

Interreg IPA CBC Italy-Albania-Montenegro

PROGRAMME ANTIFRAUD POLICY

1. INTRODUCTION

With regard to the procedures aimed at ensuring anti-fraud measures under the INTERREG IPA CBC Italy-Albania-Montenegro program, the Managing Authority and all the structures involved in the management and implementation of the Program, including the Certifying Authority, in line with what is foreseen by the art. 125, par. 4, letter c, of Reg. (EU) no. 1303/2013, adopt a proactive approach, structured and aimed at managing the risk of fraud and operate to prevent, identify, correct and punish any irregularities that may occur in the implementation of measures co-financed by the European Structural and Investment Funds (Funds SIE 2014-2020).

The MA implements self-assessment measures based on a targeted approach that takes into account the specificities linked to the Program and which translates into a series of actions aimed at mitigating the residual risk of fraud, bringing it back to an acceptable level, such as the application of provisions on the prevention of fraud, a clear assignment of the relevant tasks and responsibilities, the provision of training and awareness activities, the analysis of data and adequate monitoring of the warning signals and fraud indicators.

2. RISK MANAGEMENT AND DEFINITIONS

Definitions

It constitutes **irregularity**, according to the provisions of article 2 of Reg. (UE) n. 1303/2013, any violation of European Union or national law related to its application, deriving from an action or an omission of an economic operator involved in the implementation of the ESI Funds which has or may result in an impairment of the financial statements of the Union by charging undue expenditure to the European Union budget.

It constitutes a **fraud** affecting the financial interests of the European Union, as far as expenses are concerned, any intentional action or omission concerning the use or presentation of false, inaccurate or incomplete statements or documents resulting in the receipt or illicit retention of funds from the general budget of the European Union or from the budgets managed by the European Union or on their behalf and in the same way the non-disclosure of

information in violation of a specific obligation with the same effect, or the distraction of such funds for other than those for which they were initially granted; as regards revenue, any intentional action or omission relating to the use or presentation of false, inaccurate or incomplete statements or documents resulting from the unlawful decrease in resources of the general budget of the European Union or of the budgets managed by the European Union or on behalf of them ", as well as the failure to communicate information in violation of a specific obligation to which the same effect is achieved and the distraction of a legitimately obtained benefit, with the same effect. (Article Convention of the Council of the European Union of 26 July 1995 elaborated on the basis of Article K3 of the EU Treaty).

In accordance with article 2 of Regulation (EU) no. 1970/2015, constitutes a **suspicion of fraud** an irregularity which at national level determines the initiation of an administrative or judicial proceeding aimed at determining the existence of intentional behavior, in particular of fraud in accordance with Article 1, paragraph 1 (a) of the Convention drawn up on the basis of Article K.3 of the Treaty on European Union, concerning the protection of the financial interests of the European Communities.

Suspected fraud is an irregularity that gives rise to the initiation of administrative or judicial proceedings at national level, in order to establish the presence of an intentional behavior, in particular fraud, that means that the legal/natural person/entity that committed the irregularity was aware that its acts or omissions would have an impact on public funds.

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: 1) Motive – Pressure for results, financial hardship, revenge; 2) Opportunity – Controls not functioning, staff changes/losses, tolerance; 3) Repetition – If not detected it is repeated; 4) 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 organization responsible for effectively and efficiently managing funds. This is of particular importance for a public organization responsible for the management of public funding in general and of EU funding in particular.

Corruption, as defined in the broad sense used by the European Commission, is "the power (public abuse) for the purposes of a private" profit. Corruption is the abuse of power for private gain and it undermines rule of law, distorts fair competition, and corrodes the social fabric of society and trust in public institutions.

Corrupt payments facilitate many other types of fraud, such as false invoicing, phantom expenditure or failure to meet contract specifications. The most common form of corruption is corrupt payments or other advantages; a receiver (passive corruption) accepts a bribe from a giver (active corruption) in exchange for a favor.

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, economic interest or any other shared interest with e.g. an applicant for or a recipient of EU funds. This is particularly important to prevent within an EU grant beneficiary when dealing with public procurement contracts.

Management of the risk of errors and irregularities

The MA ensures a framework of program management and control procedures that can ensure that appropriate risk management is carried out, where necessary and in the event of significant changes to the Management and Control System, taking also into account the level of risk for the European Union budget, the principle of proportionality (which aims at avoiding unnecessary duplication of audits or checks carried out) and the need to minimize administrative burdens for beneficiaries.

The MA, adequately supported by the Certifying Authority and by the Albanian and Montenegrin National Authorities, ensures an appropriate risk management through the elaboration of suitable procedures to identify:

- the activities potentially subject to the onset of the risks;
- the appropriate actions and measures to prevent the configuration of the identified risks, acting on the probability of occurrence of the risky event;
- the corrective measures necessary to correct the critical issues identified as a result of controls and profits to reduce the future risk rate;
- the follow-up activities of the corrective measures eventually arranged.
- in relation to the risk of the occurrence of errors and / or irregularities in the management of operations co-financed by the Program, the risk analysis is mainly based on the assessment of the following components:
 - IR (inherent risk or intrinsic risk), which represents the risk of irregularity associated the intrinsic characteristics of the operations: such as the nature of the beneficiary, the number of operations financed by the same beneficiary, the allocated budget, the type of implementation of the projects, the results of on-the-spot checks already carried out and the results of the fraud risk assessment;
 - CR (control risk or internal control risk) which represents the risk that the controls performed by the same body responsible for the transactions are not effective in the identification of significant irregularities or errors, due to a poor quality of the internal control system of the beneficiary.

For the methods by which IR and CR are assessed, refer to the 4O Risk assessment of Programme Manual and sampling for the on-the-spot verification procedures procedure.

This risk analysis, carried out by the Unit responsible for managing the anti-fraud and risk management measures, is the basis for sampling the operations to be subjected to on-the-

spot checks, which will be carried out by the controllers, based on a checklist provided by the MA / JS, on the basis of a sample extrapolated in accordance with Article 23 (4) of Regulation (EU) No 1299/2013 and Article 125, paragraph 6 of Reg. (EU) no. 1303/2013.

