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From: Secretary-General of the European Commission,  
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 11 October 2019

To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of  
the European Union

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by the Member States in 2018 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 - 2018"

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Delegations will find attached document SWD(2019) 364 final.

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Encl.: SWD(2019) 364 final



Brussels, 11.10.2019  
SWD(2019) 364 final

**COMMISSION STAFF WORKING DOCUMENT**

**Implementation of Article 325 TFEU by the Member States in 2018**

*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 - 2018**

{COM(2019) 444 final} - {SWD(2019) 361 final} - {SWD(2019) 362 final} -  
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## **MEASURES TAKEN BY MEMBER STATES**

### **1 PROTECTING THE EU FINANCIAL INTERESTS**

The protection of the EU financial interests is a shared responsibility between the European Institutions and the Member States, which contribute to the largest part of the EU budget, collect the Traditional Own Resources on behalf of the EU, but also manage directly about 74% of its expenditure.

Article 325, paragraph 2, of the Treaty on the Functioning of the European Union (TFEU) states that "Member States shall take the same measures to counter fraud affecting the financial interests of the Union as they take to counter fraud affecting their own financial interests".

According to paragraph 5 of the same Treaty article, the "Commission, in cooperation with Member States, shall each year submit to the European Parliament and to the Council a report on the measures taken for the implementation of this Article".

To compile this document and gather the necessary information to prepare the aforementioned report, the Commission has requested Member States to report up to three measures, which they considered as the most important for the protection of the EU financial interests. In annex to this document, the reader will find the model survey through which these contributions have been collected, using the web platform EU Survey.

### **2 OVERVIEW OF THE MEASURES TAKEN BY MEMBER STATES IN 2018**

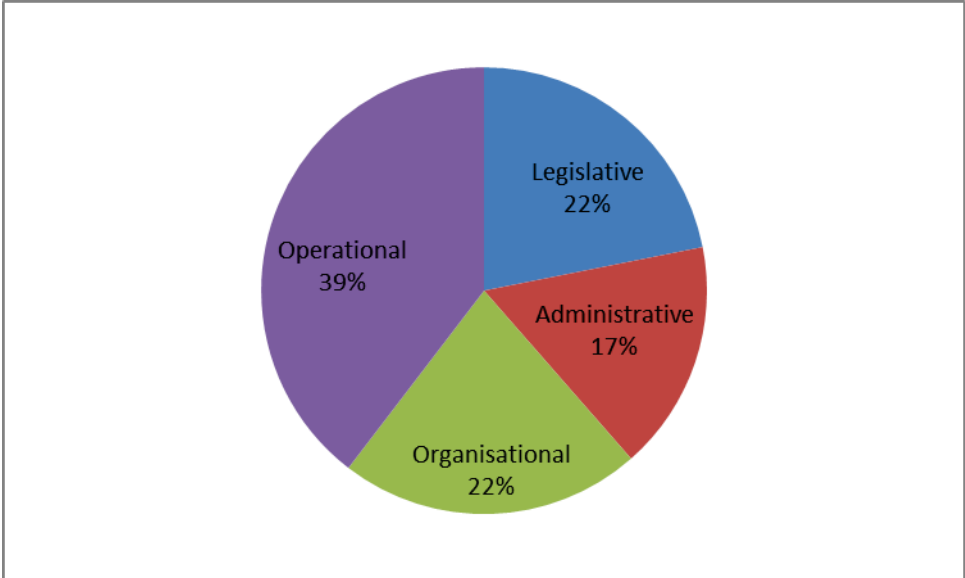
Member States reported a significant number (71) of measures in 2018 on the protection of the EU's financial interests and the fight against fraud. As Member States were invited to report a maximum of three (most important) anti-fraud measures, this document therefore offers a good, albeit non-exhaustive, overview of trends and priorities in the anti-fraud measures implemented by Member States. The number of measures effectively reported would be higher, if one considers that Member States may report 'single' or 'package' measures. The latter usually encompasses a number of instruments adopted at the same time and to pursue the same objective. On the total number of reported measures, 29 (41%) consisted of 'package' measures.

Some Member States also reported additional measures (for a total of 14). They are detailed in chapter 6 of the present document.

7 Member States also reported case studies in various sector of the protection of the EU financial interests. They are collected in chapter 8.

Four different types of measures were reported and analysed: legislative, administrative, organisational and operational. In 2018 Member States reported a considerable number of measures focusing on operational aspects (almost 40%). Legislative and organisational measures have comparable shares on the total (22%), as showed in Figure 1.

**Figure 1: Distribution of reported measures by type**



Member States’ measures covered the entire anti-fraud cycle. Similarly to what reported in 2017, they focussed in particular on fraud prevention (80% of the measures) and detection (77%), mostly in the area of shared management and control of EU funds and public procurement (39%), followed by measures against conflict of interests and corruption (30% and 27% respectively).

Figure 2 shows how the various measures are distributed per area and stage of the anti-fraud cycle concerned.

**Figure 2: Measures shown by area addressed and stage/s in the anti-fraud cycle**

	Prevention	Detection	Investigation	Recovery	Total N° of measures
Public procurement	25	19	6	7	28
Financial crime (incl. money la	11	10	7	7	15
Organised crime	6	8	4	3	9
Corruption	17	12	6	5	19
Conflict of interest	20	18	5	7	21
Fraud definition	6	6	2	3	7
AFCOS	6	4	4	5	7
Whistleblower	7	6	5	4	7
Customs / TOR / illicit trade	8	10	3	3	13
Shared management and contr	25	22	8	9	28
Antifraud or anticorruption stra	13	13	9	9	14
Other	14	12	7	7	16
<b>TOTAL</b>	<b>57</b>	<b>55</b>	<b>23</b>	<b>21</b>	<b>71</b>
<b>%</b>	<b>80%</b>	<b>77%</b>	<b>32%</b>	<b>30%</b>	<b>100%</b>

Figure 3 breaks down the same information by Member State and by area concerned.

Figure 3: Number of measures reported by area

Member State	No of measures	Public procurement	Financial crime (incl. money laundering)	Organised crime	Corruption	Conflict of interest	Fraud definition	AFCOS	Whistleblower	Customs / TOR / illicit trade	Shared management and control of EU funds	Antifraud or anticorruption strategy	Other
BE	3	1				1					1	1	1
BG	3	2	1		1	2	1		1		2	1	1
CZ	3	1	1		1	1				1		1	1
DK	2					2					2	1	
DE	3	3			2	2	1		1		1	1	1
EE	3	1	1		1	1	1			2			
IE	1										1		
GR	3	1	1		1	1	1	1	1	1	2	1	
ES	2	2				1							1
FR	0												
HR	1							1					
IT	3	1									2	1	1
CY	3	3				2							
LV	3	1	3	1	2	1	1	1	1	3	1	1	
LT	3				1	1	1						2
LU	2										2	1	
HU	3	2	1	1	2		1				1		1
MT	2	1		1	1					1			1
NL	3		2			1		2		2	1		1
AT	3	2	1		1	1	1			1	1	1	
PL	2										1		1
PT	3			1					1	1	1		
RO	3	3	1		2	2		1			2	2	
SI	3	1				1	2			1	1		3
SK	3	1	1								3		
FI	3				1					1	1		
SE	3		2	2	2	2		1	1		2	1	
UK	2	2				1	1				1	1	1
<b>TOTAL</b>	<b>71</b>	<b>28</b>	<b>15</b>	<b>9</b>	<b>19</b>	<b>21</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>13</b>	<b>28</b>	<b>14</b>	<b>16</b>
% of total	100%	39%	21%	13%	27%	30%	10%	10%	10%	18%	39%	20%	23%

It should always be kept in mind that each measure can target more areas.

The majority of measures were sectoral (64%), but those of a horizontal nature represent more than a third (36%), as showed in Figure 4.

Figure 4: Cross-cutting v Sectoral

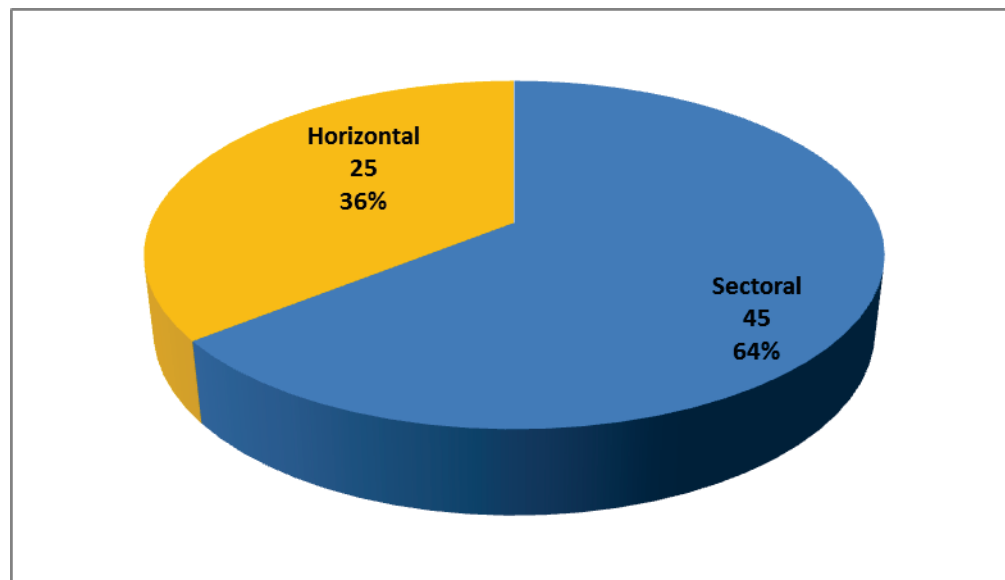


Figure 5 breaks down this information by Member State.

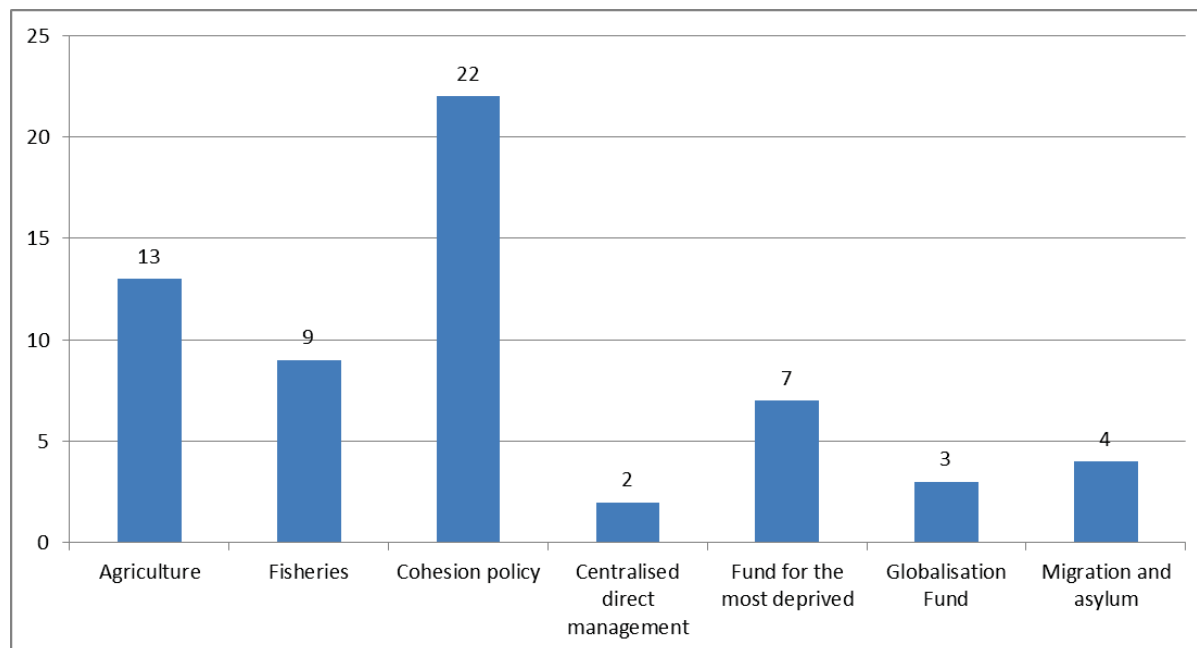


Figure 5: Cross-cutting vs Sectoral by Member State

Member State	Horizontal	Sectoral	Total
AT		3	3
BE	1	2	3
BG	2	1	3
HR	1		1
CY	3		3
CZ	3		3
DK		2	2
EE	1	2	3
FI	1	2	3
FR			0
DE		3	3
GR	1	2	3
HU	2	1	3
IE		1	1
IT		3	3
LV	2	1	3
LT	1	2	3
LU		2	2
MT	1	1	2
NL		3	3
PL		2	2
PT		3	3
RO	2	1	3
SK		3	3
SI	1	2	3
ES		2	2
SE	3		3
UK		1	1
<b>TOTAL</b>	<b>25</b>	<b>45</b>	<b>70</b>

Among the sectoral measures reported, about 30 relate to various expenditure sectors and 14 to revenue. One addressed both areas of the budget. Figure 6 shows that the majority of adopted measures in expenditure sectors largely relates to Cohesion policy, followed by Agriculture and Fisheries.

**Figure 6: Sectoral measures: expenditure**



## 2.1 Legislative measures

Member States reported twenty-one legislative measures (of which 6 as part of a package of measures). The majority of these acts are horizontal. Legislative measures reported by Member States mainly relate to the definition of competences and powers (9 measures each) or of a specific topic (8). Four of these measures targeted recovery. Their adoption is mainly meant to clarify or consolidate existing rules and to enforce the rules in line with developments in EU law (11).

