

Debriefing on:

Testing & Using ARACHNE

Seminar 23/02/2017, Brussels

Risk scoring tool

General considerations for the integration in the
management and control system

Malta, 14 June 2017

- 1.1 Procedural aspect, data flow and concept of risks**
- 1.2 Timing: Project Selection & Implementation**
- 1.3 Targeted verification (Arachne charter)**
- 1.4 Status for ETC/TN programs**
- 1.5 Organizational aspects under the multi-level governance (MA/JS/CA)**
- 1.6 Q&A on Audit matters linked to Arachne**

1.1 Procedural aspect -1-



Article 125(4) CPR "As regards the financial management and control of the operational programme, the managing authority shall: ... (c) put in place effective and proportionate anti-fraud measures taking into account the risks identified;"

- The Commission services aim at supporting MAs responsible for the ESIF) for their management verifications in providing the Arachne Risk Scoring Tool **to detect effectively and efficiently** most risky projects, contracts, contractors and beneficiaries
- The purpose of **the charter** is to endorse a set of common principles and pave the way that the MA successfully **introduce, apply and integrate** Arachne for the programming period 2014-2020 in their management verification processes.
- **The charter is based on the principle of mutual understanding**

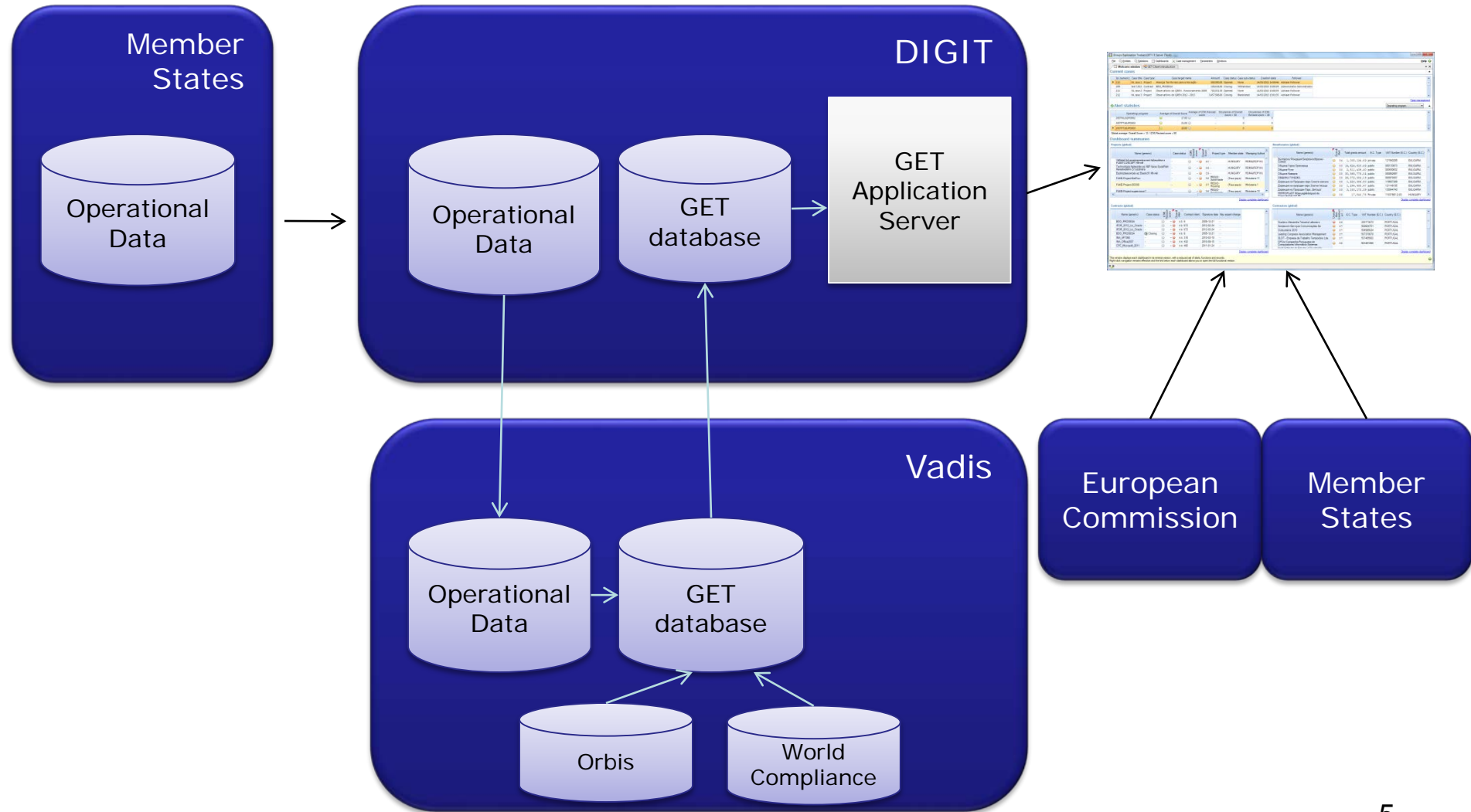
1.1 Procedural aspect -2-



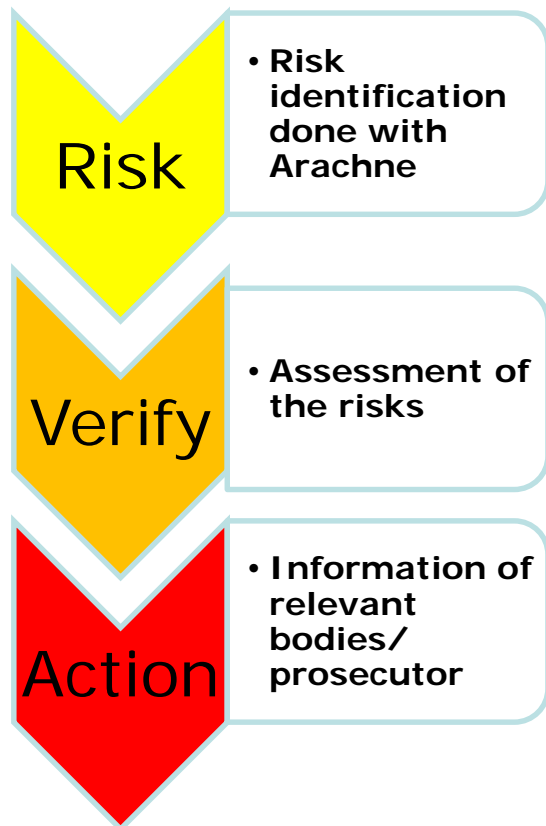
MA & Commission services are both supporting actively the installation, integration and application of the Arachne and the subsequent regular submission of a sufficient set of data required for the risk calculation. (in terms of data mining and data enrichment) to:

1. **Contribute** to help **improving the efficiency and effectiveness** of management verifications i.e. internal control / FLC; thus,