The procedure involves stratified sampling, as detailed in 40 Risk assessment of Program Manual and sampling for the on-the-spot verification procedures. In particular, the extent and frequency of on-the-spot checks by First Level Controllers will take into account the overall level of risk, depending on the type of projects, their complexity, the budget allocated, the results of on-the-spot checks already carried out and the results of the fraud risk assessment. The weighting factors will be reviewed annually on the basis of varying situations, the number of projects that are part of the identified population strata and the concrete experience connected to the results of the checks carried out in the previous years.

Each controller must draw up a specific check list within the eMS platform for self-assessment of both the inherent risk and the risk of control. The risk analysis will be based on the knowledge data provided by the eMS Information System and integrated with what can be deduced from the ARACHNE Information System, which provides information on the level of risk associated with each beneficiary.

The risk assessment activity, which will be carried out in case of significant changes to the management and control system or in case of suspected fraud, is performed both at the level of each organizational structure responsible for the implementation of the Program and for the Axis. This activity could give rise to the Risk Assessment Document, that could also include the evidence deriving from the assessment of the risk of fraud. Following the evaluation, the MA will eventually develop an Action Plan, aimed at improving controls and further reducing exposure to potential negative repercussions.

The Plan could be structured as follows:

1. risk response: MA will identify, based on the type of risk identified, the appropriate interventions to be applied to align, in perspective, the risks emerged with predetermined levels of risk tolerance and acceptable risk;
2. control activities: MA will collect feedback on the actual execution of the interventions;
3. information and communication: MA will identify, collect and disseminate relevant information, with particular reference to the identified irregularities, the progress of the investigations and the recoverable and recovered resources, in the form and timing that allow the various parties involved to correctly fulfill the own responsibilities.

The risk analysis procedure as a whole will be subject to monitoring in order to evaluate its effectiveness, with a view, if necessary, of any revisions; in particular, any changes to the key procedures of the management and control system, the need to adapt the classification of the assessment, the progress made with respect to the action plans will be analyzed.

Fraud risk management

In line with the provisions of art. 125, paragraph 4, letter c) of Regulation (EU) no. 1303/2013 which provides for the establishment of effective and proportionate anti-fraud measures, in order to comply with the principle of sound financial management, the MA, in collaboration with the CA and the Albanian and Montenegrin National Coordination Authorities, also ensures a appropriate management of fraud risks, by drawing up procedures to identify both the activities potentially subject to the risk of fraud, and the appropriate actions and measures to prevent the configuration of the identified risks.

Fraud risk management requires an analysis and evaluation of the same in order to identify the main ones for the implementation and management of the Program and to define, accordingly, tools, control systems and corrective measures to prevent and / or mitigate the identified risks and bring them to levels deemed acceptable.

The self-assessment process as a whole, in fact, allows on one hand the identification of the impact and the probability of the most frequent fraud risks and, on the other, the identification of the specific risks for which no measures have been taken sufficient to bring the probability or impact to an acceptable level.

For the latter, the MA will proceed with the activation of additional anti-fraud measures, including those on the list of risk mitigation controls suggested by the European Commission, in order to further reduce the residual risks that the existing controls are not still managed to deal effectively. In this case, a specific Action Plan will be set up to reduce the risk of fraud, containing indications on the measures to be taken and their scheduling.

The Fraud Risk Assessment Group periodically assesses the risk of fraud taking into account the articulation and complexity of the Program. Following the assessment of the risk of fraud, a series of measures are put in place aimed at identifying and rectifying the expenditure affected by irregularities and, secondly, at enhancing, if necessary, checks and checks on interventions.

In the fraud risk assessment will be taken into account:

- the inherent risk, which is defined in proportion to the multiplicity and nature of the bodies and subjects involved in the implementation;
- the complexity of the context and reference regulatory framework: rules in relation to the number of operations;
- the nature and duration of operations, of the frequency and quality of controls, of the results of the controls and of the statistics detected for any irregularities / frauds detected in the previous programming periods.

The identified prevention measures will therefore take into account the identified risks and will be aimed at leading the MA to identify the tolerable risk level, also in relation to the results of the controls. The actions that will be put in place will therefore be aimed at:

- improving the transparency of decision-making processes, including preparing and disseminating instructions for the implementation and management of operations in order to allow accurate awareness and knowledge, on the part of the beneficiaries, of the regulations for the management of operations;
- strengthen internal control systems;
- encourage the transmission of information on suspected frauds: formal channels, informants (internal and external);
- improve cooperation between the Authorities involved in the implementation of the Program;
- raise the level of staff awareness through training / information sessions on past experiences and on areas in which the possibility of fraud is greater (management of public procurement).

The methodology adopted by the MA within the fraud risk management procedure is consistent with the indications provided at Community level by the Guidelines on Fraud Risk Assessment and effective and proportionate anti-fraud measures (EGESIF 14-0021-00).

The main objective of the risk assessment tool is to provide the MA with an effective tool to detect and combat fraud and corruption in light of the impact and the likelihood of specific fraudulent situations. The specific risks of fraud to be assessed were determined on the basis of the knowledge of the cases of fraud previously detected in the context of the cohesion policy, as well as the known and recurring fraud mechanisms. In other words, the instrument is prepared with a series of specific known risks detected by the case studies of concrete situations of fraud or corruption.

In particular, fraud risks are identified and analyzed in relation to following key processes:

1. selection of applicants;
2. implementation and verification of operations;
3. certifying and payments;
4. direct contracts managed by the Program Authorities beneficiaries of the Axis V funds.

This is provided by "*Working Fraud Risk Assessment Group*", which was established including staff representing the various relevant functions in charge of the MA and CA and operating in close collaboration with the risk management structures. It is composed, as well as by the MA and / or delegated person, by the P.O. "Studies, research and controls of the Interreg Program IPA CBC Italy-Albania-Montenegro", by the Certifying Authority and / or delegated

person, by the official of the General Secretariat of the Presidency of the Puglia Region (assigned to the implementation of the PTAC) and representatives of the Albanian and Montenegrin National Coordination Authorities (Irregularity Officers).

