy: Cooperation with the Attorney-General has been/will be strengthened. There is still room for improvements. Arachne was introduced. Arachne will be more spread to implement in future. Reference to use of Arachne was made in co-financing agreements like it is with anti-corruption clause. More education on Arachne will follow what will include intermediate bodies.</i></p> <p><b>2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistleblowers, who are also a crucial source for investigative journalism?</b></p> <p><input checked="" type="checkbox"/> YES, partly implementing the recommendation</p> <p><i>Government Office for Development and EU Cohesion Policy: Slovenia has ratified UNCAC – UN Convention against Corruption and has</i></p>

	<p><i>done public debate of the protection of applicants. Integrity and Prevention of Corruption Act protects in Article 23 applicants/reporters of potential irregularities in field of corruption.</i></p> <p><i>Agency of the Republic of Slovenia for Agricultural Markets and Rural Development (AKTRP): We encourage the employees to report any irregularities related to the Agency's scope of work. We have put a mailbox in the hallway for the employees to anonymously report irregularities or other infringements related to the funding or the administrative procedure. The applicants (or other parties, the public) on the other hand can choose a contact in the Agency's website and report irregularities via e-mail.</i></p> <p><b>2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?</b></p> <p><input checked="" type="checkbox"/> YES, partly implementing the recommendation</p> <p><i>Government Office for Development and EU Cohesion Policy:</i></p> <p><i>There is an institutional cooperation between Managing authority and Attorney-General in field of exchange of information interpretation of European cohesion policy and cooperation when the lawsuit is/are lodged. MA provides information about system of cohesion policy. Occasionally MA and Attorney-General are meet at meetings to exchange information's. Every year the list of open cases before law courts are actualized. Also the intermediate bodies have the obligation to send information's about their open cases on law courts. In future the link between judicial and administrative authorities has to be strengthened to have a lecture before employees in court that there conquer the logic of European cohesion policy.</i></p>
SK	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b></p> <p><input checked="" type="checkbox"/> YES,</p> <p><i>I. The Supreme Audit Office of the SR (SAO) is obliged to assess the fraud risk when planning and conducting audits. This is a general requirement of the auditing standards – ISSAI. In addition, the SAO has its own internal system of monitoring potential fraud/ fraud risks.</i></p> <p><i>II. The Public Procurement Office (PPO) has during the transposition period fully implemented the Directives No. 2014/23, 2014/24/ and 2014/25/ into the national legislative via new public procurement act No. 343/2015, which is effective since 18. 4. 2016. To enhance transparency the PPO has since 2014 implemented the electronic profile of contracting authority, which is free of charge and publicly available on the web site of our Office. It contains the whole documentation of the public procedure and is a very useful tool for the public control, because its functionality, which allows a backward control of all public procedures realized by the contracting authority. Another very useful tool to enhance transparency of the public sources management in public procurement is the electronical Registry of beneficial owners invented and launched by our Office and since 1. February 2017 overtaken and modified by the Slovak Ministry of Justice. The main reason for this is to ensure that the public procurement contract is concluded only with economic operators that have a known ownership structure up to</i></p>

*the level of natural persons. The identification and verification of the beneficial owner is carried out by an authorised person, such as by a lawyer, a notary, a bank, an auditor or a tax advisor. Since 18. 10. 2018 the PPO has implemented the fully electronisation of public procurement procedure by the upgrade of IS EVO (electronical system for public procurement managed by our Office). IS EVO supports all public procurement procedures and DPS; is integrated with profile of contracting authority and IS of data collection; it contains wizard for choosing the right tender notice; it supports the conversion of "paper" tenders into electronical form; records all activities in the system; in order to speed up the access to documents, auditing records are visible only for control authorities and at the end the system shortens the delivery of documentation needed in the case of public procurement control.*

*III. The Ministry of Environment of the Slovak Republic as the Managing Authority for the Operational Programme Quality of Environment (hereinafter "OP QE") carries out the management of risks / risks of frauds relevant to the OP QE in accordance with EGESIF\_14-0021-00 of 16 June 2014 "Fraud Risk Assessment and Effective and Proportionate Anti-Fraud Measures" and in line with the Risk Management Procedures of the OP QE.*

