

ANTI FRAUD STRATEGY



Document Control Sheet

Owner:	Director
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Log of issues:			
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1. Background

1.1 General background

The budget of the European Union must be used only to finance programmes and expenditure as decided by the budgetary authority. Fraud involving the budget of the European Union and/or of the institutions and bodies called to implement it has a negative impact on the financial resources and the image of these institutions and bodies.

On 24 June 2011 the European Commission adopted a new Anti-Fraud Strategy, CAFS, aiming at improving the prevention and detection of fraudulent acts on one hand and making sure that the suitable mechanisms to repair the damages are in place on the other hand.

1.2 Specific background

The European Union Agency for Fundamental Rights (FRA) has been set up to provide independent evidence based advice relating to fundamental rights, in the domain of Union law. The FRA's activities serve to promote fundamental rights and to support the EU institutions and Member States in raising the level of protection for everyone in the European Union.

The objective, the scope and the tasks of the Fundamental Rights Agency are set out in Articles 2 to 4 of Council Regulation (EC) NO 168/2007 establishing the FRA.

To achieve this objective, the Agency collects and analyses data in order to provide independent, evidence-based assistance and expertise to EU institutions and Member States, as well as other human rights stakeholders.

The Agency situates its work in the wider context of the Charter of Fundamental Rights of the European Union. The purpose of the Charter is to strengthen the protection of fundamental rights in the European Union in the light of changes in society, social progress and scientific and technological developments. The Agency fulfils its tasks, as defined by its Regulation, by implementing specific projects and horizontal activities within the thematic areas of its five-year Multi-annual Framework 2013-2017, which fall broadly under different Titles of the Charter of Fundamental Rights. The thematic areas of the Multi-annual Framework are at the same time of a cross-cutting nature, as they have implications on fundamental rights in different Titles of the Charter.

The main partners of the Agency are the European Commission, the European Parliament, Council of Europe, EU Member States, equality bodies, national human rights institutions and other bodies with a human rights remit.



2. Introduction

This anti-fraud strategy comes to explicitly address the requirements of article 30, paragraph 2(d) of the financial rules of the Agency that state “prevention, detection, correction and follow-up of fraud and irregularities”.

The implementation of the internal control systems creates a reinforced overall environment in which fraud is prevented by the integrated application of different measures embedded in the Agency processes. Furthermore, the permanent contribution of the Internal Audit activities (IAS) and the Court of Auditors visits provides an independent assessment on the existing level of assurance.

Aiming to keep the risk of fraud at the minimum level allowing a sound financial management of its resources, the Agency, through the anti-fraud strategy, will evaluate the introduction of new controls, if necessary, after a thorough costs/benefits analysis.

This anti-fraud strategy has been drawn up taking into consideration the priorities set by the Commission within the framework of the Common Approach on EU decentralised agencies and the guidelines provided by OLAF.

This strategy is applicable as of the date of adoption and it will be monitored annually.

The strategy will be revised every second year and following major structural changes.

3. Fraud definition

The concept of fraud encompasses both internal and external misbehaviour. It covers in particular, but not only, any infringement of the financial interests of the EU as defined by the Convention on the protection of the European Union’s financial interests.

It also covers misbehaviour that may not have a direct impact on the EU’s financial interests, such as some cases of forgery (in CVs for example), money laundering, concealment or destruction of material facts, or breaches of IT systems. Conflicts of interests that have intentionally not been declared, favouritism and collusion also belong to the category of fraud.

4. Fraud risk assessment

Based on an analysis of the main activities deployed by the Agency and the actual system of controls, a fraud risk assessment has been conducted and the results of it recorded in the table which is presented in the annex to this strategy.

The parameters of the fraud risk, probability that the risk of fraud will materialise and the impact generated on the Agency in case the risk is materialised, are quantified and presented in the same table.

The likelihood (L) is measured on a scale from 1 to 3: low, medium and high.

The impact (I) generated on the Agency in case the fraud risk materialises is measured on a scale from 1 to 4: not serious, serious, very serious, crisis.



The product of the two parameters, likelihood (L) and the impact (I), gives the measure of the fraud risk (R), $R = L \times I$.

