



# Management Plan 2018

European Anti-Fraud Office (OLAF)



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## INTRODUCTION

The European Anti-Fraud Office (OLAF) shares its main general objective with other horizontal services of the European Commission: *To help achieve the overall political objectives, the Commission will effectively and efficiently manage and safeguard assets and resources, and attract and develop the best talents.* This general objective captures most activities and results of the Office. In the context of this general objective OLAF pursues several specific objectives.

Specific objective 1: *Efficient and effective management of OLAF's investigations and coordination actions* is dedicated to OLAF's investigative work and recommendations. As explained in OLAF's Strategic Plan 2016-2020, OLAF currently is performing at its full capacity. As other Commission services, the Office has been subject to the Commission-wide staff reduction while having received more information of investigative interest in the past years. Maintaining the current level of investigative efficiency at a steady level will thus present a significant challenge. Therefore, most of the targets for the investigative and coordination activities will remain stable also for 2018.

Specific objective 2: *Provision of necessary IT tools to support OLAF's investigative activities.* OLAF Content Management, a new system integrating case and document management, was deployed in OLAF in 2016.

Specific objective 3: *Compliance with legal obligations related to access to documents and personal data* will remain unchanged as the targets are linked to the legal obligations.

Specific objective 4: *Protection of the financial interests of the EU by developing anti-fraud policy, legislation and enhancing the cooperation with the Member States and other partners* covers various outputs related to fraud prevention, cooperation with and support of our stakeholders and anti-fraud policy. Some of these outputs are of recurring or ongoing nature, for example organising seminars for anti-fraud coordination services (AFCOS) and supporting Member States in fulfilling their obligation of reporting irregularities. Furthermore, in 2018, the Commission will finalise the evaluation of the Commission Anti-Fraud Strategy and subsequently update it. As follow up to the evaluation of Regulation 883/2013, and to adapt the legal framework for OLAF to the establishment of the European Public Prosecutor's Office (EPPO), the Commission will make a legislative proposal for amending the Regulation. Once adopted negotiations in the Parliament and Council will follow.

OLAF's Specific objective 5: *Reduction of illicit trade in tobacco products* remains an important objective and obligation of OLAF and the Commission. In 2018 OLAF will continue working on ratifications of the Framework Convention on Tobacco Control (FCTC) Protocol. Furthermore, the Commission will produce an Action Plan, with special focus on fighting non-branded 'cheap whites' cigarettes, as a follow-up to the Tobacco Implementation Report.

Promoting activities in the field of the protection of the European Union's financial interests is done through the Hercule III Programme. Actions under this programme fall under OLAF's Specific objective 6: *To prevent and combat fraud, corruption and any other illegal activities affecting the Union's financial interests.* The achievements of this

programme are each year reported in the Commission Staff Working Document accompanying the PIF report.

Finally, OLAF's second General objective corresponds to one of the ten policy priorities that President Juncker highlighted for this Commission: *An Area of Justice and Fundamental Rights Based on Mutual Trust*. In his political guidelines, President Juncker stated that judicial cooperation in the EU must improve "by making progress on new tools such as the European Public Prosecutor's Office which is designed to tackle criminal fraud which damages the EU budget". OLAF further specified its work in this regard in its Specific objective 7: *Strengthened legal framework for protection of the financial interests of the EU*. Following the adoption of the European Public Prosecutor's Office (EPPO) Regulation and of the Directive on the Protection of EU's financial interests by means of criminal law (PIF directive), OLAF will focus on the establishment of the EPPO and the support to the MS in the transposition of the PIF Directive.

## PART 1. MAIN OUTPUTS FOR THE YEAR

### A. Investigative and coordination activities

This section sets specific objectives, indicators and targets for the selection of cases to be opened by OLAF, the conduct of investigations and coordination activities, as well as the implementation of recommendations issued by OLAF as a result of its investigative activities.

The first step in the selection phase is to establish whether OLAF is competent to investigate. Once this is confirmed, the available information is examined in accordance with Regulation 883/2013, in order to determine whether there is sufficient suspicion that there has been fraud, corruption, any other illegal activity affecting the financial interests of the Union, or serious wrongdoing by EU staff or a member of an Institution. Only after establishing the competence and the existence of sufficient suspicion do OLAF selectors proceed to the analysis of the criteria of (i) proportionality, (ii) efficient use of investigative resources and (iii) in particular with regard to internal investigations, the institution, body, office or agency best placed to conduct them, based, in particular, on the nature of the facts, the actual or potential financial impact of the case, and the likelihood of any judicial follow-up. The decision further takes into account the Investigation Policy Priorities (IPPs) of the Office (see Article 5 (1) Reg. 883/2013), setting out special sectoral priorities, throughout the application of the above criteria. When a case falls within the scope of an investigative priority, this may tip the balance towards the opening of an investigation. The opening and carrying out of an investigation is done by OLAF in full independence, without instructions from any government, institution, body, office or agency.<sup>1</sup>

As regards the output "Speedy initial assessment of whether a case should be opened", the target for the indicator on "Percentage of selections closed whose duration is no longer than 2 months" is reduced from 75% to 65% due to issues deriving from the transition to new case management system. The target for the other indicator related to the same output will remain the same.

The targets regarding the output "Reasonable duration of investigations" will also remain the same for 2018. However, OLAF will endeavour further to reduce the average duration of investigations in 2018 and beyond with the objective of attaining a stable average duration of 18 months.