## 2.2 Administrative measures

Sixteen administrative measures have been reported by Member States (of which 12 as part of a package of measures) and they were mainly addressing 'monitoring/desk checks' (11), 'irregularities reporting' and 'management of the EU funds' (9). Almost half of these measures also targeted 'on-the-spot checks'. The purpose of such measures was mostly to clarify or consolidate existing rules (11).

## 2.3 Organisational measures

Twenty-one organisational measures were reported by Member States (of which 14 adopted as part of a package of measures). In 2018 Member States focused on 'general trainings' and 'fraud awareness trainings' (10 measures). Almost another half of the measures concerned redefining the competence of existing bodies (9) and enhancing 'inter-agency cooperation' (8). Organisational measures mostly resulted neutral in terms of resources (14), but in a number of cases (6) they produced an increase of resources for the bodies concerned.

## 2.4 Operational measures

In 2018, the focus of Member States was on operational measures, as they reported 38 of such measures (of which 21 as part of a package of measures). On the same line of the previous year the greatest majority of these initiatives referred to the introduction/use of 'risk indicators' (20) and of 'IT tools' (14). Similarly to 2017 a good number of measures (12) aimed at better 'structuring the cooperation with law enforcement. The true operational nature of these measures is witnessed by the expected results declared by the Member States: a more efficient 'targeting of checks (25), enhanced information flow (21) and enhanced ex-ante controls (20).

## 3 CROSS-CUTTING ANTI-FRAUD INITIATIVES AND MEASURES BY MEMBER STATES

The present chapter will focus on the 25 horizontal measures adopted by the Member States in 2018, which were reported via the questionnaire.

Paragraph 2.1 deals with the development of National Anti-Fraud Strategies, considering its horizontal impact on the systems of protection of the EU financial interests in Member States. It is mainly an update of information already provided in the same Commission Staff Working Document accompanying the PIF Report 2017.

Paragraphs from 2.2 to 2.4 focus on specific topics/themes addressed by the measures adopted by Member States.

### 3.1 Progress on the development of National Anti-Fraud Strategies<sup>1</sup> in 2018

By the end of 2018, a total of eleven Member States had adopted a National Anti-Fraud Strategy and transmitted it to the Commission, while another one has notified it in the beginning of 2019<sup>2</sup>. The Commission invites all other Member States to follow such example and establish NAFS based on the Guidelines prepared by the Commission in collaboration with Member States experts.

In reply to the PIF questionnaire 2018, two more Member States informed the Commission of having adopted a NAFS, but this has not been communicated yet. Another Member State informed the Commission of having adopted a sectorial antifraud strategy (Customs)<sup>3</sup>.

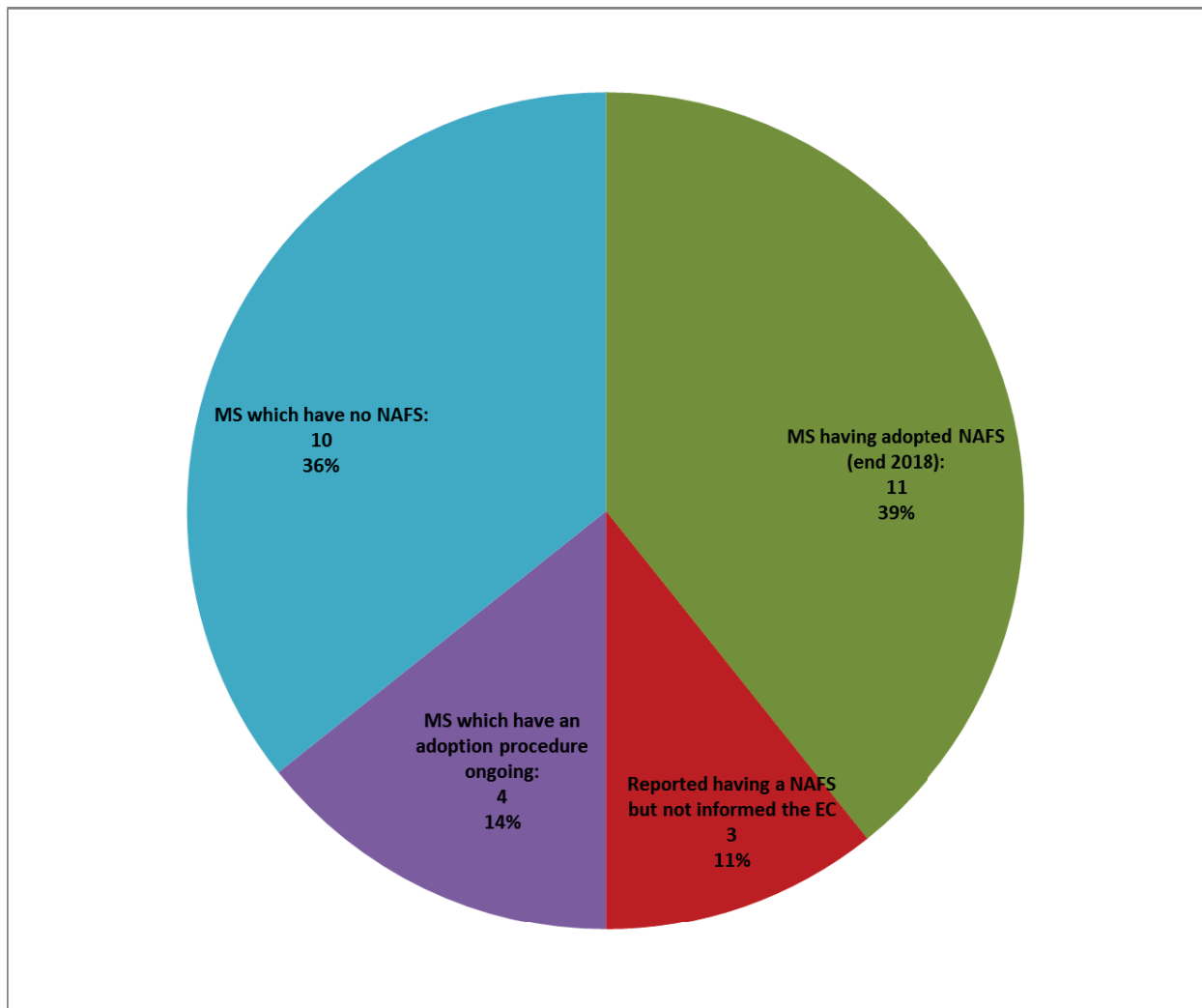
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<sup>1</sup> The Commission invites Member States to consult the General Guidelines on National Anti-Fraud Strategies when starting the procedure of establishing a NAFS.

<sup>2</sup> The ten Member States are: *Bulgaria, Croatia, Czech Republic, France, Greece, Hungary, Italy, Latvia, Lithuania, Malta* and *Slovakia*. *Austria* reported its strategy in the beginning of 2019. *Portugal* and the *United Kingdom* replied to the questionnaire that they have adopted a National Anti-Fraud Strategy, but they have not communicated it officially to the Commission. Furthermore, *Romania* indicated that their strategy was applicable to a former programming period and are currently preparing a new one. Besides, *Belgium, Luxembourg* and the *Netherlands* reported that the procedure to establishing a NAFS is on-going.

<sup>3</sup> See footnote 2.

**Figure 7: NAFS: State of play**



A National Anti-Fraud Strategy allows for structuring the fight against fraud affecting EU and national budgets at Member State level. It helps identifying vulnerabilities to fraud in the systems, assessing the main fraud risks, setting and implementing adequate responses; evaluating progress made, adapting the response to the evolution of the fraud trends and the resources available, and ensuring the involvement of all relevant stakeholders in particular by means of enhanced collaborative and coordinated actions. A NAFS also helps to ensure harmonisation of the response to fraud risks throughout the country, especially in the case of a decentralised management structure.

The benefits of a National Anti-Fraud Strategy include:

- ✓ Ensuring the effective and efficient protection of the EU financial interests (i.e. improving the prevention, detection and fight against corruption and any other illegal activities affecting the financial interests of the Union);
- ✓ Setting out a better working framework upon which the institutions involved in the process of implementation and control of EU funds could work together to improve administrative capacity and determine more precisely the roles and

responsibilities of the institutions involved. This would ensure effective co-ordination of legislative, administrative and operational activities of the institutions;

- ✓ Achieving a higher degree of recovery of unduly spent funds from the budget of the European Union and contributing to proportionate and dissuasive penalties in accordance with the applicable law.

### 3.1.1 *Background to NAFS*

The new Multiannual Financial Framework applicable to the programming period 2014-2020 has been strengthened as regards fraud risk assessment, fraud prevention and detection. For shared management the sectoral Regulations require Member States:

- to put in place effective and proportionate anti-fraud measures, taking into account the risks identified,
- to take the necessary steps to prevent, detect and sanction fraud and irregularities effectively and
- to reimburse irregular amounts to the EU budget.

However, going beyond the immediate regulatory requirements and embedding these anti-fraud measures in a National Anti-Fraud Strategy (NAFS) is encouraged in order to ensure better monitoring of the fight against fraud detrimental to the financial interests of the EU and that of the Member States, as well as to ensure homogenous and effective practices, especially where the organisational structures are decentralised.

The Commission has recommended in several occasions<sup>4</sup> the adoption of NAFS which could provide the pertinent framework for enhancing the impact of all individual initiatives taken at national level to protect the EU financial interests and the same request has been reiterated several times in the motions for resolutions adopted by the European Parliament on the protection of the EU financial interests<sup>5</sup>.

Also the European Court of Auditors, in its Special Report 06/2019: *Tackling fraud in EU cohesion spending: managing authorities need to strengthen detection, response and coordination* has acknowledged the importance of such instruments, recommending that "Member States that do not have a national anti-fraud strategy should formulate one".

### 3.1.2 *Guiding principles*

In the last three years, the COCOLAF Fraud Prevention Group focused on various aspects of the NAFS topic. First, as a pilot project, the working group in 2014 prepared the 'Guidelines for National Anti-Fraud Strategies for European Structural and Investment Funds (ESIF)'. These guidelines laid down the foundation for drafting a National Anti-Fraud Strategy, however with a limited scope on expenditure in the

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<sup>4</sup> E.g. recommendation 1 in the PIF Report 2014. COM(2015) 386 final.

<sup>5</sup> See, for all, paragraph 5 of the motion for a European Parliament Resolution on the *Annual Report 2017 on the protection of the European Union's financial interests – fight against fraud* (2018/2152(INI)).

field of ESIF. In the following year, another working group was set up to target the practical side of NAFS. As a result, in 2015 the document called 'Practical steps towards drafting of a National Anti-Fraud Strategy' was issued together with a practical tool<sup>6</sup> to carry out the assessment of the state of play with regard to the current measures in place, taking into account all the four stages of the anti-fraud cycle.

The current guidelines represent an update of the NAFS guidelines issued in 2014. The working group in 2016 aimed at revising as well as enlarging the previous guidelines for the NAFS so that it become a horizontal document covering all shared management expenditure: European Structural and Investment Funds (ESIF), Agriculture, Home Affairs Funds (AMIF/ISF) and Fund for European Aid to the Most Deprived (FEAD). In addition, the guidelines were enriched with a number of concrete examples of Member States' practice that have proven to be successful.

### **3.2 Measures to enhance transparency and fight corruption and anti-conflict of interest in public procurement**

13 measures were reported which addressed the issue of corruption in public procurement.

<p><b><i>Bulgaria – Act on combating corruption and forfeiture of illegally acquired property and creation of a specialised body</i></b></p>
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In the beginning of 2018, **Bulgaria** adopted the Act on combating corruption and the forfeiture of illegally acquired property (ZPKONPI), and the creation of a single specialised body - the Commission for the combating of corruption and the forfeiture of illegally acquired property (KPKONPI). The Act was published in State Gazette No 7 of 19 January 2018, amended in State Gazette No 1 of 3 January 2019.

The Act aims to protect the interests of the public by: effectively combatting corruption; ensuring that persons in high public office exercise their powers with honesty and integrity; preventing the unlawful acquisition and disposal of property, including resources from funds belonging to the EU or provided by the EU to the Bulgarian State.

Further, it removes the shortcomings resulting from the fragmented legal framework in the area of the fight against corruption. Different anti-corruption bodies are brought together in a single anti-corruption body.

In carrying out its duties, the Commission for the combating of corruption and the forfeiture of illegally acquired property (KPKONPI) organises seminars, training courses and information campaigns to combat corruption.

The objective of the Act is also to raise public awareness and to ensure that it is possible to monitor persons who play a decisive role in the disbursement of significant public funds, including EU resources, and who are at an increased risk of corruption. Under Article 59 ZPKONPI persons in high public office are not entitled to dispose of EU resources. The scope

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<sup>6</sup> In the form of an xls file.

of the Act also covers certain types of financial offences. Indictments for these types of offences entail proceedings for forfeiture of the property illegally acquired.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Public procurement; financial crime; organised crime; corruption; conflict of interests;	Single	Legislative	N	Competences, powers, other administrative penalties	to clarify or consolidate existing rules, to remedy flaws, to enforce the rules in line with developments in EU law, other	H
Detection	Whistleblower; Shared management and control of EU funds; Antifraud or anticorruption strategy						
Investigation and prosecution							
Recovery and sanction							

### ***Bulgaria - Act amending the Public Procurement Act***

The Act amending the Public Procurement Act was published in State Gazette No 86 of 18 October 2018 and entered into force on 1 March 2019, apart from some amendments which have different deadlines depending on the matters that they address.