*The MA for the OP QE uses:*

*1) The ARACHNE system, which serves as a mandatory auxiliary search engine of data contained therein, to identify projects that could potentially be susceptible to fraud risks, conflict of interest and irregularities, and as a source of information for evaluating individual risk indicators.*

*The ARACHNE system is a specific in-depth data analysis tool to identify projects under the ESIF that might be susceptible to fraud, conflict of interest and irregularities. ARACHNE could increase the efficiency of project selection and management, audit, and further strengthen the fraud detection and fraud prevention.*

*2) The IT monitoring system ITMS2014+, which serves to document the identified irregularities in the 2014-2020 programming period.*

*3) A whistleblowing system, the key element of which is the protection of whistle-blowers in an employment relationship within the meaning of Act No. 307/2014 Coll. on certain measures related to the reporting of anti-social activity and on the amendment of certain acts as amended:*

*- Anonymous or non-anonymous reporting of potential risks, including suspicion of fraud and illegal activities at the email address: rizika\_opkzp@enviro.gov.sk,*

*- Anonymous corruption reporting via a telephone line established by the MoE SR in the framework of the transparency policy: <http://www.minzp.sk/envirospion/>,*

*- anonymous or non-anonymous corruption reporting via the telephone line established by the Office of the Government of the Slovak Republic, available at: [www.bojprotikorupcii.vlada.gov.sk](http://www.bojprotikorupcii.vlada.gov.sk),*

*- Non-anonymous reporting of suspected criminal offenses or other illegal activities, with an impact on EU and Slovak Republic finances on*

*the e-mail address: infoirq@minv.sk established by the National Criminal Agency of the Presidium of the Police Force,  
- Anonymous reporting of suspected fraud and irregularities with an impact on EU funds to the European Anti-Fraud Office (OLAF EC):  
<https://fns.olaf.europa.eu/>.*

*4) Trainings to raise awareness of fraud, possible fraud and fraud indicators.*

*IV. Agricultural Paying Agency (APA) adopted the Directive on solution of irregularities and refunded financial funds of the Agricultural payment agency no 4/2017 Coll. which facilitates the whole procedure.*

*V. The Ministry of Labour, Social Affairs and Family of the SR as a Managing Authority responsible for European Social Fund Program (OP Human Resources) tries to apply all recommendations and procedures relevant for European Social Fund Program (OP Human Resources) and its tools.*

*VI. The Ministry of Transport and Construction of the SR as a Managing Authority of Operational Programme Integrated Infrastructure (MA OP II) implemented prevention measures of the fraud risk self-evaluation during the year 2016 in accordance with regulations of European Commission.*

**2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?**

YES, fully implementing the recommendation

*I. The Supreme Audit Office of the SR has specific role in this field. Risk analysis is required for the whole processes of auditing (strategic planning, annual planning, planning an audit, conducting an audit, follow up etc.)*

*II. The Public Procurement Office (PPO) partly implemented the recommendation. In 2018 has the PPO strengthen the cooperation between the national control bodies by the signing the Memorandum of Understanding with Antimonopoly Office, Supreme Audit Office and General Prosecutors Office. The signed MoU stipulates better coordination on the national level in the fight against fraud, corruption and irregularities. In this year PPO prepares with the cooperation of Supreme Audit Office a methodological guideline about the assessment of economy and cost effectiveness in public procurement.*

*III. The Ministry of Environment of the Slovak Republic as the Managing Authority (MA) for the Operational Programme Quality of Environment (OP QE) had partly implementing the recommendation. MA analyses the risks in the framework of the risk management. The process of the risk management is a continuously ongoing activity aimed at minimizing the negative impacts that could jeopardize the achievement of the OP QE objectives. The methodology of risk management and tools used for risk management are specified in point 2.1.*

*IV. The Ministry of Agriculture and Rural Development of the SR and Agricultural Paying Agency (APA) partly implementing the*



*recommendation. Units implementing direct payments and project support use risk analysis for direct payments and also for project supports. Based on the risk analysis, the schedule for ex-post control is made annually.*