**General objective 1: To help achieve the overall political objectives, the Commission will effectively and efficiently manage and safeguard assets and resources, and attract and develop the best talents.**

**Specific objective 1: Efficient and effective management of OLAF's investigations and coordination actions**

Related to spending programme(s): No

**Main outputs in 2018:**

**Other important outputs**

Output	Indicator	Target
Speedy initial assessment of whether a case should be opened	Average duration of selections	No longer than 2 months
	Percentage of selections closed whose duration is no longer than 2 months	At least 65%
Reasonable duration of investigations	Average duration of investigations	No longer than 20 months
	Percentage of on-going investigations lasting more than 20 months	Less than 30%

<sup>1</sup> See Article 17(3) of OLAF Regulation 883/2013.

Efficient investigations	Percentage of investigations closed with recommendations	At least 45%
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The following indicators are not a direct output of OLAF's work, as their outcome depends on the implementation of OLAF's recommendations by the recipients of those recommendations. However, these are important indicators of the impact of OLAF's investigative work.

<b>Indicator</b>	<b>Description</b>	<b>Target</b>
Implementation of OLAF's judicial recommendations	Average rate of indictment following OLAF's judicial recommendations issued in the last 7 years	At least 50% for the reporting period 2012-2018
Implementation of OLAF's disciplinary recommendations	Average rate of actions taken by EU disciplinary authorities following OLAF's disciplinary recommendations in the last 3 years	At least 75% for the period 2016-2018
Implementation of OLAF's financial recommendations	Average amount established for recovery for last 2 years compared to the average OLAF's budget for the same time period	A ratio of 2:1 or above between the amount established for recovery by the recipients of OLAF's financial recommendations and OLAF's administrative budget

## **B. Investigation support**

The Investigation Support Directorate in OLAF provides specialised services to support OLAF's investigation and coordination activities.

Within this Directorate, one unit monitors the efficiency, effectiveness and quality of the investigative process and supports it with the necessary tools. Digital forensic acquisition, data collection and analysis, as well as other relevant expert tools and related technical assistance, are provided to OLAF investigative units and competent authorities in the Member States. An in-house legal advice unit provides advice and support to the investigative processes and handles complaints to the European Ombudsman and to the EDPS as well as requests for public access to documents and for access to personal data (see Specific objective 3). Two IT units complete this Directorate, IT infrastructure (procurement, infrastructure, support) and IT developments that has delivered the new OLAF Content Management (OCM) system.

OCM is a tool used since October 2016 by all OLAF staff handling case related documents to manage cases and documents. It allows users to organise case activities, handle case-related information, obtain approvals and decisions, and produce documents.

Compared to the previous systems THOR/CMS, OCM has introduced electronic workflows in a secured environment. It has also introduced electronic signature to make OLAF's work more secure and better documented. Remote access from outside OLAF premises is also available and facilitates the field work of investigators.

However, the release of OCM has revealed a number of challenges. Additional work is needed to fix the technical problems that remain, carry out change management initiatives, improve the user experience and to finalise the remaining development of missing features of OCM. These challenges will be tackled in three main steps: (1) fixing the technical bugs and increasing the speed of OCM, (2) working on the simplification and flexibility of the system based on input from colleagues, (3) further developing OCM to reach a full-fledged Content Management System.

<b>Specific objective 2: Provision of necessary IT tools to support OLAF's investigative activities</b>		Related to spending programme(s): No
<b>Main outputs in 2018:</b>		
<b>Other important outputs</b>		
<b>Output</b>	<b>Indicator</b>	<b>Target</b>
Fix bugs	Percentage of bugs reported by end 2017 resolved	At least 95% of bugs reported by end-2017 are solved by July 2018
Reducing negative impact of OCM security features on speed of performance of the system.	Percentage of improvement in performance	At least 50% of gain in performance between benchmark of March 2018 and benchmark of December 2018
Simplification and flexibility	User satisfaction	At least 75% of staff surveyed by June 2018, consider OCM has substantially improved since its deployment in October 2016.

<b>Specific objective 3: Compliance with legal obligations related to access to documents and personal data</b>		Related to spending programme(s): No
<b>Main outputs in 2018:</b>		
<b>Other important outputs</b>		
<b>Output</b>	<b>Indicator</b>	<b>Target</b>
Timely replies to requests from the Ombudsman and the EDPS complaints	% of replies within the timeframe foreseen by the relevant Regulations	100%
Timely replies to requests on access to documents and personal data	% of replies within the timeframe foreseen by the relevant Regulations	100%



### **C. Anti-fraud policy, including fraud prevention**

#### **Protection of the financial interests of the EU by developing anti-fraud policy, legislation and enhancing the cooperation with the Member States and other partners**

OLAF is the lead service in the conception and development of a European anti-fraud policy. It deals with all phases of fraud prevention and detection, from the conception of a policy, the implementation of existing and new policies, to the reporting on its progress.

#### Revision of Regulation 883/2013

On 2 October 2017, the Commission adopted the evaluation report of the application of Regulation 883/2013<sup>2</sup>. As a follow up to the evaluation and in the context of the establishment of the European Public Prosecutor Office (EPPO), the Commission will prepare an assessment in line with Better Regulation principles which may lead to a legislative proposal for amending the Regulation already in the first half of 2018. OLAF would be the Commission lead service for this legislative proposal and its subsequent negotiations with the European Parliament and the Council. The proposed amendments would provide a targeted reform of the Regulation primarily linked to the establishment of the EPPO and additional targeted changes, where necessary, based on the most unambiguous findings of the evaluation aiming at improving effectiveness of OLAF investigations.