2. **Optimising the human resource capacity** for the desk review and on-the-spot verifications;
3. **Monitor** the **effectiveness and efficiency** of the FLC over time when documenting declining risks;
4. **Result in lower error rates** which is a common aim both of the Commission and the MAs;
5. **Comply with** the requirement stated in Art.125 (4)(c) CPR of an **effective and proportionate anti-fraud measure**.

1.1 Data flow



1.1 Concept of risk



Identification of more than 100 risk indicators (Orbis and Worldcompliance)

Professional judgement and knowledge of the regulatory framework

Establishment of an irregularity

Procedures of irregularity reporting already in place
(threshold of EUR 10.000 to report according to Art. 122 Reg. 1303/2013)

1.2 Timing -1- Project selection

Ex-ante - before signature of contracts or grant agreements) via Company data of ORBIS database



Selection Approval

Admissibility
Potential conflict of interest
Double financing
State aid (if applicable)
SME status (if applicable)

1.2 Timing -2- Approval Implementation

Ex-post - before payment application to the Commission) via Company Data of ORBIS database and dashboards with calculated risks (Project risk monitoring)



Implementation

Systemic risks
Eligibility
Double payments
Reputational risks
Public procurement
Performance Indicators

1.3 Targeted verification -1-



- Administrative verifications of each application for reimbursement by beneficiaries (article 125 (3)(a))
- On-the-spot verification of individual operations on a sample basis (article 125 (6))
- Verifications after consulting results displayed in dashboards of Arachne
- Thematic concentration (e.g. public procurement, eligibility, state aid, reputation)

