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REGIONAL POLICY
EMPLOYMENT, SOCIAL AFFAIRS AND EQUAL OPPORTUNITIES
OLAF
MARE

DG REGIO, DG EMPL and DG MARE in cooperation with OLAF

Joint Fraud Prevention Strategy

for ERDF, ESF, CF and EFF 2010-2011

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Annex 1 Joint Anti-Fraud Actions Framework 2010-2011

Annex 2 Practical working arrangements (internal to the Commission only)

PART I: CONTEXT AND STRATEGIC OBJECTIVES

1. INTRODUCTION

This document outlines a joint fraud prevention strategy (JFPS) for the 2010-2011 period for the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF) and the European Fisheries Fund (EFF).

As in 2008-2009¹, the strategy document has two parts: the first part sets out the overall context and identifies the strategic objectives, and the second part comprises the actions to achieve the objectives.

The document has been prepared by a technical working group, jointly between the Audit Directorates of DG REGIO, DG EMPL and DG MARE and the Operational and Policy Support Directorate of OLAF.

The JFPS is without prejudice to OLAF's investigation responsibilities for fight against fraud.

The aim of the JFPS is to contribute to strengthening the capacity of DG REGIO, DG EMPL and DG MARE to deal with fraud, to strengthen cooperation with OLAF and thus reinforcing existing measures which are in place for the purpose of protection of the financial interests of the Community.

1.1. Protection of financial interests of the Union – legal framework

Articles 317² and 325³ of the Treaty on the functioning of the European Union (TFEU)

In line with Article 317 TFEU, the Commission shall implement the budget under its own responsibility having regard to the principles of sound financial management. Furthermore, Member States shall cooperate with the Commission to ensure that the appropriations are used in accordance with the principles of sound financial management.

Article 325 TFEU stipulates that the Union and the Member States shall counter fraud and any other illegal activities affecting the financial interests of the Union. Furthermore, under Art. 53 b (2) of the Financial Regulation⁴ as amended by Council Regulation 1995/2006 (EC, Euratom), Member States are responsible to prevent and deal with irregularities and fraud

¹ The Joint Fraud Prevention Strategy 2008-2009 was adopted in December 2008 and covered 2008-2009.

² Ex-Article 274 TEU

³ Ex-Article 280 TEU

⁴ OJ L 248, 16.09.2001 and OJ L 390, 30.12.2006

in the area of shared management. Under the legal arrangements for shared management⁵, in order to protect the financial interests of the EU, the Member States are principally responsible for setting up management and control systems which are in compliance with EU requirements, for verifying that the systems function effectively, through audits by designated bodies, to prevent, detect and correct irregularities and fraud⁶. In the case of suspected fraud or irregularity the Commission shall be informed without delay.

Nevertheless, the Commission remains responsible for the execution of the budget and through its supervisory role, including audit work, it seeks to obtain reasonable assurance that the Member States' systems are in conformity with all EU requirements.

Regardless of whether the irregularity is non-intentional or intentional (fraud), the affected expenditure must be excluded from co-financing by the EU budget. The terms "*irregularity*" and "*fraud*" are defined below under points 1.2 and 1.3.

1.2. Definition of irregularity

The term irregularity is a wider concept and covers both intentional and non-intentional irregularities.

Article 1(2) of Regulation (EC, Euratom) No 2988/95⁷ defines "**irregularity**" as:

"any infringement of a provision of Union law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Union or budgets managed by them, either by reducing or

⁵ Mainly Article 38 of Council Regulation (EC) No 1260/1999, Commission Regulation (EC) No 1681/94 concerning irregularities and the recovery of sums wrongly paid in connection with the financing of structural policies and the organisation of an information system in this field, OJ L 178, 12.7.1994, amended by Regulation (EC) No 2035/2005, OJ L 328, 15.12.2005, Article 12 of Council Regulation (EC) No 1164/1994, Commission Regulation (EC) No 1831/94 concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the Cohesion Fund and the organisation of an information system in this field, OJ L 191, 27.7.1994 as amended by Regulation (EC) No 2168/2005, OJ L 345, 28.12.1995, Article 70 of Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999, OJ L 210, 31.7.2006 and Articles 27-36 of Commission Regulation (EC) No 1828/2006 as amended by Commission Regulation (EC) No 846/2009 setting out rules for the implementation of Regulation (EC) No 1083/2006, OJ L 371, 27.12.2006.

