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BULGARIAN EXPERIENCE

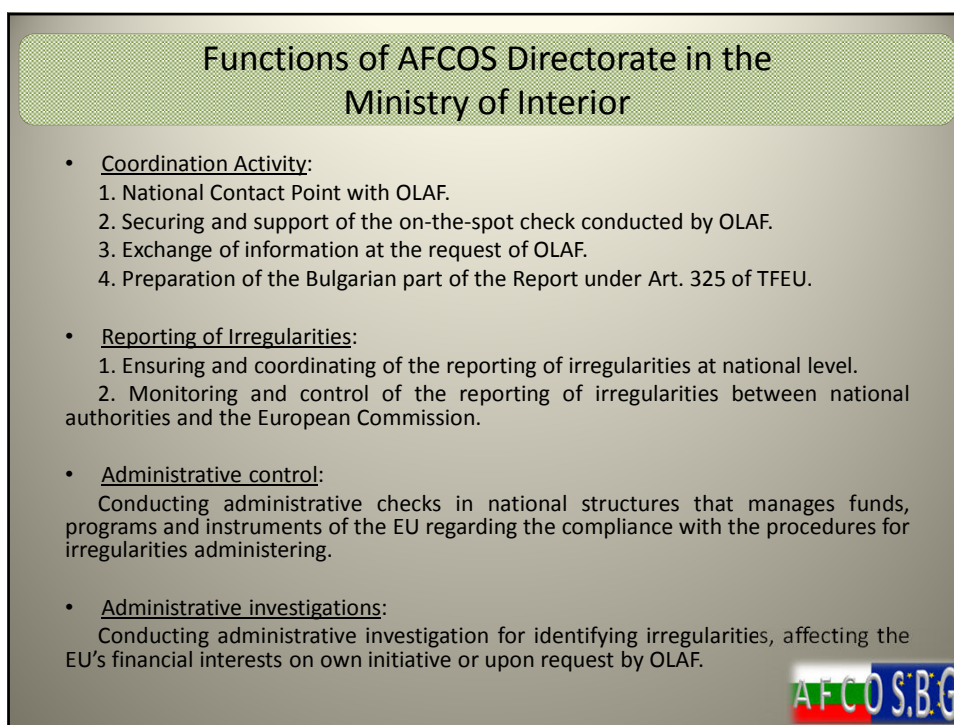
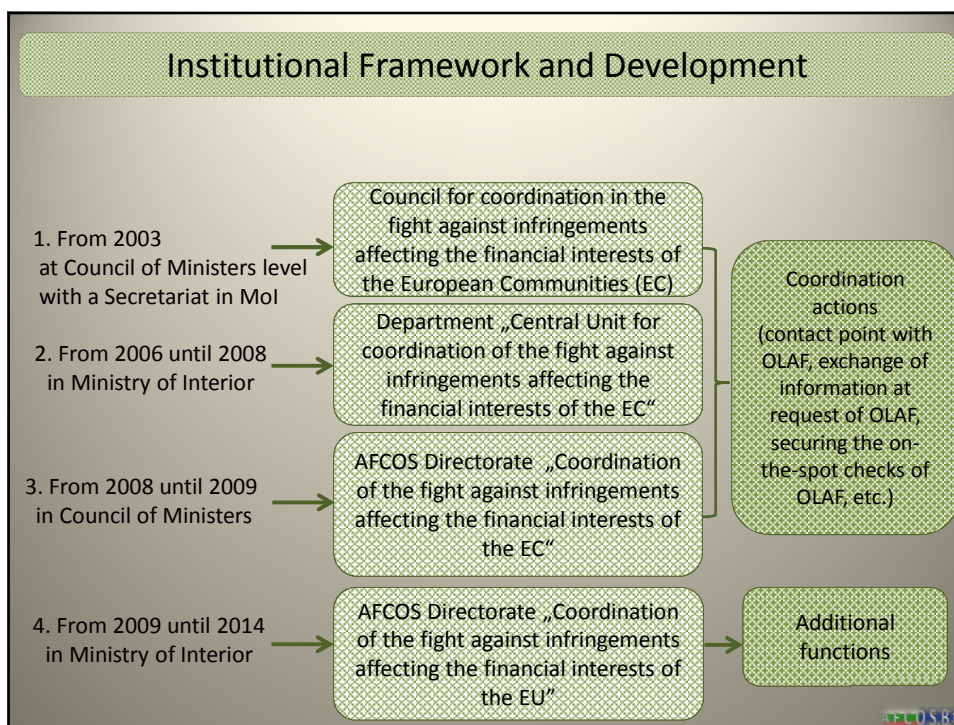
**NATIONAL ANTI-FRAUD STRATEGY 2014-2020,
WITH PARTICULAR REFERENCE TO THE USE OF IT TOOLS**