Following an appropriate self-assessment activity, the Anti-fraud Policy and the related Action Plan has been adopted. In order to apply the procedures aimed at ensuring effective and proportionate anti-fraud measures, has been identified a Unit responsible for the management of the anti-fraud and risk management measures, made up of the P.O. "Studies, research and controls of the Interreg Program IPA CBC Italy-Albania-Montenegro" and by the Irregularity Officers of Albania and Montenegro.

In order to improve the effectiveness of the actions implemented, the Unit will work in close contact with the Unit of Audit, Management of Irregularities and Fraud Prevention, identified and appointed by the MA of the ERDF-ESF OP 2014-2020 of the Puglia Region, in order to capitalize on the experience accumulated in previous programming cycles and have a constant reference point on the subject.

The Unit responsible for managing anti-fraud and risk management measures P.O. "Studies, research and controls of the Interreg Program IPA CBC Italy-Albania-Montenegro", with the support of TA and JS, performs various tasks: from the identification of the sectors of administrations involved in the implementation of the Program most exposed to risks of corruption, to the definition, implementation and monitoring of prevention paths.

The Unit also has the task of ascertaining and enforcing the prohibitions established for the conferment of managerial positions and top administrative responsibility, the existence or the emergence of situations of conflict or incompatibility, reporting the cases of possible violation of the provisions to the competent bodies.

With reference to the procedure envisaged for operation of the Unit responsible for managing anti-fraud measures and risk management, it should be noted that the group will meet at least once a year, upon convocation by the MA. During the meeting, potential problems related to risk management and implementation of anti-fraud measures will be analyzed and discussed. The decisions taken will be the subject of verbalization and subsequent sharing and approval by all the members.

In addition, to encourage the effective cooperation and coordination between the MA, the CA and the AA and the other bodies responsible for the audits / audits, as well as the investigating Authorities of the three countries, the European Commission and OLAF, the Unit responsible for the management of anti-fraud and risk management measures P.O. "Studies, research and controls of the Interreg Program IPA CBC Italy-Albania-Montenegro", with the support of the members of the AT Board, will activate direct communication channels and mailing lists dedicated, containing the references of the referents of the various structures

involved, in order to accelerate and facilitate information flows and share / exchange news and information.

The Albanian and Montenegrin National Coordination Authorities, in turn, will inform the MA about any frauds identified in their respective territories for the purposes of compliance. The self-assessment of the risk of fraud is carried out annually during the entire programming period, in any case before the reimbursement to the beneficiaries of the costs is granted certified.

The self-assessment process will be updated also in relation to the occurrence of events (changes in the internal control environment of the program) or to the verification of information (eg finding cases of fraud) that may affect the same, through a review of it on the occasion analysis of the results of control and updating of the overall control strategy on the program by the MA. Additional mitigating controls, codes of conduct, training sessions and awareness actions of the personnel involved may be envisaged.

During the self-assessment phase, all the results of the management verifications and, more generally, all the control activities concerning the Program, such as Audit Authority Reports, Fraud Reports, etc. will be constantly acquired and adequately assessed. In order to respond to any follow-up activities and to activate procedures that, when new cases of fraud or substantial changes to procedures and / or staff of the MA are occurring, promptly follow an examination of the weaknesses perceived in the system and relevant parts of the self-assessment.

In particular, fraud risks are identified and analyzed in relation to following key processes:

1. selection of applicants;
2. implementation and verification of operations;
3. certifying and payments;
4. direct contracts managed by the Program Authorities beneficiaries of the Axis V AT funds.

The methodology used for the risk assessment consists of the following phases:

1. assessment of gross risk, ie the level of risk exposure that is independent of any oversight or planned to mitigate of the risk itself;
2. assessment of the effectiveness of the controls currently envisaged by the Management and Control System and the Manuals, checking for each identified risk which controls already implemented by the MA and evaluating their effectiveness in terms of prevention / mitigation of the risk;

3. assessment of the net risk, ie the level of risk net of existing controls / controls already in place and of the effect of the latter on the impact of the risk and probability that occurs;
4. definition of action plans for the implementation of additional controls and / or corrective measures to further mitigate net risk if classified as significant or critical, with the identification of the manager and the time allocated, to allow the necessary follow-up to be carried out;
5. assessment of the target risk, ie the level of risk net of existing and planned additional controls and of the effect of the latter on the impact of the risk and probability that occurs.

This is to achieve a level of risk that can be classified as tolerable and to further reduce the Program's exposure to negative consequences.

With reference to the assessment of the risks of fraud in public procurement contracts of which the Program Authorities will have direct management in the framework of the actions under Axis V - Technical Assistance, all the necessary legislative measures will be identified and implemented. , regulatory and administrative, aimed at protecting the financial interests of European Union from the occurrence of possible risks of fraud through the prevention and identification of the same, identifying the single responsible of the procedure for each Authority beneficiary of the funds of the Axis of the Technical Assistance.

In order to prevent internal risks resulting from collusion, a prior assessment of exposure to specific fraud risks will be carried out, determined by the award procedure by the Program Authorities. In relation to the supply to be awarded (goods and / or services) and the amount based on the auction, the tender procedure to be adopted and the instruments to protect the principles of transparency, correctness and sound financial management will be analyzed jointly.

With reference to the procedures for reporting the suspected fraud with reference to the three States participating in the Programme, it should be noted that for the reporting of offenses it is envisaged to activate a specific e-mail box and to provide a specific form. In the procedure for reporting suspected offenses, the confidentiality of the identity of the employees / collaborators who will transmit a report will also be protected.

Is was realized a whistle-blowing specific for the Program as a tool for reporting open to citizens. This tool is available within the dedicated site, to allow the citizen to report any suspicion of fraud, irregularities, or even to make remonstrations with reference to a co-financed initiative and will therefore serve to collect reports from public employees or even from outside, on incidents of malpractice or maladministration in the management of resources and procedures.

