

DG EMPL/DG REGIO

Arachne

FAQ

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SOURCE OF DATA, STRUCTURE AND CREDIBILITY OF DATA, DATA STORAGE

1. What types of data do the managing authorities have to send to the Commission in order to get results of the risk calculation displayed on dashboards of Arachne?

The managing authorities are responsible to collect and extract data out of their local computerised systems set up according to Article 72 of the Commission Regulation (EC) 1303/013 and to send this data in xml-format to the Commission.

About fifty data fields from the data fields listed in the Annex III of the Commission Delegated Act 480/2013 will become mandatory to be send in the xml-format to the Commission. With these fifty data fields not all risks can be calculated, notably the risks related to expenditures (i.e. double payments, payments before eligibility period started). Some member states are currently developing or aligning their computerised system to be in compliance with the requirements of the programming period 2014-2020. It is recommended to take the opportunity at that stage to include all data fields that can be processed by Arachne in order to fully benefit from results of the risk calculation and the potential of Arachne.

After the calculation of the risks and based on data provided by the managing authority Arachne will display the result and the managing authority or designated intermediate bodies can assess the risks on projects, beneficiaries, contracts, contractors and expenses data in Arachne.

Upon request of managing authorities the Commission will provide documentation about:

- *All data fields which can be processed to calculate the risks displayed in Arachne.*
- *A table that shows which data fields are mandatory in the new computerised system according to Annex III of the Commission Delegated Act (EC) 480/2013 and which data fields are not mandatory but can be provided by managing authorities to calculate the full range of risks.*
- *A list that informs about the link between the data used for the calculation and the related risk displayed in Arachne as a result of the risk calculation.*
- *Technical explanations and guidance to create the specific XML data file which must be used to upload the data from the member states into Arachne.*

2. What types of data will be used to calculate the risks displayed on dashboards in Arachne, and which databases will be used as data sources?

The types of data to be used are explained in detail in question 1. Generally the database used to extract data is the computerised system according to Article 72 of the Commission Regulation (EC) 1303/2013. However in some cases it might well be that some data not included in the computerised system are stored and processed in other systems. It is advisable that the managing authorities are working very closely together with the local IT department/services to see which other sources of data are available in local data systems and how it can be technically solved that data held in other systems can be merged with data extracted from the computerised systems. The aim should be to source all data needed to calculate all the risks in order to benefit most from the result of the risk calculation displayed in Arachne.

3. Is it possible to send several xml-files for one operational programme with different data sources in addition to the ones extracted from the computerised system?

The data to send to the Commission as a basis if the risk calculation may be collected from different data sources but must be send in coherent sets of data (technical information and documentation is available on request). It's not possible to send separate pieces of data to Arachne or to enter and modify data in Arachne.

4. Who will be responsible for providing data for the risk calculation? Will the central coordination unit will be responsible for that or will managing authorities have to provide data necessary to calculate the risks?

According to Article 125 (4)(c) the managing authorities have to put in place effective anti-fraud measure appropriate to the risk identified and is responsible for the organization of the collection, the extraction, the creation and the upload of the data files.

5. Which registers and databases will be interconnected with ARACHNE?

Arachne uses 2 external data bases during the enrichment and risk calculation process.

○ *Orbis database :*

Information of more than 170 million companies world-wide like:

- *financial data of the company (turnover, cash flow, profit margin, ...),*
- *shareholders / subsidiaries,*
- *address information,*
- *sector, type, size,*
- *related people (directors, contact people, ...) and*
- *indicators like credibility and bankruptcy.*

○ *WorldCompliance:*

Aggregated and centralized information about:

- *PEP lists (politically exposed persons),*
- *sanctions lists (EU Terrorism List, ICE List, CBI List, ...),*
- *enforcement list (narcotic & human traffickers, money launderers, fraudsters and other criminals, ...) and*
- *adverse media list (company or person that have been linked to illicit activities by news sources).*

6. Will Arachne use data from the systems of the Commission, particularly the Irregularity Management System (IMS), or the Anti-Fraud Information Services (AFIS)?

No, Arachne is not linked to any other system of the Commission. It only uses the VAT Information Exchange System (VIES) of the Directorate General of Taxation and Customs Union (TAXUD) to check the validity of VAT numbers used by beneficiaries, contractors and subcontractors.

