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**COMMISSION STAFF WORKING DOCUMENT**

**Implementation of Article 325 TFEU by the Member States in 2017**

*Accompanying the document*

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

**29th Annual Report on the Protection of the European Union's financial interests - Fight  
against fraud - 2017**

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## TABLE OF CONTENTS

Table of Contents .....	1
Table of Figures .....	2
1 Overview of the measures taken by Member States in 2017 .....	3
<b>1.1 Legislative measures</b> .....	<b>6</b>
<b>1.2 Administrative measures</b> .....	<b>6</b>
<b>1.3 Organisational measures</b> .....	<b>6</b>
<b>1.4 Operational measures</b> .....	<b>7</b>
2 Cross-cutting anti-fraud initiatives and measures by Member States .....	7
2.1 Progress on the development of National Anti-Fraud Strategies in 2017 .....	7
2.1.1 <i>Background to NAFS</i> .....	9
2.1.2 <i>Guiding principles</i> .....	9
2.2 Measures to enhance transparency and fight corruption and anti-conflict of interest in public procurement .....	10
2.3 Measures against financial and organised crime .....	15
2.4 Other measures .....	18
3 Anti-fraud measures covering both Revenue and Expenditure sectors .....	21
3.1 Revenue and Expenditure .....	21
4 Anti-fraud measures in Revenue by the Member States .....	22
4.1 Fight against customs fraud .....	22
4.2 Fight against tax evasion and VAT fraud .....	30
5 Anti-Fraud Measures by Member States - Expenditure .....	31
5.1 Measures covering several shared management sectors .....	31
5.1.1 <i>Agriculture, Fisheries, Cohesion policy</i> .....	31
5.1.2 <i>Agriculture, Fisheries, Cohesion, AMIF, FEAD and EGF</i> .....	35
5.1.3 <i>Cohesion policy, fisheries, AMIF, EGF, FEAD</i> .....	36
5.2 Agriculture .....	39
5.3 Cohesion policy and Fisheries .....	44
5.3.1 <i>Cohesion policy</i> .....	44
5.3.2 <i>Fisheries</i> .....	52
5.4 Measures covering several shared management funds and centralised management .....	53
6 Additional measures reported by Member States .....	55
6.1. Belgium .....	55
6.1.1. Federal Public Service - Finance (Anti-Fraud Cell) 2 additional measures: .....	55

6.1.2.	ERDF Wallonia:.....	55
6.1.3.	Belgium's Anti-fraud Coordination Service (AFCOS/CAF) and Interdepartmental Committee for Coordinating the Fight against Economic Fraud (CICF): .....	55
6.2.	Bulgaria.....	56
6.2.1.	Operational measure.....	56
6.2.2.	Organisational measure.....	56
6.3.	Croatia.....	56
6.4.	Slovenia.....	57
6.5.	United Kingdom.....	57
7.	Training on the Irregularity Management System organised by the Member States.	58
8.	Case studies reported by Member States .....	58
8.1.	Bulgaria.....	58
8.2.	Belgium.....	59
8.3.	Greece .....	60
8.4.	Finland.....	60
8.5.	Croatia.....	61
8.6.	Hungary.....	62
8.7.	Italy .....	62
8.8.	Lithuania .....	63
8.9.	Latvia.....	64
8.10.	Netherlands .....	65
8.11.	Romania .....	65

#### **TABLE OF FIGURES**

Figure 1: Distribution of reported measures by type.....	4
Figure 2: Measures shown by area addressed and stage/s in the anti-fraud cycle .....	5
Figure 3: Number of measures reported by area .....	5
Figure 4: Cross-cutting v Sectoral.....	6
Figure 5: Cross-cutting vs Sectoral by Member State.....	6
Figure 6: Sectoral measures: expenditure .....	7
Figure 7: NAFS: State of play.....	9
Figure 8: Training sessions organised by Member States in 2017.....	59

## MEASURES TAKEN BY MEMBER STATES

### 1 OVERVIEW OF THE MEASURES TAKEN BY MEMBER STATES IN 2017

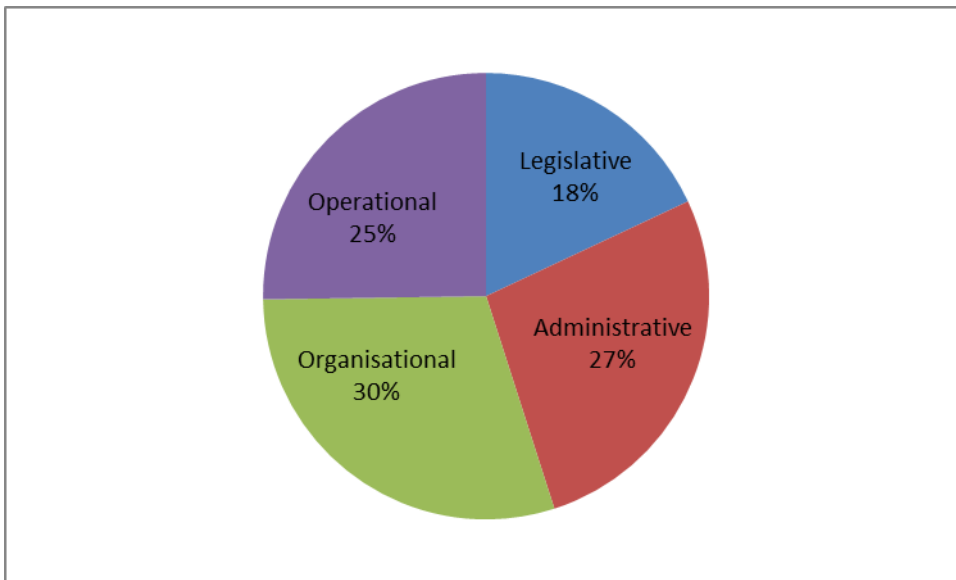
Member States reported a significant number (73) of measures in 2017 on the protection of the EU's financial interests and the fight against fraud, reflecting the adoption of the bulk of Union legislation for the new programming period 2014-2020. Member States were invited to report a maximum of three (most important) anti-fraud measures. This analysis therefore gives a good overview of trends and priorities in the anti-fraud measures implemented by Member States, but it is not exhaustive. 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. Taking into individual account the 'package' measures, the number of reported initiatives rises to 111.

Some Member States also reported additional measures (for a total of 10). They are detailed in chapter 6 of the present document.

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

Four different types of measures were reported and analysed: legislative, administrative, organisational and operational. The highest number of reported measures is of an organisational nature, but there is a relative balance among all the types of initiatives reported by Member States, as showed in Figure 1.

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



Member States' measures covered the entire anti-fraud cycle, but focussed in particular on fraud detection (77% of the measures) and prevention (76%), mostly in the area of shared

management and control of EU funds (49%), followed by measures against financial crime (including money laundering – 22%).

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	10	12	4	6	15
Financial crime (incl. money laundering)	11	14	10	5	16
Organised crime	8	10	8	3	10
Corruption	8	10	3	2	10
Conflict of interest	12	10	3	4	15
Fraud definition	6	7	4	3	8
AFCOS	7	6	2	2	9
Whistleblower	8	9	3	3	9
Customs / TOR / illicit trade	9	11	9	6	15
Shared management and control of EU funds	24	25	9	11	34
Antifraud or anticorruption strategy	9	9	4	3	11
Other	17	15	6	3	21
<b>TOTAL</b>	<b>55</b>	<b>56</b>	<b>24</b>	<b>18</b>	<b>73</b>
<b>%</b>	<b>75%</b>	<b>77%</b>	<b>33%</b>	<b>25%</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
AT	2	1				1					2	1	
BE	3		2									1	1
BG	3	3		1		1	1	1			3		
HR	3							3					1
CY	3				1	1			1		2	1	
CZ	3	1	2	2	1						1	1	
DK	1									1			
EE	2	1			1	1					1		
FI	3	1	1						1	1	2		
FR	2		1	2						1			2
DE	3	1	1		1	1				1	2	1	
GR	3		1							2	2		
HU	3		1	1	1								3
IE	1										1	1	
IT	3									1			2
LV	3	2	1		2	2	2	1	2	1	2	1	
LT	3		2	1	1	1				1			2
LU	3						1				2		1
MT	1	1										1	
NL	3					2					2		1
PL	3		1	1			1				2	1	
PT	3		2	2	1	1			1	2	1		
RO	3	1									1	1	
SK	2					1					2		1
SI	3	2	1			1	2	1		3	2		2
ES	3							1	1				2
SE	3							2	2	1	3		
UK	2	1			1	2	1				2	1	1
<b>TOTAL</b>	<b>73</b>	<b>15</b>	<b>16</b>	<b>10</b>	<b>10</b>	<b>15</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>15</b>	<b>36</b>	<b>11</b>	<b>20</b>
<b>% of total</b>	<b>100%</b>	<b>21%</b>	<b>22%</b>	<b>14%</b>	<b>14%</b>	<b>21%</b>	<b>11%</b>	<b>12%</b>	<b>12%</b>	<b>21%</b>	<b>49%</b>	<b>15%</b>	<b>27%</b>

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

The majority of measures were sectoral (77%), but those of a horizontal nature still represent almost a fourth (23%), as showed in Figure 4.

Figure 4: Cross-cutting v Sectoral

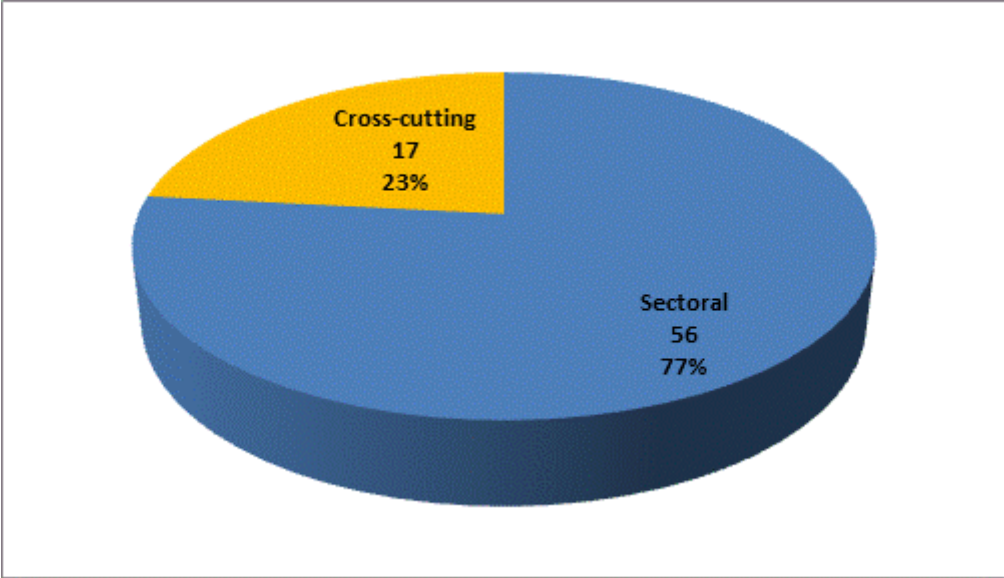


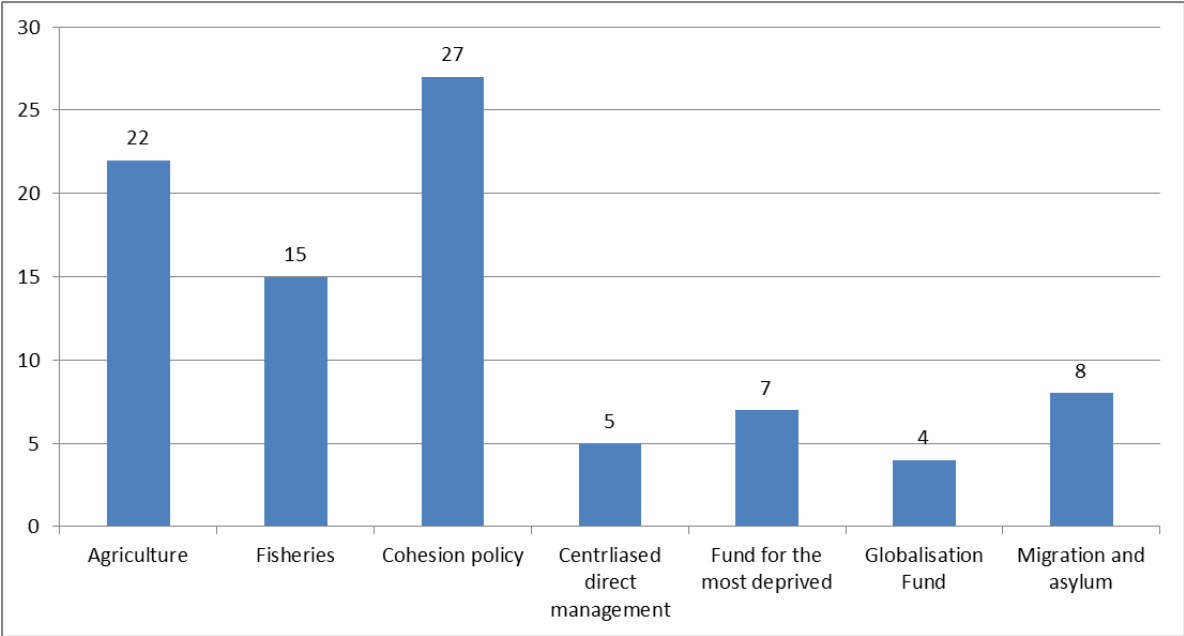
Figure 5 breaks down this information by Member State.

Figure 5: Cross-cutting vs Sectoral by Member State

Member State	Horizontal	Sectoral	Total
AT		2	2
BE		3	3
BG		3	3
HR		3	3
CY	1	2	3
CZ	3		3
DK		1	1
EE	1	1	2
FI		3	3
FR		2	2
DE		3	3
GR	1	2	3
HU		3	3
IE		1	1
IT		3	3
LV	1	2	3
LT	1	2	3
LU		3	3
MT	1		1
NL		3	3
PL	1	2	3
PT		3	3
RO	2	1	3
SK		2	2
SI	1	2	3
ES	1	2	3
SE	3		3
UK		2	2
<b>TOTAL</b>	<b>17</b>	<b>56</b>	<b>73</b>

Among the sectoral measures reported, about 41 relate to various expenditure sectors and 15 to revenue. Figure 1 shows that the majority of adopted measures in expenditure sectors relate to Cohesion policy and Agriculture.

**Figure 6: Sectoral measures: expenditure**



**1.1 Legislative measures**

Member States reported twenty legislative measures (of which 8 as part of a package of measures). The majority of these acts are either horizontal or referred to the expenditure sectors, while only a few refer exclusively to revenue. Legislative measures reported by Member States mainly relate to the definition of competence and powers (7 measures each) or financial penalties (5). Their adoption is mainly meant to clarify or consolidate existing rules (11), but also to remedy flaws in the systems (6) and to enforce the rules in line with developments in EU law (6).