*V. The Ministry of Labour, Social Affairs and Family of the SR (partly implementing the recommendation) as a Managing Authority responsible for European Social Fund Program (OP Human Resources) analyses all results of controls during this period and outcomes of the analysis will be transformed into risk management in the second quarter of 2019 (Q2 2019).*

*VI. The Ministry of Transport and Construction of the SR implemented recommendations assigned in the 2017 PIF Report into management documentation. Amendments related to enhancement of transparency in grant selection process evaluation procedure, prevention from conflict of interests, exploitation of risk-analysis, strengthening of public procurement control.*

### **2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistle-blowers, who are also a crucial source for investigative journalism?**

YES, fully implementing the recommendation

*I. The scope of the Slovak whistle-blower framework is ambitious; it provides for a comprehensive approach to whistle-blower protection that extends beyond the public sector. The Slovak Republic adopted Act No. 307 on Whistle-Blowers Protection already in July 2014 and by this law several aspects of the whistle-blowers protection were introduced into the Slovak legislation. These aspects include the protection of whistle-blowers in the context of criminal proceedings and in the context of delicts of administrative nature, as well the internal whistle-blowers complaint system and the whistle-blower's reward etc.*

*In 2018 the Office of Government of the Slovak Republic sponsored the internal preparatory process of the new revised whistle-blowers protection law which provides improved and more effective whistle-blowers protection. This revised law includes the EU (and the OECD) recommendations related to the improvement of protection of whistle-blowers as well as the latest proposal for a Directive of the European Parliament and of the Council on the protection of persons reporting on breaches of Union law.*

*By this new law, the establishment of a dedicated independent Office for the whistle-blowers' protection is foreseen. The Office will also oversee the compliance with that law, provide expert opinions and advice on its application, advocate the provision of whistle-blowers' protection and it will also draft annual reports for the National Council of the Slovak Republic in this area. The Office will also have the competence to draw attention to the deficiencies in addressing the suspicions that have been reported. This revised law was adopted by the Slovak Parliament in January 2019 and is expected to come into force in March 2019.*

*II. The Public Procurement Office (PPO) partly implemented this recommendation. PPO supervises public procurement and has adopted internal Directive No. 1/2015 on measures related to the reporting of anti-social activities. Any official of PPO may fill a complain related to*

*anti-social activities (Article 2 (2) of Directive 1/2015):*

- 1. in written form to the responsible person (internal controller) or to the Office Desk of PPO,*
- 2. verbally in form of record to the responsible person,*
- 3. electronically 24 hours/day at: [podnety@uvo.gov.sk](mailto:podnety@uvo.gov.sk)*

*To support the public control in the field of public procurement PPO has created on his web site link for reporting of irregularities at: [kontrola@uvo.gov.sk](mailto:kontrola@uvo.gov.sk), [nezrovnalosti@uvo.gov.sk](mailto:nezrovnalosti@uvo.gov.sk), [dohlad@uvo.gov.sk](mailto:dohlad@uvo.gov.sk) or direct link for OLAF: <http://www.uvo.gov.sk/informacny-servis/OLAF397.html>.*

*III. The management documentation (The Ministry of Environment of the Slovak Republic) for the Operational Programme Quality of Environment (OP QE) includes the implementation of the fraud notification system, the key element of which is the protection of whistle-blowers in accordance with the above mentioned Act. Currently, in relation with the OP QE it is possible:*

- Anonymous or non-anonymous reporting of potential risks, including suspicion of fraud and illegal activities at the email address: [rizika\\_opkzp@enviro.gov.sk](mailto:rizika_opkzp@enviro.gov.sk),*
- Anonymous corruption reporting via a telephone line established by the MoE SR in the framework of the transparency policy: <http://www.minzp.sk/envirospion/>,*
- Anonymous or non-anonymous corruption reporting via the telephone line established by the Office of the Government of the Slovak Republic, available at: [www.bojprotikorupcii.vlada.gov.sk](http://www.bojprotikorupcii.vlada.gov.sk), - Non-anonymous reporting of suspected criminal offenses or other illegal activities, with an impact on EU and Slovak Republic finances on the e-mail address: [infoirq@minv.sk](mailto:infoirq@minv.sk) established by the National Criminal Agency of the Presidium of the Police Force,*
- Anonymous reporting of suspected fraud and irregularities with an impact on EU funds to the European Anti-Fraud Office (OLAF EC): <https://fns.olaf.europa.eu/>.*

