



2018

Annual Activity Report

European Anti-Fraud Office

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THE DG IN BRIEF

OLAF's mandate is:

- to conduct independent investigations into fraud, corruption and irregularities involving EU funds so as to ensure that EU taxpayers' money reaches projects that can stimulate the creation of jobs and growth in Europe;
- to investigate serious misconduct by EU staff and members of the EU institutions, thus contributing to strengthening citizens' trust in the EU institutions;
- to develop EU policies to counter fraud.

The Commission and the Member States are both required by the Treaty on the Functioning of the European Union (**Article 325 TFEU**) to counter fraud and any illegal activities affecting the financial interests of the Union. In addition, the Commission, in accordance with Article 317 TFEU, is responsible for implementing the EU budget, and must ensure that there is a framework in place to enable the effective prevention, deterrence and detection of fraud. Within the Commission, anti-fraud responsibilities fall both on OLAF and on all services with responsibilities in the implementation of the budget. The modalities for the prevention, detection, investigation and sanctioning of fraud, and the respective responsibilities of the Commission and the Member States, vary depending on the method of implementation of the budget (direct, shared with Member States, or indirect).

In this context, **Regulation (EU, EURATOM) No 883/2013** concerning investigations conducted by the European Anti-fraud Office (OLAF)¹ empowers OLAF to conduct **external administrative investigations** at national level (Article 3 of Regulation 883/2013) and **internal administrative investigations** within the European Union institutions and bodies, wherever the EU's financial interests are at stake (Article 4 of Regulation 883/2013). Such internal investigations can also concern the discharge of professional duties (Commission decision 1999/352).

Both anti-fraud controls deployed in the implementation of the budget and OLAF's investigatory competences create an environment with a deterrent effect on potential fraudsters. In 2018, OLAF – designated by the Commission as the lead service in the conception and development of a European anti-fraud policy – drew up a revised Commission Anti-Fraud Strategy, whose implementation over the coming years will help to improve cooperation among Commission services, executive agencies, OLAF and other stakeholders, to inform and to coordinate the different services' anti-fraud measures and thus to strengthen anti-fraud deterrence and the protection of the EU budget even further.

OLAF operates within a complex institutional framework and cooperates with a group of bodies concerned either directly or indirectly with anti-fraud issues. These bodies fall into three sub-groups:

- a) Those located in the Member States or third countries, such as police and customs services, judicial authorities and administrative anti-fraud authorities;
- b) European Union bodies, such as the Investigation and Discipline Office of the Commission (IDOC), each institution's internal audit service, Eurojust, Europol; and
- c) International organisations such as the UN, the World Bank, the World Customs Organisation, etc.

¹ 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.

As the Member States are responsible for managing around 80% of European Union expenditure as well as for the collection of traditional own resources, it is essential for the effectiveness of the Office to work closely with national authorities (police, customs, the courts, etc.). The Member States are also responsible for criminal proceedings in cases of fraud affecting the EU budget but the diversity of their judicial systems renders the Office's task particularly complex. Moreover, the effectiveness of the investigation stage may be reduced if the Member States do not adequately respond to the Office's requests for support.

The Director-General of OLAF is responsible for the conduct of OLAF investigations. In order to guarantee the **independence of OLAF** in its investigative function, the legislation foresees that the Director-General of the Office does neither seek nor take instructions from any government or any Institution (including the Commission) as regards this function. If the Director-General of OLAF is of the opinion that the Commission has taken a measure that challenges his independence, he has the possibility of bringing a case against the Commission before the Court of Justice.

To reinforce OLAF's independence, the investigative function of the Office is subject to regular monitoring by the OLAF Supervisory Committee². The Committee comprises five independent members, having experience in senior judicial or investigative functions or comparable functions relating to the areas of activity of the Office. They are appointed by common agreement of the European Parliament, the Council and the Commission.

The OLAF control system for its investigating function puts special emphasis on risks linked to the assurance of the quality of investigations, the protection of the individual rights of the persons concerned and the secure handling of sensitive documents.

OLAF has a small operational budget and limited financial transactions. In this context, in 2018, OLAF handled financial transactions linked to the Hercule programme (protection of EU financial interests) and the Anti-Fraud Information System (AFIS - cooperation with partners).

OLAF's organisational structure demonstrates a focus on the core business tasks (investigations and their support - Directorates A, B and C) and on anti-fraud policy (Directorate D). Two units, Unit 0.1 "Investigation Selection and Review" and Unit 0.2 "Budget, HR Business Correspondent, Strategic planning and Security", report directly to the Director-General.

Mr Nicholas J. Ilett has been acting Director-General of OLAF until 31 July 2018. On 1 August 2018, Mr Ville Itälä has been appointed Director-General of OLAF.

² <http://europa.eu/supervisory-committee-olaf/>

EXECUTIVE SUMMARY

The Annual Activity Report is a management report from the Director-General of OLAF to the College of Commissioners. Annual Activity Reports are the main instrument of management accountability within the Commission and constitute the basis on which the College takes political responsibility for its decisions as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties³.

The executive summary has four subsections:

- a) Key results and progress towards the achievement of general and specific objectives of the DG (executive summary of section 1);
- b) The most relevant Key Performance Indicators (KPIs) for the illustration of policy highlights identified in the DGs 2016-2020 Strategic Plan;
- c) Key conclusions on Financial Management and Internal control (executive summary of section 2.1);
- d) Information to the Commissioner.

³ Article 17(1) of the Treaty on European Union

a) Key results and progress towards the achievement of general and specific objectives of the DG (executive summary of section 1)

OLAF's mission is to detect, investigate and work towards stopping fraud against the European Union's financial interests. In doing so OLAF contributes to protecting the EU's financial interests as per Article 325 TFEU. EU funds are not only spent by the EU institutions, bodies, offices and agencies, but to about 80% through shared management, i.e. at local, regional and national levels in the Member States. This raises the level of complexity substantially. The EU programmes and projects often involve actors – contractors and subcontractors and their staff - from EU, Member States, third countries and international organisations. This makes the prevention and early detection of fraud a significant challenge, also because the applicable rules on financial management are numerous and often complicated. OLAF is also the main service mandated to investigate corruption and serious misconduct of EU staff and members of the EU institutions. In that respect, OLAF plays an important role in guaranteeing the integrity of EU staff, a necessary precondition for the EU institutions to function efficiently.

The General objective 1 corresponds to the Commission's General objective for central services: ***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.*** Almost all activities of the Office contribute to this General objective.

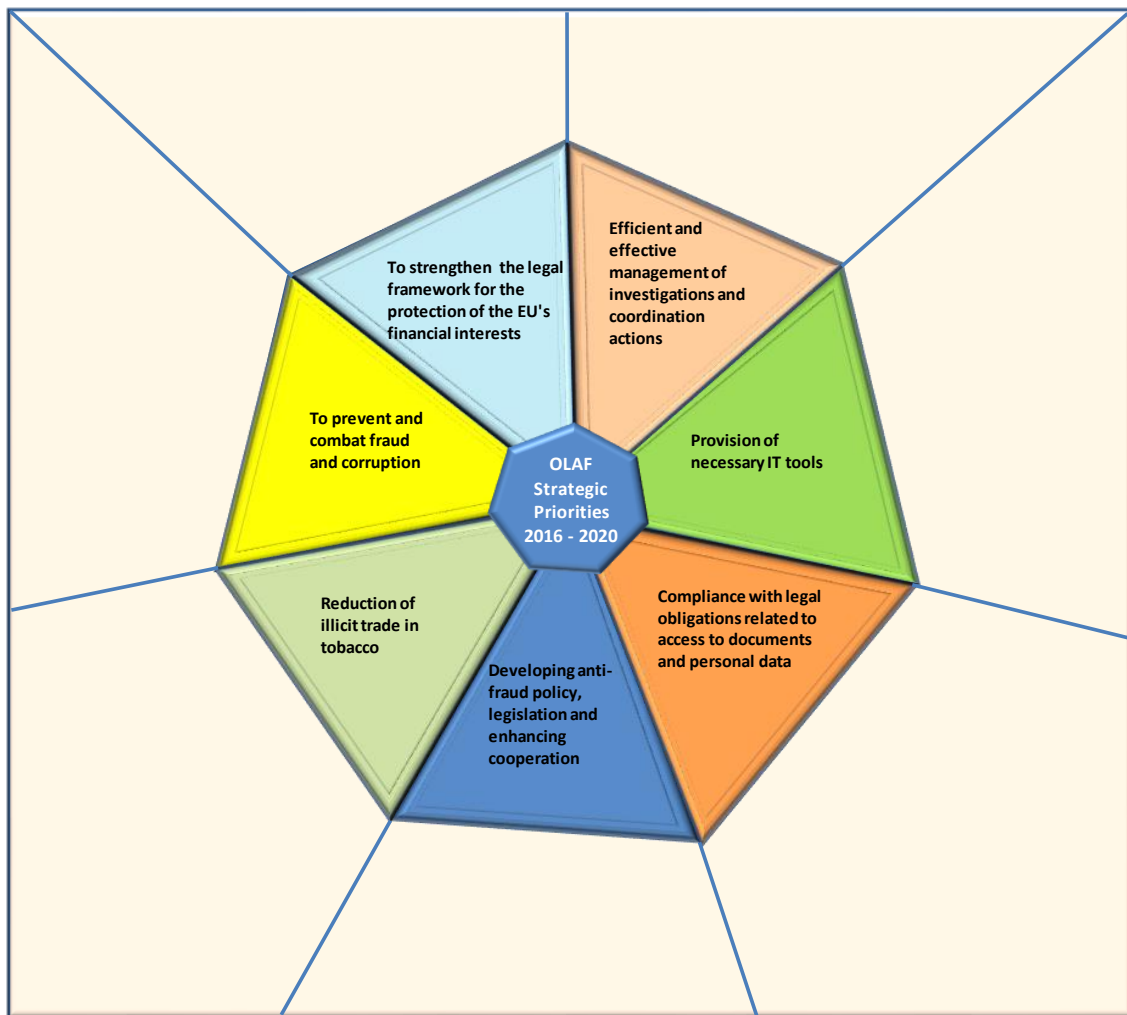
OLAF's investigative activities are covered by **Specific objective 1: *Efficient and effective management of OLAF's investigations and coordination actions.*** In 2018, OLAF reached most of the targets falling under this objective. This includes delivering on two of the three key performance indicators for OLAF.