The main objective of the Act amending the Public Procurement Act is to supplement and clarify the rules and conditions for the gradual introduction and implementation of the national electronic platform, as well as the relations between the different types of consumers. The use of the platform will allow public procurement contracts in Bulgaria to be awarded mainly by electronic means.

It lays down conditions for the introduction of the national electronic platform and electronic invoicing for payments due under contracts. The other changes concern greater publicity and transparency during procurement procedures, optimising the work of the competent bodies, supplementing and clarifying the current legal framework, including new penalties for offences that are not currently covered, optimising the type and scope of ex ante controls carried out by the Public Procurement Agency (AOP) and so on.

Electronic invoicing for payments due under contracts has been introduced. With a view to greater publicity and transparency, purchaser profiles will also be published for subcontractors, while information on ‘small contracts’ and on all additional agreements in connection with the contracts will be published in the public procurement register.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Public procurement, corruption	Single	Legislative	A	Competences, powers, definition of a specific topic, other administrative penalties, other	to clarify or consolidate existing rules, to remedy flaws, to enforce the rules in line with developments in EU law, other	H

### *Cyprus – Network of core officers for public procurement*

In 2018, **Cyprus** established a network of core officers for the area of public procurement covering all ministries, departments and other contracting authorities of the wider public sector and conducted the first set of trainings which also covered areas against fraud and corrupt practices.

The training covered all areas of public procurement - publication, evaluation, award and implementation and also covered sensitive areas for conflicts of interest, fraud and corruption.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reason for measure	Horizontal / sectoral
Prevention	Public procurement, conflict of interests	Single	Administrative	A	Management of funds, monitoring/desk checks, penalty	To clarify or consolidate existing rules; to enhance existing measures	H
Detection							

### *Cyprus –E-procurement*

In 2018 **Cyprus** proceeded to the automatic publication of tender prices with the opening of tenders through the e-procurement system for all open tender procedures above and below the EU thresholds.

The measure limits the possibility for corruption and conflicts of interest since it allows full transparency of the tender procedure to all parties (information available to the general public not just affected parties).

Via the implementation of this IT-tool, it will enhance fraud prevention and detection and allow for a better targeting of checks and investigations.



Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reason for measure	Horizontal / sectoral
Prevention	Public procurement	Single	Operational	N	IT tools ("IT data feeding", "Other It")	Enhanced information flow; targeting of checks, targeting of investigations	H
Detection							

***Cyprus – Mandatory electronic submission of all published tenders both above and below the EU threshold***

The measure limits the possibility for corruption and conflicts of interest since it allows full transparency of the tender procedure to all interested parties and enhances participation and cross border involvement in the Cypriot public procurement market.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reason for measure	Horizontal / sectoral
Prevention	Public procurement, conflict of interests	Single	Operational	N	IT tools ("IT data feeding", "Other It"), Increased number of checks	Enhanced information flow; enhanced ex-ante controls	H

***Czech Republic - Continuity of training in the area of public procurement***

This organisational measure, adopted by the **Czech Republic** in July 2018, results from the need to continue improving the awareness of participants in public procurement procedures, as well as of the expert community and the general public in the Czech Republic. The Ministry of Regional Development as the entity overseeing Act No 134/2016 on public procurement, as amended, launched a new training programme in October 2016. It is aimed at significantly enhancing users' expert knowledge of public procurement, and not just in connection with the newly adopted public procurement legislation, as the training events also focus on controls on public procurement.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reason for measure	Horizontal / sectoral
Prevention	Public procurement, corruption	Single	Organisational	A	General trainings	Neutral on resources	H

### *Estonia – Checks on subcontractors*

In public procurement procedures relating to works and works concessions the contracting authority must verify that the subcontractors to successful tenderer do not have mandatory exclusion grounds according to Public Procurement Act art 95 para 1 (EU directive 2014/24/EL art 57 paragraphs 1 and 2). This provision applies to procurements above the threshold of 150 000 EUR. All additional first level subcontractors must be checked also during the implementation of a contract.

Directive 2014/24/EL art 57, paragraph 1, letters b) and c) include as exclusion grounds corruption and fraud. Verifying subcontractors, in addition to tenderers, protects EU financial interest and promotes the fight against fraud.

During public procurement procedure for works or works concessions, as well as during implementation of such contract, above the threshold of 150 000 euros, the contraction authority must verify the absence of mandatory exclusion grounds of first level subcontractors of the successful tenderer, stated in PPA art 95 paragraph 1. All tenderers must state in their tender that they do not employ any subcontractors with exclusion grounds. If an exclusion ground is detected, such subcontractor may not be part of implementation to the contract.

This legislative measure, amending the Public Procurement Act was adopted on July 2018 and aim to promote the fight against tax evasion.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reason for measure	Horizontal / sectoral
Prevention	Public procurement, financial crime, organised crime, corruption, conflict of interests	Single	Legislative	A	Other (public procurement)	to promote the fight against tax evasion	H
Detection							

***Finland - Legislative amendment on the more effective exchange of corruption-related information between authorities***

**Finland** adopted on May 2018 the Act 22/2018 which gives the tax administration the right to pass corruption-related information on to pre-trial investigation authorities on its own initiative. As part of amending the Act on the public disclosure and confidentiality of tax information, the tax administration has obtained the right to furnish, on its own initiative, other authorities with data on circumstances which come to light during the tax check and which may arouse suspicion of professional misconduct, bribery or an abuse of a position of trust. The amendment is aimed at making detection and investigation of corruption-related offences easier.

The Act on the public disclosure and confidentiality of tax information has been amended in such a way to give the tax administration the right to furnish, on its own initiative and without prejudice to the obligation of professional secrecy, the pre-trial investigation authority with tax information on circumstances which come to light in a tax check and which may arouse suspicion of certain offences relating to professional misconduct and bribery having been committed, as well as information identifying the taxable person.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Detection	Corruption	Single	Legislative	A	Competences	To clarify or consolidate existing rules; to remedy flaws	H
Investigation and prosecution							

***Hungary - anti-corruption activities of the Public Procurement Authority***

**Hungary** reported about the anti-corruption activities (organisational measures) of the Public Procurement Authority in 2018:

I. procurement market

(1) participating in implementing e-procurement

(2) verifying the legality of public procurement:

- verifying the legality of notices;
- verifying the legality of negotiated procedures without publication;
- verifying the execution and amendment of concluded contracts in requests for legal remedy;

(3) informing and organising training;

(4) engaging in activities aimed at increasing transparency, e.g.: managing the list

of banned tenderers; codes of ethics.

## II. Organisational measures by the Authority

Public procurement accounts for a substantial part of the Union budget. Consequently, making public spending integrity-based, transparent and accountable in the area of public procurement explicitly protects the Union's financial interests.

The Authority will manage its anti-corruption measures as a 'package', broken down in the above areas.

The Public Procurement Authority is committed to establishing and maintaining an organisation based on integrity. To this end, it has made improvements in a number of areas, including its internal communication system; it continuously reviews and updates internal rules and provides integrity training to staff.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Public procurement, corruption	Package	Organisational	New / Amendment	Inter-agency cooperation, general trainings, other	Neutral on resources	H
Detection			Operational	New / Amendment	IT tools, increased number of checks, other	Enhanced coordination; enhanced information flow; targeting of checks; enhanced ex-ante and ex-post controls	

The Authority's activities promoting the effective application of public-procurement law include publishing guidelines, continuously improving the IT system portal, organising training and conferences for interested parties and revising the Code of Ethics for Public Procurement. The Public Procurement Authority has been a party to the Joint Declaration of the State Audit Office since 2016, which was created to enhance the efficiency of the fight against corruption and to increase harmonised institutional resilience to corruption.

Integrity training for staff in 2018; selection of prospective staff members by screening. The conferences focus on the fight against corruption and the transparency of public procurement. An innovative tool, the mobile application Napi Közbeszerzés (Daily Public Procurement) has provided guidance in public procurement law since May 2017. Integrated with the Authority's other online interfaces, it offers up-to-date information and promotes transparency. Public contracts concluded after 1 January 2018 have to be uploaded to the Contract Register (CoRe) managed by the Authority. Available for search, the contracts are in PDF format.

The Authority manages the list of banned and excluded tenderers, as required by law. The Authority's code of ethics lays down ethical conduct in public procurement procedures. The Authority has appointed an integrity officer and set up an integrity working group. The Authority has also developed its relevant risk management plan.

***Lithuania – Additional measures by Managing Authority against corruption and fraud***

The **Lithuanian** Managing Authority reviewed the provisions of national legal acts on reducing the probability of occurrence of corruption and fraud cases and analysed the recommendations on the fraud risk assessment put forth by the Special Investigation Service (anticorruption agency), Financial Crime Investigation Service and Transparency International, Lithuania Chapter. As a result, the Managing Authority developed additional measures for reducing the occurrence of corruption and fraud cases.

This is an important preventive tool designed to manage the potential risks of fraud and corruption.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Corruption, conflict of interests	Package	Organisational	A	Competence, inter-agency cooperation	Neutral on resources	H
Detection							

***Latvia – Whistle-blower protection***

**Latvian** Parliament adopted the legislation on the protection of whistle-blowers on 11 of October 2018. It will enter into force on 1 May 2019. In addition, Corruption prevention and Combating Bureau (KNAB) has developed the Guidelines on Basic Requirements for Internal Control System for the Prevention of the Risk of Corruption and Conflict of Interest in Institutions of a Public Person, including municipalities and state owned enterprises.

The measure aims at promoting the raising of whistleblowing in the public interest regarding infringements, and to ensure the establishment and operation of whistleblowing mechanisms, as well as the adequate protection of whistle-blowers.

The Law was prepared in the course of the June 2014 evaluation of Latvia's compliance with the recommendation made by the United Nations (hereinafter - UN) Anti - Corruption Convention to develop a comprehensive and special legal framework for the legal protection of alerts, as well as to fulfil recommendations of the OECD in the areas of anti - corruption, public management and corporate governance, including the recommendations made to Latvia in the process of accession to the OECD, and the requirements of the Council of Europe.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results
Prevention	Public procurement, financial crime (including money laundering), organised crime, corruption, conflict of interests, whistleblower, customs/TOR/illegal trade, shared management and control of EU funds	Package	Legislative	N	Definition of a specific topic; other	To enforce the rules in line with developments of EU law
Detection			Administrative	N	Irregularities reporting, Other	To clarify or consolidate existing rules, other
			Organisational	N	General trainings, other	Neutral on resources

### *Malta – Specialist training for the Department of contracts*

The Department of Contracts of **Malta**, in conjunction with the Institute for Public Service (IPS), organised various training courses and workshops for both Contracting Authorities and employees of economics operators.

The Department of Contracts focused its efforts on preventing corruption by raising awareness, through training, on the National Public Procurement Regulations (NPPR). In this regard, the measure promotes a culture of integrity, improves public procurement governance and ensures better interaction and cooperation between public procurement stakeholders.

Module 6 of the booster course focuses mainly on fraud and corruption in public procurement. The salient topics covered during this component are as follows:

- Main Anti-Fraud, Corruption and Collusion Organisations
- Reform of the Appeals Process
- Blacklisting
- Exclusion of Economic Operators
- Red Flags
- Best Anti-Corruption Practices
- Common errors in public procurement and how they should be corrected
- Collusion

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Public procurement; Corruption; Other	Package	Administrative	A	Eligibility criteria; Management of funds; Monitoring/desk checks	To clarify or consolidate existing rules; To enhance existing measure	H
Detection			Organisational	A	General trainings; Fraud awareness trainings; Simplification of procedures	Increased resources	
			Operational	A	IT tool; Flagging practice	Enhanced coordination and information flow	

***Romania – Adoption of the normative act on the establishment, organisation and functioning of the National Office for centralised acquisitions***

**Romania** reported about:

- the approval of methodological standards for the implementation of the provisions of Government Emergency Ordinance No 98 /2017 concerning the ex-ante control function for the process of awarding public procurement contracts/framework agreements, sectoral contracts/framework agreements and works and services concession contracts; and
- the adoption of the legal act concerning the establishment, organisation and functioning of the National Office for Centralised Procurement.

The legislative framework is strengthened in the field of ex ante controls, covering the methodology for selecting contract award and amendment procedures, which function on the basis of a multi-criteria risk matrix, the duration of control, quality aspects checked in the context of the tender documents, the contract notice, the tender assessment process, the response to requests for clarification/additional information or contractual amendments, aspects concerning the conciliation procedure.

A National Office for Centralised Procurement has been established.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Public procurement; financial crime; corruption; AFCOS; other	Package	Legislative	N	Other	To clarify or consolidate existing rules; to enforce the rules in line with developments in EU law	H
			Operational	N	Risk indicators; other	Enhanced ex-ante controls	

### 3.3 Measures against financial and organised crime

#### *Czech Republic – Amendment of criminal code in view of EPPO*

The **Czech Republic** adopted and submitted to the national Parliament a comprehensive legislative proposal to amend Act No 283/1993 on the Public Prosecutor’s Office, as amended, Act No 141/1961 on criminal proceedings in court (the Code of Criminal Procedure), as amended, Act No 40/2009, the Criminal Code, as amended, and some other acts, in connection with the adoption of Council Regulation (EU) 2017/1939 establishing the European Public Prosecutor’s Office.