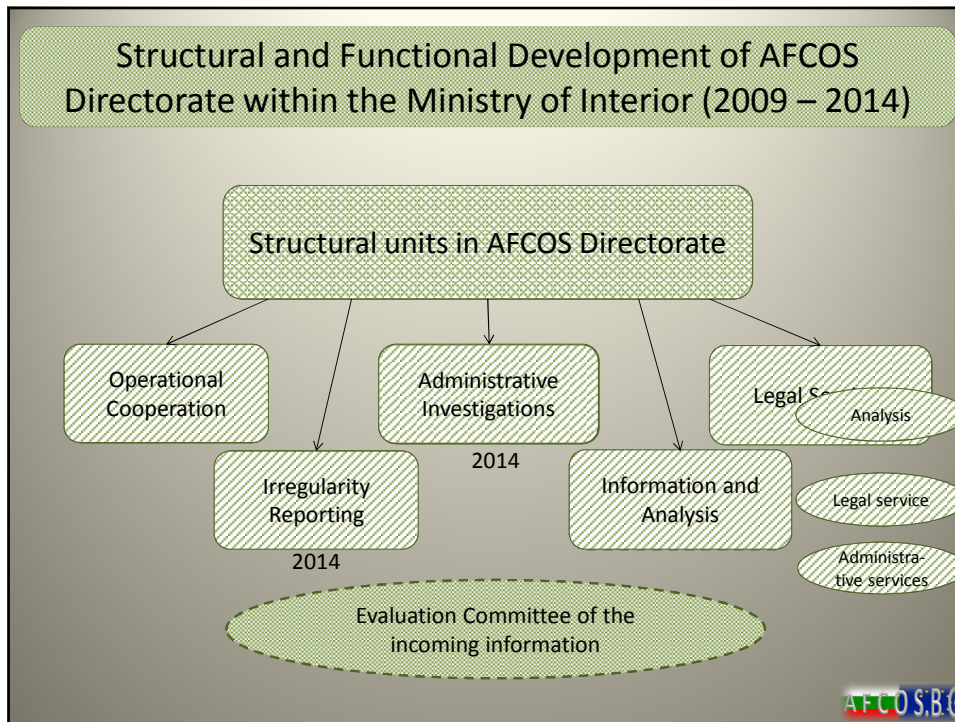
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THE NATIONAL STRATEGY

FOR PREVENTION AND FIGHT AGAINST IRREGULARITIES AND FRAUD AFFECTING THE EUROPEAN UNION'S FINANCIAL INTERESTS FOR THE PERIOD 2014 – 2020

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Strategy Content

1. Introduction, definitions
2. Vision for protection of the financial interests of the EU in Bulgaria until 2020
3. Protection of the financial interests of the EU
4. Problematic fields and challenges
5. Strategic goals
6. Coordination, monitoring and report of the implementation of the Strategy



The National Strategy is in line with the new initiatives for protection of the EU's financial interests and follows the European Commission recommendations.

The National Strategy corresponds to the obligation of the Republic of Bulgaria under art. 325 of the TFEU and the Partnership Agreement with Bulgaria on using EU Structural and Investment Funds for the period 2014-2020.



The Strategy describes the **strategic actions** of the competent national authorities in the Republic of Bulgaria (the authorities involved in the management and control of EU funds, revenue authorities, public security and law enforcement authorities) in the field of protection and fight against irregularities and fraud affecting the European Union's financial interests (expenditure and revenue) for the period 2014-2020.

The strategic goals and actions are defined on the basis of the analysis of the mechanism for the protection of the EU's financial interests until 2013 and the problematic fields detected.