The investigation support work is covered by **Specific objective 2: *Provision of necessary IT tools to support OLAF's investigative activities,*** where, in 2018, OLAF's content management system was further developed and enriched with additional functionalities. Some technical issues still need to be addressed and work will continue in 2019.

As regards **Specific objective 3: *Compliance with legal obligations related to access to documents and personal data.*** OLAF continued to ensure timely replies to the European Ombudsman and the European Data Protection Supervisor (EDPS) as well as to citizen's requests. Despite a very considerable increase in requests for access to documents in particular in the first half of 2018, the rate of punctual replies was 95.5%.

OLAF's anti-fraud policy work contributes to the first General objective, mostly through the activities mentioned in **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.*** In 2018, a proposal was adopted for the amendment of Regulation No 883/2013⁴, as part of the Commission's legislative agenda to strengthen the protection of the Union's financial interests.

⁴ Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU, Euratom) No 883/2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) as regards cooperation with the European Public Prosecutor's Office and the effectiveness of OLAF investigations, COM/2018/338 final.



In 2018, OLAF and all services of the Commission worked on updating the 2011 Commission Anti-Fraud Strategy (CAFS). The updated CAFS will be adopted in the first months of 2019. In addition, standard provisions on the protection of the financial interests of the Union are included in all the Commission proposals in spending programmes under the new Multiannual Financial Framework - MFF - (direct, indirect and shared management).

In 2018, targeted meetings with representatives of the Member States were organised within the Anti-Fraud fora (the Advisory Committee for Coordination of Fraud Prevention (COCOLAF) and its sub-groups, the Mutual Assistance Committee and other groups). Via the Anti-Fraud Information System (AFIS) assistance was given to the European Commission and Member States in the fight against customs fraud and with regard to the expenditure part of the EU budget via the Irregularity Management System (IMS) which is also part of AFIS. In addition, five Joint Customs Operations (JCOs) were co-organised or supported by OLAF.

With respect to **Specific objective 5: Reduction of illicit trade in tobacco products**, in December 2018 the Commission adopted a Second Action Plan to fight the illicit tobacco trade for the period 2018-2020. Significantly, in September 2018 the new global anti-smuggling treaty to fight the illicit tobacco trade ("FCTC Protocol") entered into force, thus marking an important milestone in efforts led by the EU over the last decade.

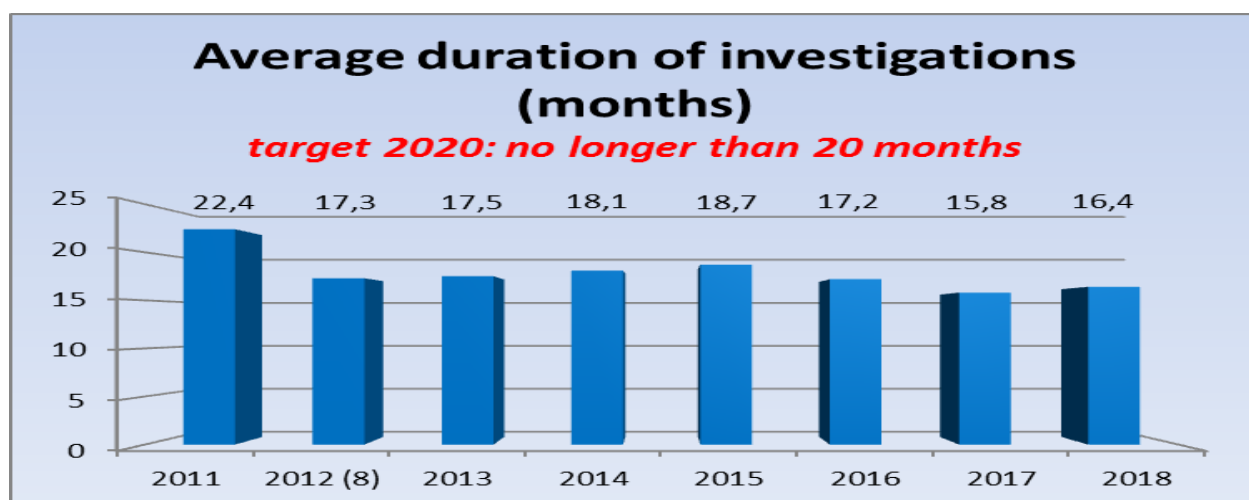
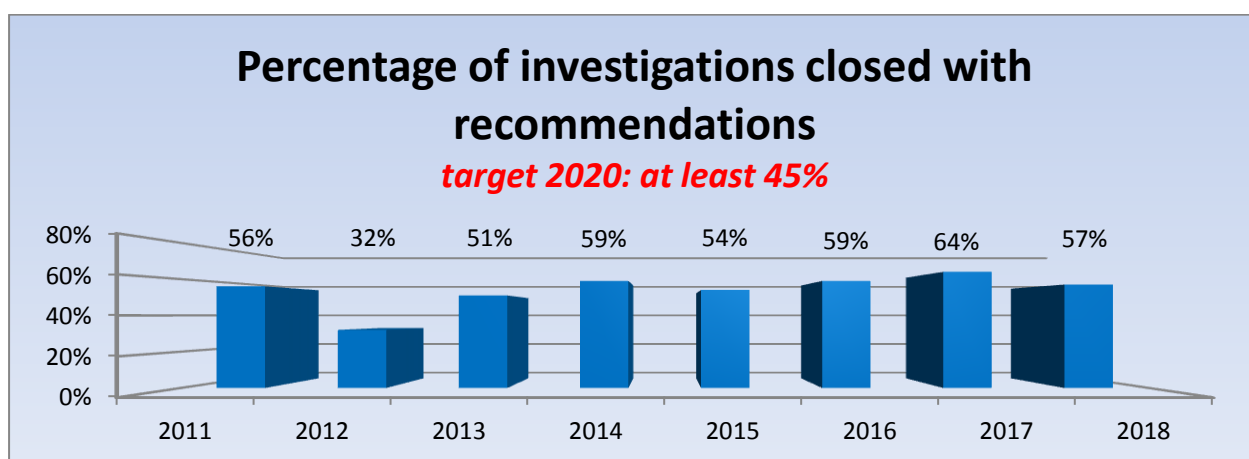
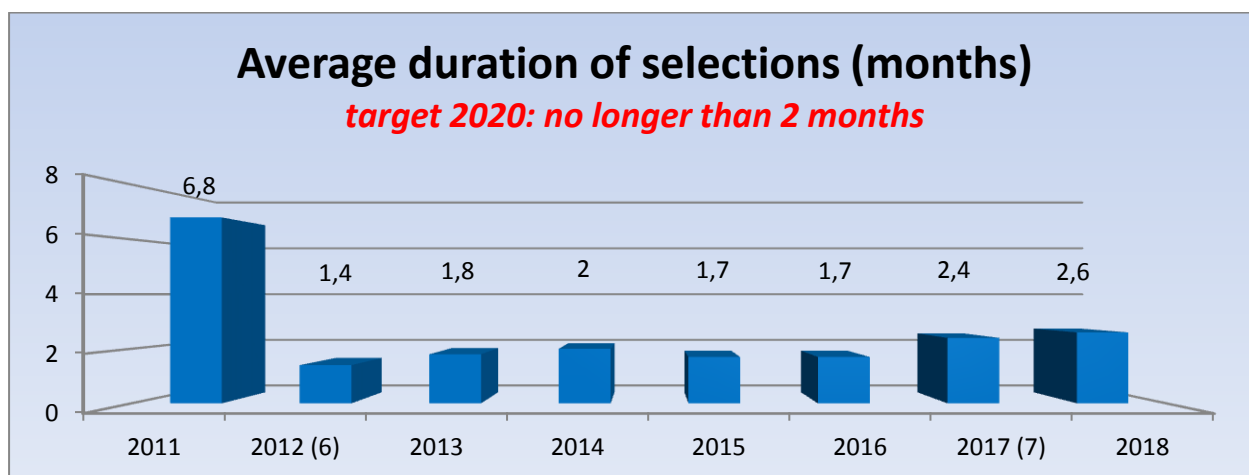
The Hercule III programme, which falls primarily under the **Specific objective 6: To prevent and combat fraud, corruption and any other illegal activities affecting the Union's financial interests**, had its fifth year of implementation in 2018 after the entry into force of the new Regulation in March 2014. This year, 33 grant agreements were concluded for technical assistance and training actions. These covered support to Member States' authorities to purchase equipment and organise training and conferences for staff

and other professionals who contribute to the protection of the Union's financial interests. The Commission adopted a legislative proposal⁵ for a new anti-fraud programme under the next MFF cycle combining the Hercule programme and the financing of AFIS including IMS.