Amendments to the existing Czech legal provisions governing the system of public prosecutions and criminal law are necessary for the future European Public Prosecutor's Office to function properly in the Czech Republic.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reason for measure	Horizontal / sectoral
Prevention	Antifraud or anticorruption strategy, other	Single	Legislative	A	Competences, powers,	to clarify or consolidate existing rules, to enforce the rules in line with developments in EU law	H
Detection							
Investigation and prosecution							
Recovery and sanction							

#### *Hungary – Reform of criminal proceeding and other measures*

**Hungary** reported measures for developing fraud prevention, investigation, prosecution and the recovery of funds:

1. To facilitate international law enforcement cooperation at national level and support domestic criminal proceedings, Europol Secure Network (ESN) user endpoints have been established at the Directorate-General for Criminal Affairs, the Criminal Directorates and the Financial Intelligence Unit of the National Tax and Customs Administration.
2. Act XC of 2017 on criminal procedure entered into force (hereinafter: ‘Criminal Procedure Code’)
3. Amending the definition of ‘budgetary fraud’ in Section 396(8) (9) of the Criminal Code.

Direct access to the ESN information channel by investigative bodies enhances and accelerates effective cooperation also in law enforcement in crimes that harm budgets administered by, or on behalf of, the European Union.

The new Criminal Procedure Code and the amended Criminal Code have set out clearer rules governing, inter alia, procedures for securing and removing assets; the appeal system has



undergone substantial reform; and defendants in budgetary fraud proceedings have become motivated to reimburse for financial disadvantage they have caused as soon as possible.

- Reforming the criminal procedure.

- It is a feedback provided by practitioners that budgetary fraud is typically carried out in a business-like manner. The previous rule excluded the possibility of reducing penalty without restriction where the fraud was committed in a business-like manner.

Amendment of the Criminal Code has made defendants in budget fraud proceedings motivated to reimburse for financial disadvantage they have caused as soon as possible.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Detection	Financial crime, organised crime, other*	Package	Legislative	New / Amendment	Competences, Powers, Recovery, Other (The detailed rules of investigating and prosecuting criminal offences)	Other**	H
Investigation and prosecution			Operational	N	IT tools; structured cooperation with law enforcement	Enhanced cooperation; enhanced information flow	
Recovery and sanction							

\* Investigating and prosecuting criminal offences; an incentive for the offender to repay any damage as soon as possible.

\*\* "The need for modernisation, an efficient criminal justice system and completing procedures in a timely manner, while preserving well-functioning institutions and principles" and " Law enforcement feedback".

### **Latvia– Anti fraud campaign #FraudOff! 2018**

**Latvia** continued in implementing its social informative campaign started in 2017 with the aim to educate society about fraud and promote zero tolerance against fraud.

Every year a different focus theme is chosen. For example, in 2017- it was fight against counterfeit goods, 2018 - strengthening a working culture, 2019- informing society about importance of reporting fraud and other illegal activities.

#FraudOff! shows good results not only in national level (which we measure with social surveys), but in international level as well. For example, in 2018 (for the results in 2017) campaign was awarded with 3 international prizes - (1) IPRA Golden World Awards (GWA) 2018; (2) European Excellence Awards 2018; (3) Eventiada IPRA Golden World Awards (2018).

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Financial crime (incl. Money laundering), corruption, fraud definition, AFCOS, whistleblower, customs/TOR/illegal trade, antifraud or anticorruption strategy	Single	Organisational	A	Competence, inter-agency cooperation, fraud awareness trainings	Neutral on resources	H

### ***Romania – Hercule III financed project: impact of EPPO on Romanian judicial authorities***

**Romania** intended to promote the facilitation of dialogue between the Member State representatives and representatives of the European institutions and a contribution to supporting the European common approach for running the EPPO.

As part of the project implemented by the National Anti-Corruption Directorate through the HERCULE III Programme, a study was undertaken on the impact of implementing EU Regulation (EC) No 2017/1939 concerning the EPPO at the level of the Romanian judicial authorities.

This initiative offered the opportunity to present and initiate the debates concerning the challenges of transposing the EPPO Regulation on the level of other national authorities of the EU Member States.

In December 2018, the National Anti-Corruption Directorate organised a European conference in Bucharest, the purpose of which was to present and initiate discussions concerning the challenges of transposing the EPPO Regulation at the level of other national authorities of the EU Member States. The conference, in which 40 participants from Romania and 39 from the 21 MS took part, was attended by the Minister for Justice, the General Prosecutor of Romania and representatives of the DLAF, CSM [*Consiliul Superior al Magistraturii* – High Council of the Magistracy], European Commission, OLAF and EUROJUST.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Detection	Public procurement; financial crime (including money laundering); corruption; AFCOS; antifraud or anticorruption strategy	Single	Organisational	N	Competence	Other	H
Investigation and prosecution							
Recovery and sanction							

### ***Sweden – Anti money laundering measures***

**Sweden** has implemented several anti-money laundering measures during 2018.

In January 2018, a national coordination body for anti-money laundering/counter-terrorist financing was created within the Police Authority. Among other things, the body is responsible for national risk assessments in this area.

In September 2018, a legislative act was enacted that establishes that financial institutions should respond without delay and digitally to requests from law enforcement authorities.

Sweden is implementing the 5th Anti-Money Laundering Directive, a draft legislative proposal for which was circulated for public comment during 2018.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Financial crime (including money laundering; organised crime)	Single	Legislative	New / Amendment	Competences; powers; financial penalties	To clarify or consolidate existing rules; to remedy flaws; to enforce the rules in line with developments in EU law	H
Detection							
Investigation and prosecution							

### *Greece – 1st international congress on EPPO*

The Public Prosecutor's Office at the Greek Supreme Court ('*Areios Pagos*') organised the first International Congress on establishing the European Public Prosecutor's Office, under the auspices of the President of the Hellenic Republic, with the assistance of the Secretariat-General for the Fight against Corruption and the Inspector-General of Public Administration. The Secretariat-General for the Fight against Corruption issued the revised national strategy for the fight against corruption, which also includes actions to combat fraud affecting the financial interests of the EU.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Public procurement; financial crime (including money laundering); corruption; conflict of interest; AFCOS; whistleblower; antifraud or anticorruption strategy	Package	Organisational	A	Reorganisation of existing bodies; inter-agency cooperation; general trainings; fraud awareness trainings	Neutral on resources	H
Investigation and prosecution							
Recovery and sanction			Operational	A	Web reporting / Hotline; structured cooperation with law enforcement; structured cooperation with judicial authorities	Enhanced coordination, cooperation and information flow	

### 3.4 Other measures

#### *Belgium – Manual on control system - German speaking community*

The Ministry of the German-speaking Community has drawn up a manual on the internal control system which guarantees the control of risks and safeguards the Ministry's budget.

In preparing the manual, the Ministry checked the IT systems (SAP, etc.) and the supply processes (purchases, public procurement, etc.) in 2018. These measures systematically apply to the financial management of European funds (for example the ESF).

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Antifraud or anticorruption strategy	Package	Operational	A	Risk indicators	Enhanced ex-ante controls	H
Detection							

***Croatia – Strengthening the competent institutions for irregularity management with a view to protecting the EU’s financial interests***

The Office for Combating Irregularities and Fraud organised an international conference entitled ‘Further strengthening the competent institutions for irregularity management with a view to protecting the EU’s financial interests’, which was attended by representatives from the European Commission, EU Member States (Romania, Estonia, Malta, Spain, Bulgaria, Netherlands), EU candidate countries (Serbia, Montenegro), a potential candidate country (Bosnia and Herzegovina), the management and control system of Croatia and the AFCOS network.

The conference covered all the stages in the irregularity management cycle (prevention, detection, action, reporting and follow-up of reported irregularities). After the presentations, at the end of each day for each of the stages in the cycle, a dedicated roundtable was held that also included specific points on the protection of the EU’s financial interests. The proceedings of those roundtables were published in a brochure produced at the end of the conference.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reason for measure	Horizontal / sectoral
Prevention	AFCOS	Single	Organisational	A	General trainings, fraud awareness trainings	Increased resources	H
Detection							
Investigation and prosecution							
Recovery and sanction							

***Sweden – Amendments to the Ordinance on Internal Management and Control concerning prevention of fraud***

The Ordinance (2007:603) on Internal Management and Control applies to about 70 of the largest government agencies in **Sweden**, including all authorities that implement EU funds.

Amendments to this Ordinance were presented in 2018 and entered into force on January 1, 2019. The amendments entail, among other things, that the management should make a risk assessment to prevent the authority from being subjected to corruption, undue influence, fraud and other irregularities.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Corruption; conflict of interests; shared management and control of EU funds	Single	Legislative	A	Competences; powers; definition of a specific topic	To clarify or consolidate existing rules; to remedy flaws; to enforce the rules in line with developments in EU law	H

### *Sweden - The annual programme of the SEFI-council*

The Swedish Council for the Protection of the European Union's Financial Interests, i.e. the SEFI Council, is responsible for coordinating initiatives in Sweden against fraud and other abuse of EU-related funds. The Swedish Economic Crime Authority is responsible for the Council's offices. The Council enhances the cooperation between the eight agencies that are implementing EU-programmes in Sweden. The Council has also organized seminars on a number of anti-fraud issues to increase awareness and knowledge in the agencies.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Financial crime (including money laundering; organised crime; corruption; conflict of interests; AFCOS; whistleblower; shared management and control of EU funds; antifraud or anticorruption strategy	Single	Operational	A	Structured cooperation with law enforcement	Enhanced coordination, cooperation and information flow; Targeting of checks and investigations; Enhanced ex-ante and ex-post controls	H
Detection							
Investigation and prosecution							
Recovery and sanction							

## 4 ANTI-FRAUD MEASURES COVERING BOTH REVENUE AND EXPENDITURE SECTORS

### *Italy – Combating fraud affecting the EU budget*

The **Italian** tax police, Guardia di Finanza, has drawn up specific operational plans to combat embezzlement, undue requests for and/or receipt of EU funds and VAT fraud. Inspection campaigns have been carried out to combat VAT fraud, and the investigative guidelines concerning the implementation of administrative activities and investigations by the economic and financial police service to combat tax evasion, tax avoidance and tax fraud have been updated.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Shared management and control of EU funds; Other	Single	Operational	A	Risk indicators, structured cooperation with law enforcement and judicial authorities	Enhanced coordination, information flow and ex-post controls; targeting of checks and investigations	S
Detection							
Investigation and prosecution							

### *Slovenia – Combating fraud affecting the EU budget*

**Slovenia** reported about a measure to increase cooperation between authorities managing EU financial interests and law enforcement and judicial authorities.

Based on the Ministry of Interior's basic guidelines for the preparation of the police work plan for 2018, Police gave special attention to detection and investigation economic crime that resulted in a large property benefit, criminal offenses, to the detriment of financial interests of EU and Slovenia, while strengthening inter-sectoral cooperation with other authorities. With this measure Police wants other competent authorities to increase the perception of possible criminal offences and their reporting to law enforcement authorities and thereby increasing investigation of criminal offenses detrimental to the financial interests of the EU.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Public procurement, conflict of interests; fraud definition; Shared management and control of EU funds; other	Single	Operational	A	Structured cooperation with law enforcement; structured cooperation with judicial authorities; cooperation with national supervisory authorities	Enhanced coordination, cooperation and information flow; targeting of checks and investigations	S
Detection							
Recovery and sanction							

### *United Kingdom – Public procurement and State Aid*

The **United Kingdom** reported about a measure addressing tax fraud and the protection of the Fund for the most deprived (FEAD).

The objective of this initiative was to strengthen the procedures for checking public procurement, introducing adequate procedures and checklists for such projects which involve procurement. Very limited assessment of compliance with procurement rules with regard to new procurements, at the stage of management verification, was in place.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Public procurement; Other (State aid)	Package	Operational	A	Increased number of checks	Targeting of checks; enhanced ex-ante controls	S

## 5 ANTI-FRAUD MEASURES IN REVENUE BY THE MEMBER STATES

### 5.1 Fight against customs fraud

#### *Austria – Financial crime law on coinage*

For 2018, **Austria** reported a package of measures aimed at sharpening and enhancing control activities in the areas of Tax and Customs fraud.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reason for measure / expected results	Horizontal / sectoral
Prevention	Financial crime, customs / TOR / Illicit trade	Package	Legislative	A	Definition of a specific topic	To clarify or consolidate existing rules, to remedy flaws	S
Detection			Administrative	N/A	Monitoring/desk checks; on-the-spot checks, audit checklist, investigation, irregularity reporting	To clarify or consolidate existing rules, to enhance existing measure	
Investigation and prosecution			Organisational	N/A	reorganisation of existing bodies, inter-agency cooperation, general trainings, fraud awareness trainings, simplification of procedures	Neutral on resources	
			Operational	N/A	Flagging practice, increased number of checks, structured cooperation with law enforcement, structured cooperation with judicial authorities	Enhanced coordination, cooperation, information flow and ex-ante controls. Targeting of checks and investigations	

#### *Czech Republic – Establishment of Unit "Serious Crime Detection"*

In October 2018, unit 75x.6 "Serious Crime Detection" was set up as part of the Investigation Division of the General Directorate of Customs.

The need for a new unit to tackle the most serious crime in the area of infringement of customs and taxation legislation arose from the current situation of crime committed in this area. Increased efficiency in the fight against the above fraud is expected, including improved protection of the EU's financial interests.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reason for measure	Horizontal / sectoral
Detection	Financial crime, organised crime, customs / TOR / Illicit trade	Single	Organisational	A	Reorganisation of existing bodies	Increased resources	H
Investigation and prosecution							

***Estonia – fight against e-commerce fraud with the sale of tobacco products***

In January 2018, **Estonia** passed a new legislation, Supplementing of Tobacco act, introducing new criminal sanctions and increasing the time barring period for violations linked to the sale of tobacco products.