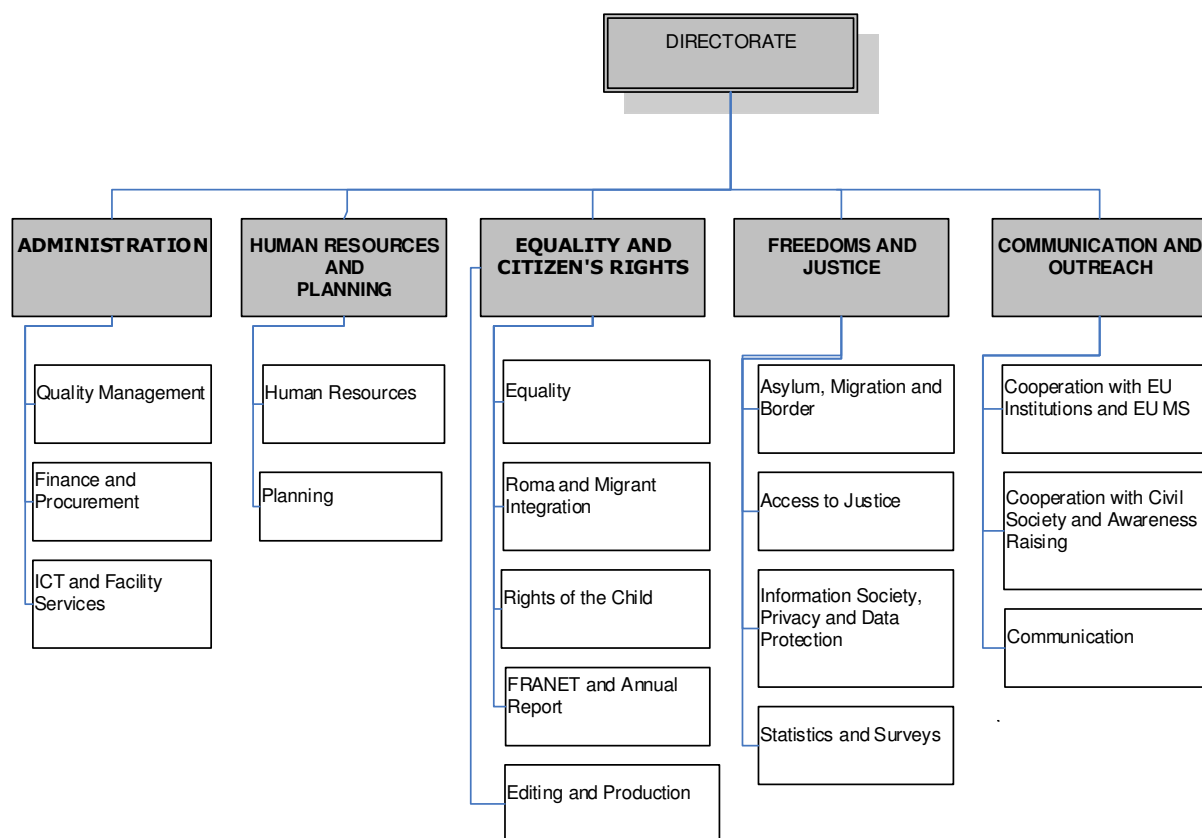
All the risks evaluated and assessed from the fraud risk perspective to a level of 4 or more have been considered as not properly covered by the actual system of controls and actions are proposed to mitigate the risk, in some exceptional cases even with a low residual risk, actions will be developed.

5. Means and resources

The Agency runs a yearly budget of around 22 Million euros respectively distributed in Title 1 (54%), Title 2 (10%) and Title 3 (36%).

The Organisation is structured in 1 Directorate and 5 Departments (see organisational chart).

The 2014 Staff policy plan includes: 75 temporary agents and 29 contract agents.





6. Objectives

Following the risk assessment the Agency has identified the following strategic objectives in order to support the prevention of fraud within the already existing structure of internal controls.

- Prevention through increased fraud awareness
- Strengthen the existing controls in a perspective of fraud prevention

The achievement of the objectives will be possible through a specific set of actions as described in the following paragraphs.

6.1 Reinforcing the anti-fraud awareness in the Agency

Reinforcing the anti-fraud awareness in the Agency becomes of paramount importance in the perspective of establishing a reliable anti-fraud structure embedded in our daily business processes.

This integrates the existing culture of internal control and commits the Agency to increase the knowledge, responsibility and participation of all the staff members in the prevention of fraud.

6.2 Launch of an antifraud survey to identify possible areas of intervention in terms of training or awareness raising.

The survey will collect information to identify the in-house knowledge regarding fraud; an analysis will be made on the percentage of staff participating in an anti-fraud survey and the number of correct answers.

Specific training will be developed if necessary (in addition to the current compulsory training on ethics and integrity).