The **General objective 2** corresponds to one of the ten policy priorities that President Juncker highlighted for this Commission. Under **An Area of Justice and Fundamental Rights Based on Mutual Trust** the need to progress on new tools such as the European Public Prosecutor's Office (EPPO) which is designed to tackle criminal offences affecting the Union's financial interests was specifically mentioned. During 2018, OLAF made progress on **Specific objective 7: Strengthened legal framework for protection of the financial interests of the EU** by leading crucial activities related to the setting up of the EPPO by the end of 2020. Furthermore, OLAF organised a workshop with Member States and will continue to support the Member States in their transposition of Directive (EU) 2017/1371 of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law (PIF Directive) until the end of the transposition date (6 July 2019).

⁵ Proposal for a Regulation of the European parliament and of the Council establishing the EU Anti-Fraud Programme, COM(2018) 386 final.

b) Key Performance Indicators (KPIs)



Source: OLAF C1

⁶ This result is based on 11 months starting from 1 February 2012, the date on which significant changes were introduced to OLAF's investigative procedures and organisation. Including January, the average duration of the selection phase was 3.9 months.

⁷ The average duration of selection has increased following the introduction of a new case management system at the end of 2016.

⁸ As part of the changes introduced on 1 February 2012, the assessment phase was replaced with a selection phase. As a result, 419 cases, which were being assessed under the previous investigative procedure, were opened as investigation or coordination cases. This lowered the average duration of investigations and coordination cases for 2012.

c) Key conclusions on Financial management and Internal control (executive summary of section 2.1)

In accordance with the governance arrangements of the European Commission, OLAF conducts its operations in compliance with the applicable laws and regulations, working in an open and transparent manner and meeting the expected high level of professional and ethical standards.

The Commission has adopted a set of internal control principles, based on international good practice, aimed to ensure the achievement of policy and operational objectives. The financial regulation requires that the organisational structure and the internal control systems used for the implementation of the budget are set up in accordance with these principles. OLAF has assessed the internal control systems during the reporting year and has concluded that the internal control principles are implemented and function as intended. Please refer to Section 2.1.3 for further details.

In addition, OLAF has systematically examined the available control results and indicators, including those aimed to supervise entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by internal auditors and the European Court of Auditors. These elements have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives. Please refer to Section 2.1 for further details.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director-General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

d) Information to the Commissioner

In the context of the regular meetings during the year between the Director-General and the Commissioner on management matters, also the main elements of this report and assurance declaration have been brought to the attention of Commissioner Oettinger, responsible for Budget and Human Resources on 3 April 2019.

1. KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES OF THE DG

A. Investigative and coordination activities

OLAF's investigative and coordination activities have contributed to the Commission's General objective for central services, especially to the safeguarding of assets and resources. Despite OLAF being subject to Commission-wide reductions in staff numbers and budget, the office achieved most of the targets set under the **Specific objective 1 *Efficient and effective management of investigations and coordination actions.***

A modern, proficient, investigative body at the service of EU taxpayers: key results

OLAF has continued to perform well throughout the reporting period. The average duration of investigations of 16.4 months was well below the target of 20 months and the percentage of ongoing investigations lasting more than 20 months remains at 22%, being also below the target of 30%. The percentage of investigations closed with recommendations is 57%.

Some teething problems of the new case management system have affected slightly the average duration of selections which was 2.6 months in 2018, whereas the target is 2 months. It is expected that the average duration of selections will decrease in the course of 2019, given that some functionalities related to the speed of processing the information in the case management system will be further addressed.

The prevention and deterrence effect of OLAF's activities cannot be measured but should not be underestimated. The mere fact that OLAF carries out investigative activities that are known publicly has a strong deterrence effect in itself. Furthermore, in terms of protection of the EU budget, the recommendations issued by OLAF contribute to this prevention and deterrence. The Office has recommended in 2018 the recovery of over EUR 370 million. These funds will be gradually returned to the EU budget. The amount established for recovery by the recipients of OLAF financial recommendations issued in 2016 and 2017 is EUR 431 million⁹

The rate of indictments by national judicial authorities following the receipt of judicial recommendations in the years 2011 to 2018 is at 36%, below the target of 'at least 50%'. Because of the length of time which judicial proceedings can take, especially where complex investigations are involved, OLAF measures these results over a rolling seven year period. While judicial authorities are of course independent and while the legal architecture may vary at Member State level, OLAF has worked on understanding the reasons why national judicial authorities dismissed some of the cases OLAF has submitted. It is not for OLAF to question the validity of national prosecutors' decisions to dismiss individual cases on particular grounds. However, OLAF's analysis confirms the argument in support of the setting-up of a European Public Prosecutor's Office. OLAF will continue to liaise throughout the year with judicial authorities in order to try and improve the follow-up at national level.

Fraud affecting the EU budget as well as the misconduct of EU staff and members of the EU institutions can best be tackled at EU level. OLAF's added value consists in effectively and efficiently protecting the budget and the reputation of EU institutions through conducting administrative investigations, enhancing the cooperation with the Member States (and other partners) and strengthening the legal framework to fight fraud. The average rate of actions taken by EU disciplinary authorities following OLAF's disciplinary recommendations in the

⁹ This amount is a "snapshot" of the level of the recovery process at the end of 2018 in relation to recommendations issued by OLAF in 2016 and 2017 (this amount is not reflecting the exact amount that will be actually recovered at the end of the recovery actions which take sometimes several years to be finalised).

last 3 years is at 64% which is in line with the previous years. When making such recommendations, OLAF does not specify the type of action that should be taken. The appointing authorities sometimes take several actions following a single recommendation from OLAF. At the same time, the appointing authority may join several recommendations resulting from different investigations and, subsequently, impose one single sanction.

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

No spending programme

Speedy initial assessment of whether a case should be opened

Result indicator 1.1: Average duration of selections¹⁰

Source: OLAF C1

Baseline 2015	2017	2018	Target 2020
1.7 months	2.4 months	2.6 months	No longer than 2 months

Result indicator 1.2: Percentage of selections closed whose duration is no longer than 2 months

Source: OLAF C1

Baseline 2015	2017	2018	Target 2020
94%	50.4%	54%	At least 75%

Reasonable duration of investigations

Result indicator 1.3: Average duration of investigations¹¹

Source: OLAF C1

Baseline 2015	Milestone 2018	2018	Target 2020
18.7 months	No longer than 20 months	16.4 months	No longer than 20 months

Result indicator 1.4: Percentage of on-going investigations lasting more than 20 months

Source: OLAF C1

Baseline 2011-2015 ¹²	2017	2018	Target 2020
28%	22%	22%	Less than 30%

Efficient investigations

Result indicator 1.5: Percentage of investigations closed with recommendations

Definition: In accordance with Article 11 of Regulation No 883/2013, on completion of an OLAF investigation, a Final Report shall be drawn up giving an account of the findings established and the conclusions of the investigation on the basis of which the Director-General may issue judicial, financial, disciplinary or administrative recommendations for action to be taken by the competent authorities of the Member States and/or responsible EU institutions, bodies, offices or agencies.

Source of the data: OLAF C1

¹⁰ Including both the items that resulted in an investigation or coordination case and those that did not.

¹¹ This indicator does not include coordination cases.

¹² Baseline calculated as a five year average (2011-2015) with respect of an average duration of 20 months.

Baseline 2014	Milestone 2018	2018	Target 2020
59%	At least 45%	57%	At least 45%

Result indicator 1.6: Results from the monitoring of the implementation of OLAF's recommendations

Definition: OLAF collects information from its partners (in particular EU institutions and Member States authorities) on the actions they have taken following recommendations made by the Office (including the recovery of funds and judicial or disciplinary follow-up). OLAF applies this as a general indicator to measure the value-added of anti-fraud action.