7. As regards the data on company ownership structure, the share and number of employees – where will this data be taken from? These data are not available in the business register, and the financial statements do not always provide this data.

This data will be taken from the Orbis database if the concerned companies have published these figures. If not, the managing authorities can provide these figures to Arachne if they have the information available in their local IT system. Note that these data fields are not mandatory.

8. How long the data will be retained?

As regards the conservation of the data, these are retained for three years following the closure of an operational programme and in accordance with the requirements of Article 90 of Regulation 1083/2006. According to the Privacy Statement, data will not be maintained for statistical purposes.

9. Are all the amounts VAT included?

Yes, if VAT is an eligible expense item.

10. For data sourced in another currency than EUR, which exchange rate will be used by Arachne?

Arachne uses the exchange rate applicable to the conversion of the expenses according to the regulatory requirements.

DATA UPDATING

11. Will the data in Arachne be updated continuously, or on predefined dates (i.e. on the 1st day of months, quarterly, etc.)?

Once the managing authorities decides that Arachne forms an element of the effective anti-fraud measure appropriate to the risk identified according to Article 125 (4)(c) of the Regulation (EC) 1303/2013 it becomes their responsibility to send data on a regular and timely basis the Commission. The required minimum sets of data are mentioned in Annex III of the Commission Delegated Regulation 480/2013 in order to be assessed as sufficient. If the managing authorities are not sending a sufficient set of data e.g. every month there is a risk that the effectiveness of the anti-fraud measures is compromised and may undermine the legality, regularity and eligibility of the expenditure declared.

The enrichment and risk calculation process of Arachne runs every week and starts each Monday. All files uploaded; by the member states into Arachne before Monday 14:00 PM will be included in the weekly risk calculation. On Friday the updated results of the enrichments and the risk calculations will be visible in Arachne

9. How Arachne will process updating of its source databases?

The two external databases (ORBIS and WorldCompliance) used by Arachne in the enrichment and risk calculation process will be refreshed every 3 months. It is the responsibility of the Commission to guarantee that the refresh is done as planned.

10. Will the MA's have any responsibilities as regards updating Arachne source databases (time frames, set of data provided)?

Managing authorities have the responsibility to update their data in Arachne by sending new data files on a regular basis ideally once a month and with a minimum set of data as describe in the answer 8

Arachne calculates peer group averages for the whole programme. These averages are used in different risk indicators. If not all data are provided the peer group averages risk not being precise enough which may lead to "false positives".

During the test phase the managing authority can decide how many data fields they want to send. However, Arachne needs the minimum set of nine obligatory data fields to be able to calculate data fields. It needs to be noted that Arachne can only calculate a risk indicator if all information for its calculation is available. If not all data fields are sent, not all risk indicators can be calculated in Arachne.

11. How are the results of the risk calculation for Arachne stored?

The result of the risk calculation of Arachne will be stored electronically in a database. This database can be retrieved via the interface of the Arachne application. Designated users have the possibility to assess the risks via dashboards that are displayed in dashboards for projects, contracts, contractors and beneficiary. Designated users can download selected data in various formats such as xls, txt and xml, or to save printable reports.

12. Can Arachne display information about successful and unsuccessful candidates or applicants?

In principle all information that is officially registered in company registers around the world can be displayed in Arachne via the ORBIS database. For all candidates or applicants information may be available in ORBIS. Depending on the respective national law the details of information that has to be registered may vary. Notably for small entities financial data are not always available.

13. Are data provided by the external service providers ORBIS and WorldCompliance credible?

The data providers Bureau Van Dijk for Orbis and LexisNexis for WorldCompliance have been selected after an intensive market study performed by the Commission. One of the main principle to select the service provider was that they provide only data that are publicly available and do not use information from sources that are not official or unreliable. The companies are also ensuring the quality of their data through internal quality checks.

Incorrect information can only be corrected by companies by correcting their data in the respective national company register.

The predictive indicators used by Arachne (propensity of 'bankruptcy' and 'to be sold') are calculated by our service provider and are based on mathematical models using the data published by the companies and historical data. These indicators are fine-tuned on a regular base.

These indicators informs the Arachne user if the concerned company has a higher chance to become bankrupt or to be sold in the coming 18 months compared to other companies of the same sector in the same country. More details are available in the user manual of Arachne.