In addition, actions will be taken to:

- take part in training and awareness on areas where the possibility of fraud is greater (management of public tenders) in order to raise the level of awareness of the internal and external staff involved;
- use specific information sources to check the information provided by the beneficiaries and encourage the transmission of information regarding suspected fraud through formal channels, informants (internal and external), etc.
- prepare and disseminate instructions and guidelines for the implementation and management of operations in order to allow accurate awareness and knowledge of the issue by the beneficiaries (in particular during the training sessions on the reporting and eligibility of expenditure and making available the relevant publications on the program website).

In relation to the indispensable rules on ethics and behavioral integrity, training / information initiatives on the subject of prevention of fraud and corruption will also be carried out periodically to raise awareness among all the personnel involved in the implementation of the Program and the beneficiaries of the operations, both to increase awareness of the anti-fraud culture of the MA, and to support identification and response to cases of suspected fraud.

In order to enhance the above-mentioned activities and to facilitate the detection of frauds, a list of the most important fraud indicators has been developed and it is reported in Annex 1 (Fraud indicators or red flags for IPA Cross-border Cooperation Programme Italy-Albania-Montenegro), that can be used for identification of fraudulent behavior.

If any red flags emerge during Programme implementation, the information will be disseminated among the employees, for instance by e-mail, in order to help other staff members to detect potential signs of fraud. Red flags from a given year will be taken into account during a fraud risk analysis.

The EC drafted and published documents that can help workers, especially those who control beneficiaries. In this respect, the MA distributed and recommended to all Programme staff the reading of these documents:

- *Information note on fraud Indicators for ERDF, ESF AND CF. COCOF 09/003/00;*
- *OLAF Compendium of Anonymised Cases – Structural Actions;*
- *OLAF practical guide on conflict of interest;*
- *OLAF practical guide on forged documents.*

More generally, in the context of fraud risk management, verification is ensured on:

- appropriate treatment of cases of suspected fraud, including through the activation of appropriate reporting mechanisms, including communications to OLAF in compliance with the relevant regional and national procedures, which involve close coordination with the other Authorities of the Program, the bodies responsible for controls and the European Commission;
- recovery of funds spent fraudulently, by adopting procedures to follow up any suspected or established fraud and, in the latter circumstance, to encourage the recovery of amounts unduly charged to the European Union budget;
- review of processes, procedures and controls related to potential or actually committed fraud.

The MA ensures the use of specific data mining tools for risk classification, with the purpose of identifying, preventing and detecting operations, Projects, Beneficiaries and contracts / contractors at risk, among which Arachne - risk scoring tool, platform software developed by the European Commission. The devices used are also aimed at a greater level of prevention. The devices used are also aimed at a greater level of prevention.

The MA will transmit the data necessary to implement the national anti-fraud database, which will be implemented by the Finance Police for Fraud Prevention. This highly effective IT tool will be used for monitoring and control in preventing fraud affecting the financial interests of the Union. The database is part of the activities of the Project, co-funded by the European Commission itself under the "Hercule II, Antifraud - Training" Program. This will ensure close cooperation with the European Commission's Anti-Fraud Office (OLAF). In case of suspected irregularity / fraud, the MA will promptly send a communication to the offices territorially competent in the matter.

As part of the procedures aimed at ensuring anti-fraud measures, the MA will also be able to have recourse, via OLAF, to AFIS (Anti Fraud Information System), an instrument aimed at facilitating cooperation between the competent national authorities and OLAF regarding possible customs frauds for the goods covered by the transit procedure. For these purposes, it will be possible to make use of the processing of records of movements of goods, which may be linked to individuals for fraud prevention and investigation purposes.

Specific anti-fraud measures by the Puglia Region

The Triennial Plan for Prevention of Corruption of the Puglia Region for 2021-2023 PTAC, approved with DGR 29/3/21 n.485 (access to the link <http://anticorruzione.regione.puglia.it>) provides: rules on conflicts of interest; the obligation for staff to report irregularities and suspected cases of fraud; the whistle-blowing procedure.

Specific measures are envisaged to protect personnel from internal sanctions in the case of reporting, as regulated by art. 54-bis of Legislative Decree no. 165/2001, and in full compliance with the provisions of Law 190/2012.

With reference to the prevention of corruption, the Triennial Prevention Plan for Corruption of the Puglia Region makes explicit reference - in Section II (Institutes, Compliance, Measures) of Elaborate II (The Prevention Strategy of the Puglia Region) - to the detection of the phases more sensitive than the proceedings, to which all regional employees are obliged to comply.

At the same time, with the aim of ensuring that the personnel who occupy the "sensitive positions" (which could have an adverse effect on the integrity and functioning of the institution by virtue of the position held) are identified and that adequate controls are put in place for such posts, appropriate forms of staff rotation will be applied, with regard to the responsibility of these phases.

In the same section of PTAC the conflict of interests is also regulated, identifying the possible cases and ways to avoid it, using, in fact, reports and adequate separation of functions. In order to prevent any conflicts of interest and ensure an adequate separation of functions, there will be a rigorous application of the provisions of the Code of Conduct for Public Employees, concerning communications of financial interests, as well as the obligation to abstain in case of conflicts of interest declaration of non-existence of the causes of non-disclosure and incompatibility for personnel at the time of assignment (Legislative Decree No. 39/2013). The Code of Conduct also extends these obligations to employees and suppliers.

Specific anti-fraud measures in Albania

With particular reference to the anti-fraud procedures implemented in Albania, the Framework Agreement signed between the Republic of Albania and the European Commission - Ref. Ares (2014) 3155358 on 25/09/2014, concerning arrangements for implementing the Union's financial assistance to the Republic of Albania under the Instrument for Pre-Accession Assistance (IPA II), provides that the IPA II beneficiary must designate a service (an anti-fraud coordination service - AFCOS), to facilitate effective cooperation and exchange of information, including operational information, with OLAF.

Therefore, Albania has taken steps to issue Law no. 112/2015 "Public Financial Inspection", within which, in Article 13, it is specified that the unit in charge of the public financial inspection will be in the Ministry of Finance, will play the role of AFCOS and will serve as a point of contact for OLAF.

