DG INFSO Anti-fraud strategy

Introduction
The action plan in the context of the Commission's "Roadmap towards an integrated internal control framework" (a.k.a. "Towards a +DAS") has led to a common "Internal Control Template" for better presenting a DG's overall internal control system in the Annual Activity Report (AAR - cf. Part 2 & Annex 5) and to a number of initiatives for further improving the DGs' internal control systems.

In addition, initiatives by OLAF have called for an "Operational Cooperation between OLAF and the Commission" to improve the combat against fraud by working together on risk analysis and prevention, on investigation and detection, and on exchange of information and of intelligence (see the 2007 OLAF Conference and the OLAF note of 11.04.08). Further to this, DG INFSO confirmed fraud prevention as an important part of its control strategy and started a close cooperation with OLAF, both by strengthening the cooperation between external auditors and investigators, and by incorporating OLAF's intelligence tools in its External Audit Unit's operations.

In 2010 a first attempt was made by DG INFSO to document lessons learnt from its ex-ante and ex-post controls in an Anti-Fraud Strategy. The document, as well as related guidelines and methods, were distributed to the other Research DGs and Agencies as well as to OLAF and the horizontal Commission Services. These documents in turn led other DGs to initiate the development of their anti-fraud strategy.

A lot of additional developments with respect to anti-fraud initiatives have taken place at DG INFSO and the current document attempts to present all of them in a coherent framework.

Given that DG INFSO's anti-fraud control elements are embedded in its general internal control system of preventive, dissuasive, detective and corrective controls, it is only meaningful to show those fraud-related aspects in relation to the overall control system. Therefore, the description of the fraud-related control elements will be presented according to the COSO and INTOSAI internal control framework.

1. Control environment
2. Risk assessment
3. Control activities
4. Information and communication
5. Monitoring

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1 Fraud in this document refers to any intentional act to secure an unfair or unlawful gain from the funding schemes managed by DG INFSO.

2 Committee of Sponsoring Organisations of the Treadway Commission, International Organization of Supreme Audit Institutions
Overall aim

Fraud is a fact of life but is rarely rampant and in the research and innovation area is relatively limited. Therefore combating fraud must control and pinpoint the limited number of real fraudsters, while ensuring that the very large majority genuine beneficiaries can carry out their work without hindrance.

Control environment

The control environment is the foundation for the entire internal control system. It sets the tone of the organisation, determines the values and ethics and influences the behaviour of its staff. The different initiatives in the control environment provide discipline and structure for the rest in a pro-active and reactive manner.

Ethics and integrity

The operation of any type of controls can only be effective if facilitated under a favourable managerial environment. The Commission's set of ethical values and its Staff Regulations already include the main elements to determine the expected ethical behaviour and the rules with respect to conflicts of interests, whistle blowing and the handling of indications of fraud and irregularities.

Staff is reminded of the existence of these rules by regular communication to increase the awareness about ethics/fraud themes DG INFSO has furthermore documented its ethics and integrity values in a "Guide on Ethics and Integrity". This guide has been distributed to all staff of the DG in autumn 2010. It is also made available to all newcomers in the DG. The guide contains a description of all the guiding principles as well as references to sources to find more information.

Comprehensive information and instructions including rights and obligations of individuals are provided on the website of R1 under a dedicated section.

Hotline / Whistleblower provisions

The standard procedure to report indications of fraud or irregularities at the Commission is laid down in the Staff Regulations (Article 22a):

"Any official who, in the course of or in connection with the performance of his duties, becomes aware of facts which give rise to a presumption of the existence of possible illegal activity, including fraud or corruption, detrimental to the interests of the Communities, or of conduct relating to the discharge of professional duties which may constitute a serious failure to comply with the obligations of officials of the Communities, shall without delay inform either his immediate superior or his Director-General or, if he considers it useful, the Secretary-General, or the persons in equivalent positions, or the European Anti-Fraud Office (OLAF) direct."
Similarly, project officers and finance officers can contact their Finance Unit (AFU) or the Legal Unit of DG INFSO (S4) whenever they have suspicions on irregular behaviour.

**Training and competence**

A number of initiatives are in place at DG INFSO to ensure staff has the necessary skills and knowledge in order to ensure ethical and effective performance in the handling of the projects it is funding.

All newcomers in the DG are also given an induction training in which the aspects of ethics and integrity are highlighted. Furthermore, in every session for newcomers there is an intervention by the Director General which includes an explanation of the values of the organisation, including the expected ethical behaviour.