#### Relations with partners

The Office operates in collaboration with a number of partners, notably with the EU institutions, EU bodies such as Eurojust and Europol, Member States authorities or third country bodies and international organisations. To this end, it negotiates arrangements with some of these partners to facilitate practical cooperation.

The existing 2004 Administrative Arrangement between OLAF and Europol was concluded at a time when both were operating under different legal bases, which in the meantime have been modernised. OLAF and Europol have been discussing the possibility of concluding a revised working arrangement. These discussions restarted following the entry into application of the new Europol Regulation on 1 May 2017. Direct contact with key partners is fundamental to maintain good collaboration, for instance through the annual meeting with Member States' anti-fraud coordination services (AFCOS) and the seminar with AFCOS of enlargement countries.

#### Evaluation and review of the Commission Anti-Fraud Strategy

On 24 June 2011, the Commission adopted the Commission Anti-Fraud Strategy (CAFS), consisting of a Commission Communication<sup>3</sup> and an action plan<sup>4</sup>. The CAFS aimed at strengthening the anti-fraud cycle, from prevention to sanctions, by bringing a uniform approach across Commission services, while at the same time allowing them to tailor

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<sup>2</sup> Report from the Commission to the European Parliament and the Council on the Evaluation of the application of Regulation (EU, EURATOM) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999. COM(2017) 589 final

<sup>3</sup> (COM(2011)376)

<sup>4</sup> (SEC(2011)787)

actions to their specific policy area. The CAFS has also established the Fraud Prevention and Detection Network (FPDNet), a network of anti-fraud experts in the Commission. In the framework of preparing the Commission proposals for the post-2020 Multiannual Financial Framework (MFF), it is also necessary to review the Commission's entire anti-fraud strategy, in order to create a sound basis for the next generation of spending programmes. This comprehensive review should be built on the evaluation of the implementation of the CAFS and go beyond updating the different services' individual anti-fraud strategies. The evaluation report is scheduled to be finalised early in the second quarter of 2018. The adoption of an updated CAFS is planned for mid-2018.

### PIF Report

OLAF is also the Commission service *chef de file* for the drafting of the Commission annual report on the Protection of the EU financial interests, adopted under Article 325 TFEU ("PIF Report"), which is prepared in cooperation with the Member States (in the framework of the Consultative Committee for the Fight Against Fraud – COCOLAF) and offers an overview of the measures adopted and the results achieved in the fight against fraud and irregularities in the EU during the reporting year.

### Early Detection and Exclusion System (EDES)

The Early Detection and Exclusion System (EDES) database is run by the Directorate-General for Budget (DG BUDG) with important input from OLAF. Results of OLAF investigations (as well as audit findings established by EU institutions and bodies) feed into action taken by Authorising Officers to exclude unreliable tenderers and grant applicants from EU funding and to flag suspicions in this respect. Such exclusion or flagging is recorded in EDES. OLAF's role in the operation of EDES is three-fold:

1. Communicating preliminary or final investigation results to EU services. Such communication forms an integral part of OLAF's investigation-related work and is therefore not listed as output below.
2. Authorising Officers consult OLAF when flagging a risk-prone economic operator on the basis of information received from OLAF. OLAF reacts to the consultation within the applicable deadline providing additional information where available. The timeliness of response depends on the state of play of the investigation in question and on communication with national authorities. A trade-off between timeliness and completeness of OLAF's reply may be necessary.
3. When Authorising Officers propose to exclude an economic operator from EU funding, they send their request to the Exclusion Panel for assessment and recommendation. This panel may ask OLAF for supplementary information and will invite OLAF as observer. OLAF offers its advice and provides the requested information within the deadline set by the panel where such information is available. Deadlines may be extended where this is compatible with the panel's legal obligation<sup>5</sup> to issue a recommendation within 45 days. The explanation given above regarding timeliness and completeness of OLAF's contribution applies *mutatis mutandis*.

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<sup>5</sup> Article 108(8)(f) of the Financial Regulation

**Specific objective 4: Protection of the financial interests of the EU by developing anti-fraud policy, legislation and enhancing the cooperation with the Member States and other partners**

Related to spending programme(s): AFIS/Hercule

**Main outputs in 2018:**

**All new initiatives and REFIT initiatives from the Commission Work Programme**

<b>Output</b>	<b>Indicator</b>	<b>Target</b>
Proposal for amendment of Regulation 883/2013	Proposal by the Commission	1 <sup>st</sup> half of 2018
<b>Other important outputs</b>		
<b>Output</b>	<b>Indicator</b>	<b>Target</b>
Organise AFCOS seminar	AFCOS seminar has taken place	2018
Organise AFCOS group meeting	AFCOS group meeting has taken place	2018
Organise FPDnet meetings	FPDnet meetings have taken place	4 meetings in 2018 (one per quarter)
Establish new working arrangements with Europol	Signature	2018
Evaluation of the Commission Anti-Fraud Strategy	Staff Working Document published	2018
Review of the Commission Anti-Fraud Strategy	Adoption of the revised CAFS by the College	mid-2018
Annual Report (under Article 325(5) of TFEU) by the Commission to the EP and Council on the Protection of the EU's financial interests	Adoption Decide planning reference number: PLAN/2017/2210	3rd quarter 2018
Replying to consultations by Commission services on early detection cases.	Proportion of consultations for which deadlines were met	Meet deadlines in 75% of consultations
Supporting the Commission's Exclusion Panel by providing case-related information and advice.	Proportion of panel cases based on OLAF investigations for which deadlines regarding OLAF's written and oral contributions to the work of the panel were met	Meet deadlines in 75% of cases