As a result of the new legislation, If the special state supervision measure not enable or makes it especially complicated to conduct supervision over compliance with the requirements for trading in tobacco products or products related to tobacco products, but it is necessary for the purpose of ascertaining or averting danger or elimination of a violation, the law enforcement authority may, as a special state supervision measure, make a transaction for the purpose of monitoring compliance.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reason for measure	Horizontal / sectoral
Detection	Customs / TOR / Illicit trade	Single	Legislative	N	Powers, criminal sanctions, time barring	to remedy flaws	S

***Estonia – Measures against undervaluation***

In addition to the pre-existing EU criteria for customs valuation (and declaration), in 2018 **Estonia** set national criteria for the determination of the reduced customs value (undervaluation) of textile products and footwear imported from Asia as well as porcelain dishes.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reason for measure	Horizontal / sectoral
Detection	Customs / TOR / Illicit trade	Single	Operational	A	Risk indicators	Targeting checks	S



### *Finland – New tariff analysis tool*

In 2018 **Finnish** authorities introduced the new tariff analysis tool for company inspections and the establishment of an import analysis model for occasional and thematic sampling of items to be checked during the preparatory phase of the inspection.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Detection	Customs / TOR / Illicit trade	Single	Operational	N	IT tools	Targeting of checks, enhanced ex-post controls	S

### *Latvia –Enhancing STD intelligence capabilities*

The Latvian Tax and Customs Police Department Special Task Division's (STD) enhanced its intelligence capabilities thanks to the grant, awarded by the European Commission. It enabled the STD to track the organized criminal groups, prevent and disclose criminal offences in matters of the State revenue and customs. This would directly affect not only the budget of the Republic of Latvia, but also the ones of the EU and the Member States.

Such improvements will have a direct impact on the protection of the EU financial interests.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Financial crime (incl. Money laundering), customs/TOR/illlicit trade,	Single	Operational	N	Other (criminal intelligence)	Other (criminal intelligence)	S
Detection							
Investigation and prosecution							
Recovery and sanction							

### *Malta – Customs canine unit*

To enhance **Malta's** border controls, the Customs Department obtained funds through the Hercule III programme in order to set up a Canine Unit. These funds were used to train a dog handling instructor and eight dog handlers, as well as to purchase eight fully trained dogs in order to detect tobacco and tobacco products. The canines were further trained to smell narcotics and to trace cash.

The funds obtained through the Hercule III programme helped the Customs Department to strengthen Malta's surveillance against the illicit movement of tobacco and tobacco products, narcotics and cash.

Notable seizures of tobacco, narcotics and cash have already been registered from passengers arriving and departing the country's airport, as well as at the sea terminals.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Detection	Organised crime; Customs/TOR/illegal trade	Single	Operational	N	Increased number of checks	Enhanced ex-ante controls	S

### *Netherlands - Financial fraud related to e-commerce/small consignments*

In order to cope with the huge increase in the recent years of small consignments due to e-commerce and the total amount of this commodity and the combination of fiscal and non-fiscal issues in this area, the **Netherlands** launched an e-commerce project, with a dedicated team which combined different competences. The measure aimed at increasing the resources to deploy and, via the use of risk indicators and structured cooperation with law enforcement, at enhancing coordination, cooperation and a better targeting the investigations.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Financial crime; AFCOS, Customs / TOR / Illicit trade; Other	Package	Administrative	N	Other	To enhance existing measure	S
Detection			Organisational	N	Competence; Other	Increased resources	S
			Operational	N	Risk indicators; Increased number of checks; Structured cooperation with law enforcement	Enhanced coordination, cooperation and information flow; Targeting of investigations	S

### *Netherlands – Fighting financial fraud related to under valuated textile goods from China*

A specific operation was launched to target financial fraud related to under valuated goods by import specific related to textile from China and other involved countries. The interest for this operation rests in the underlying financial impact and the proven EU interest based on the signals and reports from the Commission and OLAF.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Financial crime (incl. Money laundering); AFCOS; Customs / TOR / illicit trade	Single	Operational	A	Risk indicators; Increased number of checks	Enhanced coordination, cooperation and information flow; Targeting of checks and investigations; Enhanced ex-ante controls	S
Recovery and sanction							

***Portugal - Measure in the area of customs value - supplementary measures to combat under-invoicing***

A series of supplementary measures were implemented in the automatic risk assessment system in order to identify transactions that might have been under-invoiced and the working hours of the National Centre for Risk Analysis [Centro Nacional de Análise de risco] have been extended. It will now operate 24/7, which means its supervision, monitoring and risk analysis tasks can be carried out continuously.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Organised crime, Customs / TOR / Illicit trade	Package	Operational	A	IT tools; Flagging practice; Risk indicators; Increased number of checks; Structured cooperation with law enforcement	Enhanced coordination, cooperation and ex-ante controls; Targeting of checks	S
Detection							

***Slovakia –Expanding risk profiles to combat undervaluation of goods***

As frauds in the area of undervaluation of different types of goods are increasingly more complex and sophisticated, it is essential to use analytical software tools and databases not only to fraud detection but also for the continuous monitoring and evaluation of risk factors, in order to prevent and eliminating the risk of undervaluation for the import of goods into the EU.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Financial crime (including money laundering); Customs / TOR / Illicit trade; antifraud or anticorruption strategy	Package	Organisational	A	Other	Increased on resources	S
Detection							

## 5.2 Fight against tax evasion and VAT fraud

### ***Poland – Introduction of the split payment mechanism to reduce VAT fraud***

**Poland** reported about the introduction of legislative amendments to reduce VAT fraud in view of the risk of distortion of competition on the market between honest taxpayers and tax-evading entities.

The essence of the split payment mechanism is the splitting of payment executed by bank transfer for goods or services into the net amount, which is paid into the business account of the seller, and the amount of VAT, which goes into a dedicated VAT account of the seller. The funds collected in the VAT account belong to the taxable person, which may allocate them, inter alia, to paying VAT obligations to the tax authority or input tax amounts arising from purchase invoices to the respective seller's VAT account.

The law was adopted in July 2018.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Detection	Financial crime; Anti-Fraud or Anti-corruption Strategy	Package	Administrative	A	Monitoring/desk checks; investigation	to clarify or consolidate existing rules	S
Investigation and prosecution			Operational	A	IT tools, Risk indicators	Enhanced coordination; targeting of checks; targeting of investigations	S

### ***Slovenia – Combating tax fraud and tax evasion and preventing aggressive tax planning***

Slovenia reported about three measures adopted by its financial administration.

The measures are necessary in order to lay down rules to strengthen the level of protection against aggressive tax planning in the internal market. Controlled foreign company (CFC) rules have the effect of reattributing the income of a low-taxed controlled subsidiary to its parent company. FARS has reviewed national procedures and control systems regarding undervalued goods.

The administrative measures are related to guidelines and instructions for customs officers in the area of undervaluation to clarify existing rules.

Organisational measures are related to fraud awareness trainings.

Operational measures are related to IT tools, enhanced coordination and risk indicators.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Customs / TOR / Illicit trade; Tax fraud	Package	Administrative	A	Monitoring / desk checks; On-the-spot checks; irregularities reporting	To clarify or consolidate existing rules	S
Detection			Organisational	A	Fraud awareness trainings	Neutral on resources	S
Investigation and prosecution			Operational	A	IT tools; risk indicators; increased number of checks; structured cooperation with law enforcement	Enhanced coordination, cooperation and information flow; targeting of checks and investigations; enhanced ex-ante and ex-post controls	S

## 6 ANTI-FRAUD MEASURES BY MEMBER STATES - EXPENDITURE

### 6.1 Measures covering several shared management sectors

#### *Greece – Decision on financial corrections and recovery in AMIF and ISF*

A Ministerial Decision was issued (Government Gazette, Series II, No 4783 of 25 October 2018) on a system for financial corrections imposed by the Fiscal Audit Committee (EDEL) and procedures for the recovery of undue or improper payments from the state and/or EU budget for the implementation of national programmes co-financed by the Asylum, Migration and Integration Fund (TAME) and the Internal Security Fund (TEA), for the 2014-2020 programming period.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Recovery and sanction	Fraud definitions; shared management and control of EU funds	Single	Legislative	N	Recovery	To clarify or consolidate existing rules	S

#### *Spain – Electronic system of red flags by the Comunidad Valenciana*

The **Spanish** Comunidad Valenciana implemented SALER- an electronic system of red flags for the prevention and detection of irregularities in the entities which belongs to the regional public sector.

The measure tries to take advantage of the IT tools in order to prevent and detect fraud and irregularities, and to centralise information from different sources.

To this end, the Comunidad Valenciana adopted a specific Act, which, on the one hand, describes the overall system, its inputs and outcomes, and puts in place the procedures to be followed for using the information included in it; on the other hand, this Law tries to remove any legal obstacles that may arise in developing the electronic system, such as, for example, granting access to the relevant information stored in different databases, both internal and external.

The measure addresses all Funds managed under shared management.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Public procurement; conflict of interests, public expenditure in general	Package	Legislative	N	Competences, powers, definition of a specific topic	to remedy flaws, other	S
Detection			Operational	N	IT tools; risk indicators	targeting of checks and of investigations; enhanced ex-ante and ex-post controls	S

***Spain – Reinforcement of the ex-ante control over public procurement and in-house providing***

**Spain** reported having reinforced the ex-ante control carried out by the Inspectorate General of Finance (*Intervención General de la Administración del Estado*) over public procurement and in-house providing, in order to focus on those aspects of the public procurement process which are considered to be essential, which contributes to detect irregularities and fraud as early as possible.

The government decision also adapts these verifications to the new Law 9/2017 on Public Procurement which transposes the European Directives on Public Procurement.

The measure addresses all the European funds under shared management.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reason for measure	Horizontal / sectoral
Detection	Public procurement	Single	Administrative	A	Monitoring / desk checks, Other (internal control systems)	To enhance existing measure, cross-cutting measure, multi-agency measure / measure with impact on various bodies	S

***Romania – Use in verification activities and control of the ARACHNE IT instrument***

In **Romania**, in the process of evaluating the risks of fraud and of adopting efficient and proportionate anti-fraud measures, the Managing Authorities of the cohesion policy and AMIF Funds use the ARACHNE IT system, developed by the European Commission. The obligation to use this system was mentioned in the internal work processes of the Management Authorities.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	AFCOS	Single	Administrative	A	Management of the funds	to enhance existing measures	S

### *United Kingdom – Counter Fraud and Conflict of Interest Policy*

The **United Kingdom** introduced a revised Counter Fraud and Conflict of Interest Policy which centralises the key information from several guidance and policy documents.

The policy and guidance have 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.

The measure addresses the Fund for the Most Deprived and the Globalisation Fund.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Public procurement; Conflict of interest; fraud definition; whistleblower; antifraud or anticorruption strategy	Package	Administrative	New / Amendment	Eligibility criteria; management of funds; monitoring/desk checks; on-the-spot checks; audit checklist; investigation; irregularities reporting; penalty; recovery	To enhance existing measure	S
Detection							
			Organisational	New / Amendment	Reorganisation of existing bodies; competence; inter-agency cooperation; general trainings; fraud awareness trainings; simplification of procedures	Neutral on resources	

### *Slovakia – Special investigative powers of the Antimonopoly Office*

**Slovakia** adopted in November 2018 Act No 345/2018 Coll. amending the Public Procurement Act.

Due to the initiative of the Antimonopoly Office of the Slovak Republic and its proposal, a specific provision was added to the Act on Public Procurement and some new obligations for tenderers were set. Namely, when the tenderer made use of any materials prepared by the third party, this party has to be identified in submitted offer. This provision could hinder certain tenderers, suspected of collusion in particular tender, from providing any misleading information and explanations of specific circumstances. The tenderers will have to provide the Antimonopoly Office of the Slovak Republic with requested information and explanations under the threat of specific penalties not only by the Act on Protection of Competition but also by the Act on Public Procurement, especially if any discrepancies in public tender documentation occur.

This measure will strengthen special investigative powers of the Antimonopoly Office of the Slovak Republic and shift the burden of proof to suspected undertakings at certain situations.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Detection	Public procurement; Shared management and control of EU funds	Single	Legislative	A	Competences; Financial penalties; other	To clarify or consolidate existing rules	S
Investigation and prosecution							

## 6.2 Agriculture and fisheries

### 6.2.1 Agriculture

#### *Austria - Better administration and control of public procurement under EAFRD*

**Austria** developed an action plan for better administration and control of public procurement under EAFRD.

The action plan was necessary to cope with the complicated and voluminous set of provisions, which required for clear administration rules.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reason for measure / expected results	Horizontal / sectoral
Prevention	Public procurement, corruption	Package	Administrative	N	Eligibility criteria, monitoring/desk checks, on-the-spot checks, audit checklist	To clarify or consolidate existing rules	S
			Organisational	N	Competence, general trainings, fraud awareness trainings	increased resources	

#### *Italy – Enhancement of AGEA's antifraud structure*

In 2018 AGEA's anti-fraud structure was consolidated; on the basis of an annual plan it has: (1) carried out analyses and controls (2) activated the agreement with the ANASBC (national agency for administering the assets seized from organised crime) and designed possible cooperation activities with the police and control bodies, while also providing specific verification APPs in the field and risk indicators of fraud.

The measure concerns the paying agency as a whole, even though in this first phase it is more focused on the single payment scheme and also involves external entities.



Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Shared management and control of EU funds; antifraud or anticorruption strategy	Package	Administrative	A	Management of the funds, monitoring/desk checks, on-the-spot checks, irregularities reporting	cross-cutting measures, multi-agency measure / measure with impact on various bodies	S
Detection			Organisational	A	Competence	Neutral on resources	

### *Luxembourg – Alert system*

According to the MA for FEADER & FEAGA, an alert system had to be set up in (the framework of article 58 of regulation 1306/2013) to detect facts that may indicate fraud or attempted fraud. The management service defines as a red alert facts or information that it becomes aware of as part of its daily work and whose content raises a suspicion as to the regularity of the action.

In this way, the Paying Agency for agricultural funds, which serves the managing authority's mission, can have an impact on the financial operations of the European Union.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Shared management and control of EU funds; antifraud or anticorruption strategy	Package	Administrative	N / A	Eligibility criteria, management of the funds, on-the-spot checks, irregularities reporting	To clarify or consolidate existing rules, to enhance existing measure	S
Detection			Operational	N	Flagging practice, risk indicators	Enhanced coordination, enhanced information flow, targeting of checks	

### *Slovakia –Strengthening prevention on agricultural funds*

**Slovakia** adopted a measure to ensuring direct management and supervision of identification and control of agricultural land and determine eligible areas for financial support under EAGF and EAFRD.

The measures aims at preventing granting agricultural financial support on ineligible land. Furthermore direct management and supervision of identification and control of agricultural land will ensure acceleration of irregularities identification, improvement of information flows and coordination of decision-making process.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Shared management and control of EU funds	Single	Organisational	N	Reorganisation of existing bodies	Neutral on resources	S

### ***Belgium – Risk analysis in the agricultural funds***

As a follow-up to this anti-fraud policy note and statement from 2017, a fraud risk analysis was carried out in 2018 for the fisheries fund, and subsequently also for the agricultural funds. The latter was commissioned by the Flemish Paying Agency. During this phase of the analysis in 2018, the management services of the agricultural funds within the Department were heard. It will be examined in the future whether a similar analysis will be launched with the management services of the agricultural funds that fall outside the remit of the Department of Agriculture and Fisheries.

The purpose of the fraud risk analysis commissioned by the Flemish Paying Agency is as follows: ‘to prepare an inventory of fraud risks in the different processes, in combination with an evaluation and analysis of these risks, using the Commission’s fraud risk template’. The analysis and results were summarised in a final report at the end of 2018. The recommendations will be examined in 2019. In addition to carrying out a fraud risk analysis, further investment was made in 2018 in comprehensive risk management at the level of the department, led by a risk manager.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Public procurement, conflict of interests, shared management and control of EU funds	Single	Operational	A	Risk indicators	Enhanced ex-post controls	S
Detection							

### **6.2.2 Agriculture and Fisheries**

#### ***Lithuania – Examination of breaches***

The Lithuanian Minister of Agriculture adopted the Order No. 3D-80 of 5 February 2010 "On Approval of Administration Rules for the Breaches of the Legal Acts related with the Implementation of Actions of the European Agricultural Guarantee Fund, European Agricultural Fund for Rural Development and European Fisheries Fund" (amended and updated by Order of the Minister of Agriculture No. 3D-868 of 5 December 2018).

The purpose of this legal act is to ensure appropriate and effective use of the EU and national funds as well as protect the EU and national financial interests. The Rules frame a functioning

system of administration of the breaches of the respective legal acts in the Ministry of Agriculture and National Paying Agency under the Ministry of Agriculture.

In the event of a suspected breach and/or upon information on a suspected breach, actions and deadlines for the administration of the breach are set out concerning the examination of the breach, sharing of information with other institutions, decision-making and other.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Other	Single	Legislative	A	Definition of a topic, recovery	To enforce the rules in line with developments in EU law; other	S
Recovery and sanction							

### *Lithuania – Methodology for sanctioning breaches*

The **Lithuanian** Minister of Agriculture adopted the Order No. 3D-929 of 4 December 2014 "On Approval of the Methodology of Sanction Regime for the Breaches of Legal Acts related with the Implementation of the Measures of the Rural Development Programme for Lithuania 20104-2020 (amended and updated by Order of the Minister of Agriculture 3D-909 of 14 December 2018).

This Methodology lays down the rules for the application of sanctions to applicants, beneficiaries and partners for the breach of the respective legal acts. The methodology is used by the officials of the ministry of Agriculture and national Paying Agency under the Ministry of Agriculture.

The Methodology defines sanctions applicable to beneficiaries for breaches of legal acts in the administration of the Measures under the afore-mentioned Programme as well as the procedures of application of these sanctions and levels of sanctions in proportion to the specific committed breaches.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Public procurement	Single	Administrative	A	Management of the funds	To clarify or consolidate existing rules	S

### *Slovenia – Training and risk assessment*

The Agency of the Republic of Slovenia for Agricultural Markets and Rural Development (AKTRP) reported 2 measures:

- Training

- Update fraud indicators (flagging practice) on the field of fraud and prevention of artificially created conditions along with controlling activities (existing and additional) and assessment of risk.

In 2018 AKTRP continued to train employees on fraud prevention and artificially created conditions. This measure is important for successful prevention and detection of fraud and artificially created conditions relating to the protection of the EU financial interests. It is especially important to train the staff that is involved in the adoption of the legislative advising and managing administrative procedures.

The second measure enables the Agency to detect frauds and artificially created conditions by beneficiaries for the funding timely and efficiently, which consequently contributes to efficient protection of the EU financial interests.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Fraud definition; Shared management and control of EU funds	Single	Operational	A	Flagging practice; risk indicators	Enhanced ex-ante controls	S
Detection							

### 6.2.3 Fisheries

#### *Denmark - Analysis of method to identify fraud and irregularities*

In 2018 the National Audit Office issued a report on a review of grants under the EMFF for fisheries in the period 2014-17. The review indicates cases of shell companies and fraud. The Fisheries Agency has examined a number of cases with external legal assistance in order to clarify whether there are grounds for suspecting fraud. Cases where there are grounds for suspected fraud have been reported to the police and OLAF. In 2018 the Fisheries Agency entrusted the Government's legal adviser with drawing up a method to facilitate the identification of fraud and irregularities.

As a follow-up to the review carried out by the National Audit Office, the Fisheries Agency will examine existing cases with regard to combating fraud. It will be examined whether the findings of the National Audit Office apply to cases which were not covered by the review. In 2018 the Fisheries Agency entrusted the Government's legal adviser with developing a method to facilitate the identification of fraud and irregularities.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Conflict of interests, shared management and control of EU funds, antifraud or anticorruption strategy	Package	Administrative	A	Eligibility criteria, managing of funds, monitoring/desk checks, audit checklist, investigation, irregularities reporting	to clarify or consolidate existing rules, other	S
Detection			Operational	A	Risk indicators; Increased number of checks, structured cooperation with law enforcement	Enhanced cooperation; Targeting of checks; Enhanced ex-post controls	
Investigation and prosecution							

### 6.3 Cohesion policy

#### *Austria – High density of checks*

Austria adopted a package of measures aimed at performing a high density of the tests under Article 125 (4) of VO 1303/2013 with regard to the 2014-2020 programming period, intended to prevent irregularities. It is provided for in the examination procedures to examine 100% of the expenditure submitted by the beneficiary by the administrative bodies.

Formal rules in the national rules on eligibility for grants, as well as requirements in the management and control system, are intended to increase efficiency. Standardised forms (checklists) improve the quality of the billing submitted.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reason for measure / expected results	Horizontal / sectoral
Prevention	Public procurement, conflict of interests, shared management and control of EU funds, Antifraud or anticorruption strategy	Package	Administrative	Amendment	Eligibility criteria, management of the funds, on-the-spot checks, irregularities reporting, recovery	cross-cutting measure, multi-agency measure / measure with impact on various bodies	S
Detection			Operational	Amendment	IT tool, Other	enhanced information flow, targeting of checks	
Recovery and sanction							

#### *Belgium – Methodology for the use of ARACHNE*

As part of setting up efficient and proportionate anti-fraud measures, the managing authority for the ERDF operational programme ‘Wallonie-2020.EU’ has developed a methodology for using the ARACHNE software. The methodology adopted for this operational programme is geared in the main around the quarterly submission to the functional administrations of a sample - gathered by the Programme Management Directorate - for which an additional analysis is requested. A first sample was sent to the functional administrations in October 2018.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Public procurement, conflict of interests, shared management and control of EU funds	Single	Operational	A	Risk indicators	Enhanced ex-post controls	S
Detection							

### ***Bulgaria – Operational programmes and ETC programmes***

Regulation No N-3 of 22 May 2018 laying down rules on payment, verification and certification of expenditure, recovery and write-off of irregular expenditure and accounting, as well as the timeframes and rules of completion for end-of-year accounts under the operational programmes and the European territorial cooperation programmes was issued by the Minister for Finance and promulgated in State Gazette No 44 of 29 May 2018. The Regulation was issued on the basis of Article 7(4)(4) of the Act on the Management of the European Structural and Investment Funds. Its objective is to lay down detailed rules for the procedures for managing and monitoring the funds.

The above-mentioned piece of secondary legislation sets out in detail the competences of those involved in the process of managing and monitoring the European Structural and Investment Funds, states the necessary minimum controls and lays down the procedure for the recovery of irregular expenditure. The Regulation lays down the rules governing the payment, management and monitoring process.

The measure sets out in detail the processes for the payment, verification, certification, and completion of the end-of-year accounts, the recovery and write-off of irregular expenditure and accounting under the programmes, and governs the relationship between the managing authorities and certifying authority.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Shared management and control of EU funds, Other	Single	Legislative	A	Powers, recovery	to remedy flaws, other	S
Recovery and sanction							

### ***Germany – Strategy for combating fraud and corruption. Federal Land of Thuringia.***

**Germany** reported about the strategy for combating fraud and corruption, including analysis of fraud risk for all ERDF measures and guidance for intermediary offices in the sphere of combating fraud and corruption in the Federal Land of Thuringia.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral	
Prevention	Public procurement, corruption, conflict of interests, fraud definition, whistleblower, shared management and control of EU funds, antifraud or anticorruption strategy	Package	Administrative	A	Monitoring/desk checks; On the spot checks; Audit checklist; Irregularities reporting; Recovery	To clarify or consolidate existing rules	S	
Detection								
Investigation and prosecution								
Recovery and sanction			Operational	A	IT tools, web reporting/hotline, risk indicators	Enhanced coordination and information flow; targeting of checks	S	

***Germany – New administrative instructions on public procurement - Bavaria***

New administrative instructions on public procurement [*Verwaltungsvorschrift zum öffentlichen Auftragswesen*] (VVÖA) were adopted in Bavaria (introduction of Rules of Procedure for the award of public supply and service contracts below the EU thresholds [*Unterschwelvenvergabeordnung*]).

Introduction of rules of procedure for the award of public supply and service contracts below the EU thresholds and establishment of value limit in this respect.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Public procurement	Single	Legislative	N	Definition of a specific topic	To enforce the rules in line with developments in EU law	S

***Germany – Fraud-risks self-assessment. Saxony***

Implementation at OP level by the ERDF Managing Authority of the fraud risk self-assessment recommended in the Commission guidelines in the Federal Land of Saxony.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reason for measure	Horizontal / sectoral
Prevention	Public procurement, corruption, conflict of interests, other	Single	Operational	A	Other (fraud risk self assessment at OP level)	Other (assess impact and likelihood of fraud risks and establish mitigating measures)	S
Detection							

***Denmark – Updating eligibility rules and monitoring administrative verifications***

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Conflict of interests, shared management and control of EU funds	Package	Administrative	A	Eligibility criteria, managing of funds, monitoring/desk checks	To clarify or consolidate existing rules	S
Detection							

### ***Finland – Reform of the electronic system for the management of Structural Funds***

Finland reported about the reform of the electronic system for the management of Structural Funds. The management body started using the fully electronic EURA project management system in 2014, in which recovery decisions were applied in 2018. All follow-up measures relating to projects under the Structural Funds are being taken in the EURA 2014 system. In addition to the 'Findings' section of the EURA 2014, another function was added, enabling a finding to be recorded as suspected fraud. The management, certification and inspection authorities and intermediate bodies see the data recorded in the system in real time.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Shared management and control of EU funds	Package	Operational	N	Other	Enhanced coordination, information flow and ex-ante controls; targeting of investigations	S
Detection							
Investigation and prosecution							
Recovery and sanction							

### ***Greece – Training to strengthen audit capacity***

In 2018, the Southern Regional Assembly, as managing authority (MA) for the Southern & Eastern Regional Operational Programme 2014-2020, began the integration of the Arachne Risk Scoring Tool into the MA's management and control system. A training seminar was held covering:

- a) Auditing national and EU grants and subsidies;
- b) Smuggling.

The purpose of the seminar was to strengthen the audit capacity of staff of the Special Secretariat of the Financial Crime Unit (SDOE) and the effectiveness of joint on-the-spot checks carried out with the assistance of OLAF.



Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Detection	Fraud definitions; shared management and control of EU funds	Single	Operational	N	Increased number of checks; structured cooperation with law enforcement	Enhanced coordination and cooperation; targeting of checks and investigations; enhanced ex-post controls	S
Investigation and prosecution							
Recovery and sanction							

### ***Hungary – Actions in the Cohesion policy area***

**Hungary** reported having adopted in 2018 a number of actions designed to improve anti-fraud functions in the national IT system, provide anti-fraud training, transmit data to the ARACHNE system and amend Act CXLIII of 2015 on public procurement (Public Procurement Act).

