

Arachne

CHARTER

FOR THE INTRODUCTION AND APPLICATION
OF THE **ARACHNE RISK SCORING TOOL** IN
THE MANAGEMENT VERIFICATIONS



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1 PREAMBLE AND PURPOSE

Arachne is a risk scoring tool developed by the European Commission, represented by the Directorate-General for Employment, Social Affairs and Inclusion and the Directorate General for Regional Policy and Urban Development (hereinafter: the Commission services) in close cooperation with some Member States. The Commission services aim at supporting managing authorities responsible for the European Structural and Investment Funds (hereinafter: ESIF¹) by providing the Arachne Risk Scoring Tool to identify effectively and efficiently most risky projects, contracts, contractors and beneficiaries, necessary for their management verifications under point (c) of Article 125 (4) of Common Provision Regulation (EU) No 1303/2013 (hereinafter: the CPR).

The purpose of this charter is to endorse a set of common principles to be applied by the managing authority and the Commission services, so that the managing authority with the full support of the Commission services, introduces, applies and integrates the Arachne Risk Scoring Tool for the programming period 2014-2020 in their management verification processes as developed and decided in the light of its programme specificities and risk assessments.

By using Arachne, the programme managing authority accepts to adhere to the principles set out in this charter.

2 GENERAL PRINCIPLES

The managing authority agrees to incorporate the Arachne Risk Scoring Tool as one of the anti-fraud measures according to Article 125 (4) (c) of the CPR, enhancing the efficiency and effectiveness and preventing irregularities, and to integrate the Arachne Risk Scoring Tool in their management verification processes, conform to the procedures that the managing authority has decided to put in place. To achieve this, the Commission services will support the managing authorities technically and administratively, to install, integrate, and to use this IT-tool, and provide the risk calculation.

3 BENEFITS OF THE ARACHNE RISK SCORING TOOL AND USE OF THE RESULTS

The Arachne Risk Scoring Tool represents the most state of the art technology in terms of data mining and data enrichment. Applying this advanced technology will:

- contribute to help improving the efficiency and effectiveness of management verifications, thus contributing to optimizing the human resource capacity for the desk review and on-the-spot verifications;
- offer the managing authority to document increased effectiveness and efficiency of the management verification over time;
- prevent potential irregularities and therefore result in lowering error rates, a common aim both of the Commission and the managing authorities;
- put in place an effective and proportionate anti-fraud measure, in line with Article 125 (4)(c) of the CPR.

¹ Currently available for the Regional Development Fund, the European Social Fund, the Cohesion Fund, Fund for European Aid to the Most Deprived

The staff of the managing authority and of the respective bodies to which access is given will use the results of the risk calculation of Arachne only for the purpose of management verifications, and neither for personal interest nor for any other purposes.

4 COST AND LICENSE FEES

The Commission services are providing the Arachne Risk Scoring Tool free of any charge to managing authorities. Unless unforeseen circumstances occur, the Commission services will provide the access to the Arachne tool and its databases, maintenance, training and support, for the whole duration of the current programming period- 2014-2020 (until the closure of the period).

5 ACCESS OF OLAF AND THE EUROPEAN COURT OF AUDITORS ON REQUEST

The Commission services will not grant the European Court of Auditors (hereinafter: ECA) and the European Anti-Fraud Office (hereinafter: OLAF) automatic access to the results of the risk calculation of Arachne. However, in duly justified circumstances, OLAF and ECA can request to the Commission services, on case-by-case basis, information about the risks calculated.

As a general rule, any requests made by ECA or OLAF should relate to cases where there is a suspicion of fraud or misuse of European funding. The legitimacy of the necessity for the data transfer and the motivation will be evaluated by the Commission services on a case-by-case basis.

6 DATA PROTECTION

The European Commission submitted to the European Data Protection Supervisor (hereinafter: EDPS) on 17 May 2013, the required notification concerning the processing of personal data. The EDPS issued on 17 February 2014 (reference 2013-0340) a positive opinion concerning the compliance of ARACHNE with the provisions of Regulation (EC) 45/2001, and conducted an inspection on 30 June and 1 July 2016 at the premises of the Commission services, to investigate the follow-up of, and ensure compliance with, the recommendations by EDPS. The recommendations contained in the report issued on 24 November 2016 (reference 2016-0441) have been implemented to fully comply with Regulation (EC) No 45/2001, including the following issues:

- The processing of special categories of data in the sense of Article 10 of the Regulation 45/2001, and safeguards implemented to ensure necessity, proportionality and data quality in this respect.
- The functionalities of the "feedback loop" allowing for reporting by Arachne users of errors or inconsistencies.
- The measures taken to guarantee a high level of data quality regarding the information derived from external media sources.
- The practical implementation of data retention periods.
- The exercise of data subjects' rights.
- General aspects of personal data information security management in Arachne (Article 22 of Regulation 45/2001).