14. Is it possible for the managing authority to extract data not only from their computerised system but also from other systems and to send various files for one operational programme with different sets of data fields?

The managing authority can collect data from different systems if it is necessary and if the completeness of data fields can be enhanced. However, the data must be provided to Arachne in coherent xml-files and can only contain data linked to one operational programme.

15. Who will check the coherency and the correctness of the data to be send in an xml-format to the Commission?

It is the responsibility of the managing authority to check the coherency and the correctness of the data. The Commission will support the managing authorities in the setup and test phase by checking the quality and the quantity of the data sourced.

ACCESS TO ARACHNE, USER ROLES, DATA VISIBILITY

16. If a managing authority opt for Arachne, will there be a possibility to adapt Arachne to specific needs?

No, Arachne and its way of calculating risks is uniform for all designated users throughout Europe. However, the Commission is encouraging managing authorities and their designated users to give feedback to the Commission about the usefulness or the calculation of risk indicators. In fact most of the improvements for the new version 2.0 such as improved risk calculation or the possibility for ex-ante checks is based on the feedback of managing authorities already testing Arachne.

17. Is Arachne available in different languages?

Once a managing authority is definitely deciding to use Arachne for the programming period 2014-2020 the Commission can, on request of the member state, translate the interface of Arachne and the user manual to the respective language. The Arachne interface and the manual will be translated timely after the decision of the managing authority but may take some time.

18. Will a member state have access to aggregated data from other member states, or of the Commission (such as the total amount of financial support)?

Designated Arachne users will have access to the data of the operational programs for which they have been granted access rights from the managing authority concerned. Normally these access rights are limited within an operating program or within a member state. Managing authorities can however grant access to users outside of their country. This may be particularly interesting for the ETC programmes.

In the risk calculations rules, the total amount of financial support will be calculated cross-country. The total amount will be visible in the specific risk indicator but the details are only visible for the projects or contracts linked to the operational programs for which the user has access rights.

19. What data will be visible for a managing authority? In case a particular managing authority is only able to work with data concerning its operational programme, will it be possible to see relationships and links to other operational programmes?

Designated Arachne users will have access to the data of the operational programs for which they have been granted access rights from the managing authorities concerned. The managing authority can decide to limit the access rights for a particular operational program in its country.

Managing authorities also have the power to decide that designated users of other member states can have access to the result of the risk calculation for one or more of its operational programmes. This might be particularly interesting for Interreg cross-border cooperation where designated bodies for one operational programme are located in different member states. Only if access rights are given by the respective managing authority designated users can see risk indicators for the operational program of another member state.

Without having specific access rights all managing authorities using Arachne can see, if beneficiaries, partners, consortium members, contractors, sub-contractors and related people are involved in other operational programs even in other member states. The only information displayed is the “CCI-number” of the operational program from the other member state. The “CCI-number” is a unique

identifier that is granted by the Commission for each operational program, major projects and global grants upon request by the competent member state authority.

20. Will a managing authority be allowed to modify or update data in Arachne?

Data sourced by the managing authority cannot be changed. The only option for the managing authority to change or correct data already used to calculate the risk indicators is by sending a new data file in the xml-format. The prerequisite is however that the data need to be corrected in the local computerised system. The updated xml-file with the corrected data will be the basis of the new risk calculation. The service provider contracted by the Commission is calculating once a week the risks based on the data provided by the managing authority. Consequently it will take up to one week to correct wrong data.

The only exception of data that can be altered without sending a new data file are all data in the case management system as a case is created by designated users in Arachne. Creating and updating a case will be possible for the users having the necessary roles in Arachne. More details about the case management system are available in the user manual.

21. How a managing authority decides to whom it grants which user role?

Arachne gives a managing authority to define specific users such as the role as supervisor or follower or guest. The different roles are defining different rights to work with the case management system of Arachne. The case management was designed to assist the user of Arachne in managing the proper follow-up of projects or contracts that require additional review.

A managing authority has to assign each Arachne user account with one of the following user roles with regards to the case management module:

- Guest: he can see cases, but cannot change anything except comments;*
Follower: he can add additional information to the cases that are assigned to him; he can propose a case status change. He cannot assign cases to specific users nor approve other case status changes;
Supervisor: he must (re-)assign the cases to specific users (user with a Follower role), and he can accept or decline case status change proposals.