**1.2 Administrative measures**

Thirty administrative measures have been reported by Member States (of which 19 as part of a package of measures) and they were mainly addressing 'monitoring/desk checks' and 'irregularities reporting' (13 measures each). The purpose of such measures was to enhance existing measures (17) and to clarify or consolidate existing rules (13).

**1.3 Organisational measures**

Organisational measures were the most reported by Member States: 33 (of which 18 adopted as part of a package of measures). Mainly they addressed 'fraud awareness raising' initiatives (14 measures), or 'inter-agency cooperation', specification concerning the 'competence' of the bodies involved or 'general trainings' (12 each). Mostly they resulted neutral in terms of resources (19), but in a number of cases (10),

organisational measures adopted produced an increase of resources for the bodies concerned.

## 1.4 Operational measures

Twenty-eight operational measures have been reported by Member States (of which 17 as part of a package of measures), mainly referring to the introduction/use of 'risk indicators' (16) and of 'IT tools' (14). Also the deployment of 'web reporting/hotline' for fraud detection was reported (5). Some measures aimed at better 'structuring the cooperation with law enforcement or judicial authorities (11 times). The expected results of such measures range from enhancing the information flow (in 22 occurrences), to better targeting checks (14), enhancement of coordination (11) and cooperation (9), targeting of investigations (9) and enhanced ex-post (9) and ex-ante controls (8).

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

In 2017, 17 horizontal measures were adopted by Member States.

The present chapter will focus on the horizontal measures adopted by the Member States in 2017, 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 2016.

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

### 2.1 PROGRESS ON THE DEVELOPMENT OF NATIONAL ANTI-FRAUD STRATEGIES<sup>1</sup> IN 2017

By the end of 2017, a total of ten Member States had adopted a National Anti-Fraud Strategy and transmitted it to the Commission<sup>2</sup>. The Commission invites all other Member States to follow such example and establish NAFS based on the Guidelines prepared (in collaboration with Member States experts).

In reply to the PIF questionnaire 2017, 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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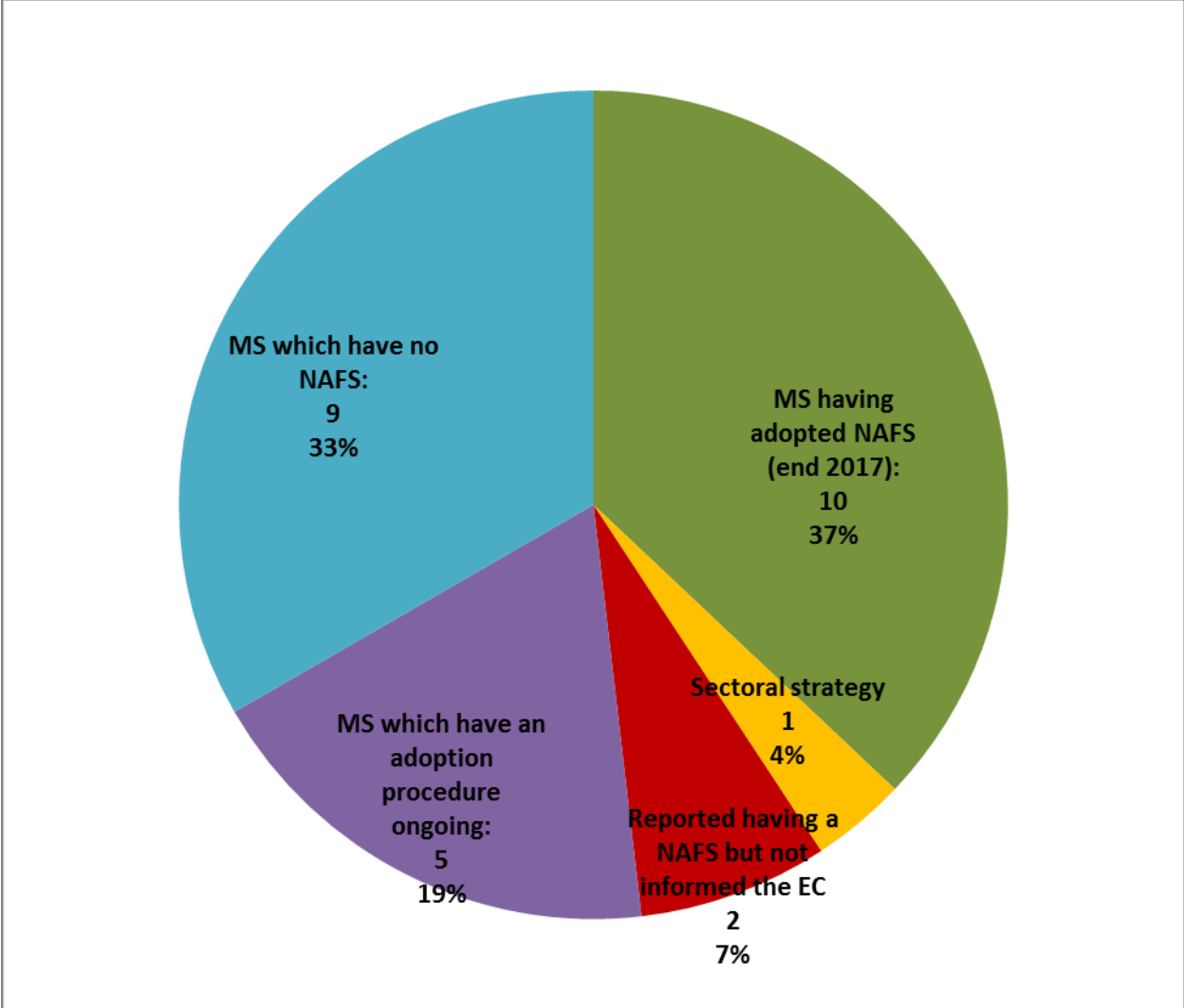
<sup>1</sup> The Commission invites Member States to consult the General Guidelines on National Anti-Fraud Strategies when starting the procedure of establishing a NAFS.

<sup>2</sup> The ten Member States are: *Bulgaria, Croatia, Czech Republic, France, Greece, Hungary, Italy, Latvia, Malta and Slovakia*. *Austria, Lithuania and Portugal* replied to the questionnaire that they have adopted a National AntiFraud Strategy, but it is either a sectoral strategy or 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, Estonia, 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.

### **2.1.1 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.

### **2.1.2 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 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 in the form of an xls file that can be used 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.

## 2.2 MEASURES TO ENHANCE TRANSPARENCY AND FIGHT CORRUPTION AND ANTI-CONFLICT OF INTEREST IN PUBLIC PROCUREMENT

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

### *Czech Republic - Public procurement and anti-corruption Act*

Beyond the procurement directives (national level), the Public Procurement Act provides mandatory evidence on the ownership structure of suppliers through:

- Obligations of suppliers-public limited liability companies to issue exclusively uncertificated shares,
- the obligations of the contracting authorities to check the actual owners according to the law on selected measures against the legalisation of proceeds from criminal activities and terrorist financing.

The objective of Law 134/2016 was to increase transparency in the area of public procurement as a whole and to improve the prevention and detection of fraud and corruption in public procurement.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Detection	Public procurement; Corruption	Single	Legislative	N	Definition of a specific topic	To remedy flaws	H

### *Estonia - Public procurement Act*

**Estonia** adopted a new legislative framework for public procurement to transpose the EU Directives and to address the issues related to public procurement, considered the most problematic area of expenditure.

The Public Procurement Act was passed on 14 June 2017 and entered into force on 1st September 2017. This Act provides for the rules of public procurement, the rights and obligations of persons involved in public procurement, the rules of exercising state supervision and administrative supervision, review procedure, and the liability for violation of this Act.

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	Single	Legislative	N	Competence; powers; definition of a specific topic; other administrative penalties	To enforce the rules in line with developments in EU law	H
Detection							

### *Spain – Electronic registry of anti-corruption trials*

In 2017, **Spain** implemented a data repository of corruption judicial proceedings in the country and made it available to the public online (accessible on the website of the General Council of the Judiciary).

The measure aims at centralising and making available to the public the information on Spanish criminal proceedings relating to corruption offences (both proceedings that have concluded and those under way), broken down by type of offence, geographical area, etc. This information is public and can be taken into account by the competent authorities in their risk assessments.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure	Horizontal / sectoral
Prevention	Corruption; Transparency	Single	Operational	N	IT tools	Enhanced information flow; Improved knowledge of corruption	H

### *Cyprus – Measures and policies to combat corruption*

In many cases, the fraud is an outcome of corruption. It is very important to have a unified and holistic approach to the corruption phenomenon and concrete foundations for joint actions of the entire state machine and the private sector to fight corruption and protect the EU financial interests.

In this view, **Cyprus** put forward a package of measures, recommended by the Ministry of Justice and Public Order and include among others the following:

- The setting of a National Anti- Corruption Strategy
- Drafting and filing a Bill in parliament on Whistleblowers protection

- Drafting and filing a Bill in parliament that regulates contacts on lobbying and the creation and maintenance of a register for the registration of persons involved in public decision-making executive and /or legislative power
- Drafting of bill to set up an Independent Authority Against Corruption

The bill was approved by the Parliament on March 30 2018.

The organisational measures aimed at enhancing inter-agency cooperation and the simplification of procedures, providing also to relevant staff general, but also, fraud awareness trainings.

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 interest; Whistleblower; Antifraud or anticorruption strategy	Package	Legislative	N/A	Powers; financial penalties; criminal sanctions (new sanctions)	to clarify or consolidate existing rules	H
Detection			Organisational	N	Inter-agency cooperation; general trainings; fraud awareness trainings; simplification of procedures	Increased resources	
Investigation and prosecution							

### ***Malta – Addressing Fraud and Corruption in public procurement***

**Malta** took steps to address Fraud and Corruption in Public Procurement. With the aim to enhance good governance, transparency and public accountability, in 2015, the Director of Contracts established the Compliance and Monitoring Unit (CMU). In May 2017 the CMU prepared a report entitled "Addressing Fraud and Corruption in Public Procurement" with the intent to highlight the various measures being adopted by the Department of Contracts to combat fraudulent activities in public procurement.

Specific guidelines were adopted to clarify and consolidate existing rules.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reason for measure	Horizontal / sectoral
Prevention	Public procurement; Antifraud or anticorruption strategy	Single	Administrative	N	Other: The Department of Contracts, as a regulator, has embarked on a mission to further enhance good governance, transparency and public accountability.	to clarify or consolidate existing rules	H
Detection							

### ***Romania - Public procurement***

**Romania** adopted a package of measures in the area of public procurement. Legislative, administrative, organisational and operational measures were put forward:

- the adoption of a new legislative act in the field of ex-ante control of the award of public-procurement contracts/framework agreements (Emergency Order of the Government of Romania No 98/2017 of 14 December 2017 concerning the ex-ante control function in the process for the award of public-procurement contracts/framework agreements, sector-specific procurement contracts/framework agreements and concession contracts for works and services, published in Official Gazette of Romania No 1004 of 18.12.2017);
- the issuing/updating of operational procedures at management authorities level and, namely, internal operational procedures at the level of some managing authorities, describing in detail the specific activities regarding the verification of public procurement through the prism of identifying possible conflicts of interest and the incidence of fraud indicators; Ministerial Order on designating persons responsible for completing and updating integrity forms (MADR - Ministry of Agriculture and Rural Development);
- the drawing up of guidelines for contracting authorities concerning conflicts of interest in public-procurement processes, like the Guidelines for contracting authorities concerning conflicts of interest in public-procurement processes (ANAP); Guidelines+code of ethics, own preventive financial control, public procurement (ANAP).
- The Establishment of a conflict-of-interest prevention mechanism in the procedure for the award of public-procurement contracts - on 20 June 2017, the Prevention System, established by Law No 184/2016 on the establishment of a conflict-of-interest prevention mechanism in the procedure for the award of public-procurement contracts, became operational making obligatory the completion of the Integrity Form;
- Reorganisation of MADR bodies in order to apply the regulations regarding prevention.

The underlying aim in promoting this legislative act is to enhance the efficiency and efficacy of ex-ante control, with a direct impact on the legality and quality of award procedures and on the creation of an appropriate competitive environment on the public-procurement market. Furthermore, dedicated rules governing the ex-ante control of intended contractual amendments will obviate the need to conclude addenda to public/sectoral procurement contracts or concessions which could distort competition and transparency.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reason for measure / expected results	Horizontal / sectoral
Prevention	Public procurement	Package	Legislative	N	Public procurement	To remedy flaws	H
Detection			Administrative	N/A		To clarify or consolidate existing rules	
Investigation and prosecution			Organisational	N	Reorganisation of existing bodies; competence; Other	Neutral on resources	
Recovery and sanction			Operational	A	IT tools (ARACHNE)	Enhanced information flow	

**Romania – Anti- corruption strategy**

**Romania** adopted a Package of (legislative, administrative, organisational, operational) measures to implement the National Anti-Corruption Strategy 2016-2020 approved by Government Decision No 583/2016, to establish the main levers and means for implementing/monitoring such strategy. The following measures were adopted:

- In order to implement the National Anti-Corruption Strategy 2016-2020 approved by Government Decision No 583/2016, the Ministry of the Interior issued Interior Minister Order No 72 of 15 June 2017 approving the Integrity Plan for the implementation of the National Anti-Corruption Strategy at Ministry of the Interior level over the period 2017-2020.
- The Minister of Justice Order No 1361/C/2017 approving the Methodology for Monitoring and Implementing the National Anti-Corruption Strategy; Plan for preventing irregularities and fraud at AFIR level and analysis of appropriateness of implementation of ISO 37001:2016 - Anti-Corruption Management System; Plan for anti-fraud measures/control at MA ACOP level using the instrument recommended by the European Commission – EGESIF 14 0021-00.
- At MA ROP level, a first fraud-risk self-assessment was carried out in 2017 and an action plan put in place, within the framework of the fraud-risk assessment group GERF (Grupul de evaluare a riscului de frauda). This is a first step in fraud-risk self-assessment at the level of the directorates involved. The risks will be monitored and tracked by means of a risk tracking sheet, and will be correlated with the general register of risks identified at MA ROP level.
- Operational measures were taken at MA ROP level in order to implement the National Anti-Corruption Strategy 2016 2020 approved by Government Decision No 583/2016. These measures are aimed at:
  - enhancing institutional transparency by posting on the website information of public interest relating to the activities of the Project Payments and Accounting Directorate;
  - consolidating administrative control mechanisms;
  - drawing up the progress report on implementation of the National Anti-Corruption Strategy nsolidating administrative control mechanisms.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reason for measure / expected results	Horizontal / sectoral
Prevention	Anti-fraud or anti-corruption strategy	Package	Legislative	N	Anti-fraud or anti-corruption strategy	To clarify or consolidate existing rules	H
Detection			Administrative	N/A	Monitoring/desk checks; other	other	
			Organisational	A	Other	Neutral on resources	
			Operational	A	Other	Enhanced information flow; enhanced ex-post controls	

## 2.3 MEASURES AGAINST FINANCIAL AND ORGANISED CRIME

### *Czech Republic – Working Group on the setting up of the EPPO*

The **Czech Republic** set up a working group to ensure the functioning of the European Prosecutor’s Office in the Czech Republic - following the adoption of Council Regulation No 2017/1939 of 12 November 2017 and Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 a working group was set up by the relevant Czech authorities to ensure that the necessary steps are taken to enable this office to function in future. The members of this expert group include state prosecutors from the Supreme Prosecutor’s Office, the High Public Prosecutor's Offices and officials from the Ministry of Justice.