1.6.a. Judicial recommendations => average rate of indictment

1.6.b. Disciplinary recommendations => rate of administrative enquiries initiated

1.6.c. Financial recommendations¹³ => average amount established for recovery compared to the average budget for the same period

Source of data: Annual reporting by OLAF's partners and stakeholders

Baseline 2014	2018	Target: 2020 (unless otherwise indicated)
1.6.a Average rate of indictment following OLAF's judicial recommendations issued in the last 7 years 2007-2014: 53%	2012-2018: 36%	At least 50% for the reporting period 2012-2018
1.6.b Average rate of actions taken by EU disciplinary authorities following OLAF's disciplinary recommendations in the last 3 years 2012-2014: 70% ¹⁴	2016-2018: 64 %	At least 75% for the period 2016-2018
1.6.c Average amount established for recovery in 2016 and 2017 compared to the average OLAF's administrative budget for the same period	2016-2017: total amount established for recovery : EUR 431 million Ratio: 3.61 : 1	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

¹³ A new indicator on the implementation of OLAF's financial recommendations has been introduced in OLAF's Management Plan 2018.

¹⁴ This indicator was introduced in the OLAF Strategic Plan 2016-2020 and it replaced a former indicator present in the 2015 OLAF Management Plan ("rate of administrative enquiries initiated by EU disciplinary authorities following OLAF's disciplinary recommendations"). However, the baseline and target figures were not adapted to the new indicator, although they should have been reduced as the rate of enquiries initiated will be above the rate of enquiries concluded with action.

Implementation of OLAF's Investigation Policy Priorities (IPP) for 2018

In the selection phase prior to the opening of an investigation, OLAF's competence needs to be ascertained first, followed by an assessment of whether there is sufficient suspicion of fraud or irregularity in the allegation. If these two requirements are met, then OLAF decides whether or not to open an investigation based on the criteria set out in the Article 5(1) of Regulation 883/2013. This requires taking into account the Office's IPPs. OLAF shall also take into account whether opening an investigation would constitute an efficient use of the Office's resources and would respect the proportionality principle. In the proportionality check, the level of EU financial resources at risk is also taken into account.

The OLAF IPPs should not be used by other Commission services, EU bodies or national authorities as justification not to report a suspected fraud to OLAF.

The IPPs for 2018 were defined as follows:

IPP 1. Cases in relation to transport and infrastructure network projects, in particular public procurement procedures;

IPP 2. Cases concerning projects (co)financed by the European Social Fund, the European Regional Development Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the Pre-accession Funds, in which action by the Member States or Candidate Countries may be insufficient or which have cross-border elements;

IPP 3. Cases indicating possible abuses of origin rules, tariff classification in both preferential and non-preferential trade regimes and valuation-related fraud, in order to evade payment of conventional customs duties, including tariff measures being part of the Union trade defence policy;

IPP 4. Cases of smuggling of tobacco, alcohol and counterfeit medicines into the EU; illegal manufacturing of tobacco.

IPP 5. Cases in relation to humanitarian and development aid and other support provided to migrants and refugees.

In total, 219 investigations and 30 coordination cases were opened in 2018 based on information received by OLAF. Out of these, 68 investigations and 20 coordination cases fell under the 2018 IPPs (this represents 26 % and 67% of opened cases respectively). It is difficult to estimate to what extent the IPPs had a decisive effect on OLAF's case opening. In any case, it needs to be noted that the IPPs do not aim at (or have the effect of) excluding cases not falling under the IPPs.

The table below provides an overview of the role of the IPPs for 2018 in opening decisions:

	Cases for which IPPs 2018 contributed to the opening of an investigation	
	Number	% of all IPPs used in 2018
IPP 1	12	17%
IPP 2	22	32%
IPP 3	29 ¹⁵	42%
IPP 4	1 ¹⁶	1%
IPP 5	5	7 %
<i>Total</i>	69 ¹⁷	

¹⁵ In addition IPP3 contributed to the opening of 8 coordination cases.

¹⁶ In addition IPP4 contributed to the opening of 12 coordination cases.

B. Investigation support

OLAF's investigations cannot be efficient in the absence of a modern and solid support structure. Important investments have been made to update and constantly improve the support function, in particular IT support. OLAF progressed on its **Specific objective 2, Provision of necessary IT tools to support investigative activities**, by integrating a case management application (investigation workflow) and document management into OLAF Content Management (OCM). This represents a corporate improvement as two systems were used in the past for the investigative activities, one to manage cases and the other to manage documents. The development of OCM has been carried out in-house with internal available resources and with the expertise of external resources hired through the framework contracts already in place with the Directorate-General for Informatics.

In 2018, work has been focusing on improving the system's performance, bug-fixing and delivering new functionalities such as email registration, closure of investigative activities and financial monitoring. A new system's performance monitoring tool was put in place in September 2018 to better measure performance improvements in the next releases.¹⁸

An IT staff survey was carried out in 2018. Participants to the survey believed that the system still contains bugs and suffers from low speed. Participants also asked to be consulted more on priorities and how their needs are implemented in OCM when new releases are prepared. OLAF's management responded to these concerns by performing a reorganisation of OLAF Directorate C as of 1 December 2018 and putting in place a completely new OCM Governance structure.

Regarding the speed of the system, many technical checks took place to identify the root cause for the speed issues. These issues will be dealt with partly in the release of March 2019 and gradually throughout 2019.

Specific objective 2: Provision of necessary IT tools to support OLAF's investigative activities	<input checked="" type="checkbox"/> No spending programme
Supply Information and Communication Technology (IT) tools	

Result indicator 2: Internal users' degree of satisfaction with IT infrastructure and services			
Source: OLAF IT user satisfaction survey			
Baseline 2014	2017	2018	Target 2018
98.5% ¹⁹	Survey carried out in January 2017 expressing the overall satisfaction from the IT services: 69% ²⁰	53% ²¹ Contrary to the 2017 survey, in the 2018 survey there has been a dedicated question on the degree of OCM improvement.	At least 75% of staff surveyed by June 2018 consider OCM has substantially improved since its deployment in October 2016

¹⁷ In the case of one investigation, two IPPs contributed to the opening.

¹⁸ The previous performance monitoring mechanism was based on measuring database performance only, through running a predefined set of SQL queries.

¹⁹ OLAF IT user satisfaction survey 2014

²⁰ 69% very satisfied or satisfied, 15% neither satisfied nor dissatisfied, 15% dissatisfied or very dissatisfied.

²¹ From 120 users who responded, excluding those having no-opinion, 53% agree/strongly agree and 47% disagree/strongly disagree that the system has improved since its first deployment.

Main outputs in 2018:		
Description	2018	Target
Percentage of bugs reported by end 2017 resolved by July 2018	97,5% In 2018, 78 out of 80 bugs created before 01/01/2018 have been fixed.	At least 95%
Reduction of the negative impact of OCM security features on the speed of performance of the system	33,60% improvement on average (outcome of 6 targetted SQL queries between August and December 2018)	At least 50% of gain in performance between benchmarks of March and December 2018

OLAF progressed on its **Specific objective 3, Compliance with legal obligations related to access to documents and personal data**, by the timely handling of such requests. Persons affected by OLAF investigations can complain to the European Data Protection Supervisor (EDPS) (in relation to the processing of personal data) as well as the European Ombudsman (complaints on alleged maladministration). Both institutions decide whether to open an inquiry and, in that case, transmit the complaint to OLAF for comments. In 2018, no complaints to the EDPS were received by OLAF. Several requests were received from the European Ombudsman at different stages of the Ombudsman procedures. A timely follow-up was ensured in all cases.

OLAF also regularly receives, in relation to its investigative activities, requests for access to personal data in accordance with Regulation 45/2001²², as well as applications for public access to documents pursuant to Regulation 1049/2001. In 2018, it responded to 11 requests for access to personal data (including requests requiring extensive research), all of which were replied to in time. Of 92 replies to initial applications for access to documents, 87 were given within the deadline. In five cases, a short delay occurred for administrative reasons. In 8 cases, OLAF further responded to confirmatory applications, all of which were within deadline.

In December 2018, the new **Data Protection Regulation** for EU institutions 2018/1725 entered into force. OLAF has been clearly committed to lead by example. OLAF took measures to efficiently implement the new data protection rules and conducted awareness-raising activities internally.

In this context, the Commission adopted Decision (EU) 2018/1962 laying down internal rules concerning the processing of personal data by OLAF. This initiative ensures compliance with the fundamental right to protection to personal data as set out in Article 8 of the Charter, while enabling the Office to secure the confidentiality of its investigations as well as to ensure the protection of the rights and freedoms of persons concerned, witnesses and informants. The Decision lays out the conditions under which OLAF informs data subjects of any activity involving processing of their personal data and handles their rights of access, rectification, erasure, restriction of processing and communication of a personal data breach. The involvement of OLAF's Data Protection Officer (DPO), or, where applicable, the Commission DPO or the agency DPO, throughout the whole procedure ensures an independent review of the applied restrictions. In addition, the codification of OLAF's established practices and procedures in the mentioned Decision ensures a high degree of legal certainty to all data subjects, thus also complying with the "quality of law" requirements developed by the case-law.

The DPO of OLAF organised two training session, one for managers and another for investigative staff members. OLAF also took measures to timely update both the privacy statements which are published on its website as well as the data protection clauses it uses in corresponding with data subjects.