During the testing phase the Commission will follow official instructions from a managing authority and create the user accounts with respective roles connected to this user account.

After the managing authority decides officially to use Arachne for the programming period 2014-2020 the Commission will give administrators' rights to a local administrator that is designated by the managing authority. The administrator will have the rights to grant access, for the operational program for they are administrator, to local users from managing authorities and if decided by the managing authority also to designated users in the intermediate bodies, the certifying authority and the audit authority.

Each user can have one or more roles in Arachne depending on the decision taken by the managing authority. As explained the designated roles determines specific user rights explained.

22. Can authorities who are not directly involved in the implementation of European Social and Investment Fund (ESIF), but are participating in the control or audit of ESIF (for ex. law enforcement authorities, Supreme Audit Office) be granted access to Arachne?

The managing authority can only grant users that are part of the management and control system for (a) specific operational programme(s) access to Arachne. This is also clearly mentioned in the charter of Arachne that lines out basic principles to use Arachne.

23. Will the tool also be used by the certifying authorities, the court of auditors, the commission, OLAF, ...?

It is not foreseen that other authorities than the Commission will have access to Arachne.

24. How many free licences will be given to a particular member state and/or managing authority?

Currently we have 30 concurrent licenses for external data usage. This means that we can have more users connected at the same time but that only 30 of them can retrieve at the same time data coming from external sources (Orbis, World compliance). We have a sophisticated system which handles these licenses in order not to block users. If no licenses are free at a certain moment, people just have to wait some minutes before licenses will become (automatically free). The use of Arachne in terms of number of concurrent users will be followed and if needed, the number of licences will be modified.

FUNCTIONALITIES AND POSSIBILITIES OF USE

25. Is it mandatory to use Arachne?

No, the use of Arachne is voluntary. For the purpose of the requirement for the managing authority to have in place "effective and proportional anti-fraud measures" in the programming period 2014-2020, Arachne will be the Commission's benchmark.

26. What functionalities will ARACHNE offer?

Arachne is offering a very wide range of functionalities for the assessment of risks related to projects, contracts, contractors and beneficiaries. Additionally Arachne provides the unique possibility for a managing authority to assess all officially registered data from companies in company databases throughout the world via the ORBIS database.

27. Is it possible to use Arachne on an ex-ante basis before a grant agreement or a contract is signed?

With the current version of Arachne (Version 1.2.4) a managing authority has already the possibility to carry out ex-ante checks with data of ORBIS, before a grant agreement or a contract is signed:

- *financial data and related risks of a company,*
- *relations between involved companies and*
- *checking legal links between persons.*

In the new version of Arachne (Version 2.0) the system will make it possible to upload data of candidates before a contract will be signed and names of applicants before the grant agreement will be signed. Managing authorities which would like to identify the risks ex-ante will have to send the names of candidates and applicants to the Commission.

As the possibility to check risks before a contract or a grant agreement is signed might be misused each time a request of an ex-ante check will be sent to the Commission the person, the date of the request and all other related information will be logged and saved.

28. What is the added value for a managing authority to use Arachne?

- 1. According to Article 125 (4)(c) of the Commission Regulation (EU) No 1303/2013 the managing authorities have to "put in place effective and proportionate anti-fraud measures taking into account the risks identified". Introducing Arachne in the management and control system is optional and one possibility for a detective and preventive anti-fraud measure.*
- 2. Arachne systematically assists managing authorities and intermediate bodies to increase the effectiveness and efficiency of their management verifications to be carried out according to article 125 (5) of the Commission Regulation (EU) No 1303/2013. Thereby, error rates and irregularities could be reduced. Their costs and administrative capacity of the aforementioned can subsequently better be geared towards prevention and detection of irregularities, fraud and corruption.*
- 3. Prevention and detection are always cheaper than correction. Moreover, Arachne is aligned with the point 2.6 Anti-fraud measures of the Guidance for Member States on Designation Procedure (European Structural and Investment Funds, Guidance for Member States on Designation Procedure (EGESIF_14-0013-final – 18/12/2014)*
- 4. The evolution of risk indicators in Arachne facilitates the recording and presentation of the results of increased effectiveness and efficiency of management verifications over time.*
- 5. Managing authorities and intermediate bodies can perform better ex-ante checks before signature of grant agreements or contracts, based on the risk indicators provided by Arachne.*
- 6. Managing authorities can adopt an operational cutting-edge risk scoring tool free of charge. Once managing authorities have decided to use Arachne, the Commission can provide technical support for the implementation and further training for users.*
- 7. Participation from managing authorities in the development of Arachne will be welcome to improve Arachne for the benefit of all managing authorities.*