The Arachne Risk Scoring Tool is based on internal and external data. These internal data (projects, beneficiaries, contracts, contractors and expenses) are extracted by the managing authority from their local computerized systems and uploaded on a dedicated server of the Commission services.

External data are provided by two external service providers contracted by the Commission services. The first database contains financial data as well as shareholders, subsidiaries and official representatives of over 200 million companies. The second database is composed of a list of politically exposed persons, sanction lists, enforcement lists and adverse media lists. All these data are officially published and publicly available. The processing of the latter, external, data falls under Article 10(5) of Regulation 45/2001. The processing of these data shall be carried out exclusively with a view of identifying the risks of fraud and irregularities at the level of the beneficiaries, contractors, contracts and projects, both at project approval as well as at the project implementation phase.

The feedback loop must be used by the users of the Arachne risk scoring tool to request a correction of an invalid matching between internal and external data.

The internal data and results of the calculated risks will be stored in line with the regulatory provisions of the Regulations governing the implementation of the ESIF, i.e. "three years after the final payment for the 2007-2013 programming period, and three years after the year in which the annual accounts of an operational programme have been approved by the Commission for the 2014-2020 programming period."

The managing authority, using the Arachne software, has to comply with national and European data protection regulations. To this end, the managing authorities need to inform the beneficiaries that their data, available in the external databases, will be processed for the purpose of identification of the risk indicators. This information to beneficiaries needs to be carried out, preferably by inserting data protection clauses in the grant/contract application documents. The Commission services have established a dedicated website² aimed at explaining the process and the purpose of data analysis. The managing authority shall provide a link to this dedicated website through its own website. The results of the risk calculation are internal data used for the purpose of management verifications, and are therefore subject to data protection conditions and should not be published (**neither by the Commission services nor by the managing authorities**).

7 SUPPORT PROVIDED BY THE COMMISSION SERVICES TO MANAGING AUTHORITY USING ARACHNE

The Commission services will provide the support necessary to enable the managing authority to work with the Arachne Risk Scoring Tool effectively and efficiently.

This support will comprise:

- Technical support for the initial installation of the Arachne risk scoring tool.
- Technical support in order to enable the managing authority to send data in the "xml-format" required for the data exchange with Arachne.
- Initial training of "core users" on the basis of the principle "train the trainers" to enable the effective and efficient use of Arachne.
- Training after major updates of the Arachne Risk Scoring Tools.
- Advice to integrate the Arachne Risk Scoring Tool in the daily management verification process.

² <http://ec.europa.eu/social/main.jsp?catId=325&intPageId=3587&langId=en>

- Continuous support to facilitate efficient use whenever possible with available resources.
- Facilitation of sharing experience and good practices between the managing authorities using Arachne.

8 CONSULTATION OF ARACHNE BY THE COMMISSION SERVICES AND MEMBER STATES' AUTHORITIES

The auditors of the Commission services have access to the results of the risk calculations of Arachne, and to the companies' database. The Commission auditors may consult the risks identified after projects have been selected for audit, during the preparatory phase for an audit. However, Arachne cannot serve to select a sample of projects to be selected by the Commission services, as the outcome cannot be regarded as representative on the part of the programme which is potentially affected by the same risks.

The Commission services may carry out system audits on key requirement n° 7 – adequate procedures against fraud as well as horizontal analysis.³ In such a context, the Commission services will consult the results of Arachne and its effective use by the managing authority or their intermediate bodies.

The Commission services acknowledge that it is the responsibility of Member States' authorities to define the sample or the population of projects which will be further investigated, based on the risk indicators and risk scores calculated by the Arachne tool. Member States are however strongly recommended to define upfront their risk score analysis strategy which will lead to the identification of projects selected for investigation. The Commission acknowledges also that professional judgment and resource limitations have to be taken into account to determine the sample of projects subject to verification. In order to be able to demonstrate the actions taken on the individual cases investigated, Member States' authorities should keep track of the activities, corrections or dismissal of cases. For the latter category, the Member States' authorities should record their decision not to verify "high-risk scoring projects" by using the case management system of Arachne.