⁶ Whereas in the future IPA might be covered by the JFPS, in 2010-2011 no specific actions are aimed at IPA. It should be noted that Commission Regulation (EC) No 718/2007 of 12 June 2007 (the IPA regulation), OJ L 170, 29.6.2007, contains provisions which oblige beneficiary countries to ensure equivalent control and reporting mechanisms to those referred to in Commission Regulation (EC) No 1828/2006, as amended. See in particular Articles 19, 49 and 83. In terms of specific details for financial management of contracts under IPA, reference is also made to "Model Framework Agreement" adopted by Commission Decision C(2007)3208, Articles 27 and 28 and "Model Financing Agreement" adopted by Commission Decision C(2008)3584, Articles 75,77 and Annex XVIII.

⁷ Council Regulation of 18 December 1995 on the protection of the European Communities' financial interests (OJ L 312, 23.12.1995, p.1)

losing revenue accruing from own resources collected directly on behalf of the Union, or by an unjustified item of expenditure"⁸

1.3. Definition of fraud

The "Convention drawn up on the basis of Article K.3 of the Treaty on European Union, on the protection of the European Communities' financial interests"⁹ defines "**fraud**", in respect of expenditure, as any intentional act or omission relating to:

- *the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Union or budgets managed by, or on behalf of, the European Union;*
- *non-disclosure of information in violation of a specific obligation, with the same effect;*
- *the misapplication of such funds for purposes other than those for which they were originally granted.*

It is therefore the component of intentional deceit which distinguishes fraud from irregularity.¹⁰

Since 2006 the Member States have been required to identify, when they notify irregularity cases to the Commission, whether these cases involved "**suspected fraud**".¹¹

⁸ For the Structural Funds and the Cohesion Fund a slightly adapted definition is reproduced in the regulations on the reporting of irregularities (Article 1 of the Commission Regulation (EC) No 2035/2005 of 12 December 2005, OJ L 328, 15.12.2005 and 2168/2005, OJ L 345, 28.12.2005 amending respectively Regulation (EC) No 1681/94 and 1831/1994): "irregularity" means any infringement of a provision of Community law resulting from an act or omission by an economic operator which has, or would have, the effect of prejudicing the general budget of the Communities by charging an unjustified item of expenditure to the Community budget". The same definition is reproduced in the Article 2 (7) of the Council Regulation (EC) No 1083/2006, OJ L 371, 27.12.2006 laying down general provisions for ERDF, ESF and CF for the 2007-2013 period, as well as in Article 3(q) of Council Regulation (EC) No 1198/2006, OJ L 223, 15.8.2006 laying down general provisions for EFF for that period.

⁹ OJ C 316 , 27/11/1995, p. 49

¹⁰ In order to be categorised as fraud, a suspected case of fraud must be determined as "fraud" by a Court decision (*Res Judicata*).

¹¹ Regulation (EC) No 2035/2005 amending Regulation (EC) No 1681/94 defines "suspected fraud" as "an irregularity giving rise to the initiation of administrative and/or judicial proceedings at national level in order to establish the presence of intentional behaviour, such as fraud". This definition is reproduced in Article 27 c) of Commission Regulation (EC) No 1828/2006.

1.4. Role and responsibility of OLAF, the Commission services and the Member States in fraud prevention, detection and investigation

1.4.1. OLAF

Art. 325 (2) TFEU lays down that the Member States shall take the same measures to counter fraud affecting the financial interests of the Union as they take to counter fraud affecting their own financial interests.

On the basis of Regulation (EC) N° 1073/1999¹² OLAF's main task is to carry out investigations. In addition, according to Art. 1(2) of Regulation (EC) N° 1073/1999¹³, it shall contribute to the design and development of methods of fighting fraud.

Against this background, the new Communication from the Commission on Fraud Prevention¹⁴ develops an approach based on OLAF's operational experience to enhance the impact of investigations on preventing fraud, corruption, irregularities and other illegal activities. During the pilot phase priority is given to the Direct Expenditure sector.

In the area of Structural Actions, OLAF¹⁵ can contribute, within the limits of its resources, as follows:

- OLAF will continue to provide, within the framework of the interservice consultation procedure on any type of draft legislation, its input on fraud prevention issues;
- in the framework of the Annual Report on the Protection of the Financial Interests of the Communities, OLAF produces a statistical annex (II) containing a section which is dedicated to irregularities which can be qualified as potential cases of fraud;

¹² OJ L 136, 31.5.1999, p. 20–22

¹³ To that end, Art. 2 (2) of Decision 1999/352/EC, the Office shall be responsible for the preparation of legislative and regulatory initiatives of the Commission with the objective of fraud prevention and in accordance with Art. 2 (5), c), the Office shall be responsible for giving technical support, in particular in the area of training, to the other institutions or bodies as well as to the competent national authorities.