29. Which risks will be analysed by Arachne?

Arachne can calculate and display up to 106 risks indicators classified in 7 main risk categories such as procurement, contract management, eligibility, performance, concentration, other and reputational and fraud alerts. The risk indicators are sorted into seven risk categories. Details such as a description, data needed to calculate the risk and other information are available in the user manual. It is available in English and French via the "help-button" in Arachne.

30. Will the system include data on entities which are facing recovery of funds based on a Commission decision, in which the financial assistance was marked as ineligible and incompatible with the single market?

Arachne is not linked to any other system in the Commission, except for the VAT Information Exchange System (VIES) of the Directorate General of Taxation and Customs Union (TAXUD) which is used to validate VAT numbers.

Managing authorities include information in the data file to be sent to the Commission on beneficiaries affected by financial corrections in the past. This information will be used in the procurement risk indicator category.

31. Will ARACHNE be able to detect collusive behaviour?

No, Arachne is not able to detect collusive behaviour.

32. Will ARACHNE be able to detect accumulation of state aid and de minimis?

No, Arachne is not able to detect the accumulation of state aid.

33. Will Arachne provide an assessment of financial health of a company, for ex. on the basis of Altman Z score, or other methods of financial analysis?

Arachne provides an assessment of the financial health of a company via two indicators built on predictive modelling techniques. These indicators, called Vadis Predictive Indicators or VPI (Vadis is the company who calculates these indicators and is the service provider contracted by the Commission), are only available for companies.

The two indicators are

- **VADIS Predictive Indicator to Propensity-to-become bankrupt (VPI P2B bankruptcy):**
Measures the propensity for a company to become bankrupt within the next 18 months. The indicator scores (from 1 to 20) and ranks companies from A to F (F being assigned to companies with the highest propensity to become bankrupt) for all companies for which a score could be computed when recent detailed financial data is available located in one of the fifty main industrialized countries.
- **VADIS Predictive Indicator to Propensity-to-be sold (VPI P2Bsold):**
Measures the propensity for a company to be sold within the next 18 months. The indicator ranks from 1 to 5 for the top 10% of companies for which a score could be computed when recent detailed financial data is available for each of the main fifty industrialized countries that display the highest probability to be sold. Each ranking value therefore represents 2% of the 10% of the population of each country with 5 being the 2% of the companies being the most probable to be sold in that country.

34. Will Arachne be able to detect a possible conflict of interest?

Arachne is able to display information about a link between companies and/or persons based on the information of ORBIS and the data provided by a managing authority. Types of links that can be displayed if sufficient information is available:

- *links between beneficiaries and project partners*
- *links between beneficiaries/project partners and contractors/consortium members*
- *links between beneficiaries/project partners and sub-contractors*

- *links between contractors and consortium members*
- *links between contractors/consortium members and sub-contractors*

The information displayed in Arachne is about legal links. Whether a specific link displayed by Arachne constitutes a conflict of interest must be duly verified in every case by the managing authority in light of national laws.

35. Will Arachne provide data on any publicity of a company or a person?

Arachne will check whether companies involved in projects and contracts of the respective operational programme appears on the enforcement-, sanction- or adverse media lists available in the WorldCompliance database. This database contains only 'negative' information. People registered as an official representative of companies involved in a project co-financed with ERDF or ESF funds are also checked on these lists.

36. What are risk categories, risk indicators and the overall risk?

Arachne can display 106 individual risk indicators. Each individual risk indicator has its own calculation rule which can be displayed with pop-up windows. Arachne can only display a risk indicator if all data for its calculation are sent by the managing authority. All of them are grouped into 7 risk categories such as procurement, contract management, eligibility, performance, concentration, other and reputational and fraud alerts. The numbers of risks indications in each risk category varies. Whereas the risk category procurement comprises 6 risk indicators, the risk category reputational and fraud alerts comprises 29 risk indicators.

