



EUROPEAN COMMISSION
Neighbourhood and Enlargement Negotiations

DG NEAR Anti-fraud strategy 2016-2017

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DG Neighbourhood and Enlargement Negotiations Anti-fraud strategy

INTRODUCTION

In the context of the discharge procedures, the European Parliament and the European Court of Auditors have repeatedly called for better protection of the EU's financial interests against fraud and irregularities. Fraud prevention and detection is a key governance issue that the Commission needs to address throughout the whole expenditure life cycle. The prevention and detection of fraud is, therefore, one of the objectives of internal control and the responsibility of every staff member, as stipulated in the Financial Regulation.

On 24 June 2011, the Commission adopted its current anti-fraud strategy. The strategy's aim is to update and modernise the way fraud is addressed within the Commission. The objective is to ensure that the EU budget is managed in line with the principles of sound financial management - including the prevention and detection of, as well as fight against, fraud¹.

This document outlines the anti-fraud strategy of DG Neighbourhood and Enlargement Negotiations (NEAR), as a specific strategy within the broader context of the strategies of the other DG's involved in External Relations. It is addressed to all NEAR staff, both in HQ and in the European Union Delegations/Office where DG NEAR staff are present.

This strategy and the action plan will be subject to a regular analysis and update in order to keep in pace with developments in the legal and financial framework. The strategy will also be continuously aligned with the methodology and guidance that OLAF provides to Commission services on a regular basis.

1. THE OPERATIONAL ENVIRONMENT OF DG NEAR

The operational environment of DG NEAR, notably aid financed by the EU Budget, is characterised by:

- Geographically dispersed activities, including in areas with difficult legal and/or political complexities;
- a high number of operations and associated financial transactions;
- different, evolving management modes and managing authorities (direct and different types of indirect management);
- the diversity of implementing organisations and partner countries with different management and control capacities;
- different aid instruments (e.g. IPA, ENI, etc.);
- diversified delivery methods (traditional projects, projects jointly managed with other international donors, technical assistance, TAIEX, Twinning, contributions to global instruments, etc.);
- a high level of risk due to the geopolitical, social, institutional and administrative environment in the areas of operation; and,

¹ Commission Communication on the Commission anti-fraud strategy (CAFS) COM(2011)376

- a large volume of financial management performed by implementing authorities in third countries.

2. RISK ASSESSMENT

2.1. Commission context

Within the range of risks identified in the Commission's risk typology, five risk categories are particularly relevant for this strategy:

- 1) **Political risks:** Universal values, fundamental rights, conflict and insecurity.
- 2) **Macro-economic risks:** The possibility that macroeconomic policies cease to be stability-oriented.
- 3) **Continuity and sustainability risks:** The risk that the policies put in place by the government will not be continued or may not attain the desired outcomes.
- 4) **Public Financial Management:** Risks that weaknesses in the government's regulatory framework, financial compliance and controls systems may lead to inappropriate management of public funds.
- 5) **Corruption and Fraud:** Risks that resources are intentionally diverted, and power abused, for private gain.

Reputational risks and going concern risks are not covered by a separate risk category due to their crosscutting nature. The going concern risks refer to a possible insolvency or bankruptcy and to risks linked to changes in policy direction, these risk dimensions are covered by macro-economic and continuity risks.

Risks of corruption and fraud are linked to public financial management and continuity risks, and by considering a separate risk category, as set out above, the Commission puts higher emphasis on corruption and fraud. This specific risk category focuses on the perceived risk level, the legal, regulatory and institutional framework as well as government responsiveness and enforcement.

2.2. DG NEAR risk environment

Considering our operational environment and the risk assessment carried out at HQ and Delegations in spring 2013, the specific DG NEAR risk environment encompasses the following risks, aligned with the typology established in the context of our co-operation with the other DG's of the External Action family:

Systemic risks

These are the risks inherent to the financial mechanisms and procedures through which DG NEAR's aid is funded.

- Before the implementation of projects or contracts:
 - Irregularities not involving collusion;
 - irregularities concerning collusion with the contracting authority (conflict of interests, corruption); and,
 - irregularities linked to collusion between applicants/bidders.

- Risks of fraud during the implementation of projects or contracts:
 - Artificial inflation of costs;
 - irregularities in subcontracting;
 - action not implemented, partly implemented or not implemented according to the rules, including product substitution; and,
 - double funding.

Structural risks

This category refers to risks related to the financial, operational and legal environment in which the funding of external operations takes place. This environment is systematically assessed by a number of internationally recognised indexes:

- National level of corruption according to internationally accepted standard criteria (e.g. Transparency International or the World Bank governance indicators);
- level of efficiency of the national legal, regulatory and institutional framework (e.g. World Justice Project Rule of Law Index); and,
- level of government responsiveness and enforcement regarding fraud and corruption according to international standards.

