

ANTI-FRAUD POLICY STATEMENT

1 Introduction

The anti-fraud policy statement, together with procedures for adequate fraud risk assessment and the putting in place of effective and proportionate anti-fraud measures, are key components of the Interreg Baltic Sea Region's anti-fraud strategy.

As in each ETC programme also Interreg Baltic Sea Region supports projects through EU and public funding. Therefore the Managing Authority/Joint Secretariat's (MA/JS) is committed to protect the EU and public funds and to maintain high legal, ethical and moral standards, to adhere to the principles of integrity, objectivity and honesty. Having a **zero tolerance policy to fraud and corruption** the MA/JS wishes to be seen as **opposed to fraud and corruption** in the way that it conducts its business. All members of staff are expected to share this commitment.

The objective of this policy is to promote a culture which deters fraudulent activity, to facilitate the prevention and detection of fraud and the development of procedures which will aid in the investigation of fraud and related offences and which will ensure that such cases are dealt with timely and appropriately.

2 Terminology

The term **fraud** is commonly used to describe a wide range of misconducts including theft, corruption, embezzlement, bribery, forgery, misrepresentation, collusion, money laundering and concealment of material facts. It often involves the use of deception to make a personal gain for oneself, a connected person or a third party, or a loss for another.

The EU Treaty defines fraud, in respect of expenditure, as an intentional act or omission related 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 EU.
- 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

Intention is the key element that distinguishes fraud from irregularity. Intentional deceit is not easy to prove but there are some tell-tale signs such as:

- Motive – Pressure for results, financial hardship, revenge
- Opportunity – Controls not functioning, staff changes/losses, tolerance
- Repetition – If not detected it is repeated
- Concealment – Attempt to cover up the evidence

Fraud does not just have a potential financial impact, but it can cause damage to the reputation of an organisation responsible for managing funds effectively and efficiently. This is of particular importance for a public organisation responsible for the management of EU funds.

Corruption is the abuse of power for private gain. It undermines rule of law, distorts fair competition, and corrodes the social fabric of society and trust in public institutions.

Conflict of interests exists where the impartial and objective exercise of the official functions of a person are compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with e.g. an applicant for or a recipient of EU funds. A procedure is in place for the **disclosure of situations of conflict of interests**.

3 Potential fraudsters

Fraudsters could be:

- Members of the public – opportunistic or serial fraudsters taking advantage of financial support provided by a national government or the EU
- Suppliers and contractors – employees of external firms spotting the opportunity to exploit processes or systems
- Insiders – a dishonest minority working within an organisation involved in the Programme implementation and either perpetrating fraud themselves or helping fraudsters on the outside
- Serious organised criminals targeting organisations to obtain funds fraudulently and work across a number of countries.

4 Responsibilities and anti-fraud measures

Fraud can manifest itself in many different ways. The responsibility for an anti-fraud culture is the joint work of all those involved in the Programme implementation and in funded projects. MA/JS therefore also encourage all partners, contractors, employees, or the public to do their utmost to prevent fraud from happening, to put into place proportionate measures to detect it and to come forward with any suspicion of fraud in relation to Interreg Baltic Sea Region.

The MA/JS has the overall responsibility for managing the risk of fraud and corruption and therefore has the responsibility for:

- Undertaking a regular review, with the help of a risk assessment team, of the fraud risk;
- Establishing an effective anti-fraud strategy and fraud response plan;
- Ensuring fraud awareness of staff and training;
- Ensuring that an adequate system of internal control exists within its area of responsibility to prevent and detect fraud;

- Providing measures to report fraud within its area of responsibility;
- Ensuring due diligence & implementation of precautionary actions in case of fraud;
- Ensuring promptly reference to competent investigation bodies when acts of fraud occur;
- Taking corrective measures, including any administrative penalties, as relevant.

Carrying out the functions of the Certifying Authority the MA/JS also has a system which records and stores reliable information on each operation and receives adequate information on the procedures and verifications carried out in relation to expenditure

The Audit Authority, the Group of Auditors and the second level auditors have a responsibility to act in accordance within professional standards¹ in assessing the risk of fraud and the adequacy of the control framework in place. Audit authorities have a statutory responsibility for two main types of audits: system audits and audits of operations. They also have a role in the fight against fraud and must help the MA/JS to fulfil their obligations in preventing, detecting and correcting irregularities and fraud.

The first level controllers have a responsibility to support preventing and detecting fraudulent behaviour in the Programme. While carrying out their controls they are asked for a professional judgment as a controller and to confirm that they have not come across anything that makes them doubt that the EU and/or Programme rules are not adhered to. In case of doubt they are obliged to report on suspected or established fraud.

The participating countries furthermore seek action on national level in line with their administrative and legal proceedings, wherever need arises.

Key elements in the anti-fraud cycle are discouragement and prevention, detection and reporting, correction and follow-up. The MA/JS has put in place proportionate anti-fraud measures based on a thorough fraud risk assessment. It ensures that staff is aware of fraud risks and receives anti-fraud training. The MA/JS carries out a vigorous and prompt review into all cases of suspected and actual fraud which have occurred with a view to improve the internal management and control system where necessary.

5 Reporting Fraud

The MA/JS has procedures in place for reporting fraud – on project level and on programme level, as well as internally due to being hosted by a public equivalent body.

If you wish to report suspicion of fraud to the Programme, please use the reporting template provided at the Programme website and send relevant information to the following email address: fraud-reporting@interreg-baltic.eu.

All reports will be dealt with in the strictest of confidence and in accordance with relevant data protection. MA/JS staff reporting irregularities or suspected frauds is protected from reprisals.

¹ International Standards for the Professional Practice of Internal Auditing, International Standards on Auditing