It is also emphasized that the Secretary General of the Ministry has nominated an official who deals with the management of irregularities (Irregularity Officer) for the Program. The

person responsible for irregularities is responsible for ensuring the assessment and examination of suspected irregularities and for taking appropriate follow-up measures in case of confirmation. These follow-up activities provide for the initiation of disciplinary actions, recovery of funds, legal actions or reporting to the relevant state authorities.

The Directorate for Territorial Cooperation of the MEFA - Ministry for Europe and Foreign Affairs of Albania, proceeded with the elaboration of the "Capacity review table" for each of the Territorial Cooperation Programs in which Albania participates. The attached document clearly identifies the members of the Albanian National Authority who are involved in the coordination of a specific program. In addition, the document provides information on the respective legal basis on conflict of interests and prevention and identification of corruptive phenomena, while the last column indicates the level of sensitivity of each listed position.

In Albania there is no centralized main agency responsible for anti-corruption, but the National Anti-Corruption Coordinator was set up to coordinate the activities of the government and independent institutions at central and local level. In addition, a network of focal points has been set up in all ministries and independent institutions to monitor and guide the relevant officials in implementing the anti-corruption strategy and report to the national anti-corruption coordinator.

The main preventive anti-corruption bodies in Albania are the Anti-Corruption Task Force and the High Inspectorate for the declaration and control of activities and conflict of interests. The Anti-Corruption Task Force was created as a political body at ministerial level and is primarily responsible for defining strategic objectives, priorities and measures to combat corruption and also for ensuring consistency between anti-corruption entities and policies within the different ministries.

Specific anti-fraud measures in Montenegro

As regards Montenegro, also in this case, the Framework Agreement signed between the Montenegro and the European Commission on 26/02/2015, concerning the procedures for implementing financial assistance Union, under the Instrument for Pre-Accession Assistance (IPA II), regulates and identifies anti-fraud procedures. For these purposes, Montenegro as a candidate for EU membership has already set up an AFCOS system (Anti-Fraud Coordination Service), which ensures the elimination of irregularities and frauds that may be caused by the use of EU funds and guarantees a effective and high-quality protection of his financial interests.

The Audit Authority of Montenegro, as an independent Supervisory Body, was established by the law on the audit of EU funds, adopted by the Parliament of Montenegro, in its meeting of 27 February 2012 ("Official Gazette of Montenegro" no. March 7, 2012).

The Audit Authority is functionally independent of all actors in the management and control system of EU funds and is solely responsible for the audit of EU funds (Instrument for Pre-Accession Assistance, Structural Funds after Montenegro's accession to the European Union and other EU funds). In addition, again with reference to the fight against fraud, the new law on the prevention of corruption in Montenegro came into force on 1 January 2016.

For these purposes, European Integration Office of Montenegro on 26th December 2018 appointed an official who deals with the management of irregularities (Irregularity Officer) for the Program, and whose task is to ensure the assessment and examination of suspected irregularities, as well as to take appropriate follow-up measures in confirmation case.

With reference to ethics and integrity policies, the Code of Ethics of Public Officials and State Employees in Montenegro regulates the rules of conduct for civil servants and state employees on the basis of the Constitution, ratifies and declares the treaties, the laws and other international regulations of Montenegro.

These rules of behavior also regulate the issues related to conflict of interests and sensitive positions. In addition, the procedures related to the management of irregularities will be governed by the internal manual of procedures in preparation, which will also include replacement plans, workload analysis, recruitment plan, privacy statements, delivery procedures, training procedures, sensitive positions, the formation of maps and registers and other information concerning the management of human resources.

Finally, in Montenegro, as regards measures to combat fraud, consideration should be given to the issue of the law on the prevention of corruption and the institutional framework for anti-corruption and anti-fraud: the establishment of the Agency for the prevention of corruption, the Directorate of Public Procurement, the Commission for the control of public procurement; other relevant regulations containing the labor standards of the Agency for the Prevention of Corruption in the Prevention of Conflict of Interest of Public Officials. Other documents are available on the website of the Corruption Prevention Agency: www.antikorupcija.me.

For further information and details on the procedures related to fraud risk assessment and anti-fraud measures, always it is useful to refer to the annexes 4H of Programme Manual (*Annex 1.a Fraud risk assessment tool, Annex 1.b Fraud risk assessment tool and instructions on how to use the tool, Annex 2 Recommended mitigating controls, Annex 3 Template for anti-fraud policy and 4.11 Fraud Risk Management*).

3. DESCRIPTION OF THE RISK ASSESSMENT AND ANTI-FRAUD MEASURES

All the procedures to ensure anti-fraud measures under the INTERREG IPA CBC Italy-Albania-Montenegro program are aligned with those provided by the Managing Authority of the

ERDF Apulia Region 2014/2020 Operational Program. The Management Authority and all the structures involved in the management and implementation of the Program, including the Certification Structure, in line with the provisions of art. 125, par. 4 (c) of Reg. (EU) No. 1303/2013 adopt a proactive, structured and targeted approach to the management of fraud risk and work to prevent, detect, correct and penalize any irregularities that may arise in the implementation of co-financed interventions by the European Structural Funds and funds (Funds SIE 2014-2020).

The National Authorities of Albanian and Montenegrin Coordination will in turn provide the MA with any possible fraud identified for the fulfillment of these duties: for this purpose periodic training and informative meetings will be organized with the staff of the MA and the JS, to constantly share the potential risks of fraud and irregularities with the Beneficiary, possibly transferring, where possible, the measures envisaged on the anti-corruption front, which will be discussed in detail below.

With particular reference to the anti-fraud procedures implemented in Albania, the Framework Agreement signed between the Republic of Albania and the European Commission - Ref. Ares (2014) 3155358 on 25/09/2014 on how to implement the assistance under the pre-accession assistance instrument (IPA II), provides that the IPA II beneficiary has an obligation to designate a service (AFCOS) to facilitate a ' effective cooperation and exchange of information, including operational information, with OLAF.