Organisational risks

These are the elements in the organisational structure at Headquarters and Delegations that may contribute to the lack of prevention, identification and detection of fraud. As a whole, they may be considered as overall vulnerabilities to fraud:

- High level of staff turnover at Delegations and, inversely, low level of mobility, with the former a risk to institutional memory and business continuity and the latter a potential risk to impartiality;
- high level of contractual staff in Delegations, which also poses a risk to impartiality;
- high contract/staff ratio for contracts at HQ, with limited field visits, limited eye-to-eye meetings and high reliance on desk reviews;
- lack of awareness of preventive and detective indicators;
- lack of skills of financial actors; and,
- lack of awareness of the respective responsibilities in preventing, identifying and denouncing fraud, both at the contracting authority, the beneficiary organisations and the beneficiary countries.

3. ROLES AND RESPONSIBILITIES

3.1. Introduction - Ethics and Integrity

A commitment to ethical behaviour throughout the organisation helps ensure that staff are aware of their responsibilities *vis-à-vis* anti-fraud. The effectiveness of this strategy depends on its implementation by every member of staff in their everyday work when managing financial assistance. Staff are reminded that fraudulent behaviour is not acceptable and any involvement in fraudulent activity has consequences. As stewards of public funds, staff must exercise the highest standards of personal integrity. In compliance with **Internal Control Standard 2: "Ethical values"**, DG NEAR staff are made aware of the guidance and procedures in relation to deontology and integrity, including guidance on reporting irregularities.

3.2. NEAR and OLAF: roles and responsibilities

In the context of every staff member's active participation and involvement, there are two main functions within DG NEAR with respect to anti-fraud activities:

- **OLAF Correspondent** (Unit NEAR.R.2 'Financial and Legal Coordination'), who liaises with the OLAF's investigation units at regular intervals to exchange information concerning on-going investigations. The OLAF Correspondent acts as the repository of all data on OLAF cases that concern DG NEAR. The OLAF Correspondent reports on this data at regular intervals to the Director-General. The OLAF Correspondent participates in the Fraud Prevention and Detection Network (FPDNet).
- **OLAF Focal Points**² are the OLAF Correspondent's main contact point within Delegations and Directorates for all fraud-related issues in terms of prevention, detection and correction. Each EU Delegation has an OLAF Focal Point, as does each directorate at HQ.

In carrying out these roles, DG NEAR works in close cooperation with **OLAF**, who are responsible for:

- Conducting administrative investigations inside and outside EU institutions;
- the follow-up of cases, notably in terms of legal/judicial action;
- producing and disseminating guidance and methodological notes (e.g. the publication of case books on fraud cases, development of specific training); and,
- organising the Fraud Prevention and Detection Network.

² For a list of DG NEAR's Focal Points, see the Intranet: <https://myintracomm.ec.europa.eu/dg/near/how-we-do-it/financial/Documents/Anti-Fraud/OLAF-Correspondent-and-OLAF-FocalPoints.pdf>

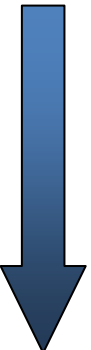
4. GENERAL OBJECTIVES

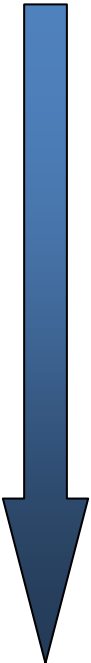
Based on the above, the general objectives (developed further in the Action Plan) of this anti-fraud strategy are:

- 1) **Anti-fraud network, data collection and guidance.** To establish a network of OLAF Focal Points within DG NEAR, as well as develop data and statistics on the OLAF cases that concern the DG;
- 2) **Management reporting and relations with EU stakeholders.** To establish regular reporting cycles on anti-fraud issues at senior management level and at the level of Commissioner, as well as develop the tools that enable such reporting and to coordinate relations between DG NEAR and OLAF; and,
- 3) **Awareness raising, procedures and document management.** To raise the fraud awareness level of DG NEAR staff, including increasing their knowledge and capacity for performing preventive and detective controls. To develop procedures and guidance on reporting fraud and anti-fraud KPIs for the Management Plan.