The European Prosecutor’s Office will in future be one of the key bodies involved in the prosecution of criminal offences against the financial interests of the Union. It is, therefore, in the interest of both the European Union and the Czech Republic to create the conditions for its proper functioning and to address the necessary issues related to modifications of national law and the logistic aspects of the functioning of those prosecutors in the Czech Republic.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Financial crime; Organised crime; shared management and control of EU funds; antifraud or anticorruption strategy	Single	Organisational	N	Reorganisation of existing bodies; competence; inter-agency cooperation	increased resources	H
Detection							
Investigation and prosecution							
Recovery and sanction							

### *Czech Republic – Appointment of a liaison officer at EUROPOL*

The **Czech Republic** appointed a liaison officer of the Czech Customs Administration at EUROPOL.

According to the Czech authorities, the appointment of a liaison officer of the Czech Customs Administration at EUROPOL will reinforce the successful functioning of the law enforcing entities within the remit of the Czech Customs Administration in criminal proceedings. Closer cooperation with EUROPOL should, inter alia, contribute to improving conditions for a successful protection of the Union’s 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; Organised crime	Single	Organisational	N	Inter-agency cooperation	increased resources	H
Detection							
Investigation and prosecution							

***Greece - Reorganisation of the structures of the Ministry of Finance***

On November 23 2017, Presidential Decree No 142/2017, Chapter VII, Articles 79-83 (Government Gazette, Series I, No 181/23.11.2017) was adopted.

The legislative measure established the responsibilities of the Special Secretariat for the Financial and Economic Crime Unit (SDOE), further to Law 4336/2015. Section A - Strategic Planning (Article 79(3)(a)) of the Central Service - Directorate for Strategic Planning and Investigation Planning, the Section for Control of National and EU Expenditure and the Anti-Fraud and Corruption Section of the Operational Directorates of Attica (Article 82(4)(c)(i) and (ii)) and Macedonia (Article 83(4)(b)(i)) have responsibilities that relate to combating fraud and corruption.

The purpose of the Special Secretariat for the Financial and Economic Crime Unit (SDOE) is to expose and combat outbreaks of financial crime, control capital movements and the possession and movement of prohibited items and substances, check the implementation of provisions on national and EU subsidies and grants, expose cases of corruption and fraud and check the implementation of provisions on the protection of public property, with the aim of preventing infringements and illegal acts, ensuring voluntary compliance and prosecuting liable offenders.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure	Horizontal / sectoral
	Financial crime; Customs/TOR/illicit trade; shared management and control of funds	Single	Legislative	A	Competences	To clarify or consolidate existing rules; other	H
Detection							
Investigation and prosecution							
Recovery and sanction							

***Poland – Amendment of criminal code and other acts***

**Poland** adopted on 10 February 2017 The Act amending the Criminal Code and other Acts.

The Act makes VAT fraud subject to specific regulations laid down in ordinary criminal law. It focuses on preventing and combating crime which involves the creation of incorrect/inaccurate documents relating to circumstances that could be relevant for the purpose of determining

public-law liabilities. This gives rise to VAT fraud with a very significant impact on government finances.

The bill aims at introducing effective instruments to combat VAT fraud, reducing the scale of VAT fraud and increasing budget revenue from VAT.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Financial crime; organised crime	Single	Legislative	A	definition of a specific topic	To clarify or consolidate existing rules; to remedy flaws	H
Detection							
Investigation and prosecution							
Recovery and sanction							

***Lithuania – Annual expert meetings of the Baltic States of Tax and Customs Crime Investigation Services***

This measure is partially based on the Action Plan of the Baltic States Customs Cooperation for 2017-2019 and Europol EMPACT Excise Operational Action Plan.

These meetings focus on cooperation between investigation units on sharing and exchange of best practices and specific information on the latest trend-based initiated criminal investigations.

Baltic investigation services are operating at the external EU border where they face challenges in fighting excise fraud due to extreme price difference in neighbouring countries. Therefore, better cooperation among respective law enforcement services is crucial in order to implement the protection of the EU financial interests and better prevention of economic fraud. This measure is included into EMPACT Excise Operation Action Plan as Operational Action 1.6 ‘Baltic states focusing on organized crime groups smuggling excise goods via numerous methods’ is led by Lithuania.

This measure seeks to bring together experts from the participating member states (EE, LV, LT, SE, PL) as well as Europol and Frontex to share intelligence on trends, active OCGs and current and emerging modus operandi. Participants share their experience to identify and propose ways in which these threats can be tackled. Intelligence gathered will also be used for future operational activities.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Financial crime; organised crime; Customs/TOR/illlicit trade	Package	Organisational	A	Competence; inter-agency co-operation	Increased resources	S
Detection			Operational	A	Flagging practice; risk indicators; increased number of checks; structured cooperation with law enforcement	Enhanced cooperation, information flow; targeting of checks and investigations	S
Investigation and prosecution							

***Slovenia - Prioritising detection and investigation of economic crime and strengthening interdepartmental cooperation***

In **Slovenia**, on the basis of guidelines and instructions from the Minister for the Interior regarding the drafting of the Police work plan for 2017, the police prioritised work to detect and investigate economic crime and criminal corruption, focusing on cases that hurt the budget and EU funds and on crimes where the suspects are holders of public office, and enhancing cooperation between specialised and joint investigation task forces.

Through this measure the police is seeking to increase the detection and clearance rate for crimes that cause harm to the EU, partly by encouraging state bodies responsible for control and monitoring to recognise and report suspected criminal offences to the enforcement authorities.

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; fraud definition; interdepartmental cooperation (other)	Single	Operational	A	IT tools; Web reporting/hotline; structured cooperation with law enforcement;	enhanced coordination, cooperation and information flow; targeting of checks and investigations	S
Investigation and prosecution					structured cooperation with judicial authorities; cooperation with other control or monitoring bodies (other)		

## 2.4 OTHER MEASURES

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

In 2017, **Latvia** launched a series of measures to increase public awareness about fraud and reporting fraud, as well as to increase knowledge and expertise of people who work on prevention, detection, investigation and prosecution of fraud and recovery and sanctions. In the end those measures help to protect EU financial interests.

The following initiatives were conducted:

1. a national antifraud campaign, denominated #FraudOff! This campaign unites the state institutions and companies and aims at increasing public awareness about fraud and damages which it causes to national and EU budget<sup>4</sup>.
2. Implementation of the Project Hercule III: in 2017 two seminars were organised ("Tools for combating fraud and implementation of the National Anti-Fraud strategy" and "Methods of criminal investigation relating to fraud, corruption and other offences affecting the EU") and one study visit to Croatia, Zagreb.

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; conflict of interests; fraud definition; AFCOS; Whistleblower; Customs/ToR/Illicit trade; Shared management and control of EU funds; Antifraud or anticorruption strategy	Single	Organisational	N	Inter-agency cooperation; General trainings; Fraud awareness trainings	Increased resources	S
Detection							
Investigation and prosecution							
Recovery and sanction							

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<sup>4</sup> <http://atkrapi.lv/>

***Sweden – Legislation about OTS checks and OLAF investigations***

The legislation allows competent authorities to assist Olaf in its on the spot checks and inspections in Sweden. The legislation has been put in place to live up to requirements set out in Regulation 2185/96 and Regulation 883/2013.

The legislation allows competent authorities to assist Olaf in its on the spot checks and inspections in Sweden.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure	Horizontal / sectoral
Investigation and prosecution	Customs/TOR/illicit trade; shared management and control of funds	Single	Legislative	N	Competences; powers	To enforce the rules in line with developments in EU law	H
Recovery and sanction							

***Sweden – guidelines on anti-fraud strategy***

The Swedish council for the protection of EU:s financial interests in Sweden (SEFI-council) has formed a working group focusing on drafting a practical document to be used as administrative support for Governmental authorities managing EU-funds in Sweden. The objective is to support and strengthen the antifraud measures of the authorities as well as to enable them to enact strategies/measures in the anti-fraud area.

Through this measure and others, Sweden ensures an ongoing awareness of the importance of anti-fraud measures within governmental authorities managing EU-funds in Sweden. Such measures also fit within the general crime-preventive measures that the Swedish government is engaged in.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	AFCOS; whistleblower; shared management and control of EU funds	S	Organisational	N	Competence; inter-agency cooperation	Neutral on resources	H
Detection							

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

During 2017 The Swedish council for the protection of EU:s financial interests in Sweden (SEFI-council) among other things has facilitated experience-sharing regarding anti-fraud

measures, especially drafting antifraud policies, thereby enabling small authorities to learn from and make use of progress made by larger governmental authorities. The SEFI council has also hosted thematic seminars on a number of anti-fraud issues to increase awareness and knowledge among Swedish authorities.

Through this measure, or measures like these, Sweden ensures an ongoing awareness of the importance of anti-fraud measures within governmental authorities managing EU-funds in Sweden. Such measures also fit within the general crime-preventive measures that the Swedish government is engaged in.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	AFCOS; whistleblower	P	Organisational	A	inter-agency cooperation; fraud awareness trainings	Neutral on resources	H
Detection							

**3 ANTI-FRAUD MEASURES COVERING BOTH REVENUE AND EXPENDITURE SECTORS**

**3.1 REVENUE AND EXPENDITURE**

*Italy – Combating fraud affecting the EU budget*

To combat the most serious and dangerous forms of crime, in 2017, **Italy** took measures to combine administrative and penal initiatives which consist, once the fraud has been identified, in reconstructing the illicit financial flows and seizing the assets of criminal organisations with the eventual aim of dismantling them.

The initiatives adopted provide for:

- specific ‘operating plans’ for combating VAT fraud, and the embezzlement, improper request and/or receipt of expenditure disbursed by the EU for the 2007/2013 and 2014/2020 programmes;
- with regard to VAT, special inspection campaigns aimed at identifying taxable entities that, while having carried out various transactions with suppliers and/or customers, failed to submit the necessary VAT declarations and information.

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; VAT fraud	Single	Operational	N	Risk indicators; structured cooperation with judicial authority	Enhanced coordination; enhanced information flow; targeting of checks; targeting of investigations; enhanced ex-post controls	S
Detection							
Investigation and prosecution							

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

### 4.1 FIGHT AGAINST CUSTOMS FRAUD

#### *Denmark – Internal guidance on OWNRES communications*

For 2017, **Denmark** reported having drawn up internal guidance on the procedure used by the Danish tax authorities (SKAT) to ensure that EU own resources with regard to customs duty are paid correctly and in accordance with the applicable regulation. This guidance is a general description of rules and procedures governing the overall payment of EU own resources where customs duty is concerned. The guidance is constantly updated and is regarded as an important tool for ensuring uniform administration and compliance with the rules applicable in this area.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Smuggling/Illicit trade	Single	Administrative	N	Monitoring/desk checks	to clarify or consolidate existing rules	S

#### *Portugal – Increase of minimum fine for failure to declare the amount of cash carried*

On December 2017, **Portugal** adopted Law No 114/2017 approving the State budget for 2018 and amending the General Law on Tax Offences [Regime Geral das Infrações Tributárias] approved by Law No 15/2001 of 5 June 2001. Through this legislative act, it increased the competent authority's powers and capabilities to control cash movements; improved declaration compliance; and provided a better picture and greater awareness of cash movements and the main players involved.

The minimum fine applicable was increased from EUR 250 to EUR 1000 in cases of infringement of travellers' legal obligation to declare the amount of cash carried in line with the Financial Action Task Force (FATF-GAFI) Recommendations.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure	Horizontal / sectoral
Prevention	Financial crime; organised crime; customs/ToR/illegal trade	Single	Legislative	A	Financial penalties	To clarify or consolidate existing rules	S
Detection							

***Portugal - Transport and declaration for a customs-approved treatment or use***

**Portugal** also approved a package of measures (administrative and operational) concerning transport and declaration for a customs-approved treatment or use, allowing for risk analysis using electronic data processing techniques with the aim of identifying and assessing the risks and establishing counter-measures required.

This package of measures made it possible to implement risk assessment measures that are integrated in a national risk management and anti-fraud strategy<sup>5</sup>.

In this way, it is expected that ex-ante controls will result improved, as will coordination and, the necessary information flow.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Financial crime; organised crime; customs/ToR/illegal trade	Package	Administrative	A	Monitoring/desk checks; on the spot checks	to enhance existing measure	S
Detection							
			Operational	A	IT tools	Enhanced coordination; enhanced information flow; enhanced ex-ante controls	S

***Netherlands –Undervaluation of import declarations***

To contrast financial crime, namely the low value approach in import declarations, particularly in the area of textiles from China and other countries of origin and given the major financial interests and the problems identified in this area, the **Netherlands** updated in 2017 an organisational measure aimed at refining risk indicators in the area, to better target investigations and checks in a framework of increased controls.

<sup>5</sup> This initiative follows-up on the previous year establishing a National Risk Assessment Centre (see SWD(2017) 270 final, page 35.



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	Single	Organisational	A	Risk indicators; increased number of checks	enhanced coordination, cooperation, information flow and ex-ante controls; targeting of checks and investigations	S
Detection							
Recovery and sanction							

### *Portugal - National customs risk assessment*

**Portugal** linked up the entire goods-entry cycle to the national risk database (entry summary declaration, declaration for temporary storage and customs declaration). To handle this risk-analysis, assessment and mitigation work relating to safety, security and financial fraud, a National Risk Assessment Centre became fully operational; open 16 hours a day, six days a week, with increased staff numbers. This measure targeted the prevention and detection stages of the anti-fraud cycle in the areas of financial crime, organised crime, smuggling/illicit trade.

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; smuggling/illicit trade	Package	Organisational	A	Reorganisation of existing bodies; competence; simplification of procedures	Neutral on resources	S
Detection							
			Operational	A	IT tools; flagging practice; risk indicators; increased number of checks	Enhanced coordination, cooperation & information flow; targeting of checks & investigations	S

### *Finland – Customs plan to tackle the grey economy (2016-2020)*

Finnish Customs has drafted an internal plan to tackle the grey economy, which contains 23 different projects for the period 2016 to 2020. Customs' own plan can be divided into plans for legislative cooperation, organisational plans and the development and targeting of operations. The aim is to effectively combat the grey economy and the damage to society and businesses caused by unfair competition. Customs' efforts to tackle the grey economy will also focus on combating and investigating fraud affecting the EU budget.

The action programme to tackle the grey economy and financial crime more effectively was established by a Government decision in principle. The extra funding provided in this framework has all been channelled into human resources in different parts of the Customs administration. In the period 2012-2017, Customs recovered EUR 214 million for the State on the basis of company audits and documentary checks. Meanwhile, the social impact of Customs' campaign to tackle financial crime totalled EUR 167 million. The number of cases of tax fraud uncovered and investigated by Customs in 2012-2017 also increased by over 105% (from 529 to 1086).