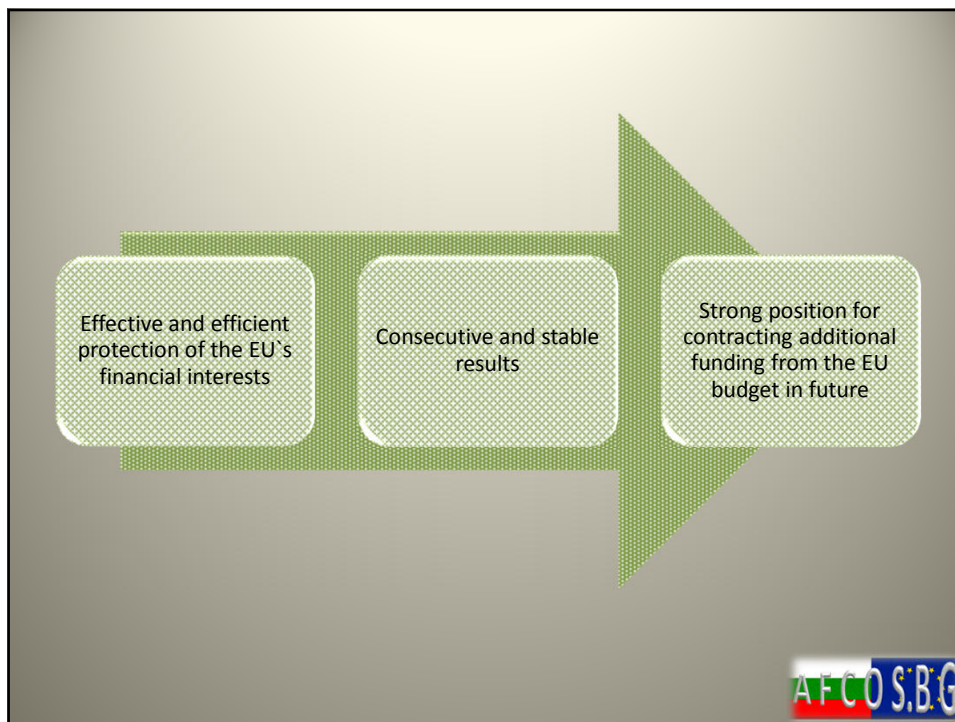
GOAL

The main goal of the National Strategy is to improve prevention, detection and counteraction to irregularities and fraud.

FOCUS

To achieve this goal the Strategy focuses on the increase of efficiency in investigations, achieving higher level of recovery of the improperly disbursed funds from the EU budget and imposing proportional and dissuasive sanctions while keeping to the legislation and defining the responsibilities of the institutions.





- Principles and Standards of the Policy in the Field of the Protection of the EU's Financial Interests**
- Ethics
 - Transparency
 - Prevention of irregularities
 - Effective investigations
 - Sanctions
 - Effective cooperation
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Mechanism and Institutional Framework at EU Level

Shared management

- Art. 317 TFEU – sound financial management
- Art. 325 TFEU – fight against fraud
- 80% + 20% – management of the budget

OLAF

- Administrative investigations
- Cooperation with member states
- Consultations (COCOLAF)
- Encourages gaining and sharing operational experience and good practices
- Supports actions for fight against irregularities and fraud
- AFCOS - effective cooperation and exchange of information with OLAF

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Mechanism and Institutional Framework in Bulgaria

AFCOS Council

Council for coordination in the fight against infringements affecting EU's financial interests

- High political level to discuss and support measures, taken by the national authorities in the fight against fraud with EU funds
- Interaction and cooperation with the Prosecutor's Office
- Functions:
 1. Suggests to the Council of Ministers projects of new legislative acts, strategy and action plan regarding fight against fraud with EU funds
 2. Annual report for the activities to the Council of Ministers
 3. Discusses issues regarding EU's financial interests, makes decisions and takes measures for optimization of the process of the fight against fraud with EU funds

AFCOS Directorate

within the Ministry of Interior

- National contact point with OLAF
- Irregularity reporting
- Control of the procedure for administering irregularities
- Administrative investigations
- Operational cooperation
- Preparation of the Bulgarian part for the art. 325 report
- Functions:
 1. Control
 2. Information exchange
 3. Coordination

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Problematic Fields and Challenges

Initiatives at EU level

- **Strategy for fight against fraud** (2011) – tight measures to prove that the Commission manages and monitors EU funds, action plan, recommendations

Cycle of the fight against fraud

Prevention → **Detection** → **Investigation** → **Sanctions** → **Recovery**

- **Commission Staff Working Paper** (2011) on the protection of the financial interests of the European Union by criminal law and by administrative investigations: **An integrated policy to safeguard taxpayers' money** – possible improvements and changes (EPPO)
- Proposal for a **Directive** on the fight against fraud to the Union's financial interests by means of criminal law (2012) – effective, proportionate and dissuasive sanctions in respect of the criminal act
- Proposal for **EPPO** (2013)
- **IMS** – electronic irregularity reporting
- Regulation No **883/2013** concerning investigations conducted by the OLAF – strengthens the investigative functions of OLAF and recommends better cooperation with member states