### Anti-fraud information system (AFIS)

AFIS is an umbrella term for a set of anti-fraud IT applications operated by the European Commission (OLAF) which create contacts with the competent authorities in the Member States. These ensure the timely and secure exchange of fraud-related information between national and EU competent administrations. The AFIS Portal is a single and common infrastructure for the delivery of the below-mentioned services to more than 8 000 registered end-users in more than 1 200 competent services from Member States, partner third countries, international organisations, Commission services and other EU Institutions. The AFIS Project encompasses two major areas: Mutual Assistance in Customs Matters and Irregularities Management.

The legal basis for AFIS' support of Mutual Assistance in Customs Matters is Council Regulation (EC) No 515/97 as amended by Regulation (EU) No 2015/1525<sup>6</sup>. It supports Mutual Assistance in Customs Matters with the secure real-time information exchange system V-OCU (Virtual Operations Coordination Unit) used for Joint Customs Operations, secure web mail (MAB-Mail), specific information exchange modules and databases like MAB (Mutual Assistance Broker), CIS (Customs Information System) and FIDE (Customs Investigation Files Identification Database); and analysis tools like A-TIS (Anti-Fraud Transit Information System).

The Irregularities Management System (IMS) is a secure electronic tool which facilitates the Member States' obligation to report irregularities detected in agricultural, structural, cohesion and fisheries funds as well as pre-accession aid, and which supports the management and analysis of irregularities. The legal basis setting the obligation for irregularities reporting lies in several pieces of sectoral legislation for the Member States and in the Financing Agreements for Neighbouring and Candidate Countries. By training and providing guidance and advice to the national authorities in how to use the IMS, OLAF aims to achieve compliance with their obligations to report detected irregularities. This increases the protection of the EU's financial interests, as the potential fraud are signalled, risk analysis are performed and enhanced coordination can happen between OLAF's investigations and those of the relevant national authorities. By training Commission staff in how to consult the IMS, extract and analyse relevant data, OLAF aims to enhance these services' fraud awareness and prevention capabilities.

In the context of Joint Customs Operations (JCOs), OLAF plays a key role in coordinating the work of several national customs authorities, exchanging information and acting against internationally organised contraband. OLAF's target is to initiate one JCO in 2018. Additionally, OLAF will provide support to at least three JCOs requested by the Member States as it has done in the past. AFIS also provides the IT platform for JCOs.

In 2018 OLAF and the JRC will develop a project to help Member States to make best use of the data at their disposal in existing databases and IT systems, and strengthen their analytical capacities in the anti-fraud customs area. Member States will be closely associated with this project which will include workshops with national experts.

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<sup>6</sup> Regulation (EU) 2015/1525 of the European Parliament and of the Council of 9 September 2015 amending Council Regulation (EC) No 515/97 on mutual assistance between the administrative

**Specific objective 4: Protection of the financial interests of the EU by developing anti-fraud policy, legislation and enhancing the cooperation with the Member States and other partners**

Related to spending programme(s): AFIS

**Main outputs in 2018:**

**Other important outputs**

<b>Output</b>	<b>Indicator</b>	<b>Target</b>
Support mutual assistance in customs matters through the provision of secure information exchange tools for specific customs anti-fraud information exchange modules and databases (i.a. CIS)	Number of active customs fraud cases for which information is available in the mutual assistance databases	17 000
Develop a project on data analysis to strengthen Member State analytical capacities in the anti-fraud customs area	One workshop with Member State experts per semester	2018
Support mutual assistance in customs matters through the provision of secure information exchange tools for Joint Customs Operations	Number of Joint Customs Operations led by OLAF	1 JCOs
	Number of Joint Customs Operations supported by OLAF	3 JCOs
Support Member States in fulfilling their obligation of reporting irregularities.	Development of a B2B tool to facilitate data exchange with national systems.	1 <sup>st</sup> half 2018
Support Member States and Commission users of IMS in exploiting the relevant data to enhance their services' anti-fraud capabilities	Development of a built-in analytical/reporting tool in IMS.	2018
IMS training to IMS users (national administrations, OLAF units and Shared Management DGs)	Countries IMS Liaisons-officers (LO) are regularly updated of relevant developments and training is offered only if needed (major changes in the system).	National LOs are informed at least twice a year about development plans and progress.
	Training in the MS and Candidate Countries based on the "train the trainers" principle, including annual feedback regarding training activities in the MS.	2018
	IMS training to become permanently available on the EUlearn catalogue and trainings to be offered once the minimum number of applications is received	IMS training offered on EU learn as of January 2018

## Reduction of illicit trade in tobacco products

In May 2017, the Commission presented a Report on progress in implementing the 2013 strategy to fight illicit tobacco trade. The progress report noted that most actions foreseen in 2013 had been completed or are on-going, but that despite these efforts the illicit tobacco trade remained at preoccupying levels. At the same time, key items of the 2013 strategy like the Framework Convention on Tobacco Control (FCTC) Protocol (the main plurilateral treaty to fight the illicit tobacco trade), or tracking and tracing under the 2014 Tobacco Products Directive were not yet applicable. Going forward, the Commission would take further initiatives as appropriate in 2018, also based on a consultation with relevant stakeholders. To this effect, the Commission is planning to organise an event with stakeholders to discuss key issues in this area, including notably the challenge of cheap whites. Building on these consultations as well as the analysis contained in the recent progress report, the Commission aims to adopt a new Action Plan in 2018 to complement the existing strategy, which as such remains pertinent. That Action Plan is likely to include, among other items, measures to promote and accompany the expected entry into force of the FCTC Protocol in 2018, and to seek to deepen engagement with key source and transit countries.