²² Replaced by Regulation 2018/1725 as of 11 December 2018.

A number of other initiatives aiming at ensuring compliance with the new framework, including updating the register of records, revising the procedure for security/data breaches, introducing new data protection requirements for OCM are currently on-going.

Specific objective 3: Compliance with legal obligations related to access to documents and personal data

No spending programme

Result Indicator 3.1: Timely replies to requests from the Ombudsman and the EDPS complaints²³

Source: CMS/Unit C.4

Baseline 2015	2018	Target 2020
91%	Ombudsman: 100% EDPS: n/a	100% of replies within the within formal deadlines as proposed by Ombudsman and EDPS

Result Indicator 3.2: Timely replies to requests on access to documents and personal data²⁴

Source: CMS/Unit C.4

Baseline 2015	2018	Target 2020
93%	95.5%	100% of replies within the timeframe foreseen by the relevant Regulations

C. Anti-fraud policy, including fraud prevention

In relation to **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** OLAF made progress on:

- adopting on 23 May 2018, the Commission proposal for the amendment of Regulation No 883/2013. The proposal represents a targeted amendment of the Regulation, driven by two factors: the establishment of the European Public Prosecutor's Office (EPPO) and amendments intended to enhance the effectiveness of OLAF investigations on the basis of the results of the evaluation of the OLAF Regulation, which was concluded in October 2017²⁵;
- introducing standard provisions on the protection of the financial interests of the Union in all the Commission's legislative proposals for the Post 2020 spending programmes under direct, indirect and shared management. OLAF examined and improved the provisions on protection of the financial interests of the Union. According to these provisions inter alia, the financial interests of the Union are to be protected through proportionate measures, including the prevention, detection, correction and investigation of irregularities, including fraud, the recovery of funds lost, wrongly paid or incorrectly used and, where appropriate, the imposition of administrative sanctions. In addition, any person or entity receiving Union funds is to fully cooperate in the protection of the Union's financial interests, to grant the necessary rights and access to the Commission, OLAF, the EPPO and the European Court of Auditors and to ensure

²³The requests included are individual complaints, requests by the EDPS and requests from the Ombudsman.

²⁴The requests included are requests for access to documents, confirmatory applications for access to documents and requests on personal data. The figures take into account holding replies for requests falling under Regulation 1049/2001.

²⁵Commission Report on the Evaluation of the application of Regulation No 883/2013, COM(2017)589 final.

that any third parties involved in the implementation of Union funds grant equivalent rights;

- updating the Commission Anti-Fraud Strategy (CAFS), as an element of preparation for the coming Multiannual Financial Framework (MFF) after 2020 and related spending programmes. The CAFS, first drawn up in 2011²⁶, provides a policy framework for the prevention, detection, investigation and reparation of fraud at the level of the Commission and its executive agencies. OLAF performed an evaluation of the 2011 CAFS, which concluded that the CAFS remains relevant and effective as a policy framework for the Commission in protecting the EU budget. The evaluation also found that the CAFS needs to adapt to an evolving situation (new funding schemes and fraud trends, development of IT tools, etc.). The way the evaluation directed and enriched the review of the CAFS can be illustrated with three examples: (i) the comments received underlined the usefulness of existing IT tools for risk assessment, tracking of fraud patterns and recording of irregularities but called for more work to be done on data quality and analysis, which consequently became a priority objective of the revised CAFS; (ii) the desk review included recommendations issued by the Commission's Internal Audit Service (IAS) calling for closer coordination of anti-fraud measures²⁷ – a stronger coordination role for OLAF has thus become the second priority objective of the 2019 CAFS; (iii) many comments stressed the benefits of training and awareness-raising, which were already highlights of the 2011 CAFS and will be further refined in the coming years;
- for the strategy update, OLAF also carried out a fraud risk assessment with the strong involvement of all Commission services and executive agencies. On that basis, OLAF and the other Commission services examined anti-fraud approaches across different EU policies so as to reinforce anti-fraud measures where appropriate. This process was further enriched by a performance audit "Fighting fraud in EU spending: action needed" carried out by the European Court of Auditors (ECA)²⁸. In accordance with the recommendations of the ECA, the Commission is giving special consideration to the methods and organisation of its fight against fraud. In this perspective, the updated CAFS aims to base the Commission's anti-fraud policies on robust evidence, gathered through enhanced analysis of fraud-related data, and to strengthen central coordination of the different services' anti-fraud action;
- exchanging best practices and developing a common framework for fraud prevention and detection. Public procurement is acknowledged as particularly vulnerable to fraud and irregularities. Therefore, OLAF, in cooperation with anti-fraud practitioners from a number of Member States, produced the document 'Fraud in public procurement – A collection of red flags and best practices'. It is a useful tool to help Member States with early detection and proper handling of warning signals that may point to fraudulent practices. The document was presented to the Advisory Committee for Coordination of Fraud Prevention (COCOLAF) during its Plenary meeting in May 2018. In addition, a new working group was created in 2018 with a view to developing a 'Methodology for country profiles in the anti-fraud area'. It aims at a common understanding of the cornerstones of an effective anti-fraud system, in order to set a reference for the Member States in their continuous efforts to improve the protection of the EU financial interests. This tool would also allow for a better reading and interpretation of the concrete results achieved by Member States in the fight against fraud and irregularities, taking into account the four stages of the anti-fraud cycle (prevention, detection, investigation/prosecution, recovery/sanctioning);

²⁶ COM(2011)376.

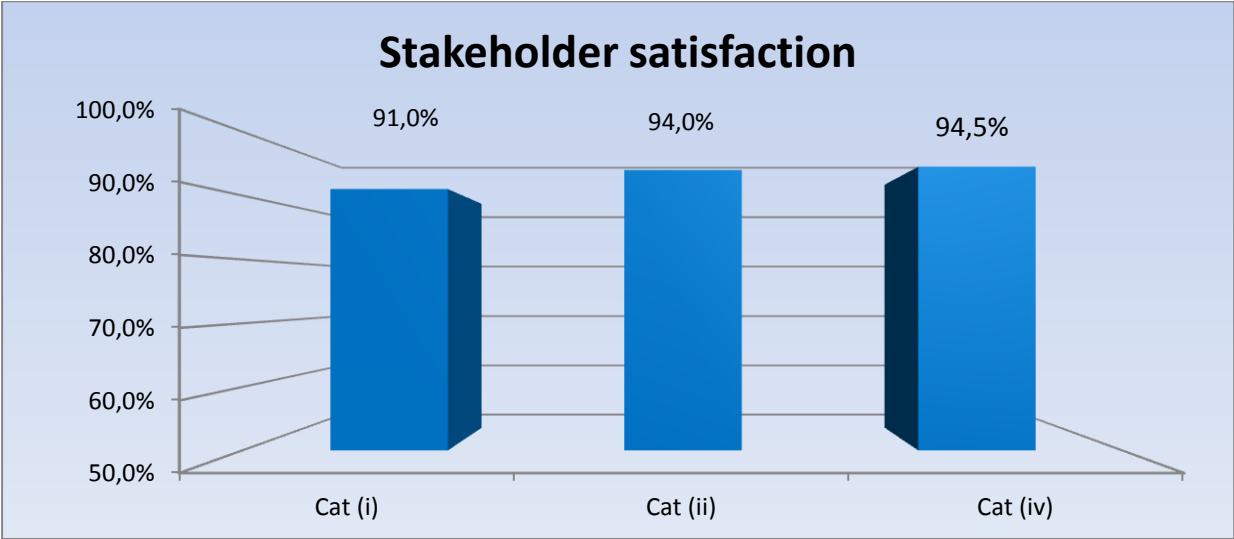
²⁷ 2015 IAS audit on the adequacy and effective implementation of DG's anti-fraud strategies, summarised in Report from the Commission to the European Parliament and the Council; Annual Report on internal audits carried out in 2015, COM(2016) 628 final of 30 September 2016, p. 10, and 2016 IAS audit on performance and coordination of anti-fraud activities in the Traditional Own Resources (TOR) area, summarised in the Report from the Commission to the European Parliament and the Council; Annual Report to the Discharge Authority on internal audits carried out in 2016, COM(2017) 497 final of 15 September 2017, p. 11.