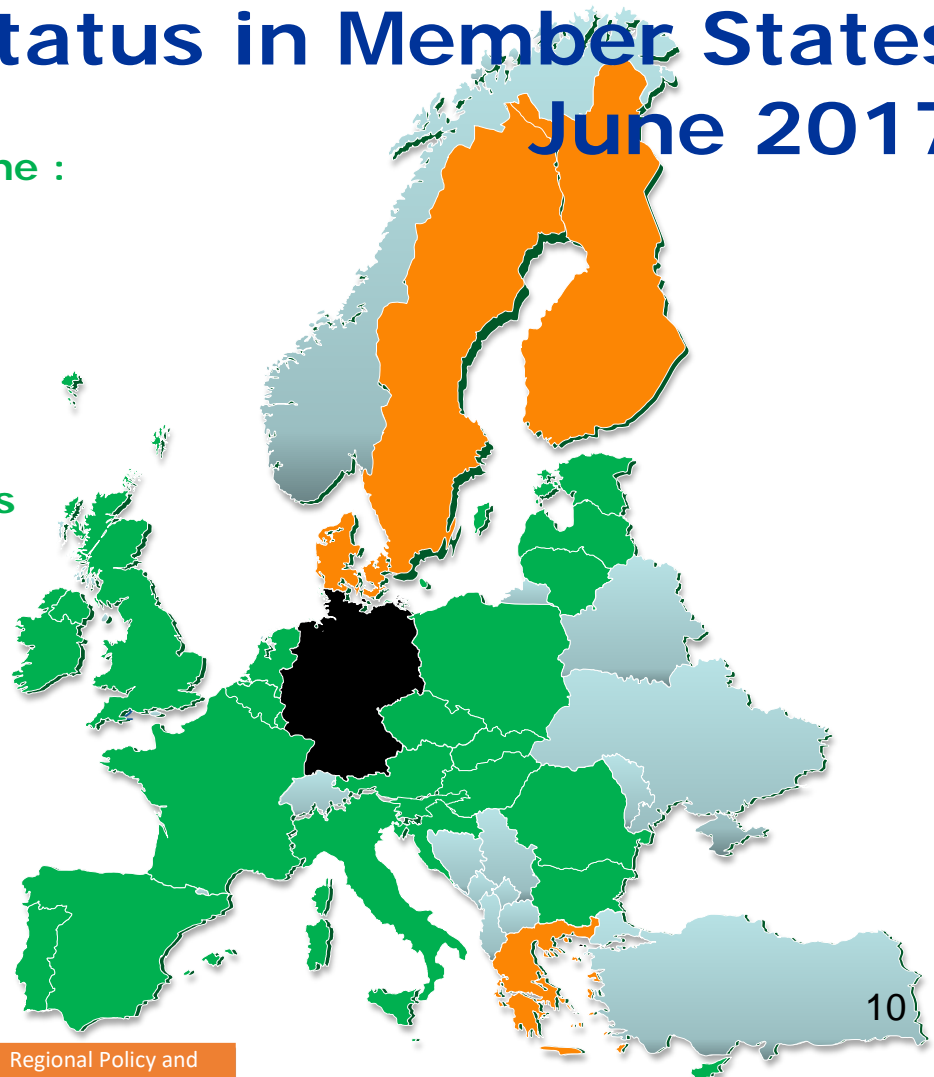
1.4 Arachne – Status in Member States June 2017

23 are currently involved into Arachne :