In particular, an export procedure is laid down for fuel consignments to be transported by sea. This is completed while the ship is still in Finnish territory. Similarly, a movement of goods for export under suspension of duty that is open in the EMCS system is completed when the ELEX system issues an electronic confirmation of export to the EMCS system. The fuel consignment can then be transported on EU territory without customs supervision. Tax problems of fictitious exports are also associated with other products subject to excise duty.

The proposed measures also encompass the deployment of specific tools to encourage whistleblowing, targeted trainings to raise fraud awareness and the enhancement of structured cooperation with law enforcement.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Financial crime; whistleblowers; customs/ToR/Illicit trade	Package	Legislative	A	Other	to clarify or consolidate rules; to remedy flows; to enforce the rules in line with developments in EU law	S
Detection			Administrative	N/A	Monitoring/desk checks; on the spot checks; investigation; irregularities reporting	to clarify or consolidate existing rules; to enhance existing measure; cross-cutting measure	
Investigation and prosecution			Organisational	A	inter-agency cooperation; general trainings; fraud awareness trainings	Neutral on resources	
Recovery and sanction			Operational	A	Web reporting/hotline; structured cooperation with law enforcement	enhanced cooperation, information flow, ex-ante and ex-post controls; targeting of checks and investigations	

***Belgium – Policy plan of the General Administration of Customs and Excise – Strategic and operational priorities for 2015-2019***

The Policy Plan of the Belgian General Administration of Customs and Excise – Strategic and operational priorities for 2015-2019 includes a specific chapter dedicated to Combating Fraud / Fiscal Competencies: Customs Fraud - Antidumping and countervailing duties; and within this chapter, a measure is devoted to the exploitation of OLAF reports on fraud.

In addition to import duties, additional anti-dumping and countervailing duties are levied on imports of products manufactured in low-wage countries to prevent these products from arriving on the EU market at dumped prices and distorting trade. If fraud is suspected, OLAF sends out MA notices instructing the Member States to launch investigations. Actions: use the information from OLAF on fraud committed. When the anti-dumping and countervailing duties are published, checks will be carried out pro-actively to put a swifter end to any abuses.

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

***France - pilot data mining project in the area of customs and tax fraud***

French Directorate-General for Customs and Indirect Taxation (DGDDI) set up a pilot data mining project in the area of customs and tax fraud. Its aim is to detect new patterns of customs fraud. An experiment has been under way since summer 2017 to test these tools on cases of industrial use in the area of customs clearance. On the basis of the results obtained, it will be considered whether to extend the process to other areas. Checks made as part of this experiment enabled customs infringements to be identified.

The first stage of the experiment concerned fraud relating to customs clearance. On the basis of the relevance of the results obtained, it will be considered whether to extend the process to other areas (in particular taxation) and whether to develop the work of the datamining unit.

The aim of the experiment is:

- to test the appropriateness of the new tools for mass data analysis in order to introduce new targeting methods. In the first stage, these analyses will enable ex-post checks to be assessed (ex-post 1 and investigations). However, in time, selection profiles can be introduced in the targeting engine for declarations in the customs clearance application, on the basis of the patterns of fraud detected.
- to have, in time, a data-scientist unit with the capacity to cooperate with the customs analysts in the Risk Analysis and Targeting Department (SARC) in all their areas of competence (pre-clearance, clearance and taxation).

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 /Illicit trade	Package	Administrative	N	On the spot checks; investigation; irregularity reporting; other	Other	S
Investigation and prosecution			Organisational	N	Competence	Increased resources	S

***France - strategy for better reporting of customs fraud in the Anti Fraud Information System (AFIS)***

OLAF stresses the need to improve the quantity and quality of information exchanged through the Customs Information System (SID) and the Customs Investigation Files Identification Database (FIDE). Their aim is to coordinate the activities of these authorities and of OLAF in AFIS. To this end, the Directorate-General for Customs and Indirect Taxation (DGDDI) established a specific strategy aimed at:

- i. organising the activities of these departments for better reporting;
- ii. guiding the activities of the customs services in using risk analysis applications in AFIS (directory of messages on the status of containers and imports, exports and transit).

In the end, this measure follows on from those highlighted in the OLAF PIF 2015 questionnaire (2nd and 3rd measures relating to national supervision of the OWNRES-Web system and to follow-up of cases of mutual assistance).

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Financial crime; organised crime; Customs /ToR /illicit trade	Package	Administrative	N	Investigation; irregularity reporting; other	To clarify or consolidate existing rules; to enhance existing measure; cross-cutting measure, multi-agency measure/ measure with impact on various bodies	S
Detection							
Investigation and prosecution			Organisational	N	Other	other	S

### *Germany - Establishment of a General Customs Directorate*

The General Customs Directorate (GZD) was established by the Law on the reorganisation of the Customs administration of 3 December 2015. The Federal supreme Authority has its headquarters in Bonn and maintains additional service seats at a large number of locations in the federal territory, including those of the former federal directorates and the BWZ in Hamburg, Potsdam, Cologne, Neustadt A.d.W., Nuremberg and Münster.

The GZD is structured in nine directorates with departments, units and working areas. Its tasks are carried out by a total of approximately 7,000 employees.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reason for measure	Horizontal / sectoral
Prevention	Customs / ToR / Illicit trade	Single	Organisational	N	Reorganisation of existing bodies	Increased resources	S
Detection							
Investigation and prosecution							
Recovery and sanction							

### *Spain - Amendment of the General Regulation on the Application of Taxes*

In 2017, Spain amended the General Regulation on the Application of Taxes by Royal Decree 1070/2017 of 28 December 2017. Although this Regulation refers to taxes in general, it will be particularly important in terms of its application to the protection of the financial interests of the EU.

It supplements, develops and clarifies the legal rules establishing the possibility of assessing the debt and pursuing recovery measures, always in accordance with tax legislation, even in cases

in which there is a criminal complaint, without the need to suspend the administrative procedure of assessment and collection until there is a criminal judgment.

Preferential application of EU legislation is ensured when the procedure relates to customs debts, in two specific aspects:

- Existence of co-debtors, where it is specified that notification of the debt shall be valid for each of them provided their right to be heard has been guaranteed and regardless of whether there are other debtors;
- The right to be heard in national proceedings, which must, in all cases, be carried out in accordance with EU legislation, given the multitude of national provisions which cause confusion with EU provisions.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
	Customs / ToR / Illicit trade	Single	Legislative	A	recovery	To clarify or consolidate existing rules	S
Recovery and sanction							

***Italy – Post Clearance Audit (PCA)***

Italy implemented a new Post-Clearance Audit method, based on audit methodologies. The method encompasses checks on economic operators for compliance with national and EU regulations and obligations in all sectors associated with the customs authority.

This new Post-Clearance Audit method, based on an approach consisting of inspections concerning the entire activity of the selected economic operator, examining its administration, organisation and internal audit procedures and/or systems. The purpose of this kind of audit is both preventive and punitive, to ensure that provisions of the Customs Code and of the related EU tax law are properly fulfilled.

The adoption of this Post-Clearance Audit method involved the issuing of administrative directives, based on EU guidelines, as well as the territorial breakdown of checks to be performed at local level based on a prior central analysis that identified the sectors most at risk.

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	Package	Administrative	N	Monitoring/desk checks; On the spot checks; Audit checklist; Investigation; Irregularities reporting; Penalty; Recovery; Other	To enhance existing measure	S	
Detection								
Investigation and prosecution			Organisational	A	General trainings; fraud awareness trainings	Neutral on resources		S
Recovery and sanction			Operational	A	Risk indicators; increased number of checks	Enhanced information flow; enhanced ex-post controls		S

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

Slovenia adopted the Act Amending the Tax Procedure Act (ZDavP-2J) (addition of a new Chapter III.B entitled ‘Rules on reporting and the exchange of country-by-country reports’). On that basis the Rules on the implementation of the Tax Procedure Act have been amended as well. As regards the exchange of financial account information, the Act Amending the Tax Procedure Act (ZDavP-2I) and the Rules on the implementation of the Tax Procedure Act.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Customs/TOR/illit trade; shared management and control of EU funds; Other	Package	Legislative	A	Competences; Definition of a specific topic	to enforce the rules in line with developments in EU law	S
Detection			Administrative	A	Monitoring/desk checks	to enhance existing measure	
Investigation and prosecution			Organisational	N	fraud awareness trainings	Neutral on resources	
Recovery and sanction			Operational	A	IT tools; Risk indicators; Increased number of checks	Enhanced information flow; Targeting of checks; Targeting of investigations; Enhanced ex-ante controls; Enhanced ex-post controls	

### *Greece – Organisation, structure and operation of the Coordination Operational Centre*

Greece adopted a Decision by the Independent Authority for Public Revenue laying down matters regarding the organisation, structure and operation of the Coordination Operational Centre (SEK) set up by Article 6(1) of Law 4410/2016<sup>6</sup>.

The Coordination Operational Centre (SEK) operates as a coordination centre between the departments to tackle the smuggling of products subject to excise duty. It recommends strategic plans to deal with smuggling in alcohol, oil and tobacco products, operational plans for joint inter-departmental or inter-State actions, legislative initiatives, measures to improve the

<sup>6</sup> Government Gazette, Series I, No 141

effectiveness and quality of checks and investigations carried out by the prosecution authorities involved, assesses incoming information, etc.

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	Administrative	N	On the spot checks; Investigation	To clarify or consolidate existing rules; to enhance existing measure	S
Investigation and prosecution							

**4.2 FIGHT AGAINST TAX EVASION AND VAT FRAUD**

***Belgium – Optimisation of the exchange and use of tax information***

Belgium reported about a cooperation protocol between the Anti-Fraud Coordination Service (ACOS/CAF) within the Federal Public Service - Finance (FOD Financiën) and the Financial Intelligence Processing Unit (CFI) to optimise the exchange and use of tax information. This Protocol aims to optimise the spontaneous and reciprocal exchange of relevant information; the use of data which may be exchanged by according the CFI direct access to certain databases of the Federal Public Service - Finance in order to combat money laundering and the financing of terrorism.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Detection	Financial crime	Single	Organisational	A	Inter-agency cooperation	Increased resources	S

***Latvia –Tax fraud prevention***

Latvia reinforced its legislation to fight against tax fraud through:

- 1) Amendments of Road traffic Law- with aim to prevent fraud with VAT in trade of vehicles and developed accompanying Cabinet regulation;
- 2) Amendments in Law Of the Enterprise Register of the Republic of Latvia - which allows Enterprise register to refuse to register enterprise if the information from tax authority has been received that this company has a tax risk.

The adopted measures:

- ensure reinforced control of vehicles from risk group,
- improve fight against VAT fraud,
- improve competition and restricts unregistered commercial activity in the field of vehicle trade.

Second amendments were made to restrict the possibility for taxpayers who are unfair to pursue their economic activity, thus protecting the budget, including the VAT field.

Amendments to the Road traffic Law: CSDD can register (with conditions stipulated in Law) the ban on expropriation for a period of 15 days at the same time as the vehicle registration, and the information about the registered vehicle is transferred to the SRS, which initiates or does not initiate tax administration measures;

Amendments in Law Of the Enterprise Register of the Republic of Latvia which allows Enterprise register to refuse to register enterprise if the information from tax authority has been received that this company has a tax risks.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Financial crime; other	Package	Legislative	N/A	Competences; powers	to remedy flaws; other	S
			Administrative	N	Monitoring/desk checks	To clarify or consolidate existing rules; Cross-cutting measure, multi-agency measure/ measure with impact on various bodies	S

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

### 5.1 Measures covering several shared management sectors

#### 5.1.1 Agriculture, Fisheries, Cohesion policy

##### *Bulgaria – Legal framework for determining financial corrections in case of irregularities*

The Regulation on indicating irregularities constituting grounds for making financial corrections and the percentage indicators for determining the amount of financial corrections under the requirements of the European Union Structural and Investment Funds Management Act was adopted by Council of Ministers Decree No 57 of 28 March 2017. A clear legal framework for determining financial corrections in cases of irregularities has been put in place.

Under Article 143(1) of Regulation No 1303/2013, Member States are responsible for investigating irregularities and for making the financial corrections required and pursuing recoveries. Under Article 122(2) of Regulation No 1303/2013, Member States shall prevent, detect and correct irregularities and recover amounts unduly paid. As formulated, the Member States' obligation has at its centre the obligation of proving an irregularity has occurred and recovering all amounts unduly paid, with the goal of restoring the situation that would have existed had the irregularity not occurred.



The Council of Ministers Decree No 57 of 18 March 2017 specifies the types of irregularities constituting a breach of the applicable law through the beneficiary's acts or omissions and which result or may result in damage to funds from the European structural and investment funds, and which constitute grounds for making a financial correction under Article 70(1)(9) of the European Union Structural and Investment Funds Management Act, as well as the minimum and maximum rates of the percentage indicators for financial corrections set for irregularities pursuant to Article 70(1).

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	N	Powers; recovery	To clarify or consolidate existing rules	S
Recovery and sanction							

### *Croatia – Irregularity and fraud risk assessment*

In Croatia, the Service for combating irregularities and fraud conducted an irregularity and fraud risk assessment exercise in line with the Irregularity and Fraud Risk Management Methodology. The risk assessment was performed at bodies of Management and Control Systems for operational programmes financed from Cohesion Fund, European Regional Development Fund and European Social Fund, AFCOS network bodies and the Service for combating irregularities and fraud. The results of the risk assessment will serve as a basis for the formulation of the new National Anti-Fraud Strategy.

This measure will allow enhancing administrative capacities in the area of fraud risk management and implementing efficient and effective anti-fraud measures; it provides instructions and tools for irregularity and fraud risk management.

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

### *Croatia – Training needs analysis methodology*

In Croatia, SCIF drafted the "Training needs analysis methodology" in the field of managing on irregularities for the period 2017-2019 and accordingly, conducted training needs analysis among the employees involved in the tasks connected with the management and use of EU

funds. Also a 'Catalogue of educational activities' was established consisting of all the topics for which trainings will be conducted for a three year period. In 2017 three educations were held.

One of the Service's responsibilities is, among others, the preparation of strategic documents for the performance of trainings to be delivered to the bodies within the AFCOS system in the field of managing on irregularities and protection of the EU financial interests with the aim of further enhancing of the Management and Control System bodies employees' knowledge. It is of the utmost importance to design appropriate educational/training programmes according to the needs of employees.

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

***Belgium – Fraud prevention strategy for agricultural and fisheries expenditure***

The 2017 strategy paper on fraud, which includes an anti-fraud policy statement, focuses on the specific fraud prevention strategy for expenditure from the EU agricultural and fisheries funds. Without prejudice to the measures already taken, the declaration constitutes a formal commitment to the EU authorities, regarding the preparation of a structured and visible anti-fraud strategy.

Regarding risk management, a number of topics selected for priority screening were analysed from the angle of vulnerability to fraud and fraud prevention. This methodology will be applied mutatis mutandis to a wider range of processes.

