Common Anti-Fraud Strategy in the Research Family

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FOREWORD

The first anti-fraud strategy for the Research family was signed in July 2012. This strategy concentrated on identifying common risks, common principles and a few targeted actions that we believed would make a difference, mostly in sharing experience and ideas.

This strategy was a first step in developing an active and consistent family approach while dealing with fraud risks. Now, after having launched the H2020 framework programme, we need to review this strategy, and go further. The Research family is growing, the number of implementing bodies has increased, the budget available is larger, a Common Support Service has been established. As with all actions in the programme, we need to review our approach, seek synergies and harmonise business processes and the related technical tools whilst keeping an eye on cost-efficiency.

In order to achieve this ambition, the present strategy goes beyond definitions and sharing experience: a common action plan has been discussed and agreed between the family members. Addressing the research funding related fraud risk at a family level matches better with the organisation of the programme implementation.

I am confident that the present strategy, and its associated action plan, will allow us to address the legal and moral necessity to fight effectively against fraud.

Robert-Jan Smits
Abbreviations used in this document:

AFS – Anti-Fraud Strategy, at a Directorate-General or service level

RAFS – Research family Anti-Fraud Strategy

CAFS – Commission Anti-Fraud Strategy

1. CONTEXT AND BACKGROUND: THE FIGHT AGAINST FRAUD IN THE RESEARCH FAMILY

According to the Financial Regulation (Chapter 7, Art. 30-32), the principle of sound financial management involves reducing the risk of fraud and irregularities by building relevant preventive and protective measures in the Internal Control Systems. Sound financial management should also follow the principles of economy, effectiveness and efficiency.

All DGs/Services in the research sector have now comprehensive Anti-Fraud Strategies that include many common elements.

However, the Commission’s Anti-Fraud Strategy (CAFS) of June 2011\(^1\) also requested the Commission Services to set up - where appropriate - sectorial Anti-Fraud Strategies. This strategy should adjust the elements of the anti-fraud cycle to the specific needs and circumstances of the individual policy sector including the risk of fraud in this sector.

As a consequence, the members of the Research family adopted a first common Research Anti-Fraud Strategy (RAFS) on 27 July 2012.\(^2\) This set out, in general, broad principles for the fight against fraud and for inter-DG cooperation.

Three circumstances lead today to the need for an update of this document, which is built on the principles agreed in 2012:

Firstly, the positive experience of enhanced cooperation since the signing of the first RAFS now allows the family to enter a phase of further cooperation and harmonisation.

Secondly, in December 2013, the new framework programme for research, Horizon 2020, was launched. The rules and organisational set-up of the implementation of this programme are quite different from the Seventh Framework programme, and the RAFS has to be adapted to these. Significant changes also include the set-up of the Common Support Service, which encompasses a centralised audit department; harmonised business processes for the family and related IT systems; and further decentralisation in the implementation of the H2020 programme (cf. the new bodies joining the Research family (INEA and EASME)).

\(^1\) COM(2011) 376 final

Thirdly, the principles of efficiency quoted above have led the Research family members to invest more of their anti-fraud activities at the family level. Therefore, this second version of the strategy is accompanied by a common action plan.

The Common strategy and action plan are not however intended to be a straightjacket. They must allow some flexibility for services to adapt to their own particular needs and to their anti-fraud measures already implemented. And, while no difference is made between FP7 and H2020, it must be kept in mind that all FP7-related activities might not always or entirely fit into the present strategy and its action plan. Therefore, for the FP7 legacy, the principles should be applied as much as possible, with the necessary flexibility.

2. OBJECTIVE OF THE RAWS

The CAFS recognises that the "one-size-fits-all" approach would not be the most efficient solution. In the particular case of Research, several DGs/Services managing research funds also need to consider operational tasks and budgets stemming from other EC programmes or policies. Management and Internal Control Systems developed and implemented at DG/Service level strive to best reflect and integrate these mixtures of tasks and thus may vary according to these needs.