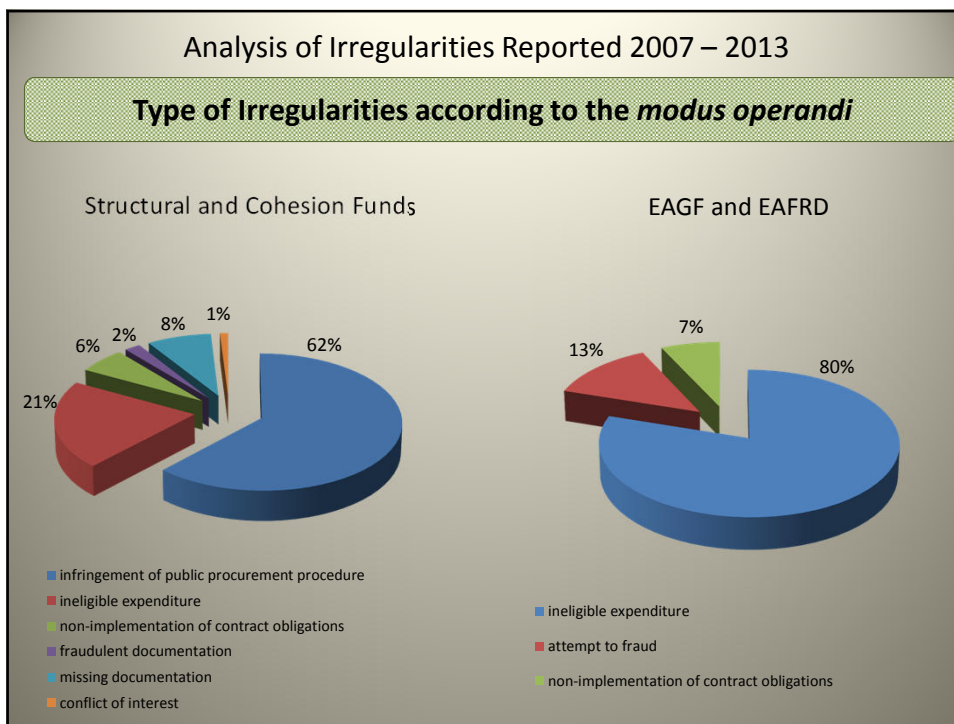
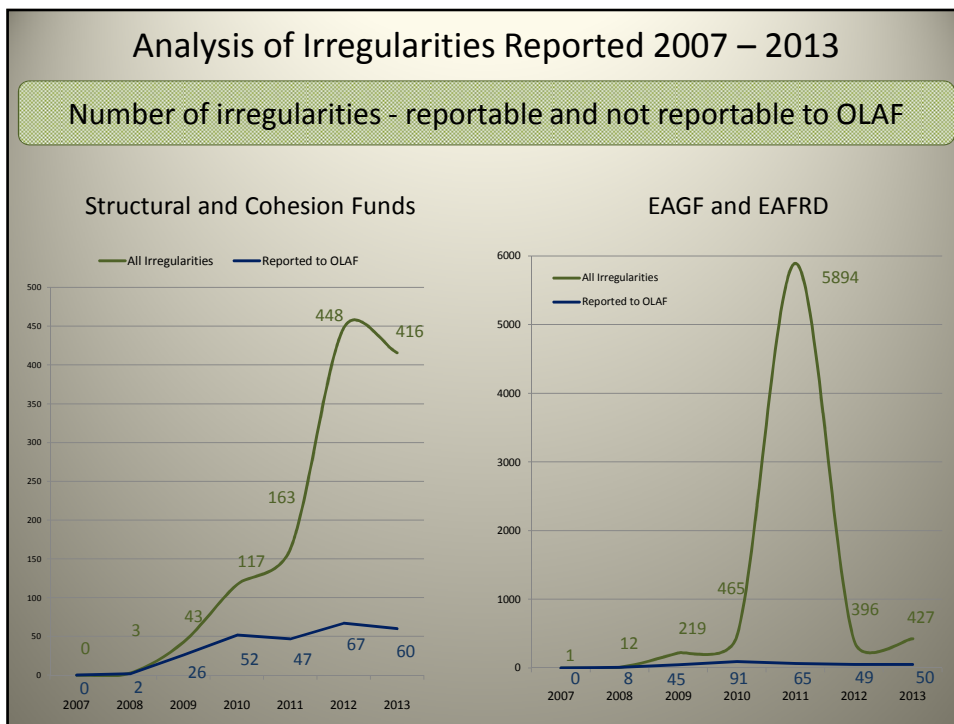