Specific objective 5: Reduction of illicit trade in tobacco products		<input checked="" type="checkbox"/> Non-spending
Main outputs in 2018:		
Description	Indicator	Target
Action Plan as a follow-up to the Tobacco Implementation Report	Stakeholder event on fighting 'cheap whites' cigarettes	1 <sup>st</sup> half of 2018
	This Action Plan will contain non-legislative initiatives with special focus on fighting non-branded 'cheap whites' cigarettes	2018
High Level Roundtable on illicit tobacco trade	Event organised in the framework of the informal Eastern Partnership Dialogue with the involvement of countries like Belarus, Ukraine, Moldova and Georgia	2nd half 2018
Operation of the laboratory facility for the analysis of seized cigarettes (TOBLAB)	Number of seizure analyses	150 tests in 2018
	Regional workshops in Member States	4
FCTC Protocol	Entry into force of the FCTC Protocol	2018

## **Promoting activities in the field of the protection of the European Union's financial interests (Hercule III)**

The specific objective of the Programme "shall be to prevent and combat fraud, corruption and any other illegal activities affecting the financial interests of the Union"<sup>7</sup>. The specific objective shall be measured through the four key performance indicators that are further elaborated below. The operational objectives<sup>8</sup> of the Programme are:

- to improve the prevention and investigation of fraud and other illegal activities beyond its currently reached levels by enhancing transnational and multi-disciplinary cooperation;
- to increase the protection of the financial interests of the Union against fraud, facilitating the exchange of information, experiences and best practices, including staff exchanges;
- to strengthen the fight against fraud and other illegal activities providing technical and operational support to national investigations, and in particular customs and law enforcement authorities;
- to limit the exposure of the financial interests of the Union to fraud, corruption, and other illegal activities compared to the level of exposure known today with a view to reducing the development of an illegal economy in key risk areas such as organised fraud, including cigarette smuggling and counterfeiting;
- to enhance the degree of development of the specific legal and judicial protection of the financial interests against fraud by promoting comparative law analysis.

In 2018, the Hercule Programme will be implemented on the basis of a Financing Decision and an annual work programme setting out the programme's priorities. The annual budget in 2018 is EUR 14.5 million.

In 2017, the Commission services conducted the mid-term evaluation of Hercule III Programme as required under Article 13(2)(a) of Regulation 250/2014. The Commission report will be based on the independent evaluation by an external contractor and will be adopted in January 2018. The stakeholders and the beneficiaries of the Programme acknowledged the efficiency and effectiveness as well as the added value of such an intervention at the EU level. A lack of funding at national level was often cited in that regard. This is in line with the Impact Assessment for the Hercule III Programme<sup>9</sup>, which suggested "to increase the share of Hercule funding in co-financed activities. This would be a response to a development which has become evident in 2011, namely that Member States are less able to co-finance Hercule projects."

In the light of the conclusions of the mid-term evaluation and in the context of the post-2020 multi-annual financial framework, reflections are ongoing as to the future of Hercule programme. The Commission will prepare an assessment in line with Better Regulation principles which may lead to a legislative proposal. The Commission proposal would take into account the conclusions of the mid-term evaluation.

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<sup>7</sup> Article 4 of Regulation 250/2014.

<sup>8</sup> Article 5 of Regulation 250/2014.

<sup>9</sup> SEC(2011) 1610 final

<b>Specific objective 6: To prevent and combat fraud, corruption and any other illegal activities affecting the Union's financial interests</b>		<b>Related to spending programme: Hercule III Programme</b>
<b>Main outputs in 2018:</b>		
<b>Other important outputs</b>		
<b>Output</b>	<b>Indicator</b>	<b>Target</b>
Finalise the Evaluation of Hercule III Programme	Evaluation Report submitted to the European Parliament and the Council  Decide planning reference number: 2017/OLAF/002	January 2018
Legislative proposal for post-2020 anti-fraud programme	Proposal by the Commission	2018
Annual overview with information on the results of the Hercule III Programme in 2017	Commission Staff Working Document accompanying the PIF report 2017	2018



## **Strengthened legal framework for protection of the financial interests of the EU**

OLAF is co-responsible with the Directorate-General for Justice and Consumers for two legislative initiatives, adopted in 2017, to strengthen the legal framework for the protection of the financial interests of the EU by means of criminal law (Specific objective 7).

The Directive on the Protection of EU's financial interests by means of criminal law (PIF directive) was adopted on 5 July 2017<sup>10</sup>. The Directive will strengthen the existing legal framework by further harmonising the definitions of offences affecting the Union's financial interests (offences of fraud, corruption, money laundering and misappropriation) as well as further harmonising sanctions and introducing time limitations for such cases. It covers cross-border VAT fraud cases when they involve a total damage of at least EUR 10 Million.