All beneficiaries from EU support in 2007-2013 have become available in the EU Programmes System; an Excel export, providing detailed information for assessing fraud prevention, has been extended. Training courses seek to help the regular implementation of EU funds, protect the financial interests of the EU and prevent irregularities, fraud and corruption. Data transmission from Hungary to ARACHNE went live in October 2018. The amendment of the Public Procurement Act was justified by the conversion into law of e-procurement, the need to increase competition and transparency, simplification, etc.

The amendment of the Public Procurement Act (Act LXXXIII of 2018 amending Act CXLIII of 2015 on public procurement) was justified by the conversion of e-procurement legislation from Government decree into law, the need to increase competition and transparency, to simplify procedures and to promote participation in procedures. To that end, the amendment of the Public Procurement Act aims, *inter alia*, to set out the rules of e-procurement, introduce the mandatory acceptance of e-invoices compliant with the European standard and further reduce the number of negotiated procedures without publication.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Public procurement, Corruption, Fraud definition, Shared management and control of EU funds	Package	Legislative	A	Other (Public procurement)	To clarify or consolidate existing rules; To enforce the rules in line with developments in EU law	S
Detection							
			Organisational	A	General trainings; fraud awareness trainings	Increased knowledge in anti-fraud	S
	Operational	New / Amendment	IT tools, Flagging practice; risk indicators	Enhanced cooperation and information flow; targeting of checks, of investigations and of ex-ante controls	S		

### ***Ireland – Introduction of ARACHNE***

In 2018, the Southern Regional Assembly, as managing authority (MA) for the Southern & Eastern Regional Operational Programme 2014-2020, began the integration of the Arachne Risk Scoring Tool into the MA's management and control system.

Effectively applying Arachne in the day-to-day management and verification of expenditure claims and projects would be considered as one important part in meeting the requirement of Article 125§4(c) of Regulation (EU) 1303/2013. The Commission has provided non-binding technical guidance to Member States (ref. guidance note EGESIF 14-0021-00 of 16 June 2014).

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Shared management and control of EU funds	Single	Operational	N	Risk indicators	Enhanced ex-ante and ex-post controls	S
Detection							

***Italy – Memorandum of Understanding between the Agency for Territorial Cohesion and the National Anti-corruption Authority***

The Agency for Territorial Cohesion has entered into a memorandum of understanding with the National Anti-corruption Authority (ANAC) aimed at identifying indicators on corruption risk and prevention in public authorities. Issues such as procedures for in-house award of contracts have been examined in more depth.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
	Other	Single	Legislative	A	Other (examination of breaches)	To enforce the rules in line with developments in EU law; other	S
Investigation and prosecution							

***Luxembourg - Access for the ESF Audit Authority (AA) to the ESF platform***

The ESF-Managing authority (MA) has put in place an internet platform used for the daily management of the ESF and its projects. The application has a back office for the MA and a front office for the project owners.

The AA has a special access to this platform and can get all the available information needed for their second level control.

Most of the common tasks are done through or with the support of the platform: deposit of new projects, reporting of data (i.e. payment claims, follow-up of indicators, monitoring of, first level control...)

All available data on ESF-projects is centralised on this platform and it ensures transparency and a possible audit trail. It also enhances collaboration between the authorities.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Shared management and control of EU funds	Single	Organisational	N	Simplification of procedures	Neutral on resources	S
Detection							

### *Netherlands – ARACHNE*

The introduction of ARACHNE is important for the early detecting of suspicion of fraud before acceptance of projects and during the implementation of projects. The results obtained using the tool will be evaluated in 2019.

Some doubts exist about the international added value of the tool as not all Member States are using it.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Conflict of interests; Shared management and control of EU funds	Single	Operational	A	IT tools	Targeting of checks; Enhanced ex-ante controls	S
Detection							

### *Poland – Mechanism for effective verification of submitted documents*

**Poland** put in place a mechanism for the effective verification of bank promises sent with documentation in the application process for financing from EU funds.

It was found that, in projects for which one of the conditions for obtaining financing is the submission of a bank promise constituting evidence of security in respect of the financial means necessary to implement the project, there is a possibility of falsified commitments being submitted. As a result, cooperation was established with the Polish Bank Association, in the framework of which a team was set up for the exchange of information, composed of staff in the banking sector and in the institutions implementing the funds.

An exchange of information between staff in the banking sector and those in the implementation institutions will prevent the use of falsified promises by applicants.

This measure also represent an example partnership between public and private bodies (bank representatives) to enhance cooperation and exchange of information (concerning applicants submitting bank promises with the application documentation) and exchange of knowledge and experience in relation to the detection of irregularities.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Shared management and control of EU funds	Single	Operational	N	Risk indicators; Other	Enhanced coordination, cooperation and information flow; Targeting of checks; Other	S
Detection							

### ***Portugal – Tool for registration, management and monitoring of complaints***

The Agency set up a tool for registering, managing and following-up reports and complaints submitted by ESIF beneficiaries in Balcão 2020 (the portal for ESIF operational programmes). These reports and complaints are analysed in order to establish the alleged facts and to transmit them to the Public Prosecutor's Office should they indicate that a crime has been committed, or to the relevant management authorities to facilitate the monitoring of the operations in question. Furthermore, the Agency systematically uses the Arachne database to gather information concerning ESIF beneficiaries in addition to relying on good repute.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Detection	Whistleblower	Package	Operational	A	Web reporting / hotline; flagging practice; risk indicators; structured cooperation with law enforcement	Enhanced cooperation and ex-ante controls	S
Investigation and prosecution							

### ***Portugal – OP anti-fraud strategies***

As part of their management and control system, the MA of the ISE and APMC operational programmes has defined an anti-fraud strategy with the aim of adopting effective and proportionate anti-fraud measures, taking into account the risks identified within its remit and establishing the procedures to be followed as regards fraud prevention, detection and correction and the reporting of findings to the appropriate bodies. The Code of Ethics and Conduct adopted in 2018 provides for the compulsory reporting of any suspected fraud of which the staff/Management Committee are aware.

It will have an impact on the prevention and detection of fraud under the Social Inclusion and Employment Operational Programme and the Operational Programme supporting the most deprived.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Shared management and control of EU funds; antifraud or anticorruption strategy	Package	Organisational	N	Competence; Inter-agency cooperation	Neutral on resources	S
Detection			Operational	N	Flagging practice, risk indicators	Enhanced information flow, ex-ante and ex-post controls	

## 7 Additional measures reported by Member States

### 7.1 Belgium

#### 7.1.1 German speaking Community 2 additional measures:

1/ In 2018, the ESF managing authority of the German-speaking Community checked the copies of the supporting documents for each ESF project. In addition, the managing authority carried out two on-the-spot checks, as part of which it examined the projects' original supporting documents, their accounting systems, etc.

2/ In 2018, the audit authority of the German-speaking Community carried out two on-the-spot checks of the 2015 and 2016 expenditure of the ESF managing authority, and also of the 2016 expenses of an ESF project.

#### 7.1.2 3 additional measures by the Walloon Region (1/ & 2/ concerning ESF, 3/ concerning agriculture:

1/ During a meeting, held in 2018, bringing together the auditors in the Joint Audit Service currently being developed between the *Fédération Wallonie-Bruxelles* and the Walloon Region, the European Funds Audit Directorate gave a presentation on the Commission's approach regarding the role of auditors in preventing and detecting fraud. The presentation aimed to raise awareness among the auditors present in relation to their own work.

2/ Update of the checklists of the European Funds Audit Directorate of the Wallonia Public Service, by adding items on fraud risk, in relation to the checks carried out by the Directorate.

3/ Improvement of the control procedure of the autonomous management of agricultural holdings in connection with the CAP aid.

#### 7.1.3 1 additional measure by the Flemish Regions - Integrity:

1/ Guidelines for staff of the Flemish Government for combining professional activities, a measure taken as part of the updating of the Flemish Government's code of ethics.

## **7.2 Bulgaria**

### ***7.2.1 Package of measures - Structural reform of the customs administration***

In 2018 a development strategy was drawn up for the customs administration for the period from 2018 to 2020. In implementing the strategy's measures, the customs administration was restructured in order to make staff more efficient, step up collection of customs debts and improve efforts to combat infringements and offences. The measure aims to improve coordination, management and monitoring when carrying out high-priority functions and tasks in connection with protecting the economic and financial interests not only of the Republic of Bulgaria, but of the EU as a whole. It also aims to enhance customs control in respect of customs, excise and currency infringements and offences.

### ***7.2.2 Package of measures - implemented by the Executive Agency for the Audit of European Union Funds (AEUFEA)***

The regulatory framework and applicable internal rules have been amended (Council of Ministers Decree No 181 of 24 August 2018 amended the rules of procedure of the Audit of EU Funds Executive Agency, and Order No 3-34 of 13 July 2018 issued by the executive director of AEUFEA endorsed the fourth version of the Manual for the Auditing of EU Funds for the 2014-2020 programming period). Order No 3-70 of 29 October 2018 endorsed internal rules for the organisation and implementation of the Regulation on the organisation and procedure for performing checks of declarations, and the establishments of conflicts of interest in the Audit of EU Funds Executive Agency.

Twelve meetings have been held with the ESIF managing authorities and beneficiaries to disseminate the results of the audit engagements, and 15 training courses have been held to provide information on the audit authority's practices with regard to irregularities connected with the implementation of the Public Procurement Act.

The prosecution authorities have been sent six final audit reports

containing cases of suspected fraud, in accordance with the requirements of the Information Note on Fraud Indicators for ERDF, ESF and CF ( COCOF 09/0003/00 of 18 February 2009).

The aforementioned measures are important because they will optimise implement specific audit activities; and contribute to greater awareness of the ESIF managing authorities, beneficiaries and contracting authorities under the Public Procurement Act of the infringements and irregularities, particularly in respect of the rules for public procurement, as well as to mutual cooperation and the sharing of good practices at national level.

## **7.3 Germany**

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.

1. Inter alia, under the Federal Operational Programme for the European Social Funds (ESF), in March 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 following spheres: expressions of interest and application procedures, implementation by and accountability of beneficiaries, financial instruments, certification and payments, award procedures and procurements.

2. 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.

#### **7.4 Estonia**

The Estonian Auditing Authority improved the auditing methodology and check-lists with the fraud indicators provided by in the OLAF public procurement guidelines.

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.

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.

#### **7.5 Latvia**

##### ***7.5.1 Updated risk register in administration of FEAD***

***7.5.2 Internal rulings are in place which stipulates that fraud and other economic crimes (incl. illegal activities in EU funds) are one of the investigative top priorities.***

##### ***7.5.3 Risk assessment performed for Latvia-Russia CBC programme 2014-2020***

Inter alia included fraud related risks and anti - fraud measures; Irregularity procedure for Latvia-Russia CBC programme 2014-2020 approved by the Joint Monitoring Committee. It describes how irregularities are detected, notified and a decision regarding irregularity and recovery cases is taken and how irregularities shall be

recovered, amounts reimbursed to the EC. Measures and actions to be taken in case there might be possible fraud case as well as reimbursement to the EC and determines role in this process of programme implementing bodies and defines their responsibilities in each step. Thus, it provides overall information to the programme implementing bodies, their employees as well as beneficiaries.

#### ***7.5.4 Enhanced protection of the financial interests of the Union (VAT) against fraud***

1. Amendments to the Cabinet Regulation (CR) regarding:

- technical requirements for electronic devices (cash registers);
- implementation of arrangements to improve the performance of the taxi sector;

2. Amendments to the law "On Taxes and Duties":- ensuring the right of the SRS to apply enforcement measures already when the decision to start tax control is made; - new obligation to banks to provide information upon request regarding recipients of electronic payments and money transfers and to payment service providers to provide information to tax administration.

3. Real time checks were introduced in 2018 as additional instrument to influence taxpayers.

4. Data received with suspicious transaction reports with connection to tax fraud is included in the SRS database.

#### ***7.5.5 Update of anti-fraud measures in ESF management system***

The anti-fraud measures are regularly updated through the review and respective modifications of procedures and risk registers. An anti-fraud strategy has been introduced covering all phases – prevention, detection, investigation and sanctions. The system is regularly evaluated by both internal and external auditors to provide up-to-date and effective anti-fraud measures.

## **7.6 Slovenia**

Ministry of Justice: 1 measure described

Legislative measure: Change in the offense: Abuse of the official position according to Article 257 of the KZ-1.

An official or a public official uses his official position or crosses the boundaries of official rights or does not perform his official duty to obtain non-material advantage for himself or to anyone else or to cause damage to someone. The threatened punishment is after a change of up to two years in prison (before that was up to one year in prison). The change of the previous regulation is that the intention of the perpetrator in view of the abuses of the official position or rights is sufficient.

Anti-fraud cycle: Fraud investigation and prosecution, single measure, legislative measure, change - update of legislation, improvement of legislation, criminal sanctions.



## 7.7 United Kingdom

The following relates to the IGJ programmes covering ERDF AND ESF in Northern Ireland:

In accordance with Article 125(4) (c) of the CPR an anti- fraud risk assessment taking account of risks identified has been conducted by the MA. The risk assessment which covered key processes involved in the administration of Programmes, namely project selection, appraisal, approval, implementation, monitoring, verification, payment and procurement. The risk assessment was completed by MA staff with input sought from the IB. The risk levels are considered low, based on the control framework which has been established and the value and volume of transactions being administered. The mitigating controls are deemed to be adequate and proportionate. A few minor improvements were identified and an action plan developed to further enhance the control system.

The DFE fraud policy and response plan includes the measures which must be taken when fraud is suspected. This process ensures that there is co-ordination of the relevant bodies and appropriate involvement of the audit and Member State representatives. The process will also ensure that any suspected fraud which involves EU funding is brought to the attention of the Audit Authority, Commission and OLAF.