Problematic Fields and Challenges

European Commission recommendations to the Member States

- AFCOS to facilitate effective cooperation and exchange of information with OLAF, including information of an operational nature
- Member states to guarantee deterrent sanctions in case of fraud and criminal investigations to be carried out in a reasonable period of time
- Legal adoption of the directives on public procurement in order to meet the high risks in this field
- Specific focus on EAGF and EAFRD because of low number of frauds detected
- Effective risk assessment system in customs control strategies
- Control and improvement of cooperation between Managing Authorities and Fight Against Fraud Authorities; improvement of risk assessment and IT fraud detection
- Prompt and correct adoption of legal acts of the MFF regarding fight against fraud at national level





Analysis of Irregularities Reported

Risks and Weaknesses

- Weak internal control systems in Managing Authorities leading to systematic irregularities
- Double financing
- Non-implementation of contract obligations
- False information and fraudulent documentation
- Infringement of public procurement procedures (corruption, conflict of interest, false documents, leak of information for the tender offers, manipulation of the offers, subdivision of procurements, improper pricing, non-implementation of contract and other specific requirements, fictitious suppliers, replacement of products, etc.)



Problems and Challenges in the Field of Prevention

- **Frequent amendments of the legal acts**
 - ✓ Dynamic European legal framework requires changes and updates of the national legislation. That results in establishing numerous legal acts which leads to unstable legal basis and difficulties in control of keeping the law.
 - **Strategic actions** – *measures for a stable legal basis, equal interpretation of the law, tight control during implementation of projects, sanctions*
- **Insufficient administrative capacity**
 - ✓ There is legal basis for improvement of the human resources – investigative teams, trainings, visits to various institutions for exchange of experience. Still there are problems in this field – fight against fraud is additional, not main responsibility; frequent changes of the employees, insufficient motivation.
 - **Strategic actions** – *improvement of professional competency, foreign languages, exchange of experience and good practices, awareness of the functioning of the European Union and European law, better human capacity in implementing projects and absorption of EU funds*



Problems and Challenges in the Field of Prevention

- **Transparency and access to information**
 - ✓ There are a lot of investments in initiatives, policies, web sites, information campaigns, press conferences, but the results are not satisfactory.
 - **Strategic actions** – *measures to strengthen credibility in the Bulgarian authorities when sending signals, better cooperation with media and civil society*
- **Improvement of the system for exchange of information concerning irregularities and fraud**
 - ✓ Responsibility to report irregularities, efficient analysis, monitoring and policies for prevention of fraud.
 - ✓ National electronic systems for monitoring and reporting, IMS. national legislation for establishing procedures for administering irregularities.
 - **Strategic actions** – *improvement and interoperability between all electronic systems*



Problems and Challenges in the Field of Detection and Counteraction to Irregularities and Fraud

- **Update of the agreements on cooperation**
 - ✓ Institutions have to cooperate in the field of the fight against fraud and work together to achieve common goals.
 - **Strategic actions** – *measures to update and sign new agreements*
- **Revenue Agency**
 - ✓ A lot of attempts to prejudice the EU budget and a great loss is identified.
 - **Strategic actions** – *improvement of the cooperation between the competent authorities, use of information systems for risky information in order to fight tax frauds and cigarette smuggling*
- **Cooperation between national authorities, private sector, NGOs, civil society**
 - ✓ Weakness in internal control systems, systematic mistakes, double financing.
 - **Strategic actions** – *strengthen preliminary and follow-up control, annual analysis of irregularities, exchange of experience and good practices, higher citizen awareness and involvement*



Problems and Challenges in the Field of Detection and Counteraction to Irregularities and Fraud

- **Development of electronic management of irregularities**
 - ✓ Modern information technologies are implemented to report and monitor irregularities.
 - **Strategic actions** – *better analysis, better prevention*
- **Trainings for specialized authorities**
 - ✓ A lot of specialized trainings in different institutions with a focus on the fight against fraud in order trainees to acquire specialized skills in prevention and detection of fraud.
 - **Strategic actions** – *continuous trainings to stand the contemporary dynamic economic situation, changing legal basis and fraudsters*