¹⁴ (COM(2007) 806 of 17.12.2007, "Prevention of fraud by building on operational results: a dynamic approach to fraud-proofing"

¹⁵ As stated in the final conclusions and recommendations of OLAF conference "Operational Cooperation between OLAF and the Commission " which took place in Brussels on 24-25 October 2007: "OLAF and all the other Commission services are partners in fighting and preventing fraud. Risk needs to be identified and properly managed (...). OLAF has a role in providing intelligence information, but this should not overlap with authorising DGs, audit work, or vice-versa. The audits provide useful input for risk analyses since they include signal to identify trends and developments that are more susceptible to fraud. The risks analyses provide information for auditors on the type of controls and checks they could focus on. Both findings can provide a significant contribution to **design jointly a prevention strategy** that takes into account the system and its vulnerabilities (...)". Reinforced statements of intent as regards the need for fraud prevention strategies were made during the follow-up conference which took place 19-20 May 2010.

- OLAF will invite DG REGIO, DG EMPL and DG MARE to participate in the COCOLAF Committee (Advisory Committee for the Coordination of Fraud Prevention);
- OLAF presents, at the occasion of the annual meetings in which the annual control reports and audit opinions from the Member States' audit authorities are examined, for each Member State an analysis of the reported irregularities, focusing on fraud issues by highlighting weaknesses and flaws emerging from that;
- OLAF will provide a "Region/Country risk assessment" on a specific Member State. DG REGIO, DG EMPL and DG MARE could submit their requests concerning another Region/Member States to be analysed;
- OLAF will provide assistance in training events in order to explain its competencies and to provide guidance on such matters as fraud patterns, trends, threats, risk indicators and methodologies;

1.4.2. DG REGIO, DG EMPL and DG MARE

DG REGIO, DG EMPL and DG MARE have a key role to play in the protection of the financial interests of the Union. The obligations for the Union and the Member States to ensure sound financial management and to counter fraud are laid down in Articles 317 and 325 TFEU respectively. The Financial Regulation¹⁶, the internal control standards and the sectoral regulations¹⁷ require the Commission to ensure that the Member States have set up and effectively run management and control systems making sure funds are efficiently and correctly used so as to ensure legality and regularity of expenditure.

DG REGIO, DG EMPL and DG MARE carry out audits in the Member States to verify the effective functioning of national systems in the framework of a multi-annual audit strategy. The audit strategy is revised annually on the basis of updated risk assessments per country. These actions contribute to fraud prevention through promoting well-functioning internal control systems in Member States which can prevent, detect and correct irregularities.

In establishing this JFPS with OLAF, DG REGIO, DG EMPL and DG MARE will seek to strengthen their contribution to fraud prevention, drawing in particular on the special expertise available in OLAF.

The audit directorates of DG REGIO, DG EMPL and DG MARE will have a principal role to play in the field of fraud risk assessment, fraud detection and support for Member States (see part II of this Strategy, sections 2 and 4). The

¹⁶ Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the budget of the European Communities and in particular Article 53.

¹⁷ Programming period 2000-2006: Council Regulations (EC) No 1260/1999 and 1164/1994 as amended by 1264/1999, and 1265/1999, OJ L 161, 26.06.1999 and Commission Regulations (EC) No 438/2001, OJ L 63, 03.03.2001 and 1386/2002, OJ L 31.7.2002. Programming period 2007-2013: Council Regulation (EC) No 1083/2006, Commission Regulation (EC) No 1828/2006 and Commission Regulation (EC) No 1198/2006.

geographical units of each DG are also an important part of the fraud prevention strategy, particularly in terms of awareness raising actions, both internally and at the level of Member States authorities, but also in the follow-up of detected cases.

1.4.3. Role of the Member States in fraud prevention, detection and investigation

By virtue of Articles 28a and 53b (2) of the Financial Regulation and the sectoral regulations in force, under shared management the Commission has delegated implementation tasks to the Member States which are thereafter responsible, in the first instance, for preventing, detecting and correcting irregularities¹⁸. In order to ensure that the funds are used in accordance with the applicable rules and principles, the Member States shall take all the legislative, regulatory and administrative or other measures necessary for protecting the Community's financial interests and in particular to prevent, detect and correct irregularities and fraud.

OLAF already provides assistance to Member States in this area, e.g. through regular meetings of the COCOLAF, ad hoc trainings, etc.

The JFPS provides for additional activities to complement OLAF's activities in the framework of its fraud prevention work with the Member States.