Therefore, Albania has provided for the issuance of Law no. 112/2015 "Public Financial Inspection", in which Article 13 specifies that the unit responsible for public financial inspection will be at the Ministry of Finance, will play the role of AFCOS and serve as a point of contact for OLAF.

It is also underlined that the Secretary General of the Ministry has appointed an Irregularity Officer for the Program. The person in charge of irregularities has the task of ensuring the evaluation and examination of suspected irregularities and of taking appropriate follow-up measures in case of confirmation. These follow-up activities involve the initiation of disciplinary actions, fundraising, judicial actions or reporting to relevant state authorities.

In line with the provisions of Art. 125, par. 4, lett. (c) of Regulation (EU) No. 1303/2013, the Managing Authority establishes effective and proportionate anti-fraud measures in relation to identified risks.

For this purpose, appropriate procedures for determining and measuring the risk of fraud related to the articulation and complexity of the program are identified. Periodically, the first time within six months of the designation and subsequently during the implementation of the program, depending on the level of risk, taking into account the financial progress of the program, the results of the controls carried out or the substantial modification of certain

elements of the context of the reference (system), the assessment of risk of fraud is updated.

In particular, on the basis of the guidelines set out in the guidelines of the Commission Services (EGESIF_14-0021-00 of 16/06/2014), aimed at providing guided support to address the remaining cases of fraud as a result of the definition of other measures of sound financial management and its effective implementation, the MA will identify and assess specific risks in relation to the three main processes that characterize the management of co-financed interventions (selection, implementation and verification of transactions, certification and payments).

In line with provisions of Art. 125 (4) c, of Reg. (EU) no. 1303/2013, MA will implement self-assessment measures based on a targeted approach that takes into account the specificities of Program and which result in a series of actions aimed at mitigating the residual risk of fraud, leading to an acceptable level, such as the application of fraud prevention provisions, clear assignment of relevant tasks and responsibilities, anticipation of training and awareness raising activities, data analysis and adequate monitoring of alert signals and fraud indicators .

The above measures are divided into four distinct phases, which represent the key elements of the anti-fraud cycle:

- 1) prevention;
- 2) identification;
- 3) correction (correction);
- 4) persecution (judicial action).

Self-assessment is carried out using the model prepared by the European Commission, annexed to the "Evaluation of fraud risks and effective and proportionate anti-fraud measures" suitably adapted to the specificities of the CTE programs. It provides a dedicated "Fraud Risk Assessment Group" working group, which will be composed primarily of personnel representing the various relevant functions within the MA and working closely with the risk management structures.

It will be composed, apart from the MA and / or delegated person, by the Head of the Acts, by the "Program Certification" Service Manager and / or delegated person, by the official of the Secretariat-General of the Presidency (acting on the implementation of the PTAC) and representatives of the National Authorities of Albanian and Montenegrin Coordination (Irregularity Officer).

The Service Manager, suitably supported and assisted by the staff of the MA Technical Assistance Staff, will also play the role of the Unit responsible for the management of anti-fraud measures and risk management in order to introduce and implement procedures to

ensure effective anti-fraud measures and proportionate.

In order to improve the effectiveness of the actions being implemented, the Unit will work closely with the Audit Unit, irregularity management and fraud prevention, identified and named by the DG FESR-FSE 2014-2020 of the Apulia Region, in order to capitalize on the accumulated experience in the previous programming cycles and to have a constant reference point in this matter.

Following a self-assessment activity, the Anti-Fraud Policy and its Action Plan will be adopted, in line with what is already covered by the Tripartite Corruption Prevention Plan - PTAC (with access to the <http://anticor.regione.puglia.it>) which provides: rules on conflicts of interest; the obligation for staff to report irregularities and suspected cases of fraud; the whistle-blowing procedure. It will be appropriate rules to protect staff from internal sanctions in case of reporting, as regulated by Art. 54-bis of Legislative Decree no. 165/2001, and in full compliance with the provisions of L. 190/2012.

Likewise, it is envisaged to establish a specific whistle-blowing procedure for the Program as a tool for openings to citizens. This tool will be made available on the dedicated site to allow the citizen to report any suspected fraud, irregularity or even complain about a co-funded initiative and will therefore be used for collecting reports from public employees or even from outside, on illicit or maladministration in resource management and procedures.

In relation to the essential rules on ethics and integrity of behavior, periodic training / information initiatives will also be carried out on the prevention of fraud and corruption phenomena aimed at sensitizing all personnel, both to raise awareness of anti-fraud culture of MA, both for support in identifying and responding to suspected fraud cases.

Lastly, with reference to the prevention of corrupt phenomena, the Triennial Plan for the Prevention of Corruption in the Apulia Region explicitly refers to - in Section II (Institutes, Fulfillments, Measures) of Elaborate II (the Prevention Strategy of the Puglia Region) of the most sensitive stages of the proceedings, to which all regional employees are obliged to comply.

At the same time, with the aim of ensuring that staff who occupy "sensitive places" (which could adversely affect the integrity and functioning of the institution by virtue of its position) are identified, and that adequate controls are carried out at such places, adequate rotation of staff is provided for the responsibility of these phases.

In the same section of the PTTC, the conflict of interest is also regulated by identifying possible cases and ways to avoid it, using reports and appropriate separation of functions.

In order to prevent any conflicts of interest and ensure an adequate policy of separation of

functions, there will be strict application of the Code of Conduct for Public Employees as well as financial interest and conflict of interest communications as well as the obligation to abstain in case of conflicts of interest.

In addition to this is the declaration of non-existence of the causes of inconfirability and incompatibility for staff at the assignment of the assignment (D.Lgs.39 / 2013). The Code of Conduct extends these obligations also to employees and suppliers.

Through the adoption of the instruments made available by the EC, the MA uses a specific fraud risk assessment tool that takes into account the risks (see EGESIF mentioned) generally outlined in the implementation of cohesion policy; a synoptic picture of "mitigating" controls, also identified by those suggested by the European Commission, associated with the risks identified in the three processes for which a sufficiently adequate prevention and detection system has been concluded or not yet.