Problems and challenges in the cooperation at EU level

- **Legislation and policies**
 - ✓ Recommendation in reports and initiatives at EU level – deep cooperation with OLAF
 - **Strategic actions** – *effective participation in preparing strategic documents, discussing policies, mutual activities and making decisions at EU level*
- **Operational cooperation**
 - ✓ In the field of fight against fraud strong cooperation and interaction are very important
 - **Strategic actions** – *participation in mutual missions with OLAF and competent national authorities during on-the-spot checks and exchange of information*
- **Training and exchange of experience**
 - ✓ Constantly changing legal basis, electronic irregularity reporting, development of methods and instruments for fighting fraud require high quality trainings
 - **Strategic actions** – *trainings, organized by OLAF, for irregularity reporting and investigations, exchange of experience and good practices with other member states*



Problems and Challenges in Investigation, Recovery and Sanctions

▪ Investigation

- ✓ Harmonized national legislation, specialized structures for investigations, OLAF's final reports are written evidence according to the Penal Procedure Code.
- **Strategic actions** – *increase of the efficiency of investigations, updated legal basis for the period 2014-2020 which is in line with EU legislation*

▪ Sanctions

- ✓ Guarantee that sanctions in case of fraud correspond to the EU legislation related to protection of the EU's financial interests.
- **Strategic actions** – *assessment of the rules for imposing sanctions at national level, analysis of infringements and imposed sanctions and the results*

▪ Recovery

- ✓ Member states' obligation is to investigate cases and to require recovery – the moment of establishing irregularities, starting recovery procedure and cooperation between institutions are challenging.
- **Strategic actions** – *tight control, improvement of administrative capacity to manage projects*



The main goal of the National Strategy is to achieve efficient and effective protection of EU's financial interests



Strategic goal 1: Improvement of prevention

- **Preparation and adoption of legal basis for the period 2014-2020**
 - ✓ Development and coordination regarding new legal basis for implementation of the EU programmes
 - ✓ Development of control systems, internal rules, guidelines, procedures
 - ✓ Preparation of position on a new Penal Code
 - ✓ Expert working groups for legal issues
 - ✓ Update of the current legal basis



Strategic goal 1: Improvement of prevention

- **Improvement of administrative capacity**
 - ✓ Measures for improvement of the expert capacity
 - ✓ Introduction of the experts to the relevant legal basis and trainings on newly adopted legislation
 - ✓ Organization of seminars or forums to discuss most common mistakes, good practices, exchange of experience in administering irregularities
 - ✓ Improvement of the administrative structures and optimization of the activities to implement prevention measures
 - ✓ Improvement of the administrative capacity for analysis and risk assessment



Strategic goal 1: Improvement of prevention

- **Increase of transparency and improvement of access to information**
 - ✓ Higher transparency in the administration's activities, monitoring and control
 - ✓ Publishing of information on web stored registers for projects, paid amounts, established irregularities
 - ✓ Expand the opportunities for the civil society to send signals and to follow the actions of the administration – web sites, hot lines
 - ✓ Information campaigns, public forums, press conferences
 - ✓ Improvement of the beneficiaries' capacity in preparing and implementing projects



Strategic goal 1: Improvement of prevention

- **Integrated databases and systems for information exchange and reporting**
 - ✓ National Information System for managing and monitoring - ISUN
 - ✓ Uniform Signal Registers and Irregularity Registers for the different administrative structures
 - ✓ Totally electronic communication with beneficiaries through ISUN 2020
 - ✓ Totally electronic reporting at national level
 - ✓ Export of information from the systems for analysis and improvement of fraud prevention
 - ✓ Reporting irregularities to AFCOS and to OLAF
 - ✓ Quality control of the reports in IMS and control on the procedure for administering irregularities
 - ✓ AFCOS maintain Irregularity database and Preliminary Proceedings database
 - ✓ AFCOS to maintain Financial Inspections database
 - ✓ Exchange of information for irregularities



Strategic goal 1: Improvement of prevention

▪ Results expected

- ✓ Adoption of new and updated legal acts
- ✓ Updated procedures for administering irregularities
- ✓ Higher administrative capacity due to increasing awareness and optimization of administrative structures
- ✓ Initiatives for raising civil society awareness
- ✓ Development of the manners to send signals and analysis of the signals
- ✓ Qualitative irregularity reporting to OLAF
- ✓ Lower number of irregularities due to preventive measures



Strategic goal 2: Increase of the efficiency in detection and counteraction to irregularities and fraud