The PIF Directive will replace the 1995 Convention and its three protocols on the protection of the EU financial interests for the 26 Member States bound by the Directive (all Member States except Denmark and the UK, where the PIF Convention will continue to apply). The Directive defines the criminal offences which will fall within the material competence of the European Public Prosecutor's Office (EPPO). Member States will have two years to transpose the Directive. In 2018, the Commission services will work with the Member States to support the transposition. In the context of these contacts OLAF will organise at least one face to face meeting with the 26 participating Member States in order to facilitate this process.

The Council Regulation implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office was adopted on 12 October 2017<sup>11</sup>. It is expected to enter into force by the end of the year. The EPPO will become operational no earlier than three years after the date of the entry into force of the Regulation. In order for the EPPO to become operational, a number of preparatory steps must be taken by the Commission. Among them are the designation of an interim Administrative Director, the establishment of the Commission task force for the setting up of the EPPO, the selection procedure for the European Chief Prosecutor and the establishment of the expert group of Member States representatives. Timely implementation of these actions is crucial to allow the EPPO to begin investigating and prosecuting fraud affecting the financial interests of the EU at the earliest possible. The establishment of EPPO was mentioned in one of President Juncker's priorities for this Commission and OLAF's work on this topic falls under the General objective: *An Area of Justice and Fundamental Rights Based on Mutual Trust*.

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<sup>10</sup> Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law. OJ L 198, 28.7.2017, p. 29–41

<sup>11</sup> Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office ('the EPPO') OJ L 283, 31.10.2017, p. 1-71

**General objective 2: An Area of Justice and Fundamental Rights Based on Mutual Trust**

**Specific objective 7: Strengthened legal framework for protection of the financial interests of the EU.** Related to spending programme(s): No

**Main outputs in 2018:**

**Other important outputs**

<b>Output</b>	<b>Indicator</b>	<b>Target</b>
Making progress on setting up of the EPPO	Designate the interim Administrative Director	1 <sup>st</sup> quarter 2018
	Launch of the selection procedure for the European Chief Prosecutor	1 <sup>st</sup> half 2018
	Establishment of the expert group of Member States representatives	1 <sup>st</sup> quarter 2018
	Launch of the selection procedure for the European prosecutors	2018
Support Member States in the implementation of the PIF Directive	Discussions with Member States on transposition. At least one face to face expert group meeting with the Member States to discuss issues linked to the transposition	2018

## **PART 2. MAIN ORGANISATIONAL MANAGEMENT OUTPUTS FOR THE YEAR**

### ***A. Human resource management***

#### **HR Modernisation and new HR delivery model for OLAF**

The HR Modernisation project as laid down in the Communication on Synergies and Efficiencies continues to be rolled out in the Commission. HR services for DGs are now delivered by the Account Management Centres (AMCs). Within each DG, the HR Business Correspondent coordinates strategic HR matters and prepares the related decisions of the DG's management.

#### **OLAF specialised competitions**

In order to compensate the loss of expertise due to retirements and the expiry of temporary agent contracts, two competitions in the investigative field for AD7 and AD9 administrators were launched in 2016. A list of the 10 laureates AD9 administrators has been published in September 2017 and the list of 35 laureates AD7 administrators has been published in December 2017. This will allow OLAF to reduce significantly the vacancy rate and to renew its investigative capacity.

#### **Staff Development**

OLAF invests in the professionalisation of its staff through continuous learning and training. Specific in-house training on operational topics such as interviewing, evidence gathering, report writing are offered to OLAF investigators and the identification of learning needs will be pursued for all staff. In order for the newcomers in OLAF to get familiar with the core business of the Office, a special welcome day focusing on the investigative work is offered. OLAF will also continue to support requests for specific external training as it can help senior investigators to update their knowledge and skills and it is a good opportunity to exchange experience with the stakeholders. The Learning & Development strategy<sup>12</sup> adopted by the Commission puts the focus on the responsibility of the managers in identifying the training needs and their major role in supporting their staff developing their skills and knowledge. Actions will be implemented in 2018 to support the managers in this responsibility such as the identification of the learning needs per Unit and the establishment of learning path per type of job.

In the framework of a new Talent Management Strategy of the Commission and the new Decision on Middle Management Staff<sup>13</sup>, OLAF participates in the annual Inter-DG mandatory mobility exercise organised by DG HR. In 2018, OLAF will continue to invest in the development of the managerial competences of the senior and middle management. Managers will continue to be regularly invited to training and coaching sessions in order to enhance their leadership competences.

#### **Female representation in middle management**

The female representation in middle management has increased to 37% which is close to the target to have at least 40% of middle management positions occupied by women.

On 19 July 2017, the College has adopted quantitative targets of first female appointments to be made per Directorate-General (DG) and service at middle

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<sup>12</sup> C(2016) 3829 final, Communication to the Commission on Learning and Development Strategy of the European Commission of 24.6.2016; C(2016) 3828 final, Commission Decision of 24.6.2016 on the implementation of the learning and development strategy of the European Commission.