6.3 Ensure implementation of the rules for prevention of conflict of interest for staff.

In accordance with the existing rules for the MB and Scientific committee, the Agency will continue to monitor the situation and will develop and implement additional actions for the avoidance and prevention of potential conflict of interest covering also the members of staff.

6.4 Identify specific areas for ex post controls.

Despite a low residual risk justified by a strong ex ante control structure, the Agency will focus on specific areas in the context of the annual ex post controls plan, (e.g. check of samples of provisional commitments consumption etc.).

6.5 Enhance exchange of information and relations with OLAF including a clear reporting procedure

The Agency in agreement with decision of the Management Board of 23 October 2007 concerning the terms and conditions for internal investigations in relation to the prevention of fraud, corruption and any illegal activity detrimental to the Union's interests shall immediately inform OLAF once a suspected case of fraud is detected. A clear reporting procedure will be defined.

6.6 Regular follow-up of the procurement planning and supervision

A regular follow-up of the procurement planning execution will be undertaken ensuring that the provisions of the procurement procedures as listed in the Financial Regulations are respected.

7. Closing provisions

The anti-fraud strategy will be annually assessed and monitored in order to ensure the achievement of the established objectives.

Anti-fraud Risk Assessment



External					
Risk details Description of the risks	Likelihood occurrence 1 to 3	Impact 1 to 4	Likelihood* Impact (highest)	Existing mitigating controls	Action (Only if the residual risk still needs to be reduced after evaluation of existing controls)
Fraudulent use of shell companies to circumvent eligibility criteria or contractual provisions	1	3	3	Strong procurement procedures. Evaluation of selection criteria including the check of the last 2 years (certified) accounts. Early warning system (ABAC) / CED.	N/A
Non declaration of bankruptcy	1	3	3	Declaration of honour with respect to the exclusion criteria and absence of conflict of interest. Check of documentary evidence: <ul style="list-style-type: none"> Recent extracts from the judicial record Recent certificate from the competent authority of the State Early warning system (ABAC) / CED.	N/A
Use of internet pages or other texts drafted by another person and claiming to be the author	1	2	2	All the reports published are including a disclaimer concerning reproduction: <i>© European Union Agency for Fundamental Rights, 2014 Reproduction is authorised, except for commercial purposes, provided the source is acknowledged.</i> The Agency is participating to the open portal.	N/A



Overcharged invoicing	1	3	3	<p>Identification of costs in the commitment and explanatory note.</p> <p>Invoice registration in ABAC</p> <p>Task acceptance form.</p> <p>Strong ex ante controls in the payment procedures.</p> <p>Ex post control.</p> <p>CoA audits.</p>	<p>Despite a low residual risk justified by a strong ex ante control structure, the Agency will introduce specific ex post control in specific areas (e.g. reimbursement of experts and missions, urgent actions which derogate from individual commitment).</p> <p>(Target 2015)</p>
False CVs	1	3	3	<p>The recruitment process is performed in accordance with adopted procedures embedding specific controls.</p> <p>In the recruitment process, the experience is tested during the interviews and written test.</p> <p>Original documents are requested and checked to verify the working experience and the educational levels.</p>	N/A
False tax certificates /balance sheets	1	3	3	<p>Copy of financial statements (balance sheets, profit and loss accounts).The tax certificates and balance sheets are requested in original.</p> <p>In case of doubts about financial solvability, for contracts above €60,000, a bank guarantee can be requested</p>	N/A



Internal					
Risk details Description of the risks	Likelihood occurrence 1 to 3	Impact 1 to 4	Likelihood* Impact (highest)	Existing mitigating controls	Action (Only if the residual risk still needs to be reduced after evaluation of existing controls)
Uncontrolled inventory shrinkage / Assets embezzlement	1	2	2	Annual asset inventory check. Annual declassification procedure. Payments supported by proof of entry of goods into asset register. Physical security of assets. CoA audits.	N/A
Recruitment not needed	1	2	2	Recruitment procedure and internal controls. The staffing needs are accurately evaluated during the drafting of SPP and at MT level. The specific job profiles are evaluated at HOD and Director level. CoA/IAS Audits.	N/A