▪ Update of the agreements on cooperation

- ✓ Update of the current and preparation and adoption of new agreements on cooperation, memoranda of understanding, working programs in order to improve cooperation between national authorities, including the Prosecutor's office

▪ Improvement of cooperation and interaction between revenue agencies

- ✓ Intense control of high risk goods through analysis with IT systems
- ✓ Control and mutual activities between Revenue and Customs Agencies
- ✓ Control of the debtors that are potential criminals
- ✓ Preliminary proceedings related to the tax and social insurance frauds and tax evasion
- ✓ Implementation of Electronic Risk Information System



Strategic goal 2: Increase of the efficiency in detection and counteraction to irregularities and fraud

- **Improvement of internal control and interaction between national authorities, private sector, NGOs and civil society**
 - ✓ Internal control to identify “red flags”
 - ✓ Coordination and interaction between control authorities
 - ✓ Annual analysis on most common irregularities
 - ✓ Informing AFCOS for the results of performed checks by OLAF
 - ✓ Informing the National Authorizing Officer and the Certifying Authority for the results of performed audits and controls
 - ✓ Exchange of information and good practices between national authorities, private sector, NGOs and civil society and within the Permanent Irregularity Working Group
 - ✓ Organizing trainings for beneficiaries by audit officers
 - ✓ Raising citizens` awareness for sending signals



Strategic goal 2: Increase of the efficiency in detection and counteraction to irregularities and fraud

- **Increase role of IT tools used at European and National level. Databases. Development.**
 - ✓ NIMS – New Irregularity Management System
 - ✓ ISUN 2020 – National Information System for Management and Monitoring of the funds from Structural Instruments in Bulgaria (Structural and Investment Funds)
 - ✓ ISAK-Integrated System for Administering and Control(Agricultural funds)
 - ✓ Akster-Popeye – Electronic System for Project Monitoring under Operational programme for Fisheries Sector Development (Maritime and Fisheries Fund)
 - ✓ Information systems of the Ministry of Interior
 - ✓ Trade register
 - ✓ Instrument “Arachne”



Strategic goal 2: Increase of the efficiency in detection and counteraction to irregularities and fraud

▪ **Targeted trainings for specialized institutions**

- ✓ Targeted trainings and information campaigns for specialized institutions responsible for detection and counteraction of frauds, including prosecutors and investigators
- ✓ Participation in seminars and trainings conducted by national and foreign lecturers
- ✓ Exchange of experience and good practices
- ✓ Development of specialized bodies, including at regional level, to investigate significant fraud cases
- ✓ Formation of working groups to analyze at monthly basis actions undertaken by the competent authorities and if necessary, to correct them



Strategic goal 2: Increase of the efficiency in detection and counteraction to irregularities and fraud

▪ **Results expected**

- ✓ Improvement of bilateral and multilateral cooperation between institutions involved in the national institutional mechanism for fight against fraud
- ✓ Increase of collection of amounts by revenue agencies as a result of mutual activities of the competent authorities and decrease shadow economy
- ✓ Effective risk assessment and management system in all control and regulatory authorities. Effective preliminary, current and follow-up control.
- ✓ Improved interaction and cooperation between national authorities, private sector, NGOs and civil society in detection and counteraction to irregularities and fraud affecting EU's financial interests
- ✓ Lower administrative burden and improved analysis as a result of the electronic systems
- ✓ Professional and expert position of the specialized institutions



Strategic goal 3: Strengthen of the cooperation with OLAF and the competent EU institutions, Member States and other countries

▪ **Active participation in developing strategic documents and policies**

- ✓ Significant Bulgarian role in meetings, seminars, conferences, forums when developing strategic documents and policies for protection of EU's financial interests
- ✓ Participation with strong Bulgarian position at COCOLAF meetings and COCOLAF subgroups meetings
- ✓ Preparation of the Bulgarian part of the art. 325 report
- ✓ Preparation of National Situation Report and participation on annual conference of Task Group "Cigarettes"
- ✓ Presentation of Bulgarian experience at AFCOS seminars



Strategic goal 3: Strengthen of the cooperation with OLAF and the competent EU institutions, MS and other countries

▪ **Expand operational cooperation**

- ✓ Exchange of information, conducting mutual operations for detection and counteraction of irregularities and fraud, initiated by OLAF at European and regional level
- ✓ Participation in bilateral and multilateral investigative teams
- ✓ Cooperation with OLAF in conducting on-the-spot checks and provision of information
- ✓ Cooperation with controllers of procedural guarantees to provide access to beneficiaries' premises
- ✓ Improvement of operational cooperation between national authorities, EU institutions and competent authorities in member states
- ✓ Cooperation between AFCOS structures in other countries