Regular trainings are also organised to raise the awareness of staff on issues related to fraud and irregularities and to provide them with tools and methods to detect anomalies early in the project life cycle:

- trainings on evaluations procedures and on negotiations procedures organised by calls providing up-dates and guidance to project officers

- A training "project monitoring" providing up-dates and guidance to project officers concerning the key elements of the monitoring process such as reporting and review, amendments as well as suspension and termination following project reviews

- Specific trainings are also organised on demand on directorate level.

Further support is given through a dedicated intranet page, which provides all relevant internal documents on exception (in the sense of anomaly) handling such as guidance on beneficiaries flagged in the Early Warning System, tips for handling negotiation problem cases, good practices when performing desk controls, how to react in case of insolvency. This page provides also links to
other useful information, on suspension / termination handling, training material on how to detect anomalies in projects, and indicators for possible problems.

**Tone at the top**

DG INFSO’s senior management has a very active attitude towards anti-fraud strategy and measures and conveys this in a number of different ways:

- By a “zero-tolerance” approach to instances of irregularities, misrepresentation and fraud, strongly supporting decisive administrative actions and pursuing these in a balanced but determined manner;
- By pursuing legal action and litigation measures to defend the financial interests of the Institution, whenever needed and justified;
- By transferring new cases to OLAF on the basis of well-founded elements and indications;
- By making available management time to discuss indications of fraud and weaknesses in the control systems and strongly supporting the implementation of lessons learnt;
- By amplifying the message that combating fraud and a trust-based control environment are not mutually exclusive;
- By taking/supporting swift, severe and appropriate administrative follow-up measures in order to terminate ongoing and future collaboration with beneficiaries which committed irregularities.

The issue of fraud prevention, detection and correction is also reported on in the Annual Activity Report of the DG, in an open and transparent manner taking the existence of fraud as a real risk and explaining how the control system is tuned to mitigate this risk.

Anti-fraud initiatives and measures also receive the highest level of attention of the Commissioner and her Cabinet, whenever this is required. Also on this level an attitude of zero tolerance is promoted.

**Handling of problem cases**

Whenever an instance of fraud or irregularities is detected at DG INFSO, a process is started to document the evidence, to enrich it with internal and external information and to transfer the file formally to OLAF by letter on the level of the Director General.

The file is constructed in such a way that the Director General of DG INFSO has complete understanding of the evidence found and the implications in terms of finance, number and nature of legal entities involved and repercussions of administrative nature. The file transmitted to OLAF is also extensively documented in such a way that OLAF can immediately start the evaluation of the case.

In most cases the transfer of a file to OLAF does not necessarily inhibit administrative follow-up measures by DG INFSO. In order to protect the financial
interests of the Institution administrative follow-up measures are assessed and implemented on a case-by-case basis:

- Signalling legal entities in Early Warning (level 1, 2 or 5);
- Termination of ongoing project participation;
- Recoveries and liquidated damages;
- Exclusion of future grant award procedures for project participation.

These measures are discussed and decided in weekly meetings in which participate the External Audit Unit, the Legal Unit as well as the Finance Units. The follow-up of the measures decided is also carried out in this weekly meeting.

**Risk assessment**

DG INFSO has integrated the assessment of the risk of fraud in financial statements in its annual high-level risk-assessment (HLRA).

- as these were considered as exposing a higher likelihood of intentional over-claim of cost in order to compensate for their lack of co-funding capacity.

In the 2011 High-Level Risk Assessment (HLRA) exercise the risk of fraud in financial statements has been assessed more broadly. The overall risk exposure in this respect is considered "acceptable" in view of the controls, in particular ex post, in place.

The characteristics of DG INFSO’s research funding environment are:

- A complex legal framework to implement a co-financing system based on the reimbursement of 'actual eligible costs';
- Limited ex-ante controls, favouring a trust-based funding environment.

The fraud risks related to the research project funding are as follows:

- Financial fraud: intentional overclaim of cost, multiple claims for the same resource, fictitious subcontracting, fictitious participants;
- Scientific fraud: plagiarism, re-use of existing know-how/products/software, fictitious output;
- Rigging and conflicts of interests in project selections/evaluations/reviews.

The first risk is falling almost exclusively in the area of external audit, as there are limited ex ante controls to detect financial fraud. Most financial fraud can only be detected by ex post financial audits. New, very effective, risk-based audit methods and tools have been developed by DG INFSO. These methods aim to select auditees on the basis of their risk of intentional overclaim of costs. They also aim to be highly effective in finding fraud in case it is present at the beneficiary audited.

