



Factsheet N°15

Anti-fraud strategy

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I. The Interreg 2 Seas anti-fraud strategy

A. The Programme policy on anti-fraud

The MA has a zero tolerance policy to fraud and corruption.

The MA and JS have identified the most likely areas for fraud in the Interreg 2 Seas Programme and projects, and have set up robust control systems, measures and procedures in order to follow up on all suspected cases that will be highlighted.

With the Interreg 2 Seas Member State representatives, the MA and JS will furthermore seek action on national level in line with the relevant administrative and legal proceedings, wherever the need arises.

The MA expects all employees and representatives of the Interreg 2 Seas Programme to be an example in ensuring adherence to legal requirements, regulations, codes of conduct, procedures and practices.

Through the Programme anti-fraud policy, the intention is to:

- promote a culture which deters fraudulent activity
- facilitate the prevention and detection of fraud
- develop procedures which will aid in the investigation of fraud and related offences and which will
- ensure that such cases are dealt in a timely and appropriate manner.

The responsibility for an anti-fraud culture is the joint work of all those involved in the Interreg 2 Seas Programme and projects.

B. A targeted fraud risk mapping

In the framework of the overall risk mapping and management tools, the Interreg 2 Seas Programme has developed a fraud risks register based on the model proposed by the European Commission in annex to the Guidance Note on Fraud Risk Assessment and Effective and Proportionate Anti-Fraud Measures.

The Programme fraud risk mapping tool identifies a set of fraud risks in the following fields:

- Project application and selection
- Project implementation
- Certification and payments
- Direct procurements managed by the MA

The JS and MA have identified, assessed and scored a set of fraud risks in the four areas mentioned above and have listed the controls to mitigate the risks. Each net risk has been further assessed and scored to identify the need for any additional action plan to ensure better mitigation.

C. ARACHNE

The use of ARACHNE as a fraud risk assessment tool in the framework of the Interreg 2 Seas Programme is complementary to the other anti-fraud measures and is limited to the following fields:

- a) For each call for proposals (starting from the third call for proposals), all private entities having a total eligible budget higher than 500.000 € (this ceiling is not applicable if the private entity is acting as Lead Partner) will be assessed through ARACHNE in order to identify any risk of **financial insolvency**. In case of high risk detected by ARACHNE, the JS shall inform the relevant Member States **before the MC meeting** in order to allow the national representatives to undertake, before MC approval, any necessary investigation and confirm the financial soundness of the applicants concerned.
- b) For each call for proposals (starting from the third call for proposals), all enterprises self-declared as “SME”, whose budget is framed under state aid rules applicable to SMEs only, will be assessed through ARACHNE in order to identify any risk of **fake declaration** (e.g. linked or partner enterprises). In case of high risk detected by ARACHNE, the JS shall inform the relevant Member States **before the MC meeting** in order to allow the national representatives to undertake, before MC approval, any necessary investigation and confirm the absence of fake declarations for the applicants concerned.
- c) For all approved projects (starting from 2017 on), all private entities having a total eligible budget higher than 500.000 € (this ceiling is not applicable if the private entity is acting as Lead Partner) will be assessed once a year through ARACHNE in order to identify any risk of **financial insolvency**. In case of high risk detected by ARACHNE, the JS shall inform the relevant Member States in order to allow the national representatives to undertake any necessary investigation and confirm the financial soundness of the beneficiaries concerned.
- d) For all approved projects (starting from 2017 on), all enterprises self-declared as “SME”, whose budget is framed under state aid rules applicable to SMEs only, will be assessed once a year through ARACHNE in order to identify any risk of **fake declaration** (e.g. linked or partner enterprises). In case of high risk detected by ARACHNE, the JS shall inform the relevant Member States in order to allow the national representatives to undertake any necessary investigation and confirm the absence of fake declarations for the beneficiaries concerned.

II. Measures for projects to mitigate the risk of fraud

A. Procedures for reporting the suspicions of fraud

For First Level Controllers, a specific Programme template is available (see annex 1 of this Fact sheet) to report cases of suspected or established fraud to the Programme. The Word version of the document is available on the Programme website via the link below:

<https://www.interreg2seas.eu/en/download/file/fid/46656>

A whistleblowing procedure will also be put in place to allow partners and members of the public to report to the Managing Authority any suspicion of fraud (by sending an email to a dedicated email address available on the Programme web-site).

<https://www.interreg2seas.eu/fr/contenu/anti-fraud-policy>

B. Tips and recommendations to mitigate effectively a fraud risk

The programme recommends Project Partners and First Level Controllers to pay particular attention to staff costs (e.g. plausibility of staff costs in light of the activities performed, risk of double financing) and public procurement (e.g. potential conflict of interest, splitting of contracts) as they have been identified as the two riskiest areas for irregularities and fraud in Interreg 2 Seas. This is the reason why the First Level Control checklist particularly tackles the risk of irregularities in these areas. The Programme and national authorities as well as the second level auditors may also carry out targeted verifications concerning project partners to identify potential risks of irregularities or fraud.