## 8 Training on the Irregularity Management System organised by the Member States

The Irregularity Management System (IMS) has more than 3,000 users across the 28 Member States and (potential) candidate countries. In order to organise an adequate support to users, the Commission (OLAF) has put in place a system which is based on the "train the trainers" approach.

Based on this "decentralised" model, 37 training sessions were organised in twelve Member States, attended by 563 trainees, as showed in Figure 8.

**Figure 8: Training sessions organised by Member States in 2017**

Member State	Sessions	Trainees
BG	4	41
CZ	3	80
DE	7	157
DK	2	6
EL	1	1
ES	1	35
FR	1	4
HR	3	100
HU	10	10
IT	3	60
PL	2	69

## 9 Case studies reported by Member States

### 9.1 Bulgaria

#### ***9.1.1 Rural Development Programme 2007-2013 - misuse of EU funds to purchase a yacht as an investment under measure 4.1. 'Development of fishing areas'.***

Officials of the State Agriculture Fund conducted an on-site inspection following the submission of an application for BGN 342 643.16 to pay for an investment (a sailing yacht of the model Bavaria Sailing Cruiser 56) under Rural Development Programme 2007-2013 measure 4.1 'Development of fishing areas', submeasure 4.1.A 'Financial aid for implementing local development strategies and covering fisheries groups' current expenses for enhancing the tourist attractions in the fishing area of the fisheries local action group (FLAG)'. During the inspection, the experts established that the investment (the sailing yacht and the equipment applied for) were missing.

An additional inspection was launched with the assistance of AFCOS Directorate – Ministry of Interior and the Border Police Directorate General was asked to investigate the yacht's movements. It was established that the yacht had travelled outside the area of water indicated in the project's business plan, and that the yacht had been used to perform activities other than those declared by the applicant. The State Fund for Agriculture (DFZ) registered an irregularity and launched a procedure to refuse the payment of a grant of BGN 342 643.16. The case was reported to the Bulgarian Prosecutor's Office.

#### ***9.1.2 Cigarette smuggling***

At the port of Burgas a physical check was carried out on a container loaded with timber, which officials from the Burgas Regional Directorate of Border Police (RDBP) and the Burgas Territorial Customs Office (TMU) found to contain 20 pallets of timber. The first two pallets loaded just behind the container's doors contained solid boards made of coniferous wood. As well as solid wooden boards, each of the remaining 18 pallets also contained machined boards that concealed cigarettes of the brand 'NZ' manufactured in the Republic of Belarus with excise duty fiscal stamps of the Ministry of Finance of the Republic of Belarus. In total, 223 'master cases', corresponding to 111 312 boxes or 2 226 240 cigarettes were seized.

The consignee of the goods is a Bulgarian commercial company registered in Sofia, which declared the goods as 'sanded pine boards', and the consignor is a Russian company registered in Bryansk.

The Burgas Customs Office opened pre-trial proceedings in respect of the case for an offence under Article 242(1)(e) of the Criminal Code. The Border Police Directorate-General, the Customs Agency and the Sofia City Interior Ministry Directorate conducted a joint inspection at the consignee's storage facility in Sofia during which

they found 123 099 boxes (246 'master boxes') of 'Regina' cigarettes without excise duty fiscal stamps concealed in machined boards inside pallets.

## 9.2 Croatia

### **Competitiveness and Cohesion OP (2014-2020)**

#### **Type of irregularity: infringements related to co-financing**

On 7 August 2018 suspected irregularities were reported regarding a project to strengthen a beneficiary's production capacity and improve its competitiveness. The aim of the project was to improve the beneficiary's competitiveness in the national and international markets and boost exports through investment in a hi-tech machine that would facilitate the development of new products, processes and markets, while also developing human resources and protecting the environment. The beneficiary sought to purchase a vertical hydraulic press.

In its reply to the beneficiary's claim for reimbursement, the level-2 intermediate body (IB2) informed the beneficiary that the costs were fully eligible and that the amount was to be reimbursed as a grant. The beneficiary was subsequently paid the amount claimed.

As part of a visibility check the beneficiary supplied photographs of the press in which the machine showed signs of wear. IB2 therefore suspected that the press could have been purchased second-hand. An on-the-spot check was carried out in the presence of an expert.

The check confirmed that the press did not fully meet the technical specifications, while a visual inspection revealed green paint under the existing layer of white paint that had been poorly applied. The beneficiary was asked to provide additional photographs, which were found not to match the press. The beneficiary was also asked to provide additional documentation, but failed to do so. In his opinion, the expert concluded that there was not enough evidence to establish that the press was new.

The general grant contract stipulates that all ineligible costs are to be borne by the beneficiary. According to both the special terms of the contract and the instructions to applicants published under the call regarding the eligibility of activities and costs, the purchase of second-hand equipment constitutes an ineligible cost.

Given that the beneficiary had applied for the reimbursement of costs of new (or recently bought and delivered) equipment and had supplied all the necessary documentation, it is clear that he had acted with the intention of gaining illegal proceeds by way of fraud.

As a result, IB2 adopted an Identified Irregularity Decision. After all the circumstances of the case were examined, and in particular after the suspicion was confirmed that the beneficiary had acted with the intention of committing a fraud, the case was handed over to the competent state prosecutor's office.

## 9.3 Hungary

The investigation ordered by the County Public Prosecutor was initiated on the basis of an investigation conducted and reported by OLAF into the crime of budgetary fraud

causing substantial financial damage. The investigating authority of the National Tax and Customs Administration found that the offenders, two sisters, had submitted tenders for the construction of cold stores under the ‘Modernisation of horticulture’ scheme in 2010. In the framework of the project supported by the European Agricultural Fund for Rural Development, the self-employed individuals unlawfully obtained aid and covered their costs with false cost invoices. According to OLAF’s findings, the business activities of the beneficiaries were in fact managed by one person: the mother of the two self-employed sisters. The majority of the project costs were invoiced by the mother’s company. The two sisters submitted aid applications for almost the same purpose, i.e. the construction of greenhouses and cold stores required for the production of vegetables. As far as OLAF is concerned, the two bids were essentially for the same project. The suspects were therefore seeking to acquire the ceiling for the available aid. The investigation established that the mother’s company had acted as an intermediary between the beneficiaries and the actual contractors, creating the possibility for the limited partnership company to invoice the work already done, plus its own interest, to the contractors. Having demonstrated higher costs, it was able to draw down a higher amount of aid. By involving the intermediary carrier, the company concerned obtained a profit of around 30 % (between EUR 976 000 and EUR 776 000). Documents relating to the tenders were seized during searches conducted at the company’s Debrecen head office and the cold stores. The investigation found that the self-employed sisters were unable to finance the construction, and covered their costs from loans. In several cases, the limited partnership company itself helped the sisters settle invoices to the limited partnership company, and the cross transfers did not generate any real revenue for the operator. According to the data collection and the response to the request for legal assistance, the representatives of the insolvent Romanian company issuing invoices to the limited partnership company did not know the perpetrators involved in the case. According to the investigation, the main contractor involved in the case and the two beneficiaries were actually under control of the mother, who had been the contact person named in the aid applications and payment claims. She had been authorised to represent the beneficiaries e.g. before the Rural Development Agency, the bank, the tax and customs office, and to handle cash and deliver documents. However, it was not economically justified to include the limited partnership company as an intermediary in the construction work. The investigating authority of the National Tax and Customs Administration closed the criminal proceedings with a proposal for prosecution in November 2018.

#### **9.4 Italy**

Anti-Fraud activities by the Guardia di Finanza concerning the European Agricultural Fund for Rural Development (ERDF).

A significant service activity concluded in 2018 on the Common Agricultural Policy was carried out by the Palermo Economic and Financial Police Unit (‘Operation Valledoro’) and was aimed at examining aid applications for investment in agricultural holdings dealt with by the European Agricultural Fund for Rural Development (ERDF).

The investigations made it possible, in particular, to establish that a number of parties, through a series of tricks, including presentation of false accounts and other

documents, persuaded the competent regional authority to approve – and partially disburse – substantial funding for works and services which have never been carried out, while at the same time committing other economic and financial crimes.

At the end of the investigations:

- a. 8 individuals were reported to the competent judicial authorities for aggravated fraud with a view to obtaining public funds, money laundering, forgery of a public deed, embezzlement, fraudulent declaration and issue of false invoices for approximately EUR 4.5 million;
- b. the embezzlement of public funds was established, as well as undue receipt of more than EUR 1.6 million and requests for additional undue payments of approximately EUR 2.7 million;
- c. approximately EUR 5 million was seized from business assets and available funds.

## 9.5 Lithuania

On 20/11/2017, Financial Crime Investigation Service of the Republic of Lithuania launched the pre-trial investigation on fraud.

The investigation determined that the European Social Fund Agency together with the Drug, Tobacco and Alcohol Control Department (further referred to as the Project implementer) signed Contract No. 08.3.1- ESFA-V-411-0001 for the co-financed project from the European Union Structural Fund. The largest eligible amount in the project budget is EUR 8.688.601.

The main activity of the Project is to provide 1600 persons dependent on psychoactive substances with psychological and social rehabilitation services and with successful integration into society (entry onto the labour market) free of charge.

The project funds the remuneration of the staff implementing the psychological and social rehabilitation of the persons dependent on psychoactive substance and the long-term social and psychological rehabilitation of the persons suffering from the psychoactive substances dependency diseases (allowances to participants).

The Project implementer implements the Project together with 13 partners. One of the project partners is the public body Meikštų Dvaras which undertook to ensure that only the representatives of target groups take part in the implemented project activities and undertook not to charge the project participants for the services provided to them.

However, after the examination of the documents of the public body Meikštų Dvaras it has been determined that the public body Meikštų Dvaras has individually established two contracts with each natural person. The services provided by the public body Meikštų Dvaras specified in the contracts are identical. However, in one of the contracts it is stated that these services will be provided to the project participant and paid according to the project from the funds of the European Social Fund Agency and the national budget and in the other contract – that the person undertakes to compensate part of the expenses (cost reimbursement fee), paying a monthly amount of EUR 250 to the public body Meikštų Dvaras. The cost reimbursement fee charged from the project participants most often was paid by the third persons related to the project participant who did not know about the Project and the services finances from

the Project funds. In cooperation with the European Social Fund Agency the amount of EUR 134961.14 was recovered.

## 9.6 Romania

The European Social Fund, SOPHRD 2007-2013 – continuously and unlawfully changing the intended use of European funds

In January 2018, prosecutors of the National Anti-Corruption Directorate – Section for the fight against infringements equivalent to corruption infringements, initiated legal proceedings against the defendants: the Chamber of Commerce and Industry of the Municipality of Bucharest (C.C.I.B.) and the following individuals: D.S.P., at the date of the events and at the present date President of the C.C.I.B., M.G.D., at the date of the events Director-General of the C.C.I.B., for committing the continued infringements of unlawfully changing the destination of European funds, V.L., on that date financial director of the C.C.I.B., for committing the continued infringements of complicity in the unlawful changing of the destination of European funds.

In the charges drawn up, the prosecutors found as follows:

- Starting in 2009, the representatives of the Chamber of Commerce and Industry of the Municipality of Bucharest started 27 projects, co-financed from the budget of the European Social Fund in the framework of the Sectoral Operational Programme for the Human Resources Development (SOPHRD) 2007-2013.
- Following the investigations carried out, it was found that in the period 2010 – 2012, during implementation of four of the projects, the defendants C.C.I.B., D.S.P and M.G.D., with the support of defendant V.L., unlawfully changed the destination of funds obtained from the EU general budget or from the budget administered by it or on its behalf, and used them for other purposes which did not relate to the projects, but rather specific needs of the C.C.I.B.
- Therefore, the total sum of RON 2 081 953 was transferred from the pre-financing accounts to those for the projects in the current account of the C.C.I.B. and was used for: the payment of obligations to the State budget, payments to suppliers or of wages which were not related to the respective projects, as well as for the reimbursement of sums of money from other projects. The C.C.I.B. returned the sum of RON 1 982 617 of which RON 2 081 953 was used for purposes other than those set out in the project. The Minister for National Education was a civil party in the criminal proceedings with the sum of RON 3 015 918.
- The precautionary attachment was ordered of a building belonging to the Chamber of Commerce and Industry of the Municipality of Bucharest.
- The case was referred to the Court of Bucharest with the proposal to maintain the precautionary measure in question.

## 9.7 United Kingdom

Over the last 12 months there has been two ERDF fraud referrals submitted by Ministry for Housing, Communities and Local Government (MHCLG) to GIAA Investigation Team. These two referrals focused on Grant Recipients that provide Small Medium Enterprises (SME's) with small grants and vouchers.

Case 1: This linked to team members of the ERDF project and a potential conflict of interest with family members receiving vouchers from the scheme for their businesses.

Case 2: This links to three SME's that have been given small grants, however, on Companies House they are all classed as dissolved prior to them receiving their grants.

### Good Practice

Although no fraud has been detected by GIAA Investigation Team, for case 1 an irregularity is in the process of being raised, as well as, an internal investigation by the Grant Recipient with a staff member on the ERDF project.

MHCLG are also currently undertaking an exercise to identify all ERDF projects that provide small grants and vouchers to SME's in the UK. A sample of these projects will be checked by the departments Counter Fraud Designated Officers (CFDO's) to ensure this is not systemic and avoid any high risk to the department. Further assurances will also focus on completed A125 Compliance visits and A127 audits to these types of ERDF projects where no issues have been identified.