*IV. The Ministry of Agriculture and Rural Development of the SR (partly implementing the recommendation) elaborated internal procedure concerning whistle-blowers protection in accordance with act no. 307/2014 Coll. that provides crucial legal base. To protect whistle-blowers it is possible to report anonymously, no informants are reported and cases are addressed based on suggestions, results of own controls and findings and published information. Pursuant to internal procedure rules, informants are enabled to report irregularities electronically via publicized e-mail address.*

*V. The Ministry of Labour, Social Affairs and Family of the SR (partly implementing the recommendation) as a Managing Authority responsible for European Social Fund Program (OP Human Resources) set up procedures in accordance with European and national legislation.*

VI. The Ministry of Transport and Construction of the SR checks every initiative, information from the media and potential irregularities are investigated by approved procedures. All of the initiatives, information from the media mentioned above, are registered. Register is regularly audited and assessed by audit and control bodies, including Audit Authority. Protection of whistle-blowers is provided in accordance with legal system/ regulations valid and efficient in SR.

VII. The Ministry of Culture of the SR amended the Staff Regulations, which introduced, inter alia, procedures for reporting any fraud, corruption or serious irregularity and protecting staff reporting infringements from negative consequences (for example, created a special email address for reporting any fraud, corruption: [podnet307@culture.gov.sk](mailto:podnet307@culture.gov.sk)).

#### **2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?**

YES, fully implementing the recommendation

I. For the purposes of fulfilling the obligations resulting from Article 325 TFEU, the Slovak Government charged The Central Contact Point for OLAF (CCP OLAF), which forms an organisational unit of the Section of Control at the Government Office of the SR. The role of the CCP OLAF is to coordinate legislative, administrative and operative activities with a view to ensure the protection of the EU's financial interests and for the same purpose to closely cooperate with the Slovak bodies and institutions engaged in the system of such protection - AFCOS network.

In order to ensure the integration and cooperation of the AFCOS network partners, the Government of the SR established the Steering Committee for the Protection of the European Union's Financial Interests in the Slovak Republic, associating members from national institutions and bodies responsible for the management, implementation, control and audit of expenditures of the EU's budget and, on the other hand, for the withdrawal, control and audit of financial resources representing a source of income to the EU's budget, as well as cooperation with bodies and institutions responsible for recovery procedures, the sanction imposing and penalization of the originators of illegal activities relative to the abuse of the EU's financial interests.

II. The Ministry of Finance of the SR, Certifying authority (CA) considers close cooperation with above mentioned authorities as essential, especially in relation to managing authorities. The CA does not need to cooperate with mentioned authorities on a regular basis, since all the data related to the CA's work is obtained through managing authorities. However, the CA itself had taken steps to strengthen relationship with the Office for Public Procurement and The Antimonopoly Office by closing memorandums of cooperation. What we perceive as insufficient is the cooperation among the managing authorities and police bodies in exchange of information about ongoing criminal investigations in EU funded projects. The process of receiving relevant information from police bodies is time-consuming, that is why we strongly believe this cooperation should be supported even by legislation. As to the judicial authorities, the CA agenda does not require direct cooperation,

nevertheless the CA is regularly analysing the decisions issued by all types of courts.

III. The Supreme Audit Office of the SR concluded several memorandums with appropriate authorities (investigations, prosecutor, public procurement, academic community etc.). The cooperation (communication, notice....) with key authorities is annually assessed. Feedback still lacks.