²⁸ [ECA Special Report No 01/2019, published on 10.1.2019.](#)

- performing recurrent fraud-prevention activities such as fraud prevention training and cooperating with Commission services in the framework of the Early Detection and Exclusion System (EDES). The EDES, based on Articles 135 - 145 of the Financial Regulation²⁹, ensures the early detection of economic operators which represent risks to the EU's financial interests, the exclusion of unreliable economic operators from obtaining EU funds for a proportionate period and/or the imposition of a financial penalty and, where appropriate, the publication of the related information on the Commission's website. OLAF investigations are an important source of information for operating the EDES. OLAF also provides advice to other Commission services and to the independent EDES panel, which plays a key role in the exclusion of economic operators. Smooth cooperation with the panel has been a high priority for OLAF, as such cooperation contributes to sanctioning fraudulent and other unreliable recipients of EU funding swiftly and with a deterrent effect;
- signing within the context of enhanced cooperation with Member States and other partners, the so-called Administrative Cooperation Arrangements (ACAs) with its investigative partners to clarify the practicalities of cooperation. Over the years since the establishment of OLAF, over 65 such arrangements have been concluded, of which two in 2018. The signature of working arrangements between OLAF and Europol, however, has been postponed, at Europol's request, awaiting a decision of the Europol Management Board with respect to bilateral arrangements implementing the new Europol Regulation. OLAF remains ready to resume discussions with Europol, once the latter is in a position to do so, and talks are expected to resume in March 2019;
- adopting on 3 September 2018, the Commission 2017 annual report on the Protection of the European Union's Financial Interests (PIF Report) on the basis of Article 325 (5) TFEU. The Treaty requires the Commission, in cooperation with Member States, to submit every year to the European Parliament and the Council a report on the measures implemented to combat fraud and other illegal activities detrimental to the financial interests of the Union. The report was also presented to the Council Working Group on Combatting Fraud and to the Budgetary Control Committee of the European Parliament. This Committee adopted their own initiative report on the Commission's 2017 PIF Report at the end of 2018 and the European Parliament voted in plenary to adopt it as a motion for resolution on 30 January 2019.

²⁹Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union

In order to measure the **influence and added value of OLAF's policy activities** for its stakeholders, OLAF makes use of surveys or feedback. Overall, OLAF's stakeholders are satisfied with the added value of OLAF's policy activities as their appreciation overreached the overall target (at least 70%). Given the different nature of these activities, four categories were designed for measurement purpose:



Category (i) covers the AFIS users. The 2018 results reflect the feedback of the Liaison Officers responsible for AFIS in their Member States, who met during a conference dedicated to AFIS. 91% of the users present at the AFIS conference were satisfied with the usefulness of the AFIS applications. A more detailed survey will be run in the first quarter of 2019, results will be integrated in the 2019 AAR.

Categories (ii) and (iii) cover the beneficiaries of Hercule funds either through conferences and training events (ii) or technical assistance (iii). The feedback form on the satisfaction rate is sent to OLAF together with the final reports of the event. In 2018, on the basis of the 15 final reports received, the conferences and training reached out to about 1,400 participants; 76% of them responded to the feedback form and 94% stated that these activities were of added value to their professional duties. As regards technical assistance (iii), the feedback question was introduced in the grant agreements in 2017, as stated in the 2017 AAR, the final reports linked these contracts will be submitted from February 2019; they will be reported upon in the 2019 AAR.

Category (iv) covers the conferences and training events organised by OLAF (including experts' groups meetings) and the AFCOS annual meeting for pre-accession beneficiaries. The satisfaction rate was measured through feedback forms given to the participants. Beside the training events, the events measured in 2018 consisted in 5 meetings of the Advisory Committee for Coordination of Fraud Prevention (COCOLAF) and its sub-groups; two meetings of the Commission Expert Group on Mutual Assistance in Customs Matters; one of the Commission expert group in the Fight against Illicit Trade in Tobacco; and the AFCOS annual meeting/seminar with pre-accession beneficiaries. These represented more than 400 participants. About 60% of them replied to the feedback form: 95% of them stated that these events were of added value to their professional needs. With regard to training, OLAF provided 33 training on fraud prevention policy to Commission services and executive agencies, bringing together more than 970 participants. The training measured in this indicator are those for which OLAF has full control over the content; it does not cover training where OLAF intervenes among other speakers. In 2018, 26% of the participants replied and 94% of them expressed that the training has met their professional needs. In total the satisfaction rate for OLAF's events and training amounts to 94.5%.

Result indicator 4.1: Compliance of Member States with obligations for reporting of fraudulent irregularities

Definition: Legal bases for the reporting are the sectoral provisions and the supplementing Commission Regulations or Commission Delegated and Implementing Regulations applicable for the programming periods from 1989 to 2020.

The analysis of fraudulent and non-fraudulent irregularities reported via IMS still shows significant differences in the level of reporting among and within Member States. These differences can be partly explained by different interpretations of the basic concepts concerning the obligation to report.

Source: AFIS/IMS modules

Baseline 2015	2018	Target 2020
<p>Some Member States/Candidate Countries do not yet fully comply with their reporting obligations.</p> <p>Member States have been trained and are equipped to use IMS new modules</p>	<p>3 new versions of IMS were deployed in 2018 (from 5.5 to 5.7).</p> <p>Data quality issues signalled to MS with regular mailing and in the framework of:</p> <ul style="list-style-type: none"> • <i>Presentations in the COCOLAF meetings(April and December)</i> • <i>Presentations in the Annual bilateral Coordination Meetings with the Audit Authorities in the area of ESI Funds</i> <p>Followed-up in Staff Working Document (SWD) (2018) 383 final</p>	<p>A more consistent reporting from Member States and an overall increase in the fraudulent irregularities reporting.</p>

Result indicator 4.2: Developing databases as a tool bringing added-value to customs investigations at national and European level, leading to additional investigations

Source: Databases falling under Council Regulation (EC) No 515/97 as amended by Regulation (EC) No 2015/1525, Council Decision 2009/917/JHA, Decision on the use of information technology for customs purposes

Baseline 2015	2018	Target 2020
<p>Adoption of amendment of Council Regulation (EC) No 515/97</p>	<p>CSM (Container States Messages):</p> <ul style="list-style-type: none"> • 1.4 billion CSMs received since 9/2017 • 1 840 users <p>IET (Import, Export and Transit):</p> <ul style="list-style-type: none"> • IET now receives also Import and Export messages originating from Surveillance • Surveillance messages issued since 9/2017 added to IET • 84.4 million Transit, 13 million Export and 358 million Import messages received since 9/2016 • 910 users 	<p>Further develop CSM and IET directories in line with the objectives of Council Regulation (EC) No 515/97 as amended, based on stakeholders' experiences.</p> <p>Directories offer tangible benefits for national and European investigations.</p>

Result indicator 4.3: Number of Joint Customs Operations (JCOs) (including EU wide and regional operations) supported/year			
Source of data: Databases falling under Council Regulation (EC) No 515/97 as amended by Regulation (EC) No 2015/1525, Council Decision 2009/917/JHA, Decision on the use of information technology for customs purposes			
Baseline 2014	2018	Target 2020	
2 JCOs led by OLAF	5 JCOs were co-organised or supported by OLAF Due to organisational reasons, the JCO led by OLAF had to be postponed to 2019	2 JCOs per year led by OLAF	
Result indicator 4.4: Satisfaction by stakeholders with OLAF's support in the area of anti-fraud policy			
Definition: Level of satisfaction expressed by respondents, covering four categories of beneficiaries: (i) users of AFIS IT-applications; (ii) Hercule-funded conferences and training events; (iii) beneficiaries of Hercule-funded technical assistance; (iv) participants of conferences/training events organised by OLAF as well as of the AFCOS annual meeting.			
Source of data: Satisfaction surveys / feedback forms / evaluation forms			
Baseline 2014	2017	2018	Target 2020
New indicator. One standard question inserted in all satisfaction surveys / feedback forms / evaluation forms.	<u>Category (i):</u> 84% of the stakeholders replied positively <u>Category (ii):</u> 92% of the stakeholders replied positively Category (iii): N/A <u>Category (iv):</u> 93% of the stakeholders replied positively	<u>Category (i):</u> 91% of the stakeholders replied positively <u>Category (ii):</u> 94% of the stakeholders replied positively Category (iii): data not yet available <u>Category (iv):</u> 94.5% of the stakeholders replied positively	At least 70% of respondents reply positively to OLAF's support in the area of anti-fraud policy.

Main outputs in 2018:			
Description	Indicator	2018	Target
Proposal for amendment of Regulation 883/2013	Proposal by the Commission	On 23 May 2018 the Commission adopted its proposal to amend Regulation 883/2013 (COM(2018)338 final)	1 st half of 2018
Organise Advisory Committee for Coordination of Fraud Prevention (COCOLAF) and its sub-group meetings	COCOLAF meetings have taken place	25-26 January, 26 April, 24 May (plenary meeting), 8 November, 6 December	2018
Organise AFCOS group meeting	AFCOS group meeting has taken place	AFCOS group meeting took place on 16 October 2018 in Brussels	2018

Organise AFCOS seminar	AFCOS seminar has taken place	AFCOS seminar took place in Sarajevo on 20-22 June	2018
Organise FPDnet meetings	FPDnet meetings have taken place	In 2018, five meetings of the FPDnet took place out of which one (1) dedicated to update of CAFS (22/02/2018, 24/04/2018 CAFS 19/06/2018 18/09/2018 13/12/2018).	4 meetings in 2018 (one per quarter)
Establish new working arrangements with Europol	Signature	Due to prioritising other activities necessary to implement the Europol Regulation, which entered into application in May 2017, Europol was not ready to engage with OLAF in discussions. The process was therefore delayed.	2018
Evaluation of the Commission Anti-Fraud Strategy (CAFS)	Staff Working Document published	The Staff Working Document will be published together with the updated CAFS during the first months of 2019. The process was delayed in order to take into account the performance audit "Fighting fraud in EU spending: action needed" carried out by the European Court of Auditors (ECA) ³⁰ .	2018
Review of the CAFS	Adoption of the revised CAFS by the College	The updated CAFS will be adopted during the first months of 2019. The process was delayed in order to take into account the performance audit "Fighting fraud in EU spending: action needed" carried out by the European Court of Auditors (ECA) ³¹ .	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	Adopted on 3 September 2018 COM(2018)553	3 rd quarter 2018
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	Deadlines were met in all cases (100%)	Meet deadlines in 75% of cases

³⁰ [ECA Special Report No 01/2019, published on 10.1.2019.](#)

³¹ [ECA Special Report No 01/2019, published on 10.1.2019.](#)

Anti-Fraud Information System (AFIS)

AFIS is an umbrella term for a set of anti-fraud IT applications operated by the European Commission (OLAF). These ensure the timely and secure exchange of fraud-related information between national and EU competent administrations. The AFIS Project encompasses two major areas: Mutual Assistance in Customs Matters and Irregularities Management.