<sup>13</sup> (C(2016)3288)

management level<sup>14</sup>. In order to ensure the successful implementation of the Commission’s new approach to gender, DGs need to carefully monitor the middle management vacancies due to retirement or mobility of a Head of Unit. In-house qualified talents should be identified and succession planning foreseen in order for the DGs to appoint women administrators for the first time as middle managers and respect the target per DG to be reached by the end of 2019. A specific support will be offered in OLAF for the female colleagues with the potential to become managers and who are interested to develop themselves in managerial functions. Female junior managers will be regularly invited to participate in trainings and coaching sessions in order to develop their management skills. The number of female applicants for managerial positions will be monitored, and a second publication of a vacancy is foreseen where applications are considered as not balanced. In 2017, two out of a total of three first appointments to middle management positions in OLAF were female. In 2018, OLAF is going to continue working towards reaching a balance between men and women in its middle and senior management.

**Staff well-being and engagement index**

The results of the last staff survey in 2016 were discussed with OLAF staff in Unit or Directorate meetings and were carefully analysed.

The satisfaction rate regarding "professional future" had been particularly low. The respondents to the staff survey pointed to a lack of mobility opportunities and of performance-driven career progression. In response, in 2018 OLAF will organise together with DG HR awareness raising activities about the available career guidance services, including information about the staff profiles needed in other DGs. These services are currently advertised during the welcome sessions, and in 2017 they were presented during a lunchtime session with DG HR for all staff.

Increasing support will also be provided this year to staff interested in taking up a managerial role, with a view of develop their competencies and preparing them for junior or middle management positions. OLAF will continue to advertise all internal job opportunities on its Intranet. Regarding the specific situation of the temporary agents with indefinite contract, a proposal regarding their career perspectives will be developed.

OLAF offers flexible and supportive working conditions. In the framework of DG HR's health and wellbeing strategy 2017-2020, OLAF will organise, together with the AMC, communication campaigns in order to better address the needs of its staff. Wellbeing activities within OLAF's premises will be developed and advertised through different means (intranet, posters) and OLAF staff will be supported in their initiatives for wellbeing activities. Communication and participation of OLAF staff in various specific sport initiatives will be continued (i.e Eikiden marathon, veloMai, Schuman Trophy). In 2018, OLAF will make additional efforts to raise awareness on the existing Fit@Work and wellbeing activities available throughout the Commission.

**Objective: The DG deploys effectively its resources in support of the delivery of the Commission priorities and core business, has a competent and engaged workforce, which is driven by an effective and gender-balanced management and which can deploy its full potential within supportive and healthy working conditions.**

**Main outputs in 2018:**

Output	Indicator	Target
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<sup>14</sup> SEC(2017)359

Best use of the list of laureates following the publication of the reserve lists of the two competitions in the investigative field for AD7 and AD9	Number of AD laureates recruited	Decrease of the AD vacancy rate in the investigative field
Regrading exercise for temporary agents 2a with indefinite contract	Number of AT2a regraded in 2018 depending on the budget availabilities	At least one regrading completed by the end of 2018 in AD and in AST function groups
Increase gender balance through promotion of equal opportunities	Representation of women in Middle Management posts in OLAF (%)	At least 40% female representation overall in senior and middle management in the Commission by 2019.  3 newly appointed female managers between June 2017 and November 2019.
A dedicated management development programme to encourage female AD staff to apply for management positions	Share of female candidates applying for middle-management positions	More than 30%
The annual sick leave rate, based on 365 days, is computed for officials, temporary agents and contract staff and includes the following types of absences: with and without medical certificate, medical visit outside place of employment, mandatory leave on health grounds and medical part time	Sick leave rate (%)  Calculated by dividing the number of sick leave days by the number of assignment days	Equal to or lower than the Commission average
Train newly appointed investigative staff	% of newly appointed investigators participating in OLAF's in house training	75% of newly appointed investigators participating in at least one in house training
Increase of the staff engagement index in the Staff Survey	Average of positive response to DG HR staff survey (%)	Staff engagement index close to Commission average
Increase of the Wellbeing staff satisfaction rate in the Staff Survey	Average of positive response to DG HR staff survey (%)	Wellbeing staff satisfaction rate close to Commission average.

## **B. Financial Management: Internal control and Risk management**

In relation to the control effectiveness as regards legality and regularity, OLAF has set up the internal control processes aimed to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions. The control objective is to ensure that the cumulative budgetary impact of any residual error rate does not exceed 2%. The capacity to detect and correct the errors having a financial impact is also a key element in the control strategy that is carefully monitored in OLAF. The indicators regarding the estimated overall amount at risk for the year for the entire budget under the DGs responsibility and the estimated future corrections are not key management indicators for OLAF but rather corporate ones. Therefore, OLAF is maintaining corporate targets for these indicators.

### **Objective 1: Effective and reliable internal control system giving the necessary guarantees concerning the legality and the regularity of the underlying transactions.**

#### **Main outputs in 2018:**

Output	Indicator	Target
Legality and regularity of the underlying transactions in OLAF	Error rate detected on the legality and regularity of the underlying transactions for budget implementation	Error rate below 2%

### **Objective 2: Effective and reliable internal control system in line with sound financial management.**

#### **Main outputs in 2018:**

Output	Indicator	Target
Cost-effectiveness of controls	Control costs over funds managed	Grants < 15% Procurements < 5%
Timely execution of payments	Percentage of payments made within the time limits	>95%
Risk-differentiated and cost-effective internal control system	Review status of the control systems	All controls reviewed
Implementation of the new Internal Control Framework	Completion status	All principles
Open recommendations from the European Court of Auditors (ECA) and Internal Audit Service (IAS)	Number of critical recommendations overdue for more than 6 months	None