IV. Chairman of the Public Procurement Office (PPO) has since his election launched cooperation with various partners (law, economic and technical universities in order to ensure that public procurement will be obligatory subject for students with support of lecturers from PPO). In 2018 – closer cooperation with key National central government bodies on horizontal level – signed memorandum of understanding with Antimonopoly Office of the Slovak republic, Supreme Audit Office of the Slovak republic, General Prosecutors Office of the Slovak republic, Central Coordination Body from Deputy Prime Minister's Office for Investments and Informatization of the Slovak Republic, Ministry of Finance of the Slovak Republic, as Audit Authority, Institute of Financial Policy, Department of Value for Money. At regional level deeper PPO cooperates with self-governing regions in Slovak republic and Association of Towns and Municipalities of Slovakia. PPO has many meetings with representatives from business sector for example with American, Netherland, Sweden Business Chamber, Business Alliance of Slovakia, Slovak Trades Association, and The National Union of Employers. PPO strengthening the cooperation on international level: Chairman of the PPO has initiated the strengthening of cooperation between the PPO and OECD via signed MoU; strategic partnership with the European Commission associated with regular meetings with representatives of DG GROW and DG REGIO; strengthening closer cooperation with member states of Visegrad Group in the field of public procurement.

V. The Ministry of Environment of the SR, the Managing Authority (MA) for the Operational Programme Quality of Environment (OP QE) carries out regular quarterly monitoring of all ongoing judicial proceedings in which the MoE SR acts as a party (or injured party) and which resulted from the implementation of the OP QE. At the same time, the MA provides all the cooperation necessary for the detection of irregularities, incl. fraud, in relation to both courts and law enforcement agencies. We would like to point out the fact that in line with the Manual of Procedures of the MA for the OP QE, the MA employees are obliged to report suspicion of committing a crime to relevant units of the Police Force.

VI. The Ministry of Agriculture and Rural Development of the SR and Agricultural Paying Agency (partly implementing the recommendation), in particular their units implementing direct payments and project support work closely with law enforcement authorities and provide maximum cooperation during investigations. There were cases, when it was necessary to withdraw from the contract and prosecutions were submitted based on suspicion of abusing EU's financial interests.

VII. Considering the detection and investigation of crimes committed in the process of project implementation the Ministry of Labour, Social Affairs and Family of the SR as a Managing Authority responsible for European Social Fund Program (OP Human Resources) cooperates very

	<p><i>closely with the law enforcement authorities and courts of justice.</i></p> <p><i>VIII. The Ministry of Transport and Construction of the SR (MA OP II) regularly contacts judicial and administrative authorities to gain information about judicatory and administrative procedures being the progress in term of risk / fraud prevention. MA OP II monitors regularly via internet publicly accessible databases of judicial and administrative authorities at the same time, where the information on the actions in courts, state´s claims against entities and information on solving protests at the public procurement process are available.</i></p>
<b>FI</b>	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b></p> <p><input checked="" type="checkbox"/> YES,</p> <p><i>Finland legislated a new law concerning public procurement and concession contracts, executed from 2017. The functions of the electronic project management system EURA 2014 include corrective measures and findings, which can be marked as suspected fraud. In the field of agriculture, the cooperation between different actors has increased with the development of risk assessment. Also the fraud awareness has improved among regional authorities.</i></p> <p><b>2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?</b></p> <p><input checked="" type="checkbox"/> YES, partly implementing the recommendation</p> <p><i>The Managing Authority of the ERDF and ESF has provided training and education by experts to the intermediate bodies about how to tackle fraud risks. The Managing Authority is planning to improve the system of red flags in all fields of fraud risks. The EMFF authorities carried out a fraud risk analysis and it will be updated with the information from the findings. The fraud indicators have been defined for the EMFF programme. In the field of agriculture disseminating information on possible methods of fraud has been part of the cooperation between the authorities.</i></p> <p><b>2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistle-blowers, who are also a crucial source for investigative journalism?</b></p> <p><input checked="" type="checkbox"/> YES, partly implementing the recommendation</p> <p><i>During control visits to the intermediate bodies the Managing Authority of the ERDF and the ESF has discussed about the organisation´s own whistle blowing process for the intermediate body´s employees. The Managing Authority is on the stage of making final decisions about a system of whistle blowing. The process of dealing with the information from the system is going to be established. A clear guidance has been published by the EMFF programme on how to report suspected fraud. Also with the agriculture funds, the reporting methods have been highlighted during the training sessions.</i></p> <p><b>2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?</b></p>