In order to prevent and detect potential fraud in the area of public procurement, Project beneficiaries (Lead and Project Partners) are recommended:

- to ensure the proper application of their internal conflict of interest policy (e.g. through conflict of interests' declarations, conflict registers, etc.)
- to perform checks on companies participating in a tender in particular to prevent conflicts of interest, detect interlinked companies submitting tenders (e.g. checking general websites, online companies' registers, etc.)
- to have measures in place to detect persistently high or unusual bid data (e.g. bid evaluators that have a knowledge of the marketplace) and verify the plausibility of the price of activities/services (e.g. comparison with similar contracts, online price comparison tools, etc.)
- to perform checks on goods and services provided in particular to verify compliance with tender specifications, the prices quoted and the actual delivery of activities/services (e.g. request if needed additional information on staff involved, time spent, etc.).

In addition, for all public procurement above the lowest applicable threshold, partners are recommended to implement a robust internal control system, in line with the proportionality principle, to avoid in particular:

- irregular split purchases
- unjustified direct awards
- irregular extensions of contract
- irregular amendments of existing contracts

- the leaking of bid data
- that bid specifications are too narrow
- that procurement procedures are not followed.

This should involve the internal review of all public procurement procedures above national and EU thresholds. For example, it is recommended that contract awards or amendment of existing contracts are reviewed by a secondary mechanism within the partner organisation other than the selection panel (e.g. senior level personnel within the beneficiary). Another measure could be that evaluation boards are comprised of senior management personnel who are rotated, with some level of randomness in their selection for participation.

Similarly, if the partner organisation owns an internal audit function, it is recommended that the relevant service/person regularly reviews the implementation of internal controls over procurement.

Moreover, on top of the minimum requirements defined by the applicable European and national public procurement law, the Programme recommends Project Partners to ensure:

- a high level of transparency in the award of contracts (e.g. publication of all contract information that is not publicly sensitive)
- that the tender process includes a transparent bid opening process and adequate security arrangements for unopened tenders (in order to avoid the manipulation of bid data).

The Interreg 2 Seas Programme encourages all Project beneficiaries, contractors, employees, and the public to do their utmost to prevent fraud from happening, to put into place proportionate measures to detect it and to come forward with any suspicion of fraud in relation to this Programme.

III. Annex 1

FIRST LEVEL CONTROL REPORT ON SUSPECTED OR ESTABLISHED FRAUD

I hereby inform the Managing Authority of the Interreg 2 Seas Programme that, based on the provided documents, on my verification and my professional judgement as a first level controller, I have found evidence of or become aware of suspected or established fraud for the following project beneficiary:

Project number	<i>To be filled-in by FLC</i>
Project acronym	<i>To be filled-in by FLC</i>
Project title	<i>To be filled-in by FLC</i>
Partner number	<i>To be filled-in by FLC</i>
Name of partner organisation	<i>To be filled-in by FLC</i>

1. Typology of suspected or established fraud

Please explain in detail the nature of suspected or established fraud that you wish to inform the Programme about (some examples of fraud are conflict of interests, fake declarations, double funding, etc.)

To be filled-in by FLC

2. Financial perimeter of the suspected or established fraud

Concerned Partner claim(s)	<i>To be filled-in by FLC</i>
Concerned budget line(s)	<i>To be filled-in by FLC</i>
Concerned work package(s)	<i>To be filled-in by FLC</i>
Amount of expenditure concerned (in EUR)	<i>To be filled-in by FLC</i>

3. Founding principles leading to fraud suspicion or established fraud

Please explain in detail the reasons/circumstances leading you to suspect the existence of fraud or to report established fraud for this specific project beneficiary (i.e Why do you think there may be fraud? / How did you become aware of the suspected/established fraud?).

To be filled-in by FLC

Please provide some concrete facts about the suspicion of fraud or the details of the established fraud (including reference of the competent authority/court decision for established fraud)

To be filled-in by FLC

*Please indicate the actions you already undertook to analyze the specific case in-depth.
Please also specify if you reported this suspected or established fraud to any other competent authority and if any administrative or judicial proceedings in relation to this case has been initiated.*

To be filled-in by FLC

4. Potential impact of the suspected or established fraud outside the project

If applicable, please list other EU co-funded Programmes and projects in which the same beneficiary is involved (to your knowledge)

To be filled-in by FLC

Please add any complementary information you deem to be useful to identify and limit the impact of the suspected or established fraud

To be filled-in by FLC

I hereby declare that my assessment is based on actual evidence that I have seen during my verification of the expenditure claimed. I am aware that the Interreg 2 Seas Programme and national competent bodies may use this evidence to undertake further investigations that could lead to appropriate administrative and/or legal actions in relation to suspected unlawful activity.

FLC Name and Surname	<i>To be filled-in by FLC</i>
FLC Organisation	<i>To be filled-in by FLC</i>
Location	<i>To be filled-in by FLC</i>
Date	<i>= date of document generation</i>
FLC Signature	<i>To be filled-in by FLC</i>
FLC Stamp (if available)	<i>To be filled-in by FLC</i>