Recruitment of an unqualified person	1	3	3	<p>Recruitment procedure and internal controls.</p> <p>Detailed assessment criteria for evaluation of interview and written test.</p> <p>The specific job profiles are evaluated at HOD and Director level.</p> <p>The number of members of selection panels ensures appropriate evaluation of the candidate.</p> <p>Signature of declaration of absence of conflict of interest.</p> <p>A last individual interview with the Director enforces the evaluation of competences and the compliance with the job profile.</p> <p>A member from the Staff committee is part of the selection committee.</p> <p>CoA/IAS Audits.</p>	N/A
Expenditure not needed	1	3	3	<p>The majority of expenditure are authorised via financing decisions included in the AWP.</p> <p>Before expenditure the project manager has to compile and sign an explanatory note with detailed explanation of:</p> <ul style="list-style-type: none"> • Purpose of the tender • Reasons for outsourcing • Description of foreseen use of deliverables • Background info (including consultations to avoid duplication of work with other bodies) • Risk assessment • Detailed justification of the amount • Clause on ownership of results <p>Within the procurement procedure a high level quality check of the tender documents is performed by the Steering committee.</p>	N/A



Slicing markets	1	3	3	Procurement planning. Ex post financial reporting (monthly). CoA /IAS audits. Identification of repeated purchases via low value negotiated procedures to identify slicing	N/A
Delaying the procurement process and consequent time pressure	2	2	4	Financing decisions and procurement planning for the year.	Introduce tight follow-up and planning and monitoring of procurement and enhance supervision. (Target 2015)
Accounting data is changed	1	3	3	ABAC accounting system validation (comprises of comprehensive log files and audit trail). Access to system restricted to authorised staff. Access to system restricted to qualified staff. CoA audits. IAS audits.	N/A
Accounting data is encrypted	1	3	3	ABAC accounting system validation (uses S-TESTA). CoA audits. IAS audits.	N/A
Payments are done fraudulently	1	3	3	Only authorised staff can execute payments. Only authorised staff have access to bank accounts. All payments are executed following the 4 eyes principle. Monthly bank account reconciliations. CoA audits. IAS audits.	N/A



Conflict of interest not declared/relation with Contractors (for Staff)	2	3	6	<p>Provisional policy on conflict of interest in place and declaration of interest in place for Management Board Scientific Committee and Management Team.</p> <p>Declaration of absence of conflict of interest for staff members participating in evaluations of calls for tender.</p>	Taking into account the existing rules for the MB and Scientific committee, the Agency will continue to monitor the situation and will develop and implement additional actions for the avoidance and prevention of potential conflict of interest covering also the members of Staff. (Target 2015)
Overcharging requests of reimbursement for travel allowances	1	2	2	<p>New Staff regulation apply flat rates based on distance.</p> <p>Original supporting documents.</p>	N/A
Overcharging requests of reimbursement for removal expenses	1	2	2	<p>Note 73-2013 (Commission decision C (2013) 9040) applied by analogy.</p> <p>A reimbursable ceiling is established by HR based on volume, distance, insurance costs and family situation etc. Payment is made against original invoice.</p>	N/A
The Staff part of a procurement evaluation panel runs the project creating a possible conflict of interest for future contracts.	1	3	3	<p>Declaration of absence of conflict of interest.</p> <p>Controls on the composition of the evaluation committees and rotation.</p>	N/A
Leaking of information	1	2	2	<p>Limited access to Procurement documents.</p> <p>Limited access to HR files and Finance files.</p> <p>Data protection processes and roles.</p> <p>Appointed data protection officer.</p> <p>IT security processes and roles in place.</p> <p>IT Penetration test performed by a consultant in 2012 and follow up exercise of internal IT security controls performed by Microsoft in Q2 2014.</p>	N/A



<p>Breach of IT systems – misuse of access rights, destruction of data</p>	<p>1</p>	<p>2</p>	<p>2</p>	<p>IT security processes and roles in place. Specific IT risk assessment based on COBIT. IT Penetration test performed by a consultant in 2012 and follow up exercise of internal IT security controls performed by Microsoft in Q2 2014. Back up capacity in place.</p>	<p>N/A</p>
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Action plan

No	Action plan to be implemented until 31 December 2015	Who	Target
1	Reinforce antifraud awareness repeating the ethics and integrity training and introducing additional training as appropriate.	ADMIN and HRP	Jun 2015
2	Launch of an antifraud survey to identify possible areas of intervention in terms of training or awareness raising.	ADMIN and HRP	Sep 2015
3	Issuance of guidelines for prevention of conflict of interest for staff and implementation.	ADMIN	Jun 2015
4	Identify specific areas for ex post controls and execution.	ADMIN	Sep 2015
5	Enhance exchange of information and issuance of a clear reporting procedure.	All Departments	Jun 2015
6	Regular follow-up of the procurement planning and supervision.	ADMIN	Continuous