The maximum score of an individual risk varies between 5 and 40 depending on the type of the individual risk indicator. A score equal to 0 means that Arachne didn't detect any risk for the specific indicator, a score equal to the maximum score (between 5 and 40) means that Arachne identified a potential risk. A general score on the value of 50 is calculated for each category.

Arachne gives the managing authority the possibility to identify easily the most risky projects, contracts, contractors and beneficiaries with the help of the eighth risk category, named "overall risk". The score of the overall risk is the average of the seven risk categories.

37. What is the content of risk category "reputational fraud alerts overall score"?

In the "reputational and fraud alert category" Arachne provides 29 different risk indicators. All risk indicators will be calculated if enough data are available.

This risk category includes following risk indicators:

- *financial risks: Overall financial performance of beneficiaries, contractors / suppliers and sub-contractors, based on financial reporting data*
- *relationship risks : Existence of relationships between beneficiaries and contractors / suppliers or sub-contractors and their respective personnel*
- *reputational risks: Involvement in activities (such as bankruptcies) that could possibly result in reputational damages*
- *sanction risks: Identification of beneficiaries, contractors/suppliers, subcontractors or their official representatives , blacklisted or appearing in any type of sanction list*
- *change risks: Any type of changes to the company structure*

The overall score of the “reputational and fraud alert category” is the average of the top 10 individual scores in this category.

38. Who will update the risk status within the system in case the risk decreases due to implementation of certain measures? Which measures?

The risks in Arachne are calculated automatically every week. New data sent to Arachne by a managing authority or a refresh of the external databases ORBIS and WorldCompliance can influence the values of the risk calculations.

Also data received from other operational programs, even from other member states, can influence the risks linked to Operational Programs for which no new or updated data was sourced (concentration risks, financial risks, ...). This would be the case where beneficiaries, contractors or subcontractors have obtained a subvention or contract in a different Member State.

39. Will it be possible to see the history of officially registered financial data of any given company?

Principally not all companies have to publish their financial data in company registers. The kind of information to be registered depends on national law and might differ from one state to another. The current version of Arachne provides officially published financial data via the consultation of the ORBIS data base that companies have published the last three years. Arachne uses the most relevant financial information which is or was available at that time. The details about the financial data can be seen in the detailed report. Additionally they will be linked to specific risk indicators and details about their calculation can be retrieved via pop-up windows.

40. How does ARACHNE keep track of changes in the overall risk assessment over time?

The current version of Arachne does not keep any track of the changes of the risks over time. Only the actual situation is displayed and available. The next release of the tool will keep the complete history of all the risks which were identified by Arachne for projects, contracts, contractors and beneficiaries.

41. Does Arachne give the possibility to see the risk level at any given moment in the past?

All the risks are recalculated every week again for all projects and contracts available in Arachne. Consequently any change from new data sourced or any change of any fact in one of the external databases (ORBIS or WorldCompliance) can have a direct impact of the risk level.

The current version does not keep track of the risk levels. In the version 2.0 of Arachne that will be available beginning of the year 2016, the managing authority will have the possibility to see the risk levels at any given moment. With the new functionality of Arachne to display the development of the risks over time the managing authority will have the possibility to document lower risk levels as a result of increased effectiveness and efficiency of management verification.

42. In case a designated Arachne user identifies an irregularity; Is he able to record this information in Arachne?

The only possibility to add information to a project or a contract is the case management system. In this case management system comments can be added. Please find more detailed information about the case management system in the manual of Arachne.

43. Are persons working in one of the bodies of the management and control system such as the managing authority, intermediate body, the certifying authority or the audit authority included in the Arachne system?

Designated users of Arachne have the possibility to search in the external data base ORBIS for a person having an official role in a company or a legal link to a company and who is officially registered. Employees of any company or a people involved in the management and control system are not included in Arachne. Arachne however provides the managing authority the possibility to add for each individual project 'related people'. This data field could contain names of the persons who are involved in the evaluation process. If the names of these persons are provided to Arachne their reputation and eventual political involvement will be checked. However if the managing authority considers to provide names of individuals it should follow strictly the national rules for data protection and maybe the individual may need to give his/her consent.