The strategy to prevent and tackle fraud is further strengthened and structured thanks to the initiatives taken by the management board, underpinned by the two policy statements.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Structured commitment for preventing and combating fraud (other)	Package	Operational	A	IT tools, risk indicators	Enhanced coordination, enhanced information flow, targeting checks, enhanced ex-ante controls, enhanced ex-post controls	S
Detection							

**Romania – Package of measures on the control of EU funds**

At managing authorities level, operational procedures/manuals were approved for preventing and combating irregularities/fraud, for carrying out verification activities and for classic on-the-spot checks; The Audit Authority adopted the Audit Manual for European Structural Funds and Investments for the Programming Period 2014-2020.

In order to prevent and combat irregularities/fraud in connection with obtaining/using European funds.

Administrative measure: Fraud risks evaluation procedures/managing authority action plans (MA HCOP, MA COP, MA LIOP, MA ROP); Operational Procedure regarding the remedying of aspects that might affect the rights and legitimate interests of TAOP beneficiaries - 2020 - MA TAOP; Irregularities and fraud prevention plan - AFIR (Rural Investment Financing Agency) Anti-fraud action/control plan - MA ACOP; Audit Manual for European Structural Funds and Investment, 2014 programming period - Audit Authority; APIA (Agency for Payments and Intervention in Agriculture) procedures/manuals; Manual on internal procedure for verification activities - MA FMAOP.

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	Administrative	N/A	Preventing and combating irregularities/fraud (other)	Other 1	S
Detection			Organisational	A	Reorganisation of existing bodies; general trainings; fraud awareness trainings; other <sup>2</sup>	other <sup>3</sup>	S
			Operational	A	IT tools; increased number of checks; other <sup>4</sup>	Enhanced information flow; enhanced ex-post controls	S

<sup>1</sup> Periodical evaluation of fraud risks, prevention and/or reduction of risk of irregularities and fraud occurring in the implementation of projects.

<sup>2</sup> At Audit Authority level, training sessions were organised to disseminate and roll out the Audit Manual for European Structural Funds and Investment - programming period 2014 - 2020. At MA HCOP level, the Anti-Fraud and Irregularities Detection Service was reorganised. At MA FMAOP level, the Control Service for the Fisheries and Maritime Affairs Operational Programme was established.

<sup>3</sup> The training sessions organised in order to disseminate and roll out the Audit Manual for European Structural Funds and Investment - programming period 2014-2020 - updated the external public auditors' knowledge of the requirements concerning protection of the European Union's financial interests.

<sup>4</sup> At APIA level, control activities were ordered concerning the way beneficiaries obtain financial support managed by APIA. At MADR level, a sample was selected of projects contracted under the NRDP 2014-2020 which underwent verification in 2017. In the process for evaluating fraud risks and

adopting efficient and proportionate anti-fraud measures, at MA COP level, a new version of the ARACHNE IT system - ARACHNE Risk scoring tool, Version 2.0 - was created in 2017.

### 5.1.2 Agriculture, Fisheries, Cohesion, AMIF, FEAD and EGF

#### *Estonia – Access to the tax information*

On 01.04.2017 an amendment in the Estonian national Taxation Act § 29 “Disclosure of information containing tax secrets” point 46 was adopted, which gave to the competent bodies the right to access different tax information. In particular, Estonian implementing agencies got the possibility to compare information and fight against fraud more effectively.

This measure is expected in facilitating the fraud response capabilities of implementing agencies, allowing them to detect fraud cases before payment or reducing the financial loss.

The content of the legislative provision § 29: “A tax authority may disclose information subject to tax secrecy” point 46 “to the management authority of funds specified in § 1 of the 2007–2013 Structural Assistance Act and § 1 of the 2014–2020 Structural Assistance Act and to the persons engaged in granting support on the basis of fund-specific rules to the extent which is necessary for the checking of compliance with the requirements for the grant of support, purposeful use and eligibility of expenditure”<sup>7</sup>.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reason for measure	Horizontal / sectoral
Prevention	Shared management and control of EU funds	Single	Legislative	A	Powers	To clarify or consolidate existing rules; to enhance anti-fraud capability (other)	S
Detection							

#### *Bulgaria – Training courses on irregularities in public procurement*

Twenty-four training courses were organised by the Audit of EU Funds Executive Agency, attended by 755 representatives of the Management Authorities, Certifying Authorities, the Supreme Administrative Court, the Central Coordinating Unit, the National Institute of Justice, the Bulgarian Prosecutor’s Office, ministries, agencies, municipal administration - beneficiaries and procuring entities under the Public Procurement Act.

The following subjects were covered:

- Irregularities in public procurement leading to financial corrections and irregularities and fraud indicators in public procurement
- the Audit Authorities' experience with the programmes under the European Structural and Investment Funds.

<sup>7</sup> <https://www.riigiteataja.ee/en/eli/528122017001/consolide>

The measure in question contributes to the increase of knowledge among beneficiaries and procuring entities under the Public Procurement Act about infringements and irregularities in respect of the rules for public procurement and about the guidelines on correcting and preventing them in future; and it promotes cooperation and mutual assistance among national bodies to prevent and remedy any potential or existing conflict of interest in relation to ex ante and ex post checks of public procurement procedures.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Detection	Public procurement; conflict of interest; fraud definition; shared management and control of EU funds	Single	Organisational	N	Inter-agency cooperation; general trainings; fraud awareness trainings	Neutral on resources	S
Investigation and prosecution							
Recovery and sanction							

**5.1.3 Cohesion policy, fisheries, AMIF, EGF, FEAD**

*Latvia – Updating internal procedures*

This measure covers the following funds: ESI and Migration and Asylum.

Measures taken by the Managing Authorities related to the updating internal procedures, approving management procedure, performing risk assesment procedures, elaborating irregularity procedures and arising awareness of people about possibility to report about fraud.

All those measures increases the national institutions ability to fight with fraud and ensure the highest protection of national and EU budget. Managing authorities are working on improvements of system continuously.

To follow requirements of Latvia-Russia CBC programme 2014-2020 legal framework about anti-fraud measures/irregularity prevention/detection/reimbursement and to constitute part of programme management and control systems. Documents were prepared as part of Interreg V-A Latvia-Lithuania Cross Border Cooperation Programme 2014-2020 Management and Control Systems in order to ensure programme`s proper implementation and monitoring, meanwhile describing fraud risks and their mitigation activities, as well as fraud cases detection, reporting, etc.

Work table for FEAD Managing Authority, Certifying Authority, Co-operation Authority (intermediate body) for risk assesment documentation. Risk register. Action plan for MA un CA for decreasing risks.

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 interest; Fraud definition; Whistleblower; shared management and control of EU funds	Package	Administrative	N/A	Management of funds; Irregularities reporting; Recovery; Financial corrections (Other)	To enhance existing measure; Cross-cutting measure, multi-agency measure/ measure with impact on various bodies; Other	S
Detection			Organisational	N	Competence; Simplification of procedures		S
Recovery and sanction			Operational	N	IT tools; risk indicators	Enhanced ex-ante controls	S

### *Cyprus – Simplification of procedures*

The administrative measure adopted aims at simplifying the procedures in relation to Structural and Investments Funds and for the Fund for the most deprived.

With the adoption of simplified cost options the access to EU funding becomes simpler and red-tape is decreased for many recipients (beneficiaries) and managing authorities: less paperwork, lower risk of errors, no duplication of audits and controls. At the same time, transparency has increased, there is a focus on results rather than on supporting documents and there are additional safeguards against fraud.

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	Administrative	N	Eligibility criteria; Management of funds; Monitoring/desk checks; On the spot checks	To clarify or consolidate existing rules; To enhance existing measure	S

### *Greece – System for financial corrections and procedures for recovering unduly paid amounts*

Adoption and publication (in the Government Gazette) of the Ministerial Decision on the system for financial corrections and procedures for recovering unduly or unlawfully paid amounts imposed by the Fiscal Control Committee (EDEL), with regard to amounts originating from the State budget and/or the EU budget for the implementation of co-financed programmes under the Investment for Growth and Jobs goal of the European Maritime and Fisheries Fund, the Fund for the Most Deprived and the Globalisation Fund.

It is important because it provides for a system of financial corrections in the event of irregularities resulting from an infringement of EU or national rules that has had or may have an adverse effect on the EU budget by charging it with unjustified expenditure. Consequently, this system helps to protect EU financial interests.

The Ministerial Decision:

- a) clarifies the meaning of irregularity and financial correction;
- b) establishes the scope;
- c) describes the procedures for approving and assessing the results of the audit;
- d) determines the various types of financial correction;
- e) refers to the financial correction decision and its content;
- f) clarifies the financial impact of the financial correction decision; and
- g) describes the method for recovering unduly or unlawfully paid amounts.

Ministerial Decision No 286/2017, published in the Greek Government Gazette, Series II, No 466 of 17 February 2017.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Detection	Shared management and control of EU funds	Single	Legislative	N	Definition of a specific topic; Recovery; Financial penalties	To enforce the rules in line with developments in EU law	S
Recovery and sanction							

### *Portugal – Management and control systems*

With their management and control systems, the PT 2020 managing authorities will define the pillars of their anti-fraud strategy which aims to ensure that effective and proportionate anti-fraud measures are adopted, taking into account the risks identified in its work and establishing its policy on fraud, and the procedures to be followed.

It helps to deter fraudulent practices, to prevent and identify indications of fraud, and to correct and report situations detected to the competent authorities. It includes in particular administrative, organisational and operational measures adopted by the MA of POISE and the OP supporting the most deprived [PO APMC] in 2017.

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 interest; Whistle-blowers; Shared management and control of EU funds	Package	Administrative	A	Reporting of suspected fraud; Anti-fraud or anti-corruption strategy and Integrity and Transparency Measures (Other)	To enhance existing measure	S
Detection			Organisational	N	Competence; Awareness-raising measures on ethics, behaviour and integrity (other)	Other 1	S
			Operational	A	Flagging practice; Risk indicators; Other <sup>2</sup>	Enhanced ex-ante controls; Enhanced ex-post controls; Other <sup>3</sup>	S

<sup>1</sup> Measures were carried out on ‘Ethics, public management and prevention of corruption’, directed at managers and staff and provided by the Council for the Prevention of Corruption [Conselho de Prevenção da Corrupção].

<sup>2</sup> Depending on the results. These plans aim to assess management risks, in particular regarding fraud and corruption and also risks of unintentional errors or irregularities occurring in connection with implementation of the operational programmes.

<sup>3</sup> Given the new assumptions on operationalisation of the risk assessment exercises, the MAs adapted the risk assessment tool provided by the EU (which is limited to inherent risks of fraud in operational activities), and extended it to include risks and monitoring of non-operational activities performed by each unit and management risks as a whole. The MA of POISE and POAPMC outlined a global action plan setting out 49 additional checks as well as the bodies responsible and dates for its implementation.

## 5.2 Agriculture

### *Germany - Establishment of a Federal/State Working Group*

Germany established a Federal/State Working Group [Bund-Länder-Arbeitsgruppe] ‘Artificial creation of eligibility criteria in the context of EU agricultural policy implementation in Germany’.

As part of the EU Common Agricultural Policy reform the European Commission has strengthened the arrangements ensuring the protection of the financial interests of the Union. Provisions concerning the artificial creation of eligibility criteria have also been developed further in this context. The paying agencies are called upon to implement these guidelines accordingly.

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	Single	Operational	N	Risk indicators	Enhanced coordination; enhanced cooperation; targeting of checks	S
Detection							

### *Hungary – Mandatory training on fraud prevention*

Hungary organised mandatory training on fraud prevention for the ‘Hungarian State Treasury’ paying agency employees and basic anti-fraud training for Government Office paying agency employees performing delegated tasks, as well as making the training materials available to all colleagues concerned.

During the presentations, attention was drawn to the importance of vigilance in the fight against fraud. Employees are able to familiarise themselves with the principle guidance criteria and illustrative cases. Annual refresher training sessions will use more recent examples to assist with the detection of irregularities, such as fraud, falsification of documents and artificially meeting qualifying conditions.



Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Fraud prevention and detection in the paying agencies for the 2014-2020 programming period, limiting irregularities and fraud, types of fraud (other)	Package	Organisational	N/A	Fraud awareness training	Neutral on resources	S
Detection							

### *Slovakia – Enhanced protection of EU financial interests*

Slovakia Act no. 280/2017 Coll. of 12 October 2017 on granting of aid and subsidies in agriculture and rural development emphasizes the protection of the EU's financial interests and regulates irregularities' reporting under EAGF and EAFRD. The act is effective as of 1 January 2018.

This legislative amendment complements the competences of state administration bodies in providing aid for agriculture and rural development, including the field of the protection of the EU's financial interests, which will help to prevent irregularities and unify practices of state authorities in the area of the protection of the EU's financial interests.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
	Shared management and control of EU funds	Single	Legislative	N	Competences; recovery; financial penalties	To enforce the rules in line with developments in EU law	S
Recovery and sanction							

### *Netherlands – Checks on the basis of procurement rules*

The Netherlands reported having adopted an organisational measure regarding checks on the basis of procurement rules and the evaluation of reasonableness of costs.

The measure aims at dealing with conflict of interests.

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	Organisational	A	Competence	Neutral on resources	S

### ***Austria - Improvement in the Irregularities Management System (IMS) notifications***

Austria took a specific measure to improve the timeliness and quality of the reported information. The measure encompasses training and simplified procedures to achieve the goal.

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

### ***Hungary – Rural development antifraud strategy***

In Hungary, the managing authority for rural development programmes ('the RD MA') adopted the RD MA Anti-Fraud Strategy. It prepared the fraud risk-assessment tool for 2017.

In cooperation with the intermediate body, the RD MA is able to establish a proactive, structured and targeted approach to managing fraud risks during the implementation of the operational programme, determine the necessary measures to reduce specific fraud risks using the strategy and ensure the monitoring of fraud risks and fraud prevention measures.

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	Single	Administrative	N	Eligibility criteria; investigation; irregularities reporting; penalty; recovery	To clarify or consolidate existing rules	S
Detection							

***Luxembourg - Guidance note for Premium managers to prevent fraud***

A scam was discovered in 2013 following an internal administrative audit. Following that incident, the Ministry of Agriculture fundamentally reviewed its external and internal control system. Several measures/safeguards were taken or reinforced since then. The following procedure is one of them.

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	Administrative	N	Irregularities reporting	To clarify or consolidate existing rules; to enhance existing measure	S
Detection			Organisational	A	General trainings; training sessions with DG AGRI	Increased resources	S
			Operational	A	Flagging practice; risk indicators	Enhanced information flow; targeting of checks	S

***Poland – Manual of procedures***

Poland reported about the preparation of a manual of procedures entitled 'Providing information on irregularities detected within the framework of EAGF mechanisms operated by the National Centre for Agricultural Assistance' (No KP-611-490-ARiMR/1/z).

This instrument was introduced with a view to regulating the process of providing information on irregularities and fraud within the framework of EAGF mechanisms operated by the National Centre for Agricultural Assistance.