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3 Damages to be paid by a beneficiary that has received an unjustified financial contribution from the EU
As regards the second risk additional tools are being developed to help project officers detect scientific fraud more easily. The review process has also been tightened.

The third risk has been assessed by internal audits on the evaluation and review processes. The risk of conflicts of interests was found to be limited and mitigated by the controls (multiple experts and oversight).

Further to DG INFSO's 2011 HLRA exercise, it is considered that the processes of internal control in place, in particular ex-post, mitigate the risk of fraud in financial statements to a level that is considered as "acceptable".

**Control activities**

*Ex-ante controls*

**Preventive measures**

Checks to detect anomalies in projects and project consortia have been incorporated in ex-ante controls in several ways:

**Detective measures**

Project officers and finance officers involved in the technical and financial management are provided with tools and guidance to detect and manage exceptions:
Corrective measures

Whenever fraud or irregularities are detected in a project managed by DG INFSO, the appropriate administrative follow-up measures are taken promptly to correct the problem. These measures in general are applied on the level of the relevant beneficiary. However, they may also be applied on project/consortium level.

If the problem is limited to a single beneficiary and a limited number of projects, the handling of the follow-up is managed at the level of a Directorate/AFU. Measures envisaged are:

- Termination of project participation;
- Recovery of funding / forced recovery / compensation;
- Liquidated damages (n.b. liquidated damages are applied in all cases involving undue funding released in the context of over-claimed costs)
- Suspension of all further participations / exclusion for future grant award procedures.
- Close monitoring by additional project reviews.
In case of a larger number of projects and several beneficiaries, coordination of the administrative follow-up measures is assured via a weekly meeting on problem cases in which INFSO-S5, R2, S4 and the OS/AFUs are participating. Communication with the beneficiary could in such case also be centralised, with the letters being signed on DG-level rather than on Director-level.

**Ex-post controls**

**Detective and corrective measures**

Ex-post controls in DG INFSO have a very strong anti-fraud component. Specific measures and tools have been developed and implemented which specifically target the selection of beneficiaries with a high likelihood on intentional over claims of cost.

In line with international audit standards (ISA 240, ISA 315, ISA 330), the auditors' working methods have been adjusted (risk-based selection, broad scope for projects to be audited, professional scepticism, audit programme adapted to the identified risks, flexibility in the implementation of the audit programme).

The implementation of these international audit standards on the detection of fraud in financial statements by DG INFSO-S5 has resulted in highly selective, risk-based audit methods. In view of the pioneering nature of these methods, documentation and training had to be developed internally (Guidelines on data gathering, Methodology for risk-based audits, Training for auditors).

A key component in the effectiveness of the External Audit activities is the electronic access to all project related information:

- Project and financial information via iFLOW and PHOENIX;
- Project documentation, deliverables and communications between the Project Officer and the project consortium via PPM;
- Project documentation in NEF;
- Proposals and results of the evaluations via PINNOCHIO;
- Legal and contact information on beneficiaries via URF/iFLOW/PDM.

For all of this information, the access does not require interaction with the project or finance officers, this facilitates the data gathering and audit preparation. Furthermore, additional tools have been put in place, in cooperation with OLAF, to structure and index the electronic information available at DG INFSO to make queries and cross-checks even easier to perform.

The implementation of these risk-based audit methods encompasses a certain number of novel elements:

- Selection of beneficiaries on the basis of their risk of intentional over-claim of cost;
- Extensive data gathering before the field work in order to identify the specific risks of a beneficiary. Detection of linked entities and assessment of the need to conduct a series of audits to obtain a full overview of the situation;
In case the audit is externalised, communication of the data gathering and the risk assessment to the external audit firm before the field work. Conference-call with the external audit firm before the field work and possibly accompanying mission with a mixed team of DG INFSO and external audit firm;

Short lead time between the announcement of a risk-based audit and the field work;

Audit programme specific to the identified risk of the beneficiary;

In case the risk is of a technical nature, the project officer may be involved in the field work to allow for technical interviews;

Specific measures to safeguard evidence during the field work, which may be relevant in judicial follow-up;

Involvement of the Legal Unit in the drafting of the audit report to take into account the possibility of litigation;

In case of detection of irregularities during the fieldwork, immediate signalling of the beneficiary in EWS1. Assessment of required administrative follow-up and need to involve OLAF;

Every risk-based audit may also lead to additional audits, depending on the case. The planning of such audits may be coordinated with OLAF.