In this light, the risk of fraud is assessed during the program execution period in relation to the occurrence of events (changes in the program's internal control environment) or the detection of information (eg fraud case) which can affect self-assessment through a review of the audit results and the update of the overall control strategy of the MA.

Further mitigating controls, codes of conduct, training sessions, and employee awareness actions can be provided.

Referring to sources for information retrieval, MA ensures the use of specific risk classification information tools for the purpose of identifying, preventing and detecting transactions, Projects, Beneficiaries and Contracts / Contracts at Risk, among which Arachne - a risk scoring tool, a software platform developed by the European Commission.

As part of the program, Arachne will be used by MA / JS as a risk assessment tool complementary to other risk assessment tools. Arachne's use of the program will consist in identifying the following three risks:

1. Financial insolvency

Within each call, private (non-profit) candidates with a budget greater than 250,000 Euros and acting as project partners will be monitored through Arachne to identify the risk of financial insolvency. In the event of a high risk, the MA/JS informs the Member States concerned before the JMC meeting to enable national representatives to carry out, prior to the JMC's approval, any necessary investigation and confirm the financial soundness of the candidates concerned.

2. Conflict of interest

In all approved projects, Beneficiaries who report costs related to contracts with values

above the thresholds set out in the procurement directives will be audited through Arachne to identify any risk of conflict of interest between the beneficiary and the external contractor. In the event of a high risk, MA/JS shall inform the Member States concerned of any inquiries which may be necessary;

3. Overlapping projects

Within the Submissions for Proposals, MA/JS will present a sample of candidates to see if they are involved in other funded projects, potentially overlapping with those selected. The sample will be based on the risk and will cover at least 2% of the candidates involved in the selected proposals for funding by the MA/JS.

The devices used are also aimed at a higher level of prevention. The MA will transmit the data needed to implement the national anti-fraud database, which will be implemented by the Finance Guard's Nucleus for Repression of Fraud. This highly effective IT tool will be used for monitoring and control in the prevention of fraud against the Union's financial interests.

The database is part of the Project's activities, co-financed by the European Commission itself under the "Hercule II, Antifraud-Training" program. This will ensure close cooperation with the European Anti-Fraud Office (OLAF). In case of suspected irregularity, the MA will promptly notify the alleged irregularities to the territorially competent offices in this matter.

In assessing the risk of fraud, account will be taken of:

- inherent risk, defined in proportion to the multiplicity and nature of the organisms and subjects involved in the implementation,
- the complexity of the context and the regulatory framework of reference: rules in relation to the number of transactions,
- the nature and duration of operations,
- the frequency and quality of controls,
- the outcomes of the checks and statistics found for any irregularities / fraud censored in the previous programming periods.

The identified prevention measures will therefore take into account the identified risks and will drive the MA to identify the tolerable level of risk, including in relation to the results of the controls. The actions that will be put in place will therefore be aimed at:

- improve the transparency of decision-making processes, including the provision and dissemination of instructions for the implementation and management of operations in order to allow for a clear understanding and knowledge of the rules for managing operations by beneficiaries;
- strengthen internal control systems;

- encouraging the transmission of information regarding suspected fraud: formal channels, informers (internal and external);
- improve cooperation between different services (management / audit / investigation);
- raising the level of staff awareness through training / information on past experiences and areas where the possibility of fraud is greater (public procurement management);
- analyze the lessons learned from the results of the audits and the cases of possible fraud identified during the 2007-2013 programming period.

ANNEX I - FRAUD INDICATORS OR RED FLAGS

PUBLIC PROCUREMENT

1. Corruption – bribes and kickbacks

- unexplained favorable treatment of a contractor by a contracting employee over a period of time,
- close socialization between a contracting employee and service or product provider,
- unexplained or sudden increase in wealth by the contracting employee,
- contracting employee has an undisclosed outside business,
- contractor has a reputation in the industry for paying kickbacks,
- undocumented or frequent changes to contracts increasing the value of the contract,
- contracting employee declines promotion to a non-procurement position,
- contracting employee fails to file or complete conflict of interest declaration;

2. Undisclosed conflict of interest

- unexplained or unusual favoritism of a particular contractor or seller,
- continued acceptance of high-priced, low-quality work etc,
- contracting employee fails to file or complete conflict of interest declaration,
- contracting employee declines promotion to a non-procurement position,
- contracting employee appears to conduct side business;

3. Collusive bidding

- winning bid is too high compared to cost estimates, published price lists, similar works or services or industry averages and fair market prices,
- persistent high prices by all bidders,
- bid prices drop when new bidder enters the competition,
- rotation of winning bidders by region, job, type of work,
- losing bidders hired as subcontractors,
- unusual bid patterns (e.g. the bids are exact percentage apart, winning bid just under threshold of acceptable prices, exactly at budget price, too high, too close, too far apart, round numbers, incomplete, etc),
- apparent connections between bidders (e.g. common addresses, personnel, phone numbers etc.),
- contractor includes subcontractors in its bid which are competing for the main contract,
- qualified contractors fail to bid and become subcontractors or low bidder withdraws and becomes a subcontractor,
- certain companies always bid against each other, others never do;

- losing bidders cannot be located in the internet, business directories, have no address etc (in other words they are fictive),
- correspondence or other indications that contractors exchange pricing information, divide territories, or otherwise enter informal agreements,
- collusive bidding has been found in the following sectors and is also relevant for structural funds: asphalt paving, building construction, dredging, electrical equipment, roofing, waste disposal;

4. Unbalanced bidding

- particular line-item bids appear to be unreasonably low,
- changes are issued soon after contract awards to delete or modify line-item requirements,
- line-items for bids are different than the actual contract,
- close to procurement personnel or participated in drafting specifications;

5. Rigged specifications

- only one or a few bidders respond to request for bids,
- similarity between specifications and winning contractor's product or services,
- complaints from other bidders,
- specifications are significantly narrower or broader than similar previous requests for bids,
- unusual or unreasonable specifications,
- high number of competitive awards to one supplier,
- socialization or personal contacts between contracting personnel and bidders during the bidding process,
- the buyer defines an item using brand name rather than generic description;