Covering three of the fraud stages of the antifraud cycle, this operational measure covers aspects related to flagging practices, use of risk indicators and cooperation with law enforcement.

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	N	Flagging practice; risk indicators; structured cooperation with law enforcement	Enhanced coordination, cooperation, information flow	S
Detection							
Investigation and prosecution							

***Lithuania - Methodology for the Detection of artificially created conditions***

In view of Article 60 of Regulation (EU) No. 1306/2013 of the European Parliament and of the Council of 17 December 2013, 60 “Circumvention Claus”, in 2017 Methodology for the Detection of Artificially Created Conditions for Obtaining Support was updated for ensuring

more effective fight against fraud. With a view to strengthening irregularity prevention and minimise the increased number of errors, a special analysis was carried out and preventive actions were implemented in order to contribute to a more effective protection of the EU and national financial interests.

The Methodology for the Detection of Artificially Created Conditions for Obtaining Support sets out criteria for identifying applicants or beneficiaries who have created artificial conditions for obtaining support so as to prevent potential irregularities and fraud.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Detection and prevention of artificially created conditions for obtaining support (other)	Package	Legislative	A	Definition of a specific topic; prevention of irregularities and fraud (other)	To clarify or consolidate existing rules; to remedy flaws; to enforce the rules in line with developments in EU law; Other	S
Detection							

***Cyprus - Methodology for the Detection of artificially created conditions***

With the goal to enhance the understanding & awareness regarding red flags & indicators for irregularity and fraud risks in the entire lifecycle of an application, incl. controls, a workshop was organised concerning: . “Best practices for Paying Agencies for conformity with antifraud obligations as foreseen in the legal framework on the financing, management & monitoring of CAP (The European Commission’s perspective)”.

Topics of focus concerned theCreation of artificial funding conditions / conflicts of interests.

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	Organisational	A	Competence; fraud awareness trainings	Neutral on resources	S

***Luxembourg – Definition of procedures following the detection of irregularities and fraud***

A scam was discovered in 2013 following an internal administrative audit. Following that incident, the Ministry of Agriculture fundamentally reviewed its external and internal control

system. Several measures/safeguards were taken or reinforced since then. This procedure is one of them.

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	Administrative	N	Irregularities reporting	To clarify or consolidate existing rules; To enhance existing measure	S
Detection			Organisational	A	General trainings; training sessions with DG AGRI	Increased resources	S
			Operational	A	Flagging practice; risk indicators	Enhanced information flow; targeting of checks	S

### 5.3 Cohesion policy and Fisheries

#### 5.3.1 Cohesion policy

##### *Germany –Risk assessment using the Commission self-assessment tool*

Germany conducted risk assessments using the self-evaluation tool developed by the Commission in line with Annex 1 to the Guidance Note on fraud risk assessment and effective and proportionate anti-fraud measures, a request was made to all legal and natural persons involved in a procurement procedure to sign a statement declaring the absence of conflict of interest.

The fraud self-assessment instrument proposed by the Commission is a simple, logical and practical tool based on five main methodical steps:

1. Quantifying the (gross) risk of the occurrence of a certain type of fraud,
2. Evaluation of the effectiveness of the existing controls,
3. Evaluation of the net risk after taking into account the effectiveness of all existing controls and their effectiveness, i.e. assessment of the current situation (residual risk)
4. Evaluation of the effectiveness of the planned mitigating controls for the net (residual) risk
5. Determination of the target risk, i.e. the risk which is deemed tolerable by the managing authority once all controls have been put in place and their effectiveness has been proven.

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; conflict of interests; shared management and control of EU funds; other	Single	Operational	N/A	Risk indicators	Targeting of checks; other (Verifying and securing a tolerable level of risk; Overview of the existing risk areas, individual risks and controls)	S
Detection							

### *Ireland – Anti-fraud policy and statement*

Both Managing Authorities for ERDF have drawn up an anti-fraud policy and an anti-fraud statement, together with procedures for adequate fraud risk assessment. A fraud risk assessment has taken place to identify the impact and likelihood of fraud risks relevant to the key processes in the programmes, The fraud risk assessment will be updated bi-annually. This is in line with the designation action plan.

To assess the risk in respect EU co-funded measures.

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	Single	Administrative	N	Eligibility criteria; Management of funds; Monitoring/desk checks; On the spot checks; Irregularities reporting	To clarify or consolidate existing rules; EU Regulatory requirement for designation purposes (other)	S
Detection							

### *Croatia –Guidelines on irregularity management*

Guidelines on Irregularity Management in the context of programmes supporting objectives of European territorial cooperation for the period 2014-2020 were drafted by SCIF and adopted by the Minister of Finance in May 2017. Also SCIF is currently in the process of drafting Guidelines on Irregularity Management in the context of Fund for European Aid to the most Deprived (FEAD) within Operational programme for food and basic material assistance for the period 2014.-2020., Guidelines on Irregularity Management in the context of European Fisheries Fund for the period 2014.-2020.

This measure is extremely important because it ensures effective and efficient protection of the EU financial interests by improving the work efficiency of the competent institutions in this area, as well as quality of reporting. Also, together with the abovementioned SCIF is in the process of drafting Guidelines on Irregularity Management in the context of national programmes Asylum, Migration and integration Fund (AMIF) and International Security Fund for the period 2014.-2020. and Guidelines on Irregularity Management in the context of common agricultural policy 2007.-2013. and 2014.-2020.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	AFCOS; treatment and follow-up of irregularities (other)	Single	Administrative	A	Irregularities reporting	To enhance existing measure	S
Detection							

***Lithuania – Seminars on corruption and fraud detection and conflict of interests management***

A Managing authority, in cooperation with the Special Investigation Service (anti-corruption agency) and Financial Crime Investigation Service under the Ministry of the Interior, has organised seminars for the institutions of the Management and Control System in the field of detecting possible corruption and fraud cases and in the field of management of conflict of interests.

Competence of the staff managing the projects financed by the EU funds and/or planning the investments of the EU funds was strengthened in the field of detecting possible corruption and fraud cases (e.g. in the field of public procurement, research and development projects and other) and in the field of management of conflict of interests. The increased competence of the staff mitigates the risk of possible corruption or fraud, also information sharing channels between MCS institutions and investigative bodies have been discussed and agreed (23/11/2017; 17/10/2017, 24/10/2017, 5-6/12/2017).

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Financial crime; corruption; conflict of interest	Single	Organisational	N	Fraud awareness trainings	Neutral on resources	S
Detection							

***Luxembourg – Simplified cost options in ESF projects***

According to the Ministry of Labour, the managing authority of the ESF, the use of simplified cost options increases transparency with regards to result and therefore reduces the possible intention of fraud on behalf of beneficiaries.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Fraud definition	Package	Administrative	N	Eligibility criteria; monitoring/desk checks; on-the-spot checks; audit checklist	to reduce administrative burden and to focus on the outputs and results of the projects instead of limiting the checks of the application of accountability rules	S
Detection			Organisational	N	Simplification of procedures	Neutral on resources	S
			Operational	A	IT tools	Enhanced ex-ante controls; Enhanced ex-post controls	S

### *Netherlands –2nd Risk assessment*

After the first fraud risk assessment for ERDF conducted in June 2015, the assessment was again carried out on 10 October 2017 as per previous agreements. The findings of the second assessment have been discussed and a decision will be made in the near future on the follow-up action to be taken. In this way, risk areas will be identified at an early stage and appropriate measures devised.

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	Organisational	A	Competence	Neutral on resources	S

### *Austria – High density of verifications*

A high density of verifications pursuant to Article 125(4) of Regulation No 1303/13 for the 2014 - 2020 programming period serves to prevent irregularities. The verification procedure provides for the managing authority to check all the expenditure submitted by the beneficiary.

Formal requirements in the national rules on eligibility and in the management and control system should increase efficiency. Standardised forms (check-lists) improve the quality of the accounts submitted.

Presentation of the entire funding operation, including the accounting process, in a central database. In addition, the Arachne data-mining tool, provided by the Commission, is used for risk evaluation and risk analysis.



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; antifraud or anticorruption strategy	Package	Administrative	A	Eligibility criteria; management of funds; on-the-spot checks; irregularities reporting; recovery	Cross-cutting measure; multi-agency measure / measure with impact on various bodies	S
Detection			Operational	A	IT tools; other		
Recovery and sanction							

***Poland – Cooperation agreement between Minister for Development and Finance and the Public Prosecutor***

A cooperation agreement between the Minister for Development and Finance and the Public Prosecutor was signed on the communication of information on pending and concluded proceedings relating to projects implemented with European funding.

This instrument enables information to be exchanged on proceedings involving projects implemented with EU funds on a cyclical basis: twice in each year of the Agreement for all proceedings and as part of ongoing cooperation should it be necessary to obtain information on specific proceedings through working contacts between designated employees of the Ministry and the Public Prosecutor. MA may also send questions on specific proceedings to the Public Prosecutor, the result of which may affect eligibility of expenditure.

Furthermore, in this way, prevention and detection of fraud and irregularities will be enhanced, ensuring that grants are made available in accordance with the rules and implementing grant agreements.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Share management and control of EU funds; Antifraud or anti-corruption Strategy	Single	Operational	N	Flagging practice; risk indicators; increased number of checks; structured cooperation with judicial authorities	Enhanced coordination, cooperation and information flow; targeting of checks and investigations; prevention and detection of fraud and irregularities (other)	S
Detection							
Investigation and prosecution							

***Slovenia – Cooperation with law enforcement and judicial authority***

The Slovenian Government Office for Development and European Cohesion Policy (SVRK) finalised a package of agreements to strengthen cooperation with investigative bodies and authorities:

1. with the State Attorney's Office of the Republic of Slovenia on education at judicial schools – organisation of workshop on 'legal framework for relationships stemming from the granting of European cohesion policy funding';
2. with State Attorney's Office in all matters relating to European cohesion policy reporting, and mutual assistance and support;

3. with Police regarding training of staff at IB, MF-CA, AA and MA on the topic of 'Fraud at the EU's expense'.

In 2017 the Slovenian Agency for Agricultural Markets and Rural Development (ARSKTRP) organised training for staff on how to prevent fraud and the artificial creation of conditions. ARSKTRP staff carried out the training at MKGP and KGZS.

This package of measures aims at the following goals:

- more effective and improved functioning of the judicial system in Slovenia; easier recovery of undue amounts from beneficiaries; improved understanding of the functioning of the European cohesion policy system.
- improved drafting of judicial documents, more efficient recovery of unduly spent European cohesion policy funds, improved representation of the interests of Slovenia and protection of the EU budget.
- more efficient and effective detection and prevention of irregularities and fraud.
- As regards ARSKTRP: continuing training and awareness-raising of staff involved in drafting legal frameworks, providing advice and conducting administrative decision-making procedures, in order to prevent artificial creation of conditions.

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; AFCOS; shared management and control of EU funds	Package	Organisational	A	General trainings; fraud awaress trainings	Neutral on resources	S
Detection							
Investigation and prosecution							
Recovery and sanction							

### ***Slovakia – Enhancement of transparency of the evaluation procedure***

Enhancement of transparency of the evaluation procedure of the Requests for Non-repayable Financial Contribution (hereinafter as „RNFC“) by means of publication of the list of evaluation experts and evaluation sheets in accordance with the EC applied in the Horizon 2020 work programme, demanding increase on evaluation experts and demonstrability of competence of evaluation experts, electronic draw lots of evaluators on website [www.itms2014.sk](http://www.itms2014.sk), enhancement of cooperation with non-governmental organizations.

Assurance of increased transparency by publication of the list of evaluation experts and evaluation sheets in the public section of ITMS2014+, increase in demands on evaluation experts, demonstration of proficiency in the area of the evaluation, elimination of conflict of interest and automatic random sampling of evaluation experts for RNFC by ITMS2014+ will have due to reducing of potential corruption, conflict of interests and increase of competency and proficiency the significant effect on enhancement of protection of the EU's financial interests and contribution to the prevention of fraud.

Prevention of the conflict of interests at the evaluation expert. Increase of checks of EU funds. Enhancement of monitoring made by non-governmental organizations.

The legislation measure in the sense of Programming Declaration of the Government of the SR for years 2014–2020 by which was enhanced the principle of transparency, effectiveness, finality and orientation on results in implementation of EU funds. The document approved by the Government Decision No141 dated 13 April 2016 and also by the National Council of the SR. Through the modification of the Act No 575/2001 Coll. on organization of government activities and organization of the central state administration was established the Deputy Prime Minister's Office for Informatization and Infrastructure.

The intents and responsibilities stated in the Programming Declaration of the Government are binding and periodically evaluated on the level of the state administration.

Document approved by the Government Decision No141 dated 13 April 2016 and by the National Council of the Slovak republic as printing No 45 dated 18 April 2016.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Conflict of interest; shared management and control of EU funds;	Package	Legislative	A	Competences; Definition of a specific topic; other	other	S
	Prevention of the conflict of interests at the evaluation expert. Increase of checks of EU funds.		Administrative	A	Management of funds; Increase of quality of the fund management by the Managing Authority aimed at extension of the possible access of the public to the control of the selection project procedure	to enhance existing measure; enhance the transparency within selection of projects	
	Enhancement of monitoring made by non-governmental organizations (Other)		Organisational	N	competence; enhancement of competency of the Managing Authority in the area of using of the IT means	Neutral on resources	
			Operational	A	IT tools ("IT data feeding", "Other IT"); Web reporting/Hotline; Risk indicators; Other	Enhanced information flow; Enhancement of information accessible to the public (other)	

### ***Finland - upgraded EURA 2014 Structural Funds management system***

With the new findings section of the EURA management system, the authorities implementing Finland's Structural Funds Programme, including the intermediate bodies as well as the managing, certifying and audit authorities, can observe all the findings recorded in the system and can each make use of it in their own work. Intermediate bodies can use it, for example, in project risk assessment in the project preparation stage.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Public procurement; Shared management and control of EU funds	Single	Operational	N	IT tools	Enhanced information flow	S
Detection							
Investigation and prosecution							
Recovery and sanction							

## *United Kingdom - Implementation of a Counter Fraud Strategy for the 2014-20 ESIF*

The United Kingdom Ministry of Housing, Communities and Local Government adopted an antifraud strategy for the 2014-20 European Structural and Investment Funds (ESIF) focusing on fraud risk assessment, management, training and relevant procedures, also adopting and using ARACHNE to identify possible fraud through validation and cross referencing of information/data.

This strategy ensures the UK has systems, procedures and internal controls in place to prevent, detect and minimise fraud on European Funded projects. The introduction of the ARACHNE system will help identifying potential fraud through validation and cross referencing of information/data. The system will help to identify European Funded projects which might be susceptible to conflict of interest in addition to other risks relating to fraud and irregularities. The introduction of the ARACHNE system will help identifying potential fraud through validation and cross referencing.