**Co-operation with OLAF**

DG INFSO has a very strong cooperation with OLAF, affecting considerably the effectiveness of the auditing as well as the investigations:

- Formalised follow-up of OLAF mission reports, interim reports and final case reports, by treating these administratively in a similar way as audit reports. The relevant information is also integrated in the ARPS-system. In addition, the administrative follow-up is now organised in parallel with the criminal follow-up rather than subsequent to it, in order to protect the EU’s financial interests in the most effective manner.

- When appropriate, pre-assessment of fraud suspicion in cooperation with OLAF at an early stage, before formal submission of a file to OLAF. This allows improving the collection of information to be forwarded and/or avoiding forwarding files which do not contain sufficient indications of fraud. This has led to the transfer of initial formal information to OLAF, complemented with the results of an ex-post audit on-the-spot as soon as those became available. On a case-by-case basis it is decided to what extent additional audit work is needed to support the investigations.

- Transmission of new cases to OLAF is done in a very structured way (format in annex), including all the references to the legal entities and natural persons involved, the findings on irregularities and all the relevant underlying documentation. This facilitates the evaluation and investigation by OLAF.
• Cooperation with OLAF during investigations, by providing relevant administrative information to the investigators, participating in their analysis and providing technical support to on-the-spot controls.

• Legal support is also given to OLAF to interpret the detailed legal provisions which underpin the funding of research projects and to communicate this to the judicial authorities in the different Member States.

• Carrying out administrative follow-up during investigations. Depending on the case, it may be possible to take administrative follow-up measures to protect the financial interests of the EU during an ongoing investigation. Strong coordination is necessary to do this without jeopardising the investigation and minimising the legal risks, however it is often in the best interest of the EU to do so.

• For complex fraud cases, cooperation between DG INFSO, OLAF, DG BUDG and the Commission’s Legal Service is fostered in order to facilitate administrative and judicial follow-up. Debit notes and recovery orders in these cases are flagged according to the OLAF case to make coordination across the Commission and establish the total debt in the context of a civil case easier.

• Regular meetings between OLAF and INFSO-SS to assess the state of play of the open cases. In addition, ad hoc meetings between auditors and investigators are organised as often as needed.

• Technical cooperation with OLAF’s Operational Intelligence Unit in order to structure contractual data available in DG INFSO in such a way that these can be retrieved easily in the context of risk-based auditing (data-mining via PLUTO database). Identification of red flags which can support the risk-based selection of beneficiaries for auditing.

- All the information available in DG INFSO’s contractual and project management systems (contracts, correspondence, deliverables, projects documentation, experts) has been extracted into a format that allows easy consultation according to any search criterion.

OLAF files and audits of beneficiaries with a high risk of intentional over-claims are handled on a need to know basis, even internally in the DG, and appropriate measures are taken to safeguard the files physically and electronically.

Information and communication

Information and communication are key to a proper functioning of the internal control system and this is even more so for anti-fraud measures.

A culture of bringing problems to the surface is fostered with the project officers or finance officers, supported in dealing with exceptions y the Finance Units, the Legal Unit and the External Audit Unit.

In line with the requirements of Internal Control standard 12, staff is encouraged to report internal control weaknesses. To this end, at least one contact person
per Directorate has been appointed. The list of contact persons is available on the intranet (ICS 12)

In doing so, the subject of fraud is being demystified and its handling is made part of the normal project management cycle.

The spreading of information and knowledge on beneficiaries and external experts is fostered by the following systems:

- A very active use of the Commission’s early warning system,
- A report on financial viability of beneficiaries, based on the accumulated funding they receive and their financial data;
- A specific field in PPM which allows signalling the need for a close supervision of running projects and a mechanism for recording and monitoring the respective follow-up actions;
- The possibility for all project officers to access electronically all projects managed by DG INFSO and to see in which other DG INFSO projects a beneficiary is involved, so that in case of suspicion on a specific beneficiary, the PO can easily coordinate with his concerned colleagues.

Guidelines and procedures to help project officers and finance officers handle exceptions (in the sense of anomalies) have been established and made available on intranet (via a dedicated page on handling exceptions, and also through the pages of the responsible units, S4,C5 and S2 under the ICS 8):

- Guidelines on the use of the Early Warning System and the handling of signalled entities;
- Guidelines on the handing of exceptions during the evaluation/negotiation, at payment stage and during the review process;
- Red flags and indicators to detect anomalies in projects and sources of information to detect them.