	<p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>Both the Managing Authority of the ERDF and the ESF and the intermediate bodies are all public authorities obliged by legislation. The administrative and criminal legislation concern public servants. The exchange of information and contacts between the authorities of the agriculture funds and the judicial authorities has increased as this has been highlighted during the training.</i></p>
SE	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b></p> <p><input checked="" type="checkbox"/> YES,</p> <p><i>There is still a need to continue training both management and administrators/economists in public procurement, something which was detected in the 2016 PIF Report.</i></p> <p><b>2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?</b></p> <p><input checked="" type="checkbox"/> YES, partly implementing the recommendation</p> <p><i>The Risk Assessment teams have taken part of the report and have, to some extent, used the findings in our risk assessment process for 2019.</i></p> <p><b>2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistle-blowers, who are also a crucial source for investigative journalism?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>Several authorities have a whistle-blower function in place and policies to strengthen the protection of whistle-blowers.</i></p> <p><b>2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?</b></p> <p><input checked="" type="checkbox"/> YES, fully implementing the recommendation</p> <p><i>The eight managing authorities (some are administrative and some judicial) have regular networking meetings several times a year. They meet to discuss OLAF reporting, take part in COCOLAF meetings and are also part of the SEFI Council which is headed by the Swedish Economic Crime Agency.</i></p>
UK	<p><b>2.1 Can you share any results deriving from the use of the findings from the 2016 PIF Report in your fraud risk assessments?</b></p> <p><input checked="" type="checkbox"/> YES,</p> <p><i>Contribution from Ministry for Housing, Communities and Local Government</i></p> <p><i>Potential or actual fraud cases relating to expenditure issues are being considered as part of subsequent reviews of our fraud risk assessment tool, with risk and controls revised accordingly. Also, in relation to our risk scoring tool, we are currently developing the narrative to clarify our decision making in relation to the scoring of risks (both gross and net risk), our confidence in the controls, and the necessity for</i></p>

*considering any additional planned controls.*

**2.2 Have you further exploited the potential of risk analysis, tailoring the approach to the different types of expenditure and taking advantage of best practices and the risk elements highlighted in the 2017 PIF Report?**

YES, partly implementing the recommendation

*A current trend of fraud referrals are linked to Small Medium Enterprises (SMEs) receiving expenditure in the form of small grants or vouchers. These types of projects fall within Priority Axis PA1 & PA3 of the 2014-20 ESIF programme. An analysis of all PA1 & PA3 live projects is currently underway to identify what coverage of compliance (A125) & audit (A127) have been undertaken and any issues identified link to grants to SME's. Also, a random sample will also be checked by Counter Fraud Designated Officers (CFDOs) to ensure these issues are not systemic.*

*Good practice is to ensure tighter processes are in place for Grant Recipients & their Delivery Partners and that stricter tests are undertaken by the Managing Authority when SME's are providing evidence for payment e.g. checks on Companies House that the company is active; further evidence & checks to support invoices submitted to claim their small grant or voucher.*

**2.3 Have you facilitated and assessed the spontaneous reporting of potential irregularities and strengthen the protection of whistleblowers, who are also a crucial source for investigative journalism?**

YES, partly implementing the recommendation

*The fraud referral process within MHCLG European Directorate has been established and is functioning effectively. A team of trained Counter Fraud Designated Officer (CFDOs) are the first point of contact. The Growth Delivery Teams (GDTs) are aware of the CFDOs roles, and assurance of confidentiality of whistle-blowing from staff members. Policy and guidance has been strengthened with the development of the new Counter Fraud and Conflict of Interest Policy, which merges the previous Counter Fraud Policy, Counter Fraud Strategy, Conflicts of Interest Policy and Whistleblowing Policy into one document. Good links with Government Internal Audit Authority (GIAA) and their Investigation Team are being utilised to pursue suspected fraud cases.*

**2.4 Have you promoted systematic and timely cooperation between judicial and administrative authorities?**

NO