Overall, the CAFS remains a basic reference and framework for all DGs/Services when setting up Anti-Fraud Strategies at an individual, operational level, in particular as regards the basic principles and priorities. At the same time, regarding research funding, and especially Horizon 2020, the objective is to have one single sectorial strategy (RAFS) that encompasses all the main anti-fraud activities, and for all services within the research family. The joint action plan follows the same logic: the Family members implement it together: by common structures or via ad hoc networks.

The individual DG/Service-level AFS's may then simply refer to the RAFS and its action plan, as for any research specific issue. It does not exclude some complementary actions.

3. UNDERLYING PRINCIPLES

Under H2020 the number of implementing bodies has increased. This circumstance makes it even more important that these different bodies share a common vision on the specific research related fraud risks and how to address them.

3.1. Better control rather than more control

The CAFS recognises that the controls aimed at preventing and detecting fraud are part of those intended to ensure the legality and regularity of transactions. Anti-fraud strategies should therefore not result in an additional layer of controls. It is nonetheless necessary to ensure that the internal control systems in place adequately cover the risk of fraud.

The CAFS also notes that, in recommendations on discharge procedures and various other resolutions and reports, the European Parliament, the Council and the European Court of Auditors have called for better protection of EU financial interests against irregularities and fraud. However, these bodies have also called for simplification and avoidance of administrative burden in European programmes, and especially in the area
of research. The anti-fraud strategies therefore need to strike a balance between cost-effective control and simplification.

Considerable efforts have been made in the research programmes to simplify procedures and reduce administrative burden. The trust-based approach is an important principle in research funding. It is not the intention of this RAFS, or anti-fraud work in general, to undermine these efforts. However, it is recognised that simplification can add to the challenge of anti-fraud activities. Where controls are less, or are performed at a more general level, awareness of the fraud risks must be higher.

It is the general belief of the services concerned that additional systematic controls would not be cost-effective. Instead, efforts should be focussed on training and awareness-raising measures, combined with targeted controls like advanced data research and ad-hoc checks on double funding and plagiarism. These should ensure that staff possesses the basic competences that give them a reasonable chance to detect a possible fraud risk in the course of their normal work.

3.2. Staff awareness is the main preventive measure

A number of standard controls exist that might contribute to fraud prevention, detection and deterrence. Nevertheless, the research family considers that the best "line of defence" against fraudulent activities lays in the awareness of the staff members that are in day-to-day contact with research beneficiaries.

Thus, a core principle of the RAFS is to assist and enable staff at this level to determine – in accordance with the other policy and programme objectives – what level of control to apply to each individual file. They will make this assessment on a case-by-case basis, based on their knowledge of the appropriate control instruments and techniques.

3.3. A common approach where relevant

The Framework Programme H2020 is implemented by several different bodies. The Common Support Centre ensures a consistent approach across the different components of the programme through the provision of legal and ex-post audit services as well as common IT tools and business processes.

While some actions and decisions are always taken locally, under the responsibility of each AOD, this strategy aims to promote a common approach in the areas where it has a real added value: addressing scientific misconduct, common training, awareness raising, proactive data analysis, a common audit strategy for Horizon 2020\(^3\), harmonised treatment of fraud cases and a common policy on administrative and financial penalties (see section 5 for further information on these "areas for common action").

3.4. Easy access to information and anti-fraud support across the family

One of the areas where it was considered very important to ensure a common approach was the "anti-fraud services" offered to staff doing grant management: the individual grant management officer should have easy access to support structures, whichever

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\(^3\) A Common Audit Strategy for FP7 for the RDGs, REA and ERCEA and harmonised with the Joint Undertakings.
implementing body s/he works in. This is intended to reduce the risk that a "noticed" case is disregarded due to a lack of support/technical capacity.

Most of the anti-fraud services should be provided as "proximity services" from an organisational point of view. One example for this proximity would be the immediate access to relevant information in standard IT systems: Early Warning System (EWS), previous audit findings, other risk factors, etc.