44. Will the Commission base the selection of projects to be audited on the results of the risk calculation of Arachne?

The Commission will not use Arachne to select projects to be audited. The basis of the selection of projects to be audited are forming an own risk assessment methodology that is based on primarily other criteria and information such as the value, own findings or findings from the European Court of Auditors or strategic criteria such as horizontal aspects. Arachne will only be used by the Commission after the selection of projects to see if any specific risks are identified in relation to the selected project or in case of thematic audits on the relevant key requirement(s), mainly the key requirement to have effective and proportionate anti-fraud measures in place.

45. Can Arachne outputs be used in legal steps/legal acts, for termination of a contract, or termination of a grant agreement?

The risk indicators displayed in Arachne are helping a managing authority to identify potential risks related to projects, contracts, contractors and beneficiary. Any risk displayed with Arachne need to be verified and cannot be seen as solid evidence as such. Since the information used in Arachne is coming from a managing authority and from official sources (publically available information and officially published) via the external data basis ORBIS and WorldCompliance, the identified risks and displayed information may be used to support further verifications.

46. Is it possible to fine tune a risk indicator calculation for a specific member state of managing authority?

No, the risk indicators are unique for all operational programmes. If however the experience shows that risk indicator calculations need to be refined, this can be envisaged if it is in the common interest of all member states.

TIME SCHEDULE, TRAININGS, SUPPORT

47. Will managing authorities have to use Arachne on an obligatory basis, or will it be voluntary?

Arachne is not mandatory. However managing authorities have to put in effective and proportionate anti-fraud measures according to Article 125 (4) (c) of the Regulation (EC) 1303/2013. Arachne is optional, although it constitutes a good practice put forward by the Commission.

48. What are the necessary steps to take before the managing authority can use Arachne?

Generally, the following steps needs to be taken to start working with Arachne:

- 1) A first general presentation of Arachne with test data will give the managing authority the possibility to see the analytical strength and vast possibilities of Arachne for its management verifications and the indications of red flags. The presentation will include some explanations about technical requirements and the xml-format of the data-file to be sent.*
- 2) Once the managing authority wants to test Arachne it will have to extract data out of the computerised system. Sometime data are stored in different systems. In this case the data might be collected. The creation of one data file in xml-format for each operational programme is mandatory. The data file needs to be sent to the Commission. The Commission will check the data on its coherence and the right format of the data before the data sent to the service provider VADIS for the calculation of risks.*
- 3) The Commission will come back to the managing authority and will present the result of the risk calculation. Ideally this is combined with a first training session for designated users who will test Arachne. The Commission will grant access to them and show the managing authority how to install the programme. The installation can only be provided if the managing authority provides a minimum set of data that have a minimum quality.*
- 4) The managing authority can already decide at that stage if they want to grant access to intermediate bodies, certifying authority or the audit authority in order to get their feedback of the usefulness of Arachne, if Arachne is helpful for management verifications and how can Arachne be integrated in the management and control system as a part of the requirement defined in Article 125 (4) (c) of the Commission Regulation (EU) 1303/2013. The managing authority can at any stage rely on the support of the Commission.*
- 5) Advanced training sessions for designated users that are working in a body that is part of the management and control system can be organized on request of the managing authority in order to deepen the effective and efficient use of Arachne.*
- 6) Article 125 (4)(c) of the Commission Regulation (EU) 1303/2013 requires that the managing authority put in place effective and proportionate anti-fraud measures according to the risk identified. The Commission has issued guidance (*) to assist member states in that respect. Although it is not required for the fraud risk assessment to be carried out prior to the designation of the managing authority the Commission recommend that the procedures set out the timing for the carrying out both the initial risk assessment, the expected frequency for updating the risk assessment. Antifraud measures are structured around four key elements in the anti-fraud cycle: prevention, detection, correction and prosecution. Arachne can be one of the measures covering part of the key elements prevention and detection.*

A Managing authority must decide whether they will continue to use Arachne and if it will include Arachne in their management and control system. If yes it should include Arachne in the description of the functions and procedures in place of the designated bodies according to Article 124 of the Commission Regulation (EU) 1303/2013.

