



## **PLANNING AND PRIORITY COORDINATION DIVISION**

**2014 – 2020**

# **Anti-Fraud Policy<sup>1</sup>**

September 2016

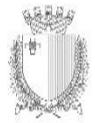
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<sup>1</sup> The anti-fraud policy statement, together with procedures for adequate fraud risk assessment and the putting in place of effective and proportionate anti-fraud measures through an action plan (whenever the net risk after controls is significant or critical), are key components of the managing authority's anti-fraud strategy.



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## 1. Introduction

This document is structured in line with Annex III of the EC Guidance note on Fraud Risk Assessment and Effective and Proportionate anti-fraud measures.

### 1.1 Purpose

The Managing Authority for the European Regional Development Fund, the Cohesion Fund, the European Social Fund as well as of the Fund for the European Aid to the Most Deprived in Malta is committed to maintain high legal, ethical and moral standards, to adhere to the principles of integrity, objectivity and honesty and wishes to be seen as opposed to fraud and corruption in the way that it conducts its business. All members of staff are expected to share this commitment. The objective of this policy is to promote a culture which deters fraudulent activity and to facilitate the prevention and detection of fraud and the development of procedures which will aid in the investigation of fraud and related offences and which will ensure that such cases are dealt with timely and appropriately.

### 1.2 Definition of Fraud

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

Fraud does not just have a potential financial impact, but it can cause damage to the reputation of an organisation responsible for managing funds effectively and efficiently, thus addressing fraud. This is of particular importance for a public organisation responsible for the management of EU funds. Corruption is the abuse of power for private gain. Conflict of interests exists where the impartial and objective exercise of the official functions of a person are compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with e.g. an applicant for or a recipient of EU funds.

A procedure is in place for the disclosure of situations of conflict of interests as stipulated in the Public Administration Act – 1st Schedule in the Code of Ethics<sup>2</sup>. A conflict of interest as defined in the said Act refers to ‘a situation in which a public employee has a private or personal interest sufficient to influence or appear to influence the objective exercise of his or her official duties’.

## 2. Responsibilities

### 2.1 Head of the Managing Authority

Within the MA, overall responsibility for managing the risk of fraud and corruption has been delegated to Mr. Jonathan Vassallo, Director General, Planning and Priorities Coordination Division, representing the Head of the Managing Authority, who has the responsibility for:

- Undertaking a regular review, with the help of a risk assessment team, of the fraud risk;
- Establishing an effective anti-fraud policy and fraud response plan;
- Ensuring fraud awareness of staff and training;
- Ensuring that the MA refers promptly investigations to competent investigation bodies when they occur.

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<sup>2</sup> <http://www.justiceservices.gov.mt/DownloadDocument.aspx?app=lom&itemid=8963&l=1>



## 2.2 Heads, Directors and senior managers

Top management within the MA are responsible for the day-to-day management of fraud risks and action plans, as set out in the fraud risk assessment and particularly for:

- Ensuring any systems, procedures and internal controls communicated by the Director General are implemented to prevent, detect and minimise fraud within programmes and adopt the right tone from the top;
- Ensuring staff understand how to identify fraud and corruption risks in their areas;
- Staff understanding they have a formal duty to report any suspicions so to timely prevent and detect fraud;
- Dealing firmly and quickly with any reports of suspected fraud.
- Proposing to the Head of the MA any corrective measures, including any administrative penalties, as relevant.

## 2.3 Fund Managers / Project Manager / Fund Officers / Fund Support Officers and all other supporting staff of the MA

It is the responsibility of all employees to carry out their work in such a way as to prevent fraud occurring in the workplace with due diligence. Employees must adhere to the adopted action plans to prevent and detect fraud and must promptly alert their superiors for occurrences of fraud, being aware that unusual transactions or behaviours could be indications of fraud. The staff must report potential cases of fraud as outlined below. Staff must cooperate fully with internal checks, reviews or fraud investigations.

All staff is encouraged to propose any method aimed at improving *the MA action against fraud and corruption*.

## 2.4 The Certifying Authority

The Certifying Authorities have a system which records and stores reliable information on each operation; they receive adequate information from the MA on the procedures and verifications carried out in relation to expenditure.

## 2.5 The Audit Authority

The Audit Authority has a responsibility to act in accordance within professional standards in assessing the risk of fraud and the adequacy of the control framework in place.

## 3. Reporting Fraud

The MA has procedures in place for reporting fraud, both internally and to the European Anti-Fraud Office.

The anti-fraud strategy encourages all members of staff to report any suspicion of fraud, corruption, financial malpractice or the misuse of official position. Where appropriate, an investigation is commissioned to determine the facts behind any allegation.



All reports are dealt with in the strictest of confidence and in accordance with the Data Protection Act and Whistleblower Act<sup>3</sup>.

## ***4. Anti-fraud measures***

The MA has put in place proportionate anti-fraud measures based on a thorough fraud risk assessment.

The process includes:

- Prevention
- Detection
- Investigation and Prosecution
- Reparation

In particular, PPCD has formally notified its decision to adopt the data mining tool ARACHNE in order to identify operations projects, operators, contracts/contractors which might be susceptible to the risk of fraud, conflict of interest or irregularity.

It is believed that such tool, together with appropriate staff training and information, will help to identify red flags whilst serving as a fraud preventative instrument.

The MA shall carry out a vigorous and prompt review into all cases of suspected and actual fraud which have occurred with a view to improve the internal management and control system where necessary. On completion of each investigation the MA will be provided with a report including recommendations.

## ***5. Conclusion***

Fraud can manifest itself in many different ways. The MA has a zero tolerance policy to fraud and corruption, and has in place a robust control system that is designed to prevent and detect, as far as is practicable, acts of fraud and correct their impact, should they occur.

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<sup>3</sup> <http://www.justiceservices.gov.mt/DownloadDocument.aspx?app=lp&itemid=25151&l=1>