1.5. Strategic objectives

The strategic objectives of the JFPS are as follows and will be implemented through the four main action areas in Part II:

- reinforcing fraud risk assessment;
- providing more proactive guidance and support for Member States for fraud prevention and fraud detection work;
- raising the level of fraud awareness in DG REGIO, DG EMPL and DG MARE;
- raising the level of fraud awareness in the Member States.

The actions to achieve these objectives are set out in Part II below.

¹⁸ See: Article 38.1. e) of the Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds and Article 70 of Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999, OJ L 210, 31.7.2006. See also Article 70(b) of Council Regulation (EC) No 1198/2006 of 27 July 2006 on the European Fisheries Fund, OJ L 223, 15.8.2006.

PART II: ACTIONS

This section sets out the actions planned for 2010-2011. *Annex 1* provides an overview of these actions in table format, indicating lead service(s), outputs and target deadlines.

2. FRAUD RISK ASSESSMENT ACTIONS

DG REGIO, DG EMPL and DG MARE are the responsible Commission departments for the ERDF, the CF, the ESF and the EFF respectively. The management of the four funds carries a high inherent risk since they are delivered by a multiplicity of organisations and systems in 27 Member States and involve hundreds of thousands of diverse operations. In addition there are a wide range of eligibility rules which condition the regularity of expenditure.

Fraud risk is the probability that fraud will occur and have potential severity or consequences to the EU budget when it occurs.

The degree to which the EU budget is exposed to fraud is affected by (inter alia):

- the overall fraud risks inherent to the management of Structural Actions;
- the extent to which effective internal controls are present and function reliably (sound financial management and control systems and the reliability of the systems for certification of expenditure in the Member States);
- the honesty and integrity of the beneficiaries involved in the process of applying for and using EU funds;
- the honesty and integrity of those involved in the process of managing EU funds;
- quality of anti-fraud strategies and actions at Member States level;
- the general level of fraud risk for public funds in a Member State.

2.1. Analysis of fraud types, root causes of fraud and modus operandi of fraudsters

The internal information note to desk officers and auditors in DG REGIO and DG EMPL entitled "*Summary description of irregularity/fraud cases in OLAF final case reports related to ERDF, CF and ESF in the programming periods 1994-1999 and 2000-2006*" will be disseminated to desk officers and auditors in DG REGIO, DG EMPL and DG MARE, on a need-to-know basis only.

2.2. Risk assessment of a region(s)/country

In 2010 OLAF finalised a risk assessment on one region with regard to Cohesion Policy. A second assessment will be carried out covering either a whole country or a region(s).

2.3. Making use of the replies from the Member States to the survey on mechanisms for fraud prevention and detection launched in 2009

After analysis of the replies from the Member States, the DGs will revise the risk assessment used as a basis for the audit activity as presented in the Joint Audit Strategy, if necessary.

Depending on the DGs' audit plans, as well as on the issues which arise as a result of the analysis of the replies, any further anti-fraud related actions in the future may be better targeted where there are perceived weaknesses. Any further actions will take into account available human resources and overall cost-benefit considerations. Commission auditors may carry out further enquiries during audit missions in order to complete the information provided in the survey.

It is planned to present the results of the survey to the Member States in an appropriate format and forum while taking into account that the information was classified as "for internal use".

The DGs involved will examine the feasibility of requesting the Member States to establish national fraud prevention strategies. This should in particular be examined in the context of the new regulatory framework for the 2014-2020 programming period.

3. FRAUD PREVENTION NETWORK

3.1. Creation of a Fraud Prevention Network for Structural Actions

OLAF and the three DGs will examine the possibilities for creating a Fraud Prevention Network with the authorities in the Member States. In EU12 the members would be the AFCOS¹⁹ partners. In EU15, partners should be identified. The Fraud Prevention Network in the area of Structural Actions would meet once a year as a sub-group of the COCOLAF and would discuss relevant fraud prevention issues. As a matter of priority, a list of authorities responsible for fraud prevention in the field of Structural Actions will be drawn up.

¹⁹ Anti-fraud cooperation services

4. FRAUD DETECTION ACTIONS

4.1. Fraud indicators ("red flags")

The document "*Information note on fraud indicators for ERDF, ESF and CF*", COCOF 09/0003/00-EN, provides a list of fraud schemes and related fraud indicators in the field of public procurement and contracts with the aim of raising fraud awareness in Member States so that management and control systems can be strengthened to more effectively prevent and detect fraud. It is posted on the internal websites of DG REGIO and DG EMPL as well as CIRCA. DG MARE will present this note to the EFF Committee and transmit it to the Member States' authorities via CIRCA.

DG REGIO, DG EMPL, DG MARE, in cooperation with OLAF will seek to expand the scope of this note to cover fraud indicators for other fields than public procurement and contracts, in particular areas which would have been identified as "high risk" in the survey mentioned under section 2.3 and also areas for which Member States would explicitly have requested that the Commission provide fraud indicators.

5. SUPPORT ACTIONS FOR MEMBER STATES

5.1. Production of short brochure on fraud prevention and reporting in Cohesion Policy and EFF

DG REGIO, DG EMPL, DG MARE and OLAF will jointly produce an information brochure on fraud prevention and reporting in Cohesion Policy and EFF. It will complement the brochure: "The Control System for Cohesion Policy – how it works in the 2007-2013 budget period".

This brochure will be published in all official languages and disseminated in particular to the Member States' authorities (Managing, Certifying and Audit Authorities) but also to the geographical units of the three DGs as well as audit units. Wide dissemination should be ensured: the brochure can for example be made available to the Member States at Monitoring Committee meetings.

5.2. SFC2007 – a platform on anti-fraud issues

A site for anti-fraud issues will be provided on SFC2007. A range of information can be posted, e.g. learning from specific fraud cases, guidelines and best practice as well as links to recognised international sites on fraud prevention, etc.

5.3. Updated working document- guidelines on irregularity reporting obligations

The document "*Requirement to notify irregularities: practical arrangements*", including guidelines on reporting obligations, will be updated by OLAF. It will be presented to COCOLAF, COCOF and EFF Committee and will be posted on the internal websites as well as CIRCA and SFC2007. The document provides clarifications in order to increase the quality of information received from the Member States with the aim of improving the basis for risk analysis.

6. INTERNAL FRAUD AWARENESS RAISING ACTIONS TO BE IMPLEMENTED IN DG REGIO, DG EMPL AND DG MARE

6.1. Review and update of intranet sites

The DGs will continue to regularly update their intranet sites as regards fraud prevention actions in order to ensure they cover all relevant information that desk officers and auditors may need in the area of fight against fraud.

Information on this joint fraud prevention strategy will be disseminated and made available within DG REGIO, DG EMPL, DG MARE and OLAF.

6.2. Review and update of internal manual on relations with OLAF

The DGs will continue to regularly update their internal manuals on relations with OLAF.

6.3. Awareness raising actions targeted at desk officers and auditors

Desk officers: Fraud prevention is a responsibility for all operational services within the DGs. Fraud awareness raising actions will be targeted at desk officers. Presentations will be organised in the DGs (the contents will include the manual on relations with OLAF and the joint fraud prevention strategy).

Auditors: Auditors should be particularly alert to opportunities for fraud, such as control weaknesses in the management and control systems. Auditors should have sufficient knowledge to identify the indicators of fraud, but are not intended to have the expertise of a person whose primary responsibility is detecting and investigating fraud.²⁰ Fraud awareness raising actions will be targeted at auditors. Presentations will be organised in the DGs (the contents will include the manual on relations with OLAF and the joint fraud prevention strategy).

6.4. Compendium of anonymised cases in the area of Structural Actions

OLAF will disseminate the information contained in OLAF's compendium of common cases in the area of direct expenditure to the three DGs (point 5.2 in Communication COM(2007) 806 on fraud prevention and based on OLAF's experience in relation to direct expenditure).

Furthermore, a compendium of anonymised cases based on OLAF's investigative and intelligence experience in relation to Structural Actions will be disseminated to the services concerned at Commission and Member States' level, on a need-to-know basis, in order to raise awareness of fraud and to identify potential weaknesses and vulnerabilities of the management and control systems.

²⁰ International standard on auditing 240: *"The auditor's responsibility to consider fraud in an audit of financial statements"*. The same standard also recognises that *"the risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error because fraud may involve sophisticated and carefully organised schemes designed to conceal it, such as forgery, deliberate failure to record transactions, or intentional misrepresentations..."*

6.5. Participation in COCOLAF

Contact persons for OLAF and, where appropriate, auditors and desks officers from DG REGIO, DG EMPL and DG MARE will participate in COCOLAF meetings (Advisory Committee for the Coordination of Fraud Prevention). OLAF will inform the DGs contact persons of the meetings and in due time in order to ensure appropriate participation from the DGs. The participants will diffuse relevant information in their respective DGs.

7. EXTERNAL FRAUD AWARENESS RAISING ACTIONS TO BE IMPLEMENTED IN THE MEMBER STATES

7.1. Annual bilateral control coordination meetings

The standard agenda for the annual meetings in which the annual control reports and audit opinions from the Member States' audit authorities are examined systematically includes a report on the implementation of reporting obligations on irregularities, which are laid down in Regulation (EC) N° 1681/94 and 1831/94, as amended respectively by Regulation (EC) N° 2035/2005 and 2168/2005, and Regulation (EC) N° 1828/2006, as amended by Regulation (EC) N° 846/2009, and Regulation (EC) N° 1198/2007 (Articles 54-63²¹). OLAF will present its analysis of irregularity notifications with a focus on fraud risks in the framework of these annual bilateral control coordination meetings. This will be an opportunity to raise awareness on these issues with national audit partners, establish and update a joint fraud risk assessment for each particular Member State and discuss any specific required measure or action in the Member State.

7.2. Fraud awareness seminars for the Member States

The DGs' representatives will participate in any appropriate seminars organised by the Member States, OLAF or other organisation as well as in events organised by Member States financed by the Hercule II programme.

8. CSMFE – FINANCIAL FOLLOW-UP PLATFORM

OLAF will put the new CSMFE²² system at the disposal of the DGs. This electronic tool enables DG REGIO, DG EMPL and DG MARE to better monitor and implement the follow-up recommendations contained in OLAF final case reports.

²¹ The modification of these Articles is on-going in order to align them with the provisions of Regulation (EC) N° 846/2009.

²² Case Management System Financial Exchange

9. ESTABLISHMENT OF PRACTICAL WORKING ARRANGEMENTS WITH OLAF

Practical working arrangements have been established to facilitate and promote effective operational cooperation between OLAF and DGs EMPL, REGIO and MARE.

10. MONITORING AND REVIEW OF THE STRATEGY

10.1. Review at DG level

The implementation of the actions under the JFPS will be reviewed with the Directors-General bi-annually, as appropriate, and progress will be reported in the DGs' Annual Activity Reports.

10.2. Review REGIO-EMPL-MARE-OLAF

DG REGIO, DG EMPL and DG MARE will review the JFPS together with OLAF every second year, for the purpose of monitoring implementation, updating the planned actions, and reviewing the strategic objectives. This JFPS will be jointly reviewed at the end of 2011.

JOINT ANTI –FRAUD ACTIONS FRAMEWORK 2010-2011

Section in strategy	Objective	Lead service(s)	Output 2010-2011	Target deadline
2.1	<p>Analysis of fraud types, root causes of fraud and modus operandi of fraudsters</p> <p>The internal information note to desk officers and auditors in DG REGIO and DG EMPL entitled "<i>Summary description of irregularity/fraud cases in OLAF final case reports related to ERDF, CF and ESF in the programming periods 1994-99 and 2000-2006</i>" will be disseminated to desk officers and auditors in DG REGIO, DG EMPL, DG MARE, on a need-to-know basis only.</p>	DG REGIO, DG EMPL, DG MARE, OLAF	Information note to desk officers and auditors in DG REGIO, DG EMPL and DG MARE	31.12.2010
2.2	<p>Risk assessment of a region(s)/country</p> <p>In 2010 OLAF finalised a risk assessment on one region with regard to Cohesion Policy. A second assessment will be carried out covering either a whole country or a region(s).</p>	OLAF	Risk assessment report on country/region(s)	31.12.2011
2.3	<p>Making use of the replies from the Member States to the survey on mechanisms for fraud prevention and detection launched in 2009</p> <p>After analysis of the replies from the Member States, the DGs will revise the risk assessment used as a basis for the audit activity as presented in the Joint Audit Strategy, if necessary.</p>	DG REGIO, DG EMPL, DG MARE	Analysis of results of survey and review of risk assessment in Joint Audit Strategy, if necessary	31.12.2011

Section in strategy	Objective	Lead service(s)	Output 2010-2011	Target deadline
	<p>Depending on the DGs' audit plans, as well as issues which arise as a result of the analysis of the replies, any further anti-fraud related actions in the future may be better targeted where there are perceived weaknesses. Any further actions will take into account available human resources and overall cost-benefit considerations. Commission auditors may carry out further enquiries during audit missions in order to complete the information provided in the survey.</p> <p>It is planned to present the results of the survey to the Member States in an appropriate format and forum while taking into account that the information was classified as "for internal use".</p> <p>The DGs involved will examine the feasibility of requesting the Member States to establish national fraud prevention strategies. This should in particular be examined in the context of the new regulatory framework for the 2014-2020 programming period.</p>			
3.1	<p>Creation of a Fraud Prevention Network for Structural Actions</p> <p>OLAF and the three DGs will examine the possibilities for creating a Fraud Prevention Network with the authorities in the Member States. In EU12 the members would be the AFCOS²³ partners. In EU15, partners should be identified. The Fraud Prevention Network in the area of Structural Actions would meet once a year as a sub-group of the COCOLAF and would discuss</p>	OLAF, DG REGIO, DG EMPL, DG MARE	Creation of a Fraud Prevention Network for Structural Actions	31.12.2011

²³ Anti-fraud cooperation services

Section in strategy	Objective	Lead service(s)	Output 2010-2011	Target deadline
	relevant fraud prevention issues. As a matter of priority, a list of authorities responsible for fraud prevention in the field of Structural Actions will be drawn up.			
4.1	<p>Fraud indicators ("red flags")</p> <p>The document "<i>Information note on fraud indicators for ERDF, ESF and CF</i>", COCOF 09/0003/00-EN provides a list of fraud schemes and related fraud indicators in the field of public procurement and contracts with the aim of raising fraud awareness in Member States so that management and control systems can be strengthened to more effectively prevent and detect fraud. It is posted on the internal websites of DG REGIO and DG EMPL as well as CIRCA. DG MARE will present this note to the EFF Committee and transmit it to the Member States' authorities via CIRCA.</p> <p>DG REGIO, DG EMPL, DG MARE and OLAF will seek to expand the scope of this note to cover fraud indicators for other fields than public procurement and contracts, in particular areas specific for its fund, areas which would have been identified as "high risk" in the survey mentioned above and also areas for which Member States would explicitly have requested that the Commission provide fraud indicators.</p>	DG REGIO, DG EMPL, DG MARE, OLAF	<p>Information note</p> <p>-to be widely disseminated</p> <p>-to be expanded</p>	31.12.2011 (continuous access for staff)
5.1	Production of short brochure on fraud prevention and reporting in	DG REGIO, DG EMPL, DG	Information brochure in all EU	31.12.2011

Section in strategy	Objective	Lead service(s)	Output 2010-2011	Target deadline
	<p>Cohesion Policy and EFF</p> <p>DG REGIO, DG EMPL, DG MARE and OLAF will jointly produce an information brochure on fraud prevention and reporting in Cohesion Policy and EFF. It will complement the brochure: "The Control System for Cohesion Policy – how it works in the 2007-2013 budget period".</p> <p>This brochure will be published in all official languages and disseminated in particular to the Member States' authorities (Managing, Certifying and Audit Authorities) but also to the geographical units of the three DGs as well as audit units. Wide dissemination should be ensured: the brochure can for example be made available to the Member States by desk officers during Monitoring Committee meetings.</p>	MARE, OLAF	languages (EN, FR and DE in hardcopy and other EU languages available electronically)	
5.2	<p>SFC2007 – a platform on anti-fraud issues</p> <p>A site for anti-fraud issues will be introduced on SFC2007. A range of information can be posted, e.g. learning from specific fraud cases, guidelines and best practice as well as links to recognised international sites on fraud prevention, etc.</p>	DG REGIO, DG EMPL, DG MARE with the assistance of OLAF	Platform on SFC2007	31.12.2011
5.3	<p>Updated working document- guidelines on irregularity reporting</p>	OLAF	Working document	31.12.2011

Section in strategy	Objective	Lead service(s)	Output 2010-2011	Target deadline
	<p>obligations</p> <p>The document "<i>Requirement to notify irregularities: practical arrangements</i>", including guidelines on reporting obligations, will be updated by OLAF. It will be presented to COCOLAF, COCOF and EFF Committee and will be posted on the internal websites as well as CIRCA. The document provides clarifications in order to increase the quality of information received from the Members States with the aim of improving the basis for risk analysis.</p>			
6.1	<p>Review and update of intranet sites</p> <p>The DGs will continue to regularly update their intranet sites as regards fraud prevention actions in order to ensure they cover all relevant information that desk officers and auditors may need in the area of fight against fraud.</p> <p>Information on this joint fraud prevention strategy will be disseminated and made available within DG REGIO, DG EMPL and DG MARE.</p>	DG REGIO, DG EMPL, DG MARE	Update of intranet sites in DG REGIO, DG EMPL and DG MARE and dissemination of the JFPS 2010-2011	30.12.2011 (continuous updates as appropriate)
6.2	<p>Review and update of internal manual on relations with OLAF</p> <p>The DGs will continue to regularly update their internal manuals on relations with OLAF.</p>	DG REGIO, DG EMPL and DG MARE	Update of DG REGIO, DG EMPL and DG MARE internal manuals	31.12.2011 (updates as appropriate)

Section in strategy	Objective	Lead service(s)	Output 2010-2011	Target deadline
6.3	<p>Awareness raising actions targeted at desk officers and auditors</p> <p>Desk officers: Fraud prevention is a responsibility for all operational services within the DGs. Fraud awareness raising actions will be targeted at desk officers. Presentations will be organised in the DGs (the contents will include the manual on relations with OLAF and the joint fraud prevention strategy).</p> <p>Auditors: Auditors should be particularly alert to opportunities for fraud, such as control weaknesses in the management and control systems. Auditors should have sufficient knowledge to identify the indicators of fraud, but are not intended to have the expertise of a person whose primary responsibility is detecting and investigating fraud.²⁴ Fraud awareness raising actions will be targeted at auditors. Presentations will be organised in the DGs (the contents will include the manual on relations with OLAF, the joint fraud prevention strategy and the audit checklists).</p>	DG REGIO, DG EMPL and DG MARE	Presentations to desk officers and auditors	31.12.2011
6.4	<p>Compendium of anonymised cases in the area of Structural Actions</p> <p>OLAF will disseminate the information contained in OLAF's compendium of common cases in the area of direct expenditure to the three DGs (point 5.2 in Communication COM(2007) 806 on fraud prevention and based on OLAF's experience in relation to direct expenditure).</p> <p>Furthermore, a compendium of anonymised cases based on OLAF's</p>	OLAF	Compendium of common cases for ERDF, ESF, CF and EFF	31.12.2011

²⁴ International standard on auditing 240: *"The auditor's responsibility to consider fraud in an audit of financial statements"*. The same standard also recognises that "the risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error because fraud may involve sophisticated and carefully organised schemes designed to conceal it, such as forgery, deliberate failure to record transactions, or intentional misrepresentations..."

Section in strategy	Objective	Lead service(s)	Output 2010-2011	Target deadline
	investigative and intelligence experience in relation to Structural Actions will be disseminated to the services concerned at Commission and Member States' level on a need-to-know basis in order to raise awareness of fraud and to identify potential weaknesses and vulnerabilities of the management and control systems.			
6.5	<p>Participation in COCOLAF</p> <p>Contact persons for OLAF and, where appropriate, auditors and desks officers from DG REGIO, DG EMPL and DG MARE will participate in COCOLAF. OLAF will inform the DGs contact persons of the meetings and in due time so to ensure appropriate participation from the DGs. The participants will diffuse relevant information in their respective DGs.</p>	DG REGIO, DG EMPL and DG MARE	Participation of OLAF contact persons in COCOLAF meetings and where appropriate auditors and desk officers. Reporting from meetings to the Directorates.	Cf. annual meeting schedule for COCOLAF
7.1	<p>Annual bilateral control coordination meetings</p> <p>The standard agenda for the annual meetings in which the annual control reports and audit opinions from the Member States' audit authorities are examined systematically includes a report on the implementation of reporting obligations on irregularities, which are laid down in Regulation (EC) N° 1681/94 and 1831/94, as amended respectively by Regulation (EC) N° 2035/2005 and 2168/2005, and Regulation (EC) N° 1828/2006, as</p>	OLAF, DG REGIO, DG EMPL and DG MARE	Presentations in the annual meetings in which the annual control reports and audit opinions from the Member States' audit authorities	Each year according to annual agenda of meetings

Section in strategy	Objective	Lead service(s)	Output 2010-2011	Target deadline
	amended by Regulation (EC) N° 846/2009, and Regulation (EC) 1198/2007 (Articles 54-63 ²⁵). OLAF will present its analysis of irregularity notifications with a focus on fraud risks in the framework of these annual bilateral control coordination meetings. This will be an opportunity to raise awareness on these issues with national audit partners, establish and update a joint fraud risk assessment for each particular Member State and discuss any specific required measure or action in the Member State.		are examined	
7.2	Fraud awareness seminars for the Member States The DGs' representatives will participate in any appropriate seminars organised by the Member States, OLAF or other organisation as well as in events organised by Member States financed by the Hercule II programme.	DG REGIO, DG EMPL and DG MARE	Participation by DGs' representatives in specific seminars	31.12.2011
8	CMSFE – financial follow-up platform OLAF will put the new CMSFE system at the disposal of the DGs. This electronic tool enables DG REGIO, DG EMPL and DG MARE to better monitor and implement the follow-up recommendations contained in OLAF final case reports.	OLAF, DG REGIO, DG EMPL and DG MARE	Delivery of CMSFE system to REGIO and EMPL	31.12.2010

²⁵ The modification of these Articles is on-going in order to align them with the provisions of Regulation (EC) N° 846/2009.