Once the managing authority definitively decides to use Arachne it will switch to the production environment which means that as of that moment the managing authorities or a delegated person(s)

will manage all the user accounts, permissions and roles and will upload directly the xml data files in Arachne.

() Guidance on fraud-risk assessment and effective and proportionate anti-fraud measures (EGESIF_14-0021-00 of 16/06/2014*

49. How will Arachne users be trained?

In general, the following trainings can be provided by the Commission:

- *A one day training session in combination with presentation of first results in Arachne as a first step.*
- *Advanced and in-depth training sessions (1 or 2 days) for designated users as a second step on request of a managing authority*

Due to the high number of managing authorities and intermediate bodies throughout Europe the Commission has to follow the 'train the trainer' principle. Training sessions are organized to train key users of each managing authority. The Commission is also ready to provide trainings to designated users of intermediate bodies, the certifying authority or the audit authority if the managing authority wants to grant access to them. Following the intensive training the designated key users should be able to train other designated users.

The cost for the organization of the training session such as it-equipment and a training facility must be covered by the member state. The Commission will cover the travel costs of the trainings for the representatives of the Commission.

50. Who will give methodological guidance for Arachne users (the Commission, the managing authority, the body responsible for the coordination or the audit authority)?

The Commission can help the managing authorities to setup the integration of Arachne in their daily management verifications. On the initiative of managing authorities the Commission can help to organise meetings together with managing authorities of other member states to exchange experience and to share best practices.

51. Who will provide technical support to Arachne users?

Technical documentation is available from the Commission for all technical and administrative aspects about Arachne. The Commission also provides technical support to the Arachne user by phone, on the spot or via the functional mailbox: EC-ARACHNE-INFO@ec.europa.eu

SECURITY AND DATA PROTECTION

52. Will the managing authority need to adopt specific measures in order to protect data of the any information /result of the risk calculation that can be displayed with Arachne?

The 'outputs' of Arachne are the calculated risk indicators. This information is stored in the Arachne database which is only accessible by Arachne users, people who are designated by a managing authority.

It's the responsibility of the managing authority to verify whether the users to be designated:

- *are part of the management and control system,*
- *received the necessary documentation and training to use the system and*
- *do not extract, print or spread the Arachne information to persons or bodies outside of the management and control system. Once a suspected case of fraud is detected it should be reported via the established clear reporting mechanism to the competent investigative bodies in the respective member state, to the Commission and to OLAF.*

53. Data security – what are technical specifications for computers on which the designated users will access Arachne?

The following elements are required in order to install the Arachne client

- *Windows operating system greater than Windows XP (Windows Vista, Windows 7, Windows 2003, Windows 2008 in 32 or 64 bits, Windows 10)*
- *Microsoft .NET framework 3.5 (or greater) installed*
- *Screen resolution of at least 1024 x 768 (ideally 1680 x 1050 or greater)*

54. Are there specific requirements for persons who are designated by the managing authority to work with Arachne and/or have access to Arachne such as security clearance?

People who are designated by the managing authority to work with Arachne or have access to Arachne do not have to sign for the Commission specific security clearance documents. The management of the Arachne user accesses will be the responsibility of the management authority. It may designate an administrator to administer access rights for Arachne. The managing authority will be responsible to manage user rights in line with the local security guidelines and in line with the general principles lined out in the charter of Arachne.

55. How will the consent of data subject be ensured as regards the processing and provision of personal data which will be made accessible to the third persons?

Data is only accessible via the Arachne tool but can be extracted and /or printed and shared with people who cannot access the application.

It's the responsibility of the managing authority to ensure that designated users are trustworthy and integer and do not share information obtained by Arachne with third persons that are not belonging to one of the body of the management and control system.

Managing authorities are also responsible to comply with national data protection regulations. In this respect, the data subject should be made aware that his/her data may be used for the identification of risk indicators as described in the Arachne manual.

GUIDANCE

56. How must we handle the 'negative' information we receive from Media lists?

The negative information needs to be handled like any other. The information provided only consists of risk indicators and should therefore be used with due care for further checks.

57. What needs to be done if Arachne identifies a company having a high risk to become bankrupt?

The information provided only consists of risk indicators and should therefore be used with due care for further checks. It would however trigger an alert for the managing authority to be careful e.g. before in giving advance payments.