Strategic goal 3: Strengthen of the cooperation with OLAF and the competent EU institutions, MS and other countries

▪ **Trainings and exchange of experience**

- ✓ OLAF shares best practices, experience and supports measures for fight against fraud. OLAF uses information received by reporting countries for analysis and defines new practices. It is necessary to expand ways of conducting trainings, participate in nets for cooperation and partnership in order to exchange good practices and acquire specific expertise
- ✓ Participation in trainings on irregularity reporting and implementation of electronic systems for reporting for the period 2014-2020
- ✓ Conducting trainings on international cooperation for preliminary proceedings officers in relation to penal procedure issues
- ✓ Participation of AFCOS Bulgaria officers in internships in OLAF and AFCOS structures in other countries to exchange experience



Strategic goal 3: Strengthen of the cooperation with OLAF and the competent EU institutions, MS and other countries

▪ **Results expected**

- ✓ Improved cooperation between institutions involved in the fight against fraud at European and national level in developing policies and decision making process
- ✓ Effective mutual operations in the fight against smuggling and fake cigarettes and fraud detection in the expenditure part of the EU funds
- ✓ Sharing experience gained through trainings on irregularity reporting and investigations with OLAF and the competent national authorities



Strategic goal 4: Increase of the efficiency in investigation, recovery and sanctions

- **Effective coordination of the legislative, administrative and operational activities of the institutions**
 - ✓ Discussing of identified problems in implementation of the Penal Code, Penal Procedure Code, Tax-Insurance Procedure Code and other legislative acts and preparation of amendments to overcome the problems
 - ✓ Adoption of provisions in the Penal Code related to the crimes against EU`s financial interests
 - ✓ Preparation of amendments for legal acts and secondary law or adoption of new acts for administrative or penal proceedings to protect EU`s financial interests



Strategic goal 4: Increase of the efficiency in investigation, recovery and sanctions

- **Optimizing national rules for imposing sanctions**
 - ✓ Preparation of analysis on implementation of national rules for imposing administrative or financial sanctions – detected infringements, imposed sanctions, effect of the sanctions
 - ✓ Preparation of amendments of the legal basis and taking effective measures to dissuade persons from commitment of irregularities and fraud, including withdraw funding
 - ✓ Implementation of an Early Warning System in order to monitor and control risky beneficiaries
 - ✓ Raise the awareness of the competent authorities for the Exclusion database



Strategic goal 4: Increase of the efficiency in investigation, recovery and sanctions

- **Establishing of short and clear recovery procedures**
 - ✓ Update of the procedures of imposing financial corrections and making them in line with the European legislation
 - ✓ Immediate establishing of irregularities
 - ✓ Priority for recovery of EU funds
 - ✓ Monthly reporting for the activities undertaken for recovery
 - ✓ Feedback for the recovery
 - ✓ Simplified cooperation procedures between Managing Authorities and Revenue Agency
- **Increase of the efficiency in administrative and penal proceedings**
 - ✓ Control of the competent authorities on the recovery procedures
 - ✓ Internal rules in the Managing Authorities related to the recovery procedures
 - ✓ Administrative investigations conducted by AFCOS Bulgaria to identify irregularities and frauds
 - ✓ Proceedings finalized with judgment or sentence



Strategic goal 4: Increase of the efficiency in investigation, recovery and sanctions

- **Results expected**
 - ✓ Adopted amended legal acts related to administrative and penal proceedings
 - ✓ Adoption of provisions in the Penal Code related to the crimes against EU's financial interests
 - ✓ Short recovery procedures
 - ✓ Updated rules for imposing financial corrections
 - ✓ Increased efficiency of the administrative and penal proceedings



Coordination, monitoring and report of the implementation of the Strategy

The implementation of the National strategy is a part of the cycle of strategic planning and programming in Bulgaria which has mechanisms for planning, monitoring and reporting.

Certain activities in the field of the protection of the EU's financial interests should result in effective realization of the strategic goals of the National Strategy.

The project of the National Strategy and the Action plan are prepared by AFCOS Directorate Bulgaria.

Achieving the strategic goals and the respective activities will be financed by the national budget and the EU operational programmes.



MINISTRY OF INTERIOR – BULGARIA

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Thank you for your attention!

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