6. Leaking big data

- poor controls on bidding procedures, e.g. failure to enforce deadlines,
- winning bid just under the next lowest bid,
- some bids opened early,
- acceptance of late bids,
- late bidder is the winning low bidder,
- all bids are rejected and contract is re-bid,
- winning bidder communicates privately with contracting personnel by e-mail or otherwise during bidding period;

7. Manipulation of bids

- complaints from bidders,
- poor controls and inadequate bidding procedures,
- indications of changes to bids after reception,

- bids voided for errors,
- a qualified bidder disqualified for questionable reasons,
- job not re-bid even though fewer than the minimum number of bids were received;

8. Unjustified single source awards

- single source awards above or just below competitive bidding thresholds,
- previously competitive procurements become non-competitive,
- split purchases to avoid competitive bidding threshold,
- request for bid mailed only to one service provider;

9. Split purchases

- two or more consecutive, related procurements from the same contractor just under competitive bidding or upper level review thresholds,
- unjustified separation of purchases, e.g. separate contracts for labour and materials, each of which is below bidding thresholds,
- sequential purchases just under the thresholds;

10. Co-mingling of contracts

- similar invoices presented under different jobs or contracts,
- the contractor invoices for more than one job for the same time period;

11. Cost mischarging

- excessive or unusual labour charges,
- labour charges inconsistent with contract progress,
- apparent changes to time sheets,
- time sheets cannot be found,
- the same material costs charged to more than one contract,
- charging indirect costs as direct costs;

12. Defective pricing

- contractor refuses, delays or is unable to provide supporting documents for costs,
- contractor provides inadequate or incomplete documentation,
- out-of-date pricing information,
- apparent high prices compared to similar contracts, price lists or industry averages

13. Failure to meet contract specifications

- discrepancy between test and inspection results and contract claims and specifications,
- absence of test of inspection document or certificates,
- low quality, poor performance and high number of complaints,

- indications from the contractor's expense records that the contractor did not e.g. purchase materials necessary for the works, does not own or did not lease equipment necessary for the work or did have the necessary labour on the site (nb: this type of cross-checking can be valuable);

14. False, inflated or duplicate invoices

- invoiced goods or services cannot be located in inventory or accounted for,
- no acknowledgment of receipt for invoiced goods or services,
- questionable or no purchase order for invoiced goods or services,
- contractor's records do not reflect that the work was done or that the necessary costs were incurred,
- invoice prices, amounts, item descriptions or terms exceed or do not match contract items, purchase order, receiving records, inventory or usage records,
- multiple invoices with the same amount, invoice number, date etc,
- sub-contracts in cascade,
- cash payments,
- payments to off-shore companies;

15. Phantom service providers

- service provider can not be found in any directories, the internet, google and other search engines etc,
- service providers address can not be found,
- the service provider lists incorrect street address or phone number,
- off-shore company used;

16. Product substitution

- unusual or generic packaging: packaging, colours or design different than the norm,
- discrepancy between expected appearance and actual appearance,
- product identification numbers differ from published or catalogue numbers or numbering system,
- above average number of test or operation failures, early replacements, or high maintenance or repair costs,
- compliance certificates signed by unqualified or non-certified person,
- significant difference between estimated and actual costs for materials,
- contractor is behind schedule but quickly catches up,
- unusual or obliterated serial numbers; serial numbers are not consistent with legitimate manufacturer's numbering system,
- invoice or inventory item numbers or descriptions do not match purchase order terms;

LABOUR CHARGES AND CONSULTANCY SERVICES FRAUD

17. Incurred labour cost

- distinctive charging patterns,
- sudden, significant shifts in charging,
- decrease in charges to projects/contracts in overrun or near ceilings,
- a disproportionate percentage of employees charging indirect,
- large number of employees reclassified from direct to indirect or vice versa,
- same employees constantly reclassified from direct to indirect or vice versa,
- weak internal controls over labour charging, such as employee time cards signed in advance, employee time cards filled in by the supervisor, time cards filled in with pencil or time cards filled in at the end of the pay period,
- actual hours and euros consistently at or near budgeted amounts,
- use of adjusting journal entries to shift costs between contracts, R&D, commercial work,
- significant increases or decreases in charging to sensitive accounts,
- employee's time charged differently than associated travel costs;

18. Uncompensated overtime

- professional staff required to work a significant amount of unpaid overtime on a variety of projects-both direct and indirect,
- salaried employees only charging the regular hours worked during any day for an extended period,
- a pattern of management directed unpaid overtime with employee bonus based on the extra hours worked,
- overrun contracts/projects worked on only during unpaid hours;

19. Consulting/professional service

- no formal signed agreements or contracts; however, large sums paid for "services rendered" based on invoices with few specifics,
- formal agreements or contracts exist but are vague as to services to be rendered, and no other documented support, such as detailed invoices, trip reports or studies, exists to justify the expenses,
- services paid for were used to improperly obtain, distribute or use information or data protected by law or regulation,
- services paid for were intended to improperly influence the content of a solicitation, the evaluation of a proposal or quotation, the selection of sources for contract award or the negotiation of a contract, modification or claim. It does not matter whether the award is by the prime contractor or any tier subcontractor,
- services paid for were obtained or performed in some way that violated a statute or regulation prohibiting improper business practices or conflict of interest;

20. Labour categories

- significant differences between proposed and actual unit costs or quantities with no corresponding changes in work scope or job requirements,
- task-by-task invoicing consistently at the ceiling level established in the contract. An exception would be if the contract/work order specifies how many hours to bill,
- specific individuals proposed as "key employees" not working on the contract,
- proposed labour not based on existing work force. Massive new hires needed. New hire labour rates significantly lower than proposed,
- employees' skills do not match the skill requirements as specified for their labour category or the contract requirements,
- employees typically charged indirect by the company being charged direct to the contract, partners', officers', supervisors' and other employees' time being charged in
- noncompliance with the contract terms or with the company's established accounting policies and procedures.