The AFIS Portal is a single and common infrastructure for the delivery of these 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 Portal enables substantial economies of scale and synergies in the development, maintenance and operations of such a wide and diverse set of IT services and tools³².

By training and giving advice to the Member States' authorities and those in Candidate Countries in how to use the Irregularity Monitoring System and its new modules, OLAF aims to achieve compliance, by those authorities, with their obligations to report fraudulent and non-fraudulent irregularities. This will increase the protection of the EU's financial interests, as the potential fraud will be followed-up by OLAF or the relevant national authorities.

In 2018, AFIS supported mutual assistance activities including Joint Customs Operations (JCOs) co-organised by OLAF and the European Union Border Assistance Mission to Moldova and Ukraine (EUBAM), or organised by Member States or Europol with the support of OLAF. Throughout 2018, 5 Joint JCOs were co-organised or supported by OLAF.

The Virtual Operations Coordination Unit (VOCU) module of AFIS was used for the secure exchange of information in 4 of these JCOs. One JCO also used the Permanent Operational Coordination Unit (POCU) in OLAF. The number of active customs fraud cases for which information is available in the Mutual Assistance databases of AFIS in 2018 was 18 340, an increase of 16 cases in comparison to the previous year.

In 2018, OLAF started a Hercule III funded project, working with the Joint Research Centre, to support and facilitate the work of Customs in Member States for the effective and efficient use of data and analytical approaches in the Customs antifraud area. In this context, two workshops were held with Member State experts in April and November 2018.

Main outputs in 2018:			
Description	Indicator	2018	Target
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	18 340	17 000

³² The Programme Statements provide more details on the resources dedicated to each spending programme, including AFIS. Draft General Budget of the European Union for the financial year 2018, COM(2017) 400, Part I: Programme Statements of operational expenditure, pages 160 -164.

Develop a project on data analysis to strengthen Member State analytical capacities in the anti-fraud customs area	Organisation of workshops	2 workshops were held in April and November 2018	One workshop with Member State experts per semester
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	Due to organisational reasons, the JCO had to be postponed to 2019	1 JCO
	Number of Joint Customs Operations supported by OLAF	5	3 JCO
Support Member States in fulfilling their obligation of reporting irregularities.	Development of a B2B tool to facilitate data exchange with national systems	In December 2018 the Italian Court of Auditors was given access to the pilot environment for the B2B solution for IMS	1 st 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	Dashboards to be uploaded in IMS were finalised in December 2018. They are currently being tested and will be then provided to the developers for being made available to users	2018
IMS training to IMS users (national administrations, OLAF units and Shared Management DGs)	Countries IMS Liaison-officers (LO) are regularly updated of relevant developments and training is offered only if needed (major changes in the system)	LOs were informed of development plans and progress in the COCOLAF Reporting and Analysis Meetings of April and December	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	37 sessions for 653 trainees in 11 MS	2018
	IMS training to become permanently available on the EU learn catalogue and trainings to be offered once the minimum number of applications is received	2 Targeted trainings took place, one organised for OLAF-staff and one for DGNEAR-staff	IMS training offered on EU learn as of January 2018

Reduction of illicit trade in tobacco products

Specific objective 5: Reduction of illicit trade in tobacco products. OLAF has also performed well in its fight against illicit tobacco trade, in line with the efforts it made in the last years. In this regard two developments stand out:

- The new anti-smuggling treaty dedicated specifically to fighting the illicit tobacco trade at the global level, known as the '**FCTC Protocol**'³³, entered into force on 25 September 2018. This marks an important milestone in multilateral efforts in which the EU had taken a leading role over the last decade. The FCTC Protocol has become a central pillar of the EU's wider engagement in this policy domain: it sets out measures to secure the supply chain through the gradual creation of a global tracking and tracing system, licensing, due diligence and other record keeping requirements. It also foresees international cooperation through mutual assistance between authorities and increased sanctions. The Commission continues to promote the Protocol in relevant countries, notably in our Eastern neighbourhood and in key source and transit countries.

The first **Meeting of the Parties** ("MOP1") under the Protocol took place in Geneva in October 2018. Parties agreed on a budget and work plan for the coming years. OLAF was leading the EU team during these multilateral negotiations.

- On 7 December 2018 the European Commission adopted a **2nd Action Plan**³⁴ **to fight the illicit tobacco trade** covering the period 2018-2022. The new Action Plan builds on the EU's 2013 Strategy in this domain as well as on the analysis contained in the 2017 report on progress in implementing that Strategy³⁵. Overall, the Action Plan continues to advocate the combination of targeted policy measures with robust customs enforcement, including the strengthening of cooperation with relevant European and external partners. Key actions include engaging leading source and transit countries for illicit tobacco trade, for example, by seeking to approximate excise duties in the case of neighbouring countries, so as to reduce the incentives underpinning smuggling. The Action Plan also envisages a range of measures to accompany Member States in the implementation of the new EU traceability system applicable in particular to cigarettes as from May 2019 under the 2014 Tobacco Products Directive.

Specific objective 5: Reduction of illicit trade in tobacco products		<input checked="" type="checkbox"/> No spending programme
Result indicator 5.1: Implementation of the Strategy to step up the fight against cigarette smuggling and other forms of illicit trade in tobacco products and its Action Plan		
Definition: The Action Plan contains 50 actions that must be completed by a certain date, or in the "short", "mid-" or "long-term".		
Source: COM (2013) 324 final, SWD (2013) 193 final		
Baseline 2013	2018	Target 2018
Council adopted Conclusions concerning the Communication in 2013.	Adopted in December 2018	Adoption of the Second Action Plan on combating illicit trade in tobacco products

³³ World Health Organization Protocol to Eliminate Illicit Trade in Tobacco Products

³⁴ COM(2018)846

³⁵ COM(2017)235

Result indicator 5.2: Increased coverage and use of IT tools to draw statistical information relating to illicit trade in cigarettes

Definition: Expand coverage and use of IT tools on the illicit trade in cigarettes in order to promote use of IT applications by MS and OLAF and improve the availability of reliable statistics.

Source: ToSMA, CigINFO

Baseline 2014	2018	Target 2020
ToSMA (Tobacco Seizure Management Application) was launched in 2014.	ToSMA is fully operational, including historical data, and full coverage of the qualifying seizures was achieved.	Coverage of all qualifying seizures in ToSMA (100%).
CigINFO (Cigarette Information): less than 2000 entries made by Member States	CigINFO: 2740 entries	Increase number of entries in CigINFO by another 5% (annually).

Main outputs in 2018:			
Description	Indicator	2018	Target
Action Plan as a follow-up to the Tobacco Implementation Report	Stakeholder event on fighting 'cheap whites' cigarettes	The Conference "Fighting illicit tobacco trade - The Stakeholder perspective" co-organised by the Commission and the European Economic and Social Committee was held in March 2018	1 st half of 2018
	Action plan will contain non-legislative initiatives with special focus on fighting non-branded 'cheap whites' cigarettes	The 2 nd Action Plan to fight the illicit tobacco trade for the period 2018-22 was adopted in December 2018	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	In view of scheduling constraints, relevant events and meetings had to be moved to 2019 in agreement with the political level	2nd half 2018
Operation of the Commission's (JRC) laboratory facility for the analysis of seized cigarettes (TOBLAB)	Number of seizure analyses	103 seizures were analysed by the laboratory in 2018 (some Member States still face legal obstacles to using the laboratory)	150 tests in 2018
	Regional workshops in Member States	TOBLAB was promoted at various events such as the Expert Group to Fight the Illicit Tobacco Trade ("FITT"), Meetings focusing on excise duties, Customs Cooperation Working Group (CCWP), Europol, JRC Annual Workshop as well as in fora attended by investigative services	4