4. CENTRAL FORUM FOR ANTI-FRAUD WORK

Given the nature of the Research family and its anti-fraud activities, the organisational support for the present strategy also needs to be of a dynamic nature.

Therefore, while for some areas a permanent structure is relevant, other actions are better implemented by ad-hoc workshops.

The Research DGs and services established in 2008 a Fraud and Irregularities in Research Committee (FAIR) to discuss and coordinate fraud and irregularities aspects. The Committee, chaired by the Common Audit Service, is open to all DGs and Services managing research grants. This platform is the keystone of the implementation of the present strategy and should remain the central forum for anti-fraud work.

The mandate of the Committee is to provide a network to exchange between Research DGs and Services information, experience and best practices on irregularities and fraud related matters. The FAIR further serves as a forum to inform each other and coordinate specific irregularities and fraud cases, to discuss any fraud and OLAF related matter of interest to the Research DGs and Services (for example new fraud schemes, internal procedures, technical aspects).

The FAIR committee may be supported by various formal and informal networks and contacts, such as local anti-fraud correspondents (see action plan) or ad-hoc arrangements.

5. AREAS FOR COMMON ACTION

The following areas have been selected for actions to undertake by the members of the Research Family together. Most of them affect the prevention stage as well as the detection stage of the anti-fraud cycle; some of them are related to the follow-up stages. They have in common that they are more efficient if implemented at family level, even though it is only the fraud detection activities that have been centralised in the Common Audit Service. The actions related to these areas can be seen in the action plan.

5.1. Common awareness raising actions

As the awareness of the staff is a key element of this strategy, there is a need to maintain the communication, training and awareness-raising activities that have been put in place since 2012.
In particular, DGs and Services will elaborate common training material based on existing case studies and organise the training sessions in order to make them available to all other services in the family.

5.2. **Fraud prevention and detection by proactive data analysis**

The Research family has now at its disposal a large and common set of historical data in CORDA (for FP6, FP7 projects and beneficiaries). This data can be used by staff (grant managers, auditors etc.) to make – on a needs basis – proactive and targeted risk analyses.

5.3. **Fraud risk based audits**

The number of fraud risk based audits will be increased.

5.4. **Addressing Research misconduct**

Research misconduct is defined as breaches of research integrity; the main elements being any form of plagiarism, data falsification and fabrication or unjustifiable double funding. Research misconduct goes beyond financial implications as reflected by the definition of fraud and irregularities in the Financial Regulation; its impact is not limited to specific grant proposals but also jeopardises the value of science, the reputation of scientists in the scientific community and the research services of the Commission.

It is an area that has to be addressed at the research family level. A proper strategy addressing and managing the risk of Research misconduct regarding EU expenditure is put in place.

5.5. **Policy on administrative and financial penalties**

The possibilities to apply administrative and financial penalties are already included in the legislation governing research funding. Their implementation must be coordinated and consistent amongst the research family and common guidance is put in place.

5.6. **Harmonised treatment of fraud cases and relations to OLAF in investigations**

DGs and Services remain responsible for the management of the OLAF cases (internal and external investigations) directly relevant to their respective DGs and Services. In this context, they ensure close cooperation and maintain regular contacts with OLAF on these cases.

However, as most beneficiaries are common to several services, and in order to ensure a common treatment, the Common Audit Service will act to ensure a coordinated, coherent and common approach towards beneficiaries.

6. **IMPLEMENTATION AND MONITORING OF THE RAFS**

The oversight of RAFS implementation is assured in the first instance by the FAIR Committee; updates following developments or experiences gained over time – also in the context of the Commission regulations – will be analysed within the Committee and suggested to the DGs/ Services on a "need to act" basis.
In particular the FAIR Committee will regularly reflect on (new) fraud schemes discovered which could imply (additional) common fraud risks or amendments to the local control systems.

Implementation of the RAFS on level of the DGs/ Services is subject to the individual DG or Service in accordance with local needs and management systems.

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