Standard templates and letters (contradictory procedures and administrative decisions, terminations, exclusions) have been prepared to respond to exceptional situations:

- Lack of cooperation in audits;
- Financial irregularities;
- Conflicts of interest of external experts in evaluations and reviews;
- Plagiarism;
- Misrepresentation.
Monitoring

Within DG INFSO a committee composed of the DG, the two DDGs and the Directors of the horizontal Directorates is meeting monthly with the External and Internal Audit Units to monitor issues related to auditing and control. Issues related to internal control and anti-fraud strategy are regularly addressed and progress is being monitored. The results of the Committee are also discussed in the Management Team meetings.

The DG also maintains a central registry of exceptions in which every AOSD is requested to report monthly on issues that constitute an exception to the rules. Additionally, all exceptions are reported twice per year by the AOSDs in their Directorates' Management Reports.

As for the specific fraud cases, the progress and planning are continuously monitored by a close cooperation between the External Audit Unit and OLAF. Also within DG INFSO, cases are being followed up on a weekly basis with all the relevant Units. DG RTD also takes part in these meetings.

Furthermore, the internal control approaches and anti-fraud strategy issues are reported in the DG's AAR, which is a public document, as well as in the Bi-annual Management Report from the Director General to the Commissioner. The BMR is also discussed in a very detailed manner between the Director General and the Commissioner. Issues related to ongoing fraud cases and anti-fraud measures are a major item in this discussion and the status of affairs is being monitored very closely.
References
INTOSAI guidelines for Internal Control Standards for the Public Sector
Key elements of Anti-fraud Programs and Controls, PWC White Paper

Annexes
Action Plan
Format for transmission of a file to OLAF
This Action Plan accompanies DG INFSO Anti-Fraud Strategy (AFS). The first column denominates the relevant section in the DG INFSO Anti-Fraud Strategy. The second column briefly refers to the existing measures and policies in place. The third describes the main objective of the proposed measure. The forth provides the description of the proposal itself. The fifth column identifies the Units within DG INFSO responsible for its performance.