FCTC Protocol	Entry into force of the FCTC Protocol	The FCTC Protocol entered into force on 25 September 2018 on time for the MOP 1 in October 2018 in Geneva	2018
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Promoting activities in the field of the protection of the European Union's financial interests (Hercule III)

OLAF is responsible for the management of the Hercule III Programme³⁶, which supports actions and projects that aim to protect the financial interests of the European Union. The general objective of the programme corresponds to OLAF's **Specific objective 6: To prevent and combat fraud, corruption and any other illegal activities affecting the Union's financial interests**. The Programme has a budget of EUR 104.9 million for the period 2014-2020. It is implemented on the basis of annual work programmes setting out the budget and the funding priorities for a given calendar year. The annual work programme³⁷ for 2018 made available a budget of EUR 15.35 million for the purchase of, for example, specialised technical equipment by law enforcement agencies in the Member States, such as customs or police forces³⁸. The financial support was used for the purchase of a wide range of equipment, such as scanners used in harbours or airports, digital forensic soft - and hardware, systems to track vehicles or automated number-plate recognition systems. The Hercule III Programme also supported conferences, seminars and training events attended by staff of national administrations, law enforcement agencies and NGO's in order to strengthen mutual cooperation, staff exchanges or the exchange of best practices in the protection of the Union's financial interests. The Programme funded digital forensic and analyst training sessions aimed at improving the skills of its participants to secure and analyse evidence from digital devices in a rapidly evolving technological environment and helping them to stay in the forefront of the fight against fraud.

The results of these activities³⁹ demonstrate the contribution to the protection of the Union's financial interests brought thanks to the Programme's financial support.

The Commission adopted the report on the mid-term evaluation of Hercule III Programme and transmitted it to the European Parliament and the Council on 10 January 2018. As Regulation 250/2014⁴⁰ requires an independent assessment, the report was supported by a study carried out by an external contractor (more details are provided under point 2.2.2).

³⁶Regulation (EU) No. 250/2014 of the European Parliament and of the Council of 26 February 2014 establishing a programme to promote activities in the field of the protection of the financial interests of the European Union (Hercule III programme) and repealing Decision No. 804/2004/EC, OJ L 84 of 20 March 2014, p. 6-13.

³⁷Adopted by Commission Decision C(2018) 1763 final of 28 March 2018

³⁸The Programme Statement provides more details on the resources dedicated to each spending programme, including Hercule III. Draft General Budget of the European Union for the financial year 2018, COM(2017) 400, Part I: Programme Statements of operational expenditure, pages 152 -155.

³⁹The Commission transmits every year to the European Parliament and to the Council a report with an overview of the main results achieved in the framework of the Hercule III programme. In addition, the Commission publishes, inasmuch as these results do not endanger on-going operations, information on its website on seizures of smuggled cigarettes and tobacco or counterfeited products. The reports can be found on: https://ec.europa.eu/anti-fraud/policy/hercule-programmes/hercule-ii-reports_en

⁴⁰Regulation (EU) No. 250/2014 of the European Parliament and of the Council of 26 February 2014 establishing a programme to promote activities in the field of the protection of the financial interests of the European Union (Hercule III programme) and repealing Decision No. 804/2004/EC, OJ L 84 of 20 March 2014.

Specific objective 6: To prevent and combat fraud, corruption and any other illegal activities affecting the Union's financial interests		☒ Spending programme	
Result indicator 6.1: The added value and effective use of co-financed technical equipment, as reflected by the users of the equipment in their final technical report and final implementation report of the action who expressed the opinion that the supported action was only made possible as the result of the Hercule grant. Source of data: final technical reports and final implementation reports			
Baseline 2014	Current situation	Target 2020	
N/A – New indicator	91%	More than 90%	
Main outputs in 2018			
Description	Indicator	2018	Target
Finalise the Evaluation of Hercule III Programme	Evaluation Report submitted to the European Parliament and the Council	The Commission adopted the report on the mid-term evaluation of Hercule III Programme ⁴¹ and transmitted it to the European Parliament and the Council on 10 January 2018.	January 2018
Legislative proposal for post-2020 anti-fraud programme	Proposal by the Commission	Adoption of the Commission proposal on 30.05.2018 COM(2018)386	2018
Annual overview with information on the results of the Hercule III Programme in 2017	Commission Staff Working Document accompanying the PIF report 2017	Adoption of PIF on 03/09/2018 COM(2018)553, SWD(2018)381 final	2018

European Public Prosecutor's Office and PIF Directive

President Juncker's **political priority *An Area of Justice and Fundamental Rights Based on Mutual Trust*** specifically mentions the need to "progress on new tools such as the European Public Prosecutor's Office (EPPO) which is designed to tackle criminal fraud which damages the EU budget".

The PIF Directive was adopted on 5 July 2017. In 2018, the Commission services worked with the Member States to support the transposition. In the context of these contacts, OLAF organised a transposition workshop with experts of the 26 participating Member States in order to facilitate this process. OLAF continues to support the Member States in their transposition of the PIF Directive by July 2019.

The EPPO Regulation was adopted on 12 October 2017 and entered into force on 20 November 2017. 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. The Commission is responsible for the setting up activities until the EPPO will be able to implement its own budget. Among the preparatory steps taken in 2018 were the launch of the selection procedure for the European Chief Prosecutor, the designation of an interim Administrative Director and the adoption of a Commission proposal for the transitional rules applicable to the first group of European Prosecutors to be appointed in 2019. Dialogue with the Member States continued

⁴¹ Regulation (EU) No. 250/2014 of the European Parliament and of the Council of 26 February 2014 establishing a programme to promote activities in the field of the protection of the financial interests of the European Union (Hercule III programme) and repealing Decision No. 804/2004/EC, OJ L 84 of 20 March 2014.

in the framework of the expert group of Member States representatives provided for by the Regulation. 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.

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.			<input checked="" type="checkbox"/> No spending programme
<p>Result indicator 7.1: Strengthened legal framework for protection of the financial interests of the EU.</p> <p>Definition: The PIF Directive aims at establishing minimum penalties and common definitions for crimes against the EU budget in all EU countries. The EPPO will investigate, prosecute and bring to judgment the perpetrators of offences affecting the Union's financial interests.</p> <p>Source of the data: The Commission report assessing the compliance of the Member States following the adoption of the PIF Directive and first activity reports by the EPPO.</p>			
Baseline 2012-2013	Current situation	Target 2020	
The PIF Directive proposed in July 2012	The PIF Directive was adopted on 5 July 2017	All Member States have taken the necessary measures in order to comply with this Directive	
The EPPO Regulation proposed in July 2013	The EPPO Regulation was adopted on 12 October 2017		
Main outputs in 2018			
Description	Indicator	2018	Target
Making progress on setting up of the EPPO (co-responsibility with JUST)	Designate the interim Administrative Director	1 December 2018	1 st quarter 2018
	Launch of the selection procedure for the European Chief Prosecutor	3 rd quarter 2018	1 st half 2018
	Establishment of the expert group of Member States representatives	The Group of Member States representatives established on 12 January 2018 as foreseen. The publication of the decision on the EPPO Expert Group is of 12 January 2018.	1 st quarter 2018
	Launch of the selection procedure for the European prosecutors	4 th quarter 2018	2018
Support Member States in the implementation of the PIF Directive (co-responsibility with JUST)	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

2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

This section explains how the DG delivered the achievements described in the previous section. It is divided in two subsections.

The first subsection reports the control results and all other relevant information that support management's assurance on the achievement of the financial management and internal control objectives⁴². It includes any additional information necessary to establish that the available evidence is reliable, complete and comprehensive; appropriately covering all activities, programmes and management modes relevant to the DG.

The second subsection deals with the other components of organisational management: human resources, better regulation principles, information management and external communication.

2.1 Financial management and internal control

Assurance is an objective examination of evidence for the purpose of providing an assessment of the effectiveness of risk management, control and governance processes.

This examination is carried out by management, which monitors the functioning of the internal control systems on a continuous basis, and by internal and external auditors. Its results are explicitly documented and reported to the Director-General. The reports produced are:

- the reports from Authorising Officers in other DGs managing budget appropriations in cross-delegation;
- the contribution of the Internal Control Coordinator, including the results of internal control monitoring at the DG level;
- the reports of the ex-post supervision or audit;
- the reports on recorded exceptions, non-compliance events and any cases of "confirmation of instructions" (Art.92.3 FR);
- the opinion of the internal auditor on the state of control, and the observations and recommendations reported by the Internal Audit Service;
- the observations and the recommendations reported by the European Court of Auditors.

These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a complete coverage of the budget delegated to the Director-General of OLAF.

This section reports the control results and other relevant elements that support management's assurance. It is structured into (a) Control results, (b) Observations and recommendations from audit and other supervisory bodies, (c) Effectiveness of the internal control system, and resulting in (d) Conclusions as regards assurance.

⁴² Art 36.2 FR: a) effectiveness, efficiency and economy of operations; b) reliability of reporting; c) safeguarding of assets and information; d) prevention, detection, correction and follow-up of fraud and irregularities; and e) adequate management of the risks relating to the legality and regularity of the underlying transactions

2.1.1 Control results