**Objective 3: Minimisation of the risk of fraud through application of effective anti-fraud measures, integrated in all activities of the DG, based on the DG's anti-fraud strategy (AFS) aimed at the prevention, detection and reparation of fraud.**

**Main outputs in 2018:**

Output	Indicator	Target
Implementation of the anti-fraud strategy as planned for 2018	Percentage of implementation of actions	100% target
Updated anti-fraud strategy of OLAF, elaborated on the basis of the methodology provided by OLAF	Updated anti-fraud strategy	Update every year, as set out in the AFS
Increased level of anti-fraud awareness	Number of training sessions organised for newcomers.  Newcomers trained on Ethic's matters. Percentage of population reached.	Minimum 2 per year  100% target population reached

***C. Better Regulation***

The main planned outputs linked to the Better Regulation objective in the Strategic Plan are listed in Part 1 under the relevant specific objective in the tables. All new initiatives and REFIT initiatives from the Commission Work Programme and "other important items".

#### ***D. Information management aspects***

In the framework of the information management strategy adopted by the Commission, OLAF is planning for 2018 to screen files and open them to the whole Commission where possible. Due to the specific nature of OLAF's work, OLAF's investigative information is subject to strict data protection and confidentiality rules and therefore the majority of files may only be shared on a strict "need-to-know" basis. However, there is room for opening files for specific areas, not related to investigations.

Concerning the improvement of information retrieval and delivery, OLAF is consistently working on monitoring the number of unfiled documents and the DMO is sending regular reminders to all Units for filing.

Concurrently OLAF is also rationalising the structure of OLAF Ares filing system, which will strive to delete all empty Ares files; to merge active files; and finally to close Ares files whose activity is completed. As regards the usage of the Ares e-signatory OLAF is currently conducting an in-depth analysis of the reasons for using a large majority of parallel paper signatory within certain Units so to identify the root causes and eventually mitigate its usage. Training and management decisions might be considered to help reducing the usage of parallel signatures.

**Objective: Information and knowledge in your DG is shared and reusable by other DGs. Important documents are registered, filed and retrievable.**

#### **Main outputs in 2018:**

Output	Indicator	Target
Accountability and traceability of OLAF activities	Number of ARES registered documents filed.	95% or more Ares filed registered documents
Rationalising OLAF Ares filing system	Deleting empty Ares files.	All empty files deleted by the end of 2018
	Merging active files.	At least 65% of OLAF's units covered by the end of 2018
	Closing Ares files whose activity is completed.	At least 50% of OLAF's units covered by the end of 2018

#### ***E. External communication activities***

When European funds are lost to fraud, European taxpayers are ultimately the victims. It is therefore crucial that European citizens are informed about the work of OLAF, as a dedicated service that benefits taxpayers by protecting the EU budget and making sure their money is well spent.

The OLAF Press Office will continue informing its target audiences on how OLAF, through its investigative and policy work, contributes to protecting the EU financial interests, on and why it is essential to maintain a policy of zero tolerance to fraud. By communicating on OLAF activities, it aims to not only raise the profile of the Office, but to contribute to fraud prevention and deterrence.

In the past years, the Press Office has developed a positive relationship with press both in Brussels and in the EU Member States, ensuring coverage of our investigations and outcomes. Attesting to that, in the first half of 2017, the number of press questions received was more than double that of the same period during the previous year. The



Press Office will continue to answer press questions in a comprehensive and timely manner, and organise interviews and background briefings, ensuring that journalists know they can always count on quality responses.

In 2017, OLAF starting using more creating means of showcasing OLAF's work in a clearer and more user-friendly manner by using videos and online campaigns. Its video on the Customs Regulation<sup>15</sup>, for example, was viewed more than 2100 times on the website of the EC Audiovisual Services, and hundreds of times on Twitter. We have also focused on partnering with OAFCN services to disseminate the video, through an engaging Twitter campaign that followed an imaginary container in its journey around Europe. This campaign received roughly 6000 impressions on Twitter.

As these activities have proved very successful, in 2018 OLAF will continue informing citizen on how its work is relevant to their lives, as well as what they do to assist the European Institutions in fight fraud with EU funds, by using not only traditional media, but also new media and social networks.

**Objective: Citizens perceive that the EU is working to improve their lives and engage with the EU. They feel that their concerns are taken into consideration in European decision making and they know about their rights in the EU.**  
**Main outputs in 2018:**

Output	Indicator	Target
Published materials related to OLAF activities and achievements	Number of press releases, news items, speeches and articles authored by OLAF Management published on the OLAF website.	More than 30 items
Press events and organised visits for groups of journalists	Numbers of press events and visits, number of participants	At least 4 events, at least 80 participants
Communication with citizens on social media	Number of Twitter followers	At least 2000
<b>Annual communication spending:</b>		
Baseline (2017)	Estimated commitments (2018)	
70 000	70 000	

***F. Example(s) of initiatives to improve economy and efficiency of financial and non-financial activities of the DG***

In 2018, as an example of an initiative to improve economy and efficiency of its financial activities, OLAF will analyse its financial circuits in order to optimise the cost-effectiveness of the internal control system. Furthermore, OLAF will try to analyse whether there is a scope to further improve the efficiency of the ex-post controls.

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<sup>15</sup> Regulation (EU) 2015/1525 of the European Parliament and of the Council of 9 September 2015 amending Council Regulation (EC) No 515/97 on mutual assistance between the administrative