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 interest; fraud definition; whistleblower; antifraud or anticorruption strategy	Package	Administrative	N / A	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	N / A	Reorganisation of existing bodies; competence; inter-agency cooperation; general trainings; fraud awareness trainings; simplification of procedures	Neutral on resources	S

## *United Kingdom - Segregation of European Social Fund (ESF) functions*

The Managing Authority, the Department for Work and Pensions, is structured to ensure segregation of ESF functions: the claims recording, verification, and authorisation are separated by individual function and teams e.g. The appraiser and approver of the application is different to contract manager; the person checking claims is different to the authoriser. This separation of functions has been incorporated into development of the IT system preventing users from undertaking tasks on a project which conflict with one they have already done.

Fraud committed by staff or organisations delivering services on behalf of government can create significant financial and reputational harm.

Serving as a primary defence against internal fraud, these measures ensure that there is oversight and review to catch errors and helps to prevent fraud or theft because it involves separating main functions and having them conducted by different employees and different teams, so it is much more likely that fraud will be detected or discouraged in the first place.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Conflict of interest; antifraud or anticorruption strategy	Package	Administrative	A	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							

### 5.3.2 Fisheries

#### *Italy – fight against illegal fishing*

Italy adopted the Ministerial Decree No 16591 of 25 July 2017, which defined methods, deadlines and procedures for the application of the points system for serious infringements to masters of fishing vessels, within the meaning of Article 19 of Legislative Decree No 4 of 9 January 2012.

The legislative measures introduces more appropriate penalties that give the system greater credibility by enhancing the preventive role played by penalties.

Article 39 of Law No 154 of 28 July 2016 amended the penalty system relating to fishing, which meant that the content of Ministerial Decree 29/2/2012 - on the methods, deadlines and procedures for the application of the points system to masters of fishing vessels for serious infringements of the CFP - had to be updated, in the light of the new types of administrative offence established as a result of the decriminalisation process consisting in increasing the amounts of the administrative fines laid down.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Illegal fishing	Single	Legislative	N	Financial penalties	To clarify or consolidate existing rules	S
Recovery and sanction							

#### *Finland – Anti-fraud plan for EMFF*

Finland adopted an anti-fraud plan for the European Maritime and Fisheries Fund (EMFF).

The purpose of the anti-fraud plan is to help the authorities prevent and identify deliberate and unintended irregularities and fraud and adopt the follow-up measures needed to combat them. The plan was drawn up in 2017 and implementation will start in 2018.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Prevention	Control of Eu funds	Single	Administrative	N	Management of funds; monitoring/desk checks	To clarify or consolidate existing rules	S
Detection							

#### 5.4 Measures covering several shared management funds and centralised management

##### *Spain – Establishment of a confidential channel*

These measure covers all expenditure sectors.

Spain established a confidential channel for complaints centralised at AFCOS, through which any person aware of facts that may constitute fraud or irregularities in relation to projects or operations fully or partially funded by EU funds can report these to the administration so that the competent authorities can take the necessary measures to investigate or verify these facts, and, if applicable, require responsibility to be taken as appropriate in each case.

This channel allows whistleblowers to report facts of which the authorities would not otherwise be aware. In addition, this channel is centralised at AFCOS and applies to any European Fund and to the state, regional and local level. It therefore guarantees technical and uniform handling of complaints and efficient use of resources, since the managing authorities can use this channel without needing to create one of their own. AFCOS Communication 1/2017 regulates the main elements of this channel.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Detection	AFCOS; whistleblower	Single	Operational	N	Webreporting/hotline	Enhanced coordination, cooperation and information flow; targeting of investigations	S

##### *Bulgaria – Roundtables on investigation of crimes connected to abuse of EU funds*

These measure covered all expenditure sectors.

In 2017, two three-day roundtables on the subject of ‘Protecting the financial interests of the EU: investigation of crimes connected to abuse of EU funds’ were organised by the AFCOS Directorate at the Ministry of the Interior. The participants included 80 investigative police officers and operational staff from the 28 district directorates of the Ministry of the Interior, the National Police General Directorate, and the Fight against Organised Crime General Directorate, as well as representatives of 3 Managing Authorities, the Supreme Cassation Prosecutor's Office, the Sofia Court of Appeal and the AFCOS Directorate.

The measure is important because it concerns specialised training and exchange of experience among staff of the specialised bodies, through the presentation and discussion of the European and national mechanisms for combating irregularities and fraud in the use of European Union funds, through sharing of good practices in the detection and investigation of crimes and through solving specific case studies taken from jurisprudence.

Anti-fraud cycle steps	Area covered	Single / Package	Type of Measure	New / Amendment	Scope	Reasons for measure / expected results	Horizontal / sectoral
Detection	Public procurement; organised crime; AFCOS; shared management and control of EU funds	Single	Organisational	N	Inter-agency cooperation; general trainings; fraud awareness trainings	Neutral on resources	S
Investigation and prosecution							

***Hungary – Use of Europol European Secure Network***

These measure covers Cohesion policy and Centralised direct management

Hungary adopted the Joint Directive No 23/2016 of 15 September 2016 of the Minister for the Interior and the Minister for the National Economy, issued pursuant to Sections 21(3) and (26) and 90(14) of Government Decree No 152/2014 of 6 June 2014 on the duties and powers of members of the government, based on the authorisation conferred under Section 23(4)(c) of Act CXXX of 2010 on legislation, in order to ensure the uniform and mandatory use of the Europol European Secure Network applications and compliance with the data protection regulations for handling open and classified data when using the system.

Joint Directive No 23/2016 and Directive No 25/2017 of 17 August 2017 of the National Police Headquarters implementing Joint Directive No 23/2016 of 15 September 2016 of the Minister for the Interior and the Minister for the National Economy laying down rules for cooperation and information exchange entailing the use of the Europol European Secure Network applications are intended to ensure that, if the same crime is committed by the same perpetrators in two or more EU Member States, relevant data representing the law enforcement interests of the investigative authorities are forwarded securely via digital channels (SIENA).

The directive disciplines, among others, the forwarding of data in the event of commercial, financial or corruption offences falling within the investigative authorities’ powers and jurisdiction in criminal proceedings when cooperating with other national (the police, the customs and finance guard, the public prosecutor's office, the courts) or international investigative authorities or joint investigative teams (JITs) or providing legal assistance in criminal matters (MLA).



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; corruption; forwarding of data (other)	Single	Operational	N/A	IT tools; webreporting / hotline; structure cooperation with law enforcement and with judicial authorities	Enhanced coordination, cooperation and information flow; information exchange	S
Investigation and prosecution							

## 6. ADDITIONAL MEASURES REPORTED BY MEMBER STATES

### 6.1. Belgium

#### 6.1.1. *Federal Public Service - Finance (Anti-Fraud Cell) 2 additional measures:*

— Article 338, § 2, 11° and 16° to 20° of the Income Tax Code: Automatic exchange of information: the transposition into national legislation of Council Directive (EU) 2015/2376 of 8 December 2015 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation. The main aim of the Law of 20 July 2017 is to allow the automatic exchange of cross-border advance tax rulings and cross-border advance pricing arrangements between Belgium and the other Member States of the European Union.

— Article 333, 3rd paragraph of the Income Tax Code is being amended so that, if an investigation is carried out at the request of a foreign state, the investigation period (only in respect of the external request) is automatically extended for an additional period of four years without prior notice.

#### 6.1.2. *ERDF Wallonia:*

— Cross-cutting measure. Measures to prevent the risk of fraud have been recommended to all functional administrations in accordance with the Commission note on fraud risk assessment and effective and proportionate anti-fraud measures.

#### 6.1.3. *Belgium's Anti-fraud Coordination Service (AFCOS/CAF) and Interdepartmental Committee for Coordinating the Fight against Economic Fraud (CICF):*

— Law conferring upon economic inspection staff the powers necessary to provide assistance to OLAF during on-the-spot checks. The relevant provision is Article 24 of the Law of 18 April 2017 laying down various provisions relating to the economy. This provides for the insertion of Article XV.30/2 into the Belgian Economic Law Code, conferring upon economic inspection staff the powers laid down in Title 1, Chapter 1 of Book XV of that Code when they provide assistance to OLAF inspectors.

‘The officials appointed by the Minister are empowered to provide the necessary assistance to inspectors of the European Commission in accordance with Article 9 of Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities’ financial interests against fraud and other irregularities.

The staff referred to in paragraph 1 shall have the powers laid down in Title 1, Chapter 1.’



## **6.2. Bulgaria**

### *6.2.1. Operational measure*

By Order R-181/18.09.2017, a second version of the Procedure for managing access to the EU fraud and irregularities risk scoring system ARACHNE was approved, which allows each organisation to maintain up to ten Administrator and Observer profiles in the system as well as an unlimited number of Expert profiles, depending on the job description.

In 2017, the number of staff with access profiles to ARACHNE was more than double that in 2016. Under the measure, it is planned to expand the circle of staff from the bodies responsible for the implementation of the programmes financed by ESIF with access to the EU fraud risk scoring tool ARACHNE; training in how to use the system is also planned.

### *6.2.2. Organisational measure*

A wide-ranging cycle consisting of twenty-seven two-day training courses was organised, with the participation of seventy-five prosecutors from all appellate districts. Subjects covered: Review of the types of criminal offences that are often the object of the fight against crimes affecting the financial interests of the EU: budgetary misappropriations; documentary fraud, crimes of office, embezzlement, bribes and trading in influence. The cycle was a key part of the 2017 training calendar of the Bulgarian Prosecutor's Office and was based on a multidisciplinary approach, with the participation of academics, prosecutors, representatives of the Public Financial Inspectorate Agency and the Audit of EU Funds Executive Agency.

## **6.3. Croatia**

On the TAIB sectoral committee in the Republic of Croatia held in 2017, one of the recommendations was to educate Management and Control System bodies in the field of integrity and ethics. Following that, Service for combating irregularities and fraud organized 5 workshops entitled „Strengthening the integrity of civil servants“ in cooperation with Ministry of administration and Public school for public administration. This will be one of the topics that will be repeated in the upcoming period.

With the aim of enhancing administrative capacities and improving the work efficiency of the competent institutions in the area of protection of the EU financial interests Service for combating irregularities and fraud drafted a project proposal under the HERCULE III programme for the exchange of experience and good practices in the area of prevention, detection, treatment, reporting and follow-up on established irregularities and suspicion on fraud with the aim of protecting the financial interests of the European Union. In the December 2017 we have been informed that our project entitled „Further strengthening of the competent institutions in the area of managing on irregularities with the aim of protection of the EU financial interests“ was approved by the European Commission and therefore eligible for funding.

Partners in this project are Spain, Bulgaria, Malta, Romania, Estonia, Netherlands, Serbia, Bosnia and Herzegovina and Montenegro and implementation of the project is foreseen in the period 07.- 11.May 2018.

#### **6.4. Slovenia**

As an addition to Measure 3:

1. Additional measures carried out at MF-Management Department/CA: Establishment of a debtors' ledger in the computerised accounting system of the certifying authority (e-CA). In order to coordinate the combating of fraud and the control of EU funds (as indicated in the three measures set out above). MF-CA is responsible for keeping the records of amounts recoverable and amounts withdrawn following cancellation of all or part of the contribution for an operation (Article 61 of Regulation (EU) No 1303/2013). MF-CA keeps a debtors' ledger for an individual operation in the e-CA computerised accounting system. When the beneficiary is responsible for recovery, the intermediate body's claim against the beneficiary is entered in the debtors' ledger. The debtors' ledger also includes claims related to systemic corrections.

Implementation in 2017, horizontal measure.

2. MF-CA-Department for Management of EU Funds/CA: Updating of instructions for recovery of designated EU funds for the 2014-2020 programming period; (version of 2/2017). Single and operational measure. The instructions set out the steps to be taken and define the procedures for recovering designated EU funds where undue use of such funds is detected. They apply to all participants involved in implementing the operational programme for European cohesion policy for 2014-2020 for Objective 1, and mutatis mutandis also to the operational programme for material assistance to the most deprived persons for the period 2014-2020. Expected results: Enhanced coordination and cooperation and more effective ex-post controls;

3. Updating of the guidelines of the certifying authority for the implementation of European cohesion policy (version of 2/2017).

#### **6.5. United Kingdom**

In the Welsh Managing Authority we have taken several steps to strengthen anti-fraud measures in the Welsh European Funding Office. Apart from formally adopting ARACHNE a couple of years ago we have developed fairly detailed desk instructions for its use and implemented them into our policy and guidance.

In addition to this, we require our two intermediary bodies to do likewise and have arranged for ARACHNE to be made available to them and will be testing claims submitted to ensure they too are using it.

The Welsh Government has also signed up to Cifas, one of the UK's largest cross-sector fraud sharing database, and this is being rolled out across the whole organisation including the Welsh European Funding Office.

Finally, having identified some potential issues in one of our priority areas, operations in the marine energy areas we are currently developing strengthened due diligence measures.

## 7. 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, 47 training sessions were organised in twelve Member States, attended by 607 trainees, as showed in Figure 8.

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

Member State	Sessions	Trainees
BG	4	42
DE	12	171
DK	1	4
EE	1	4
ES	2	60
HR	3	60
HU	11	42
IT	4	83
LV	3	3
NL	2	8
PL	3	120
SI	1	10
<b>TOTAL</b>	<b>47</b>	<b>607</b>

## 8. CASE STUDIES REPORTED BY MEMBER STATES

### 8.1. Bulgaria

European Social Fund--abuse of funds intended for upskilling staff

The Bulgarian Prosecutor's Office carried out an investigation of an offence under Article 248a(3)(1) in conjunction with (2)(1) of the Criminal Code concerning false information submitted in a final financial and technical report and a final payment request for a project financed by the European Social Fund. The grant contract was in the amount of close to BGN 300 000. As per the contract terms, the beneficiary was supposed to implement the project together with a partner from Spain; it was specifically claimed in the Final technical and financial report for the project that joint events had been held with a Spanish company both in Bulgaria and in Spain.

In order to verify the information submitted to the Contracting Authority, the Sofia Prosecutor's Office, via AFCOS, sent a request to OLAF for assistance in performing checks in Spain. Following the checks in Spain, the final OLAF report under the investigation submitted to the Sofia Prosecutor's Office contained documents, samples of signatures and information from checks and questionings relating to the subject-matter of the case. The materials submitted proved beyond doubt that the information

sent to the Contracting Authority was indeed false and that the Bulgarian beneficiary had not held joint events in Bulgaria and Spain with the Spanish company.

The proceedings ended on 10 February 2017 with a settlement concluded between the manager of the Bulgarian legal entity and a representative of the Bulgarian Prosecutor's Office and approved by the Bulgarian court. The accused pleaded guilty of the offence. The manager of the Bulgarian legal entity was sentenced to a two-year prison term, suspended for 4 years on the basis of Article 66 of the Criminal Code, and fined BGN 5 000.

## **8.2. Belgium**

The fraud was perpetrated in the European market for carbon dioxide emissions, the Emissions Trading Scheme (ETS). In operation since 2005, the scheme involves some 11 000 undertakings in the 27 Member States.