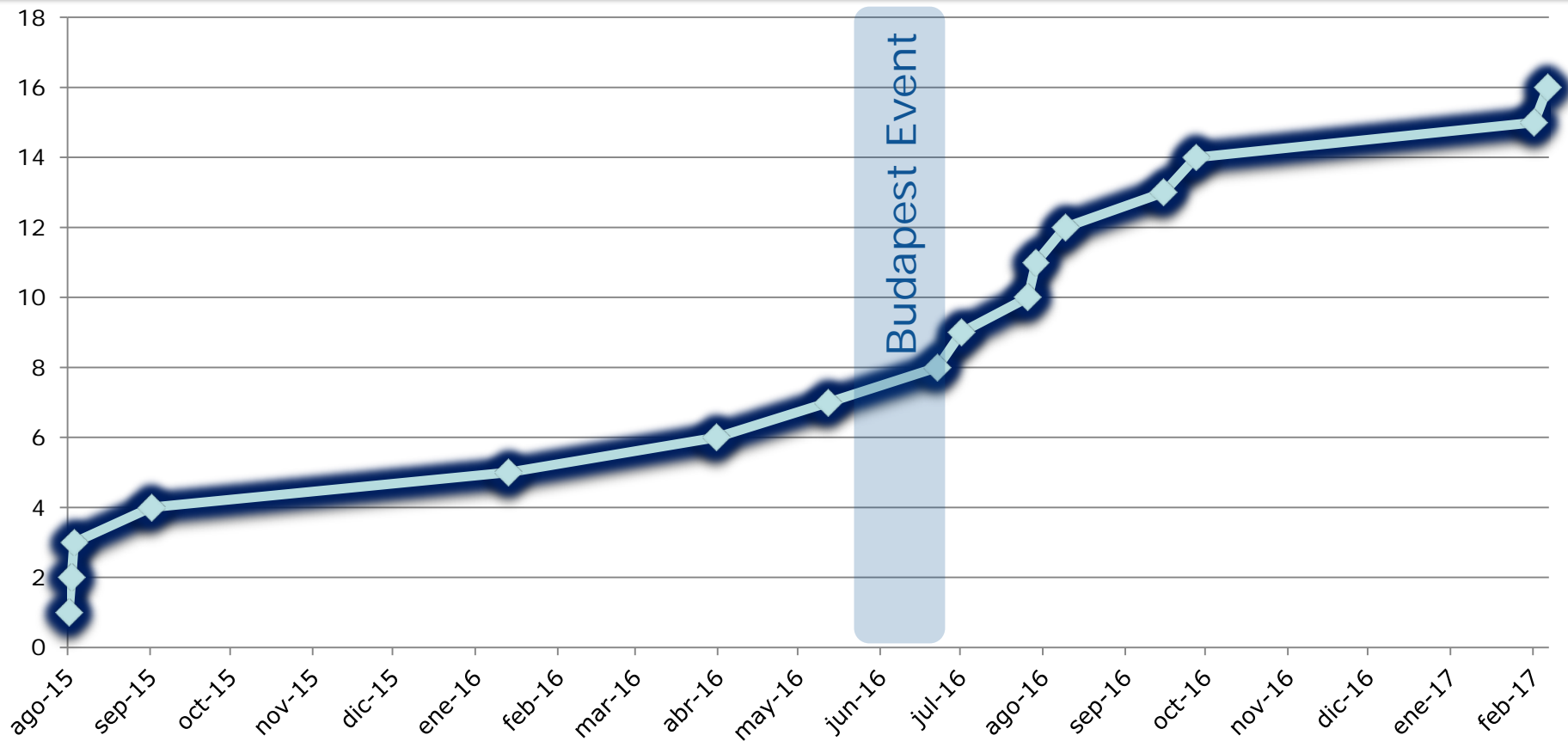
- 19 testing/using Arachne
IT,PT,CZ,RO,HR,BE,AT,LV,LT,LU
BG,HU,ES,FR,SK,NL,EE,UK,MT (*)
 - 4 are creating/finalising their files
CY,SI,PL,IE (*)
- * at least 1 operational programme

4 In 'reflexion' phase
SE,DK,FI,GR

1 Not using Arachne DE



Number of ETC/TN Managing Authorities testing Arachne



June 2017

Arachne – Status for ETC/TN/IPA

MA	Requested Arachne		
MAs Contacted	Yes	No	No Decision yet
69	18	9	42

eMS registered

MA Contacted eMS registered			
69 contacted	Testing Arachne	No to Arachne	Arachne maybe
27	9	2	16

1.5 Interreg Organisational aspects -1-

Decentralised **F**irst **L**evel **C**ontrol Art. 23(3) Reg.1299/2013

Centralised **F**irst **L**evel **C**ontrol Art. 23(4) Reg.1299/2013

Managing Authority

Joint Secretariat

**Independent Controller
(public or private)**

**Monitoring
Committee**

1.5 Organisational aspects -2- Organisation of first level controls

- **Program level**
1 FLC body verifying all beneficiaries of 1 OP in all MS
- **Member State level**
1 FLC body controlling all beneficiaries from MS
- **Regional level**
1 FLC body controlling all beneficiaries from one region
- **Project level**
FLC body controlling the whole project partnership, regardless of country
- **Project partner level**
each project partner might have a different controller



1.6 Q&A on Audit matters linked to Arachne -1- **AUDITING vs FRAUD EXAMINATION**

- **ARACHNE is a powerful tool for Managing authorities.**
 - Auditors are required to approach audits with professional scepticism.
 - Fraud examiners/investigators approach the resolution of a fraud by attempting to establish sufficient proof to support or refute an allegation of fraud.
- **Auditing and fraud examination are different types of domains e.g. different timing, scope, objective, relationship, methodology and presumption.**
 - There is a need to **break** the link between audit and fraud examination;

1.6 Q&A on Audit matters linked to Arachne -1-

➤ ARACHNE is:

- a Risk Scoring Tool
- an effective and proportionate anti-fraud measure
- Arachne possesses a robust preventive character
- The tool is clearly efficient when it is used at the project selection phase.