<table>
<thead>
<tr>
<th>AFS</th>
<th>Status quo</th>
<th>Objective</th>
<th>Proposals</th>
<th>Unit</th>
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<tbody>
<tr>
<td>Ethics and integrity</td>
<td>DG INFSO has documented its ethics and integrity values in a &quot;Guide on Ethics and Integrity&quot;. This guide has been distributed to all staff. All newcomers are provided with guide during induction</td>
<td>Information and awareness raising on all sensitive issues such as conflict of interests, reporting on gifts etc</td>
<td>Regular reminders on principles, values and procedures to be followed</td>
<td>R1</td>
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<td>Hotline/Whistleblower provisions</td>
<td>The standard procedure to report indications of fraud and irregularities at the Commission is laid down in the Staff regulations (Article 22a)</td>
<td>Reporting of possible illegal activities, including fraud or corruption on a timely basis</td>
<td>Unit S5 to serve as an internal first point of call. Unit S5 provides guidance and determines follow-up action in collaboration with S4 and the services concerned</td>
<td>S5</td>
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<td>Training and competence</td>
<td>A series of trainings have been designed in the areas of evaluations and negotiations, project monitoring, exception (anomaly) handling and detection of anomalies in using open source information</td>
<td>Guidance and awareness raising; exchange of experience and good practices. Ensure compliance with administrative procedures and detection and prevention of</td>
<td>Trainings to be provided on a regular basis.</td>
<td>C5, S5, S4, R2</td>
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<td>Section</td>
<td>Description</td>
<td>Top management</td>
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<tr>
<td>Tone at the top</td>
<td>Full management attention and support regarding the adequate follow-up of all instances of irregularities, misrepresentation and fraud. Convey &quot;zero-tolerance&quot; approach to staff and stakeholders.</td>
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<td>Continued support and attention to all activities concerning fraud prevention, detection and correction. Ensuring open and transparent reporting procedures.</td>
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<td>Handling of problem cases</td>
<td>Procedures internal to INFSO involve registration of legal entity concerned in the Early Warning System, suspension/termination of ongoing project participation, recovery of unduly paid financial contributions, application of liquidated damages, exclusion from grant award procedures. Cases involving fraud or irregularities are transferred to OLAF.</td>
<td>S5, S4, OS/AFU</td>
<td></td>
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<td>Early Warning System</td>
<td>Guidance notes on the use of the Early Warning System are in place.</td>
<td>S5, R2</td>
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<td>Protection of financial interests.</td>
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<td>Timely registration of legal entities in the EWS and regular up-dates.</td>
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<td>Detective Measures</td>
<td>Guidance notes have been established and made available to project and financial officers regarding the detection of anomalies and exception handling. S5 supports background checks and checks on plagiarism by providing information from specialised commercial sources and dedicated.</td>
<td>Fraud detection, protection of financial interests</td>
<td>Projects requiring close supervision and follow-up actions are flagged in the project management system (PPM). Assessment report are made available to all project officers in a shared work space.</td>
<td>Operational services, OS/AFU, S5</td>
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<td>Corrective measures</td>
<td>The implementation of corrective measures such as termination of project participation, recovery of funds and liquidated damages, exclusion for grant awards is co-ordinated among services involving S, R2, S4 and the OS/AFUs</td>
<td>Protection of financial interests and co-ordination of corrective measures</td>
<td>Corrective measures are discussed and co-ordinated in the frame of weekly meetings involving S5, S4, R2, OS/AFU</td>
<td>S5, S4, R2 and OS/AFU</td>
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<tr>
<td>Ex-post controls</td>
<td>Selection and audit methods applied by S5 follow international audit standards and encompass strong anti-fraud components such as risk consideration applied in the selection process.</td>
<td>Fraud detection, protection of financial interests</td>
<td>Timely implementation of audit programme, reporting, monitoring and co-ordination of follow-up procedures</td>
<td>S5</td>
</tr>
<tr>
<td>Co-operation with OLAF</td>
<td>INFSO has established strong co-operation with OLAF on all areas relevant to fraud detection and prevention</td>
<td>Efficient co-operation with OLAF</td>
<td>Maintain the strong level of co-operation with OLAF</td>
<td>S5</td>
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<td>Information and communication</td>
<td>Information and communication is key to the proper functioning of the internal control system. To this effect websites containing guidance on the handling of exceptions (anomalies) need to be maintained and up-dated regularly.</td>
<td>comprehensive and timely information</td>
<td>Guidelines, IT tools, standard letters on administrative procedures (exclusions, terminations, recoveries, conflicts of interests need to be maintained and up-dated by the services concerned.)</td>
<td>S5, S4, C5, S2</td>
</tr>
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<td>Monitoring</td>
<td>Internal control issues and the anti-fraud strategy are addressed regularly in the frame of monthly meetings involving the DG, the two DDGs and Directors of horizontal services with external audit and internal audit units. S2 keeps a central registry on exceptions on a monthly basis.</td>
<td>ensure management attention and information, decide on corrective measures</td>
<td>Comprehensive and timely reporting</td>
<td>Top management, 01, S5, S2</td>
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NOTE FOR THE FILE

Subject: <beneficiary - (country)> - Suspicions of irregularities

1. INTRODUCTION

1.1. Identification of legal entities relevant to this file

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<td>FEL</td>
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1.2. Selection of <beneficiary> in DG INFSO’s audit programme

Historical background  Date of initiation of the audit, FP covered, source of the selection (risk-based, MUS, TOP200), status of the audit and date of closure of audit if applicable. Elements of risk, if any.

Details of the audit scope:
1.3. Background on the beneficiary

Creation date, development over time, involvement in EU-funded projects, budget exposure, core business, headcount. Turnover of the company, profit/loss, related entities.

2. SUMMARY OF FINDINGS ON IRREGULARITIES

Description of the main findings of irregular or potentially fraudulent nature. Description of the sources of the information and the underlying documentation available in the audit documentation.

If applicable, reference to side letters by auditors which describe the findings that have not reported in the audit reports and have not been brought to the knowledge of the beneficiary during the contradictory procedure.

3. ADMINISTRATIVE FOLLOW-UP

Status of the audit report(s) on the relevant entities (draft, final). Description of the administrative follow-up measures already taken (recovery, extrapolation, termination, exclusion).

4. PROPOSED NEXT STEPS

5. CONCLUSION

The elements presented in this note for the file provide sufficient ground for transmitting the file to OLAF
Enclosures:
Annex 1: Coface reports and other elements related to the legal entities
Annex 2: Audit reports
Annex 3: Underlying documentation supporting the main findings of irregular or potentially fraudulent nature