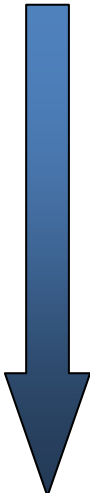
ANNEX 1: ACTION PLAN

The action plan describes actions necessary for the implementation of the strategy through the achievement of the general objectives.

| Objective | Action n°. | Action(s) to be taken | In charge | Indicator(s) |
|--|------------|--|--|--|
| Objective 1): Anti-fraud network, data collection and guidance  | 1.1 | <ul style="list-style-type: none"> Create a database of OLAF cases (paper and electronic) that concern DG NEAR, bringing together the ongoing cases pertaining to ex-ELARG countries and ex-DEVCO-F countries. | OLAF Correspondent | <ul style="list-style-type: none"> Transfer of ex-DEVCO-F OLAF case files to DG NEAR. Creation of consolidated DG NEAR OLAF cases database (paper and electronic). |
| | 1.2 | <ul style="list-style-type: none"> Provide guidance and instruction on OLAF issues to be followed by OLAF Focal Points and staff within DG NEAR. | OLAF Correspondent | <ul style="list-style-type: none"> Production and dissemination of the OLAF manual, following consultations with DG NEAR Directors. |
| | 1.3 | <ul style="list-style-type: none"> Establish a network of OLAF/anti-fraud Focal Points within DG NEAR (HQ and EUDs). | OLAF Correspondent NEAR senior management | <ul style="list-style-type: none"> List of Focal Points published on DG NEAR's anti-fraud Intranet pages. |

| Objective | Action n°. | Action(s) to be taken | In charge | Indicator(s) |
|--|------------|---|--------------------|--|
| Objective 2): Management reporting and relations with EU stakeholders (OLAF, EP, Council)  | 2.1 | <ul style="list-style-type: none"> Develop a statistics based reporting format for the bi-annual report on OLAF/anti-fraud issues for the Commissioner. | OLAF Correspondent | <ul style="list-style-type: none"> Production of data sets and statistics from the OLAF database developed under Objective 1.1. Production of statistical reports on the OLAF cases pertaining to DG NEAR. |
| | 2.2 | <ul style="list-style-type: none"> Introduce anti-fraud reporting at a senior management level. | OLAF Correspondent | <ul style="list-style-type: none"> Production of high-level OLAF statistics on a monthly basis for senior management. Upon request, the production of in depth statistics on individual Directorates' OLAF case load in order to facilitate follow-up. |
| | 2.3 | <ul style="list-style-type: none"> Coordinate relations between DG NEAR and OLAF. | OLAF Correspondent | <ul style="list-style-type: none"> The timely exchange of information with OLAF. |
| | 2.4 | <ul style="list-style-type: none"> Establish bi-annual technical-level meetings with OLAF, in line with the Administrative Arrangements.³ Participate in the Fraud Prevention and Detection Network. | OLAF Correspondent | <ul style="list-style-type: none"> Participation in at least two technical-level meetings with OLAF each year. DG NEAR OLAF database cross-checked with OLAF. DG NEAR participation in FPD Net meetings |

³ See Ares(2015)402217 on the NEAR Intranet: https://myintracomm.ec.europa.eu/dg/near/how-we-do-it/financial/Documents/Anti-Fraud/OLAF_Comm_Administrative_Arrangements.pdf

| Objective | Action n°. | Action(s) to be taken | In charge | Indicator(s) |
|---|------------|---|---------------------------|---|
| Objective 3): Awareness raising, procedures and document management  | 3.1 | <ul style="list-style-type: none"> Facilitate anti-fraud training for all DG NEAR staff (with the assistance of OLAF and other external relations DGs where necessary), such as: <ul style="list-style-type: none"> - Online training; - HOFO's days, Cooperation days (compulsory training for OLAF focal points); - Pre-posting anti-fraud training activities; - Anti-fraud presentations at Director's and HoU meetings. | OLAF Correspondent & OLAF | <ul style="list-style-type: none"> Development of online anti-fraud training tool in association with DEVCO. |
| | 3.2 | <ul style="list-style-type: none"> Update the anti-fraud page on the NEAR Intranet with procedures and guidance on action to take once fraud is detected or suspected. | OLAF Correspondent & OLAF | <ul style="list-style-type: none"> Specific Intranet page made available on NEAR intranet and regularly updated. |
| | 3.3 | <ul style="list-style-type: none"> Design and dissemination an anti-fraud questionnaire designed to both gauge, and raise, awareness of OLAF and anti-fraud issues and procedures within DG NEAR, as well as provide the basis for an analysis of where to target further anti-fraud awareness raising activities and training. | OLAF Correspondent | <ul style="list-style-type: none"> Production of questionnaire (cross referencing DG NEAR anti-fraud resources), cross-checked with OLAF. Dissemination of questionnaire and analysis of results. |
| | 3.4 | <ul style="list-style-type: none"> Produce <i>ad hoc</i> instructions on OLAF issues for DG NEAR staff. | OLAF Correspondent | <ul style="list-style-type: none"> Production of <i>ad hoc</i> instruction notes on OLAF issues. |
| | 3.5 | <ul style="list-style-type: none"> Develop anti-fraud indicators for the DG NEAR Management Plan (MP). | OLAF Correspondent | <ul style="list-style-type: none"> Inclusion of anti-fraud indicators in the MP. |