Each undertaking is allocated a quota of emissions allowances. If an undertaking exhausts its emissions quota, it must buy 'emissions credits' from another undertaking which has not used up its emissions quota and so has a surplus to sell on the ETS market, which takes various forms: spot market, futures or OTC transactions. The majority of undertakings use intermediaries.

The main trading hub is the Bluenext carbon exchange which handles almost 90 % of transactions (approximately EUR 10 billion in 2008), and most of the fraud took place on the Bluenext spot market.

The fraudsters took advantage of the fact that VAT was levied on CO<sub>2</sub> transactions in all EU countries except the UK. They bought their tonnes of CO<sub>2</sub> in the UK and then sold them on in countries levying VAT. However, instead of paying the VAT back to the state concerned, they kept it for themselves.

By carrying out a series of these operations in different places and between the on-the-spot and OTC markets, the fraudsters were able to build up a substantial amount of non-reimbursed VAT. This technique was particularly easy to transfer to the carbon market since the tonnes of CO<sub>2</sub> at stake are 'invisible assets which are difficult to trace'.

The transactions are visible only on paper.

The fraud was detected in 2009 on Bluenext. The FR administration was quick to adopt a provision to scrap VAT on emissions allowances while NL opted to have the buyer reimburse the VAT to the state. However these decisions designed to clean up the market are in breach of the EU VAT Directive in force since 2007. The EU is due to announce proposals for amending the Directive to tackle the fraud problem in September, while restoring the unity of tax rules across the Union.

The fraud revelations have undermined the image of an emissions market already misunderstood by the public.

'Law-abiding operators deplore the negative impact of all of this,' says Emmanuel Fages, analyst at Orbeo, a subsidiary of Société Générale. 'We are constantly trying to demystify the market. It is actually a normal commodity market. What happened can be put down to teething problems.'

The bad publicity generated by the fraud uncovered in Europe could also have a negative impact on the discussions to establish a similar market in the US.

### **8.3. Greece**

Check on the reasonableness of costs/identification of artificial, non-competitive tender prices via databases/reference prices, cross-checking tenders by any available means:

Study on the creation of a database of reasonable costs of equipment and building infrastructure for the investment measures of the 2014-2020 Greek Rural Development Programme. The first deliverable (D1), entitled 'Methodology for the analysis and processing of cost data' was submitted on 15 September 2017 and is a study on the use of cost data and methods for assessing the reasonableness of costs of machinery and building infrastructure.

The intermediate database (D2) was delivered in December 2017 and may be used on a pilot basis to verify the reasonableness of costs for the Programme's investment operations for the period up to submission of the final database in April 2018.

The database of reasonable costs of equipment and building infrastructure for the investment measures of the 2014-2020 Greek Rural Development Programme will help to strengthen the procedures to verify the reasonableness of costs of investment operations at the assessment and control stages, and consequently mitigate the risk of cost overruns for the projects under the investment measures.

### **8.4. Finland**

On 23 February 2017 Finnish Customs seized a consignment of 690 kilos of water-pipe tobacco that had arrived from the United Arab Emirates. The consignment had been placed under the customs transit procedure and the contents declared as hand-washing powder destined for Latvia. However, the consignment of goods placed under the customs procedure did not go to Latvia. Instead, an attempt was made to send it to Germany, as a duty-free shipment by a carrier operating in Vantaa. A decision was taken to check the consignment, at which point the boxes were found to contain one-kilo plastic bags full of water-pipe tobacco.

Customs suspect that water-pipe tobacco had been smuggled in the same way on five other occasions since December 2016. All of the consignments had been sent from the United Arab Emirates and all were declared as containing hand-washing powder destined for Latvia. All of the consignments were collected by the same Latvian man, who loaded the packages containing the water-pipe tobacco into his van and took them to a carrier operating in Vantaa for onward transport to France, where the consignees were private individuals. The man then drove the empty van back to Latvia, where he loaded the vehicle with the cheapest possible washing powder which he then cleared through Latvian customs. It became clear in the preliminary investigation that there was a Russian man behind the operation who had also employed the Latvian to smuggle the consignments of water-pipe tobacco. A European arrest warrant was issued for the Russian, which led to his arrest in Croatia and his transfer to Finland.

The investigation found that a total of 3 080 kilos of water-pipe tobacco had been smuggled on six separate occasions and the tax and import duties evaded on these consignments amounted to over EUR 1 143 000. Customs' share of the payments was

EUR 221 464 and VAT accounted for EUR 278 554. Excise duty accounted for EUR 643 500 of the taxes evaded. This was regarded as a serious case of tax fraud. Vantaa District Court handed down a judgment in the case on 8 December 2017. Both men were sentenced for all six consignments. The Russian, as the main perpetrator, received a 3-year sentence and the Latvian courier was sentenced to 2 years. They were also ordered to pay damages of over EUR 885 000 for the consignments of water-pipe tobacco that were not seized.

## **8.5. Croatia**

Fund- Criminal act committed

European Agricultural Guarantee Fund (EAGF, 2014-2020)

Falsified/incorrect accounts

Modus operandi

Paying Agency on 11 January 2017 received a letter from the Managing Authority through which it was informed of the irregularity identified in the beekeeping sector in the case of the applicant requests.

The applicant applied for subsidies in 2014 and received the requested amount paid by the Paying Agency on the basis of measure “Suppression of Vaginal Abduction” (Annex XII) in accordance with the Ordinance on the Conditions and Methods for Implementation of Special Aid Measures for the Beekeeping Sector in 2014 under the National Beekeeping Program for the period 2014-2014.

Managing Authority performed inspection by the implementation of subsequent controls of large beneficiaries of the aid in the beekeeping sector in order to determine whether the transactions constituting part of the system of financing by the European Agricultural Guarantee Fund were actually carried out and whether they were carried out correctly.

In addition to the applicant some other legal entities were also under the control and with the control of the trade records and the tax administration's findings, an irregularity was found in relation to the total amount of aid requested by the applicant because the claimant after the payment made the account overlap and in this way gained support on the amount with VAT included.

However provision of Article 8 paragraph 2 of the Ordinance stipulates that the unitary amount of aid implies the monetary value of the veterinary medicinal product without VAT required for one single-bee vascular treatment.

Actions initiated

Due to the established suspicions of the illegal use of funds, the Managing Authority informs the competent institutions - the Ministry of Finance and the State Attorney's Office of the Republic of Croatia, pursuant to Article 258, paragraph 1 of the Criminal Code.

Furthermore, as regards irregularities related to the issuance of trade documents (invoices and approvals for transferred rebates and VAT) by controlled legal entities, pursuant to Article 169 of the Agriculture Act, it is given the instructions that it should be notified to the competent Ministry of Finance, Independent Tax Fraud Disclosure

(Tax USKOK), ie Tax Administration, and the Inspection Service of the Ministry of the Interior.

## **8.6. Hungary**

EAFRD - Attempt to use falsified supporting document

Under Government Decree No 272/2014 of 5 November 2014, when submitting an advance payment request for support from EAFRD funds the beneficiary must provide collateral equal to the amount of the advance payment. Prior to the advance payment request, the beneficiary attempted to prove by means of a bank guarantee that the amount serving as collateral for the advance payment requested was available. The Rural Development Programme paying agency contacted the credit institution that had issued the bank guarantee to check the bank guarantee's authenticity. The credit institution replied that it had not issued a bank guarantee with the reference number in question. After receiving this reply, the paying agency took the necessary measures by informing the competent investigative authorities and reporting the suspected fraud to the RD MA. As a result of this report, the RD MA cancelled the grant document and no advance payment was made.

## **8.7. Italy**

Traditional Own Resources – Activities to combat the smuggling of foreign manufactured tobacco products

The Economic and Financial Police Units of the Napoli Guardia di Finanza (Finance Police), as part of efforts made to prevent and combat cigarette smuggling, conducted a complex investigation that led to the seizure of nine tonnes of 'cheap white' cigarettes destined for the port of Misurata, Libya.

The significance of this result, as well as the large quantity of manufactured tobacco seized, is connected with the particular criminal method the fraudsters used in an attempt to circumvent the anti-smuggling network implemented at national and intra-EU level.

Specifically, taking advantage of the possibility of transporting foreign manufactured tobacco intended for export to EU countries within the EU under deferred tax arrangements, the criminal organisation planned a fictitious shipment of goods arriving from Romania on a container which was to be loaded at the port of Salerno before sailing on to the port of Misurata.

This method of transportation would have meant that, if any checks had been carried out in Italy, the shipment of foreign-manufactured tobacco would not have been considered smuggled and thus subject to seizure, since it was officially intended for the non-EU market and not the national market.

In fact, by using an aircraft to follow the road route taken by the suspect container, the police team found that the fraudsters had used a second, 'dummy' container, of the same shape and colour and affixed with fake labels displaying the same serial number as the container coming from Romania.

The 'dummy' container, loaded with fake 'goods' such as empty boxes and bricks, would therefore have been the one which would have actually reached Misurata, allowing the fraudsters to release for consumption in Italy the manufactured tobacco

coming from Romania on board the original container. The investigation thus led to the arrest of the two fraudsters and the seizure of nine tonnes of cigarettes, intended to be sorted and transferred to secret warehouses.

## **8.8. Lithuania**

On 17 November 2017, Financial Crime Investigation Service opened a pre-trial investigation concerning fraud, forgery of documents and fraudulent management of accounting.

The investigation proceedings were initiated having conducted the analysis of project No. 3VK-KP-10-2-

003762 “Development of Peat Extraction by UAB Agrodurpès” implemented by UAB Agrodurpès and having identified that the application was submitted to the National Paying Agency under the Ministry of Agriculture (further – Agency) within the framework of the Measure “Support to Business Creation and Development” of the Rural Development Programme for Lithuania 2014–2020 even though the project did not represent agricultural activity, provision of agricultural services, crafts or establishment of crafts centres. Total project value is EUR 622.581,09 out of which EUR 404.678 represents the EU support.

In the course of the project implementation, UAB Agrodurpès declared to the Agency the purchase of different machinery for peat exploitation from UAB Specagra. It was established, however, that UAB Agrodurpès was set up by use of the third parties and its financial activities were coordinated by the director of UAB Specagra because the latter company failed to comply with the requirements set up for beneficiaries in the afore-mentioned programme, which prevented it from applying for the EU support. In order to obtain the EU support by fraud, in the run of the project implementation fake public procurements were organised with the award of contracts to UAB Specagra as well as Specagra OU and UAB Agroteka managed by the same shareholder who artificially increased the prices of the machinery. The investigation also identified that in the mentioned transactions the managers of UAB Agrodurpès and UAB Specagra engaged in secret agreements regarding the acquisition of extra machinery that was not foreseen in the project documentation.

To mislead the Agency and disguise the extra machinery illegally included in the project documentation, the managers of the above-mentioned companies forged the purchase documents and submitted them to the Agency for the compensation of the expenses. Then in order to conceal the committed offences, the managers of UAB Agrodurpès at the time of on-site inspections concealed from the Agency staff the illegally purchased machinery by not registering and including it in its accounting in accordance with the procedure established by the Agency.

The investigation revealed that the managers of UAB Agrodurpès in collaboration with the director of UAB Specagra, seeking to acquire high value property by fraud (EUR 404.678 of the EU support and national budget funds), set up the company for committing criminal acts and together with the director of Specagra OU (Estonia) submitted to the Agency forged documents.



## **8.9. Latvia**

EU structural funds, ERDF- increasing the price of the machinery in fraudulent manner.

State Police of Latvia in year 2013 started criminal procedure against company's X officials for possible fraudulent activities with purpose to defraud EU fund money in big amount.

In public procurement procedure won company A, which was supposed to deliver machinery. In 29 August 2006, Company A informed the beneficiary that they could not deliver one position of the machinery.

Decision was made that the second participant in public procurement procedure company Y will deliver that position of the machinery.

From the materials of the case can see that company's Y chairman A.B. personally knew the company's X official K.M. In addition, company Y didn't deal with trade and delivery of that kind of machinery.

During the investigation investigators found out that company X transferred the purchase price to Company Y approximately 607 313,00 EUR. In 2006 and 2007 company Y transferred approximately 617 400,00 EUR to company Z which was closed up in 2013 and the chairman of the company V.D. from the 2013 doesn't have a declared place of residence and has several convictions.

Investigators has suspicions that officials of companies X, Y and Z had an agreement to increase the price of machinery and in the end price which was paid for the machinery came back to company Y using the carousel transfers involving companies Y and Z.

Request for legal aid was sent to Bosnia and Herzegovina and investigators got the information that the machinery was bought there for 200 000,00 EUR and that the condition of the machinery- used. From the documentation, which investigators got, they saw that company X official K.M. agreed with seller about buying concrete machinery, which proves that company X official was aware about the real price and condition of the machinery.

Thus, the K.M. as a representative of beneficiary mislead the Latvian intermediate body- LIAA about the real price and condition of the machinery and received EU funded money for that concrete machinery in fraudulent manner. And companies Y and Z was involved in this scheme with purpose to increase the price of machinery. In this scheme K.M caused damage to LIAA in amount of 325 969, 15 EUR.

In 2017, K.M. was declared as a suspect in criminal procedure.

In July of 2017 this case was sent to Prosecutors Office.

## **8.10. Netherlands**

Preventing the double declaration of costs for a participant involved in different projects. The check is carried out by comparing BSN numbers. No fraudulent activity in 2017 was revealed by the check.

### **8.11. Romania**

Cohesion policy, EAFRD - Violation of the public procurement rules for private beneficiaries established by AFIR in connection with the construction of boarding houses;

LP, the owner of X SRL (construction company) persuaded his wife and two daughters to set up the companies X1, X2, X3 SRL in order to obtain grants for the construction of tourist boarding houses in a rural area. The AFIR rules stipulated that contracts for works and the supply of goods had to be concluded by beneficiaries who were to have no interest in the supplying companies at the time of concluding the contracts (they should not be in a situation giving rise to a conflict of interest). The beneficiaries accordingly submitted a declaration of honour, rendering them liable to sanctions in the event of false declaration.

The beneficiaries X1, X2 and X3 concluded works and supply contracts with the companies GA, GD and LA SRL, the links between these companies and LP's family being as follows:

GA was a beneficiary of European funds for the construction of a boarding house, and X was the builder;

GD was owned by the husband of one of LP's daughters;

LA was owned by a close associate of LP, a beneficiary of European funds for the construction of a boarding house, and X was the builder;

None of the companies GA, GD or LA had any experience in construction or the supply of goods.

What is more, GA and GD (builders) took on staff from X SRL in order to build the boarding houses.

X1, X2 and X3 and the suppliers GA, GD and LA on the one side and X on the other used a fraud scheme to certify that payments were made under the projects, in order to justify the grants.

Thus, X1-X3 borrowed money from X to pay GA, GD and LA (builders and suppliers), and they immediately transferred the money received to X, on the same day, by means of successive transactions. There was thus an understanding between all of these companies that the real contractor for the works and the real supplier of the goods was X. The declarations made by the beneficiaries to the effect that they did not find themselves in situations constituting a conflict of interests were therefore fraudulent documents submitted to AFIR for the purpose of obtaining grants for the three projects concerned.