9 BENEFITS AND CONSEQUENCES FOR THE MANAGING AUTHORITY OF A "HIGH RISK INDICATION" AFTER CONSULTING ARACHNE

The Arachne Risk Scoring Tool will alert the managing authority in identifying most risky projects, contracts, contractors and beneficiaries, and help to concentrate on their administrative capacity for verifications.

Where the managing authority concludes, on the basis of the risk scoring results and subsequent verification of the risks, that expenditure might be affected by irregularities, it runs all the procedures it considers necessary and appropriate before declaring expenditure to the Commission by the certifying authority. The managing authority will do so to prevent, detect and correct irregularities or fraud, and to make the necessary notifications to OLAF via the IMS database as provided for in the management and control systems, and in accordance with the rules in force.

Where the analysis by the managing authority leads to recurring risks being identified, the management and control systems should be reinforced in order to prevent the risk from occurring in future. The

³ http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/guidance_common_mcs_assessment_en.pdf

Managing Authority should subsequently identify the projects or operations for these recurring risks and take the necessary measures to ensure the legality, regularity and eligibility of the underlying transactions.

10 AUTHORISATION PROCEDURE AND ACCESS RIGHTS

It is the responsibility of the managing authority to put in place effective and proportionate anti-fraud measures according to Article 125 (4) (c) of the CPR. On the basis of official instructions from the managing authority, the Commission services will grant local administrator rights to dedicated users in Arachne. These local administrators will have the right to grant access, for the operational programmes for which they are administrator, to local users from managing authorities, certifying authorities, audit authorities and intermediate bodies.

The local Arachne administrator(s) shall fulfil the following tasks:

- Identify users requesting access; make sure those users are part of the management and control system for (a) specific operational programme(s).
- Create user accounts in the Arachne user management database and grant access with the correct user role for the operational programmes for which access was requested
- Inform users about their obligations to preserve the security of the system.
- Ensure the continued accuracy of user identification data: request the termination of access rights when those access rights are no longer needed or justified (carry out periodical reviews of user accounts, terminate access rights of people that left institutions or no longer dealing with the tasks that justify their access, etc...).
- Promptly act when suspicious events may bring prejudice to the security of the system.
Here, an activity may be considered as suspicious where (non-exhaustive list):
 - an unknown person or organisation asks for access,
 - persons no longer entitled to use the system have continued access ,
 - a person uses the access credentials of another person.

The Commission services have an overview of all users with an account to access Arachne, and will contact the managing authority once a year with a view to obtaining a list of all users having access to their ESIF operational programmes in Arachne. The responsibility to validate this list, or to change access rights, remains at the level of the managing authority and/or the local administrator(s), in accordance with the procedures defined.

On request of the Commission services the managing authority commits to inform the Commission of which users it has granted access to (the full name of the individual and the name of the body/institution in which the person works).

11 TRANSMISSION OF DATA

The managing authority transmits the data fields in line with the required scope of Arachne, and specified in Annex III of the Commission Delegated Regulation (EU) No 480/2014 for the operational programmes in xml-format, on a regular basis (at least every 3 months).

Apart from the data fields included in Annex III of the Commission Delegated Regulation (EU) No 480/2014, the managing authority can, on a voluntary basis, enlarge the number of data fields for which data is provided to be uploaded Arachne.

If the managing authority fails to update the data on a regular basis the Commission services may decide to withdraw access to Arachne.

12 DATA QUALITY ASSURANCE

The quality and reliability of external data processed for the risk calculation is the responsibility of the service providers, and is ensured by them. The quality and quantity of internal data is guaranteed by the managing authority. The more internal data provided by the managing authority, the more precise will be the result of the risk calculation of the Arachne Risk Scoring Tool.

13 TERMINATION AND ACCESS WITHDRAWAL

Either party may decide to terminate this charter unilaterally. If the above described guidelines are not respected by the managing authority, the Commission services will contact the concerned managing authority in order to discuss and to evaluate the further usage of the tool. In extreme cases the Commission services reserve the right to withdraw access to Arachne for the concerned managing authority. If the managing authority decides to stop using Arachne, the Commission services will, at the request of the managing authority, remove from the Arachne database all the project and contract-related data sent by the managing authority for the concerned operational programme.

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