1.6 Q&A on Audit matters linked to Arachne -2-

1.1. Can Audit Authorities replace their sampling method by using Arachne?

No, it is not possible.

The antifraud strategy to which Arachne is contributing as a tool and the audit on operations to be carried out by the Audit Authorities are two different requirements of the management and control system and should not be mixed up.

1.6 Q&A on Audit matters linked to Arachne -3-

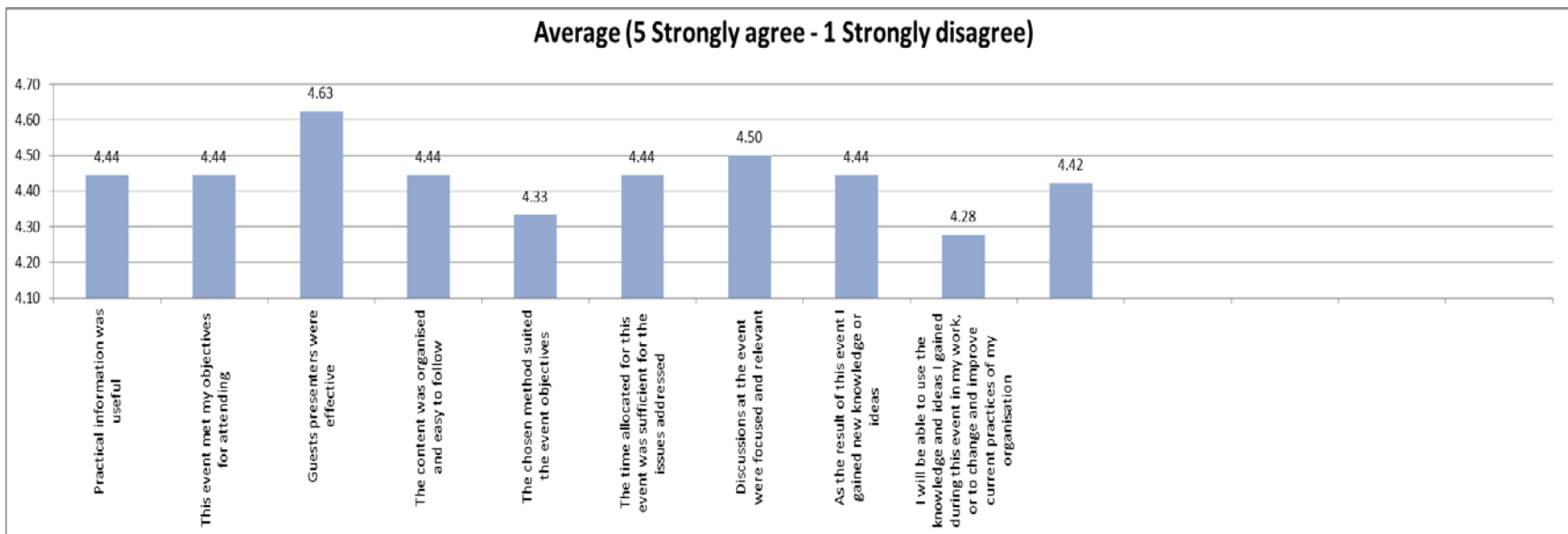
1.2. Will European Commission auditors use Arachne?

EC auditors will usually re-perform the work of the AA to determine whether they can rely on their work. The selection of the operations are either based on factors such as coverage, risks identified, thematic objectives, amounts, type of operation, or random based.

Only upon the selection of the operations the EC auditors may consult Arachne in order to identify any risks associated to the project selected.

Participants' Evaluation of the Seminar on Testing & Using ARACHNE 23/02/2017, Brussels

(INTERACT source)



**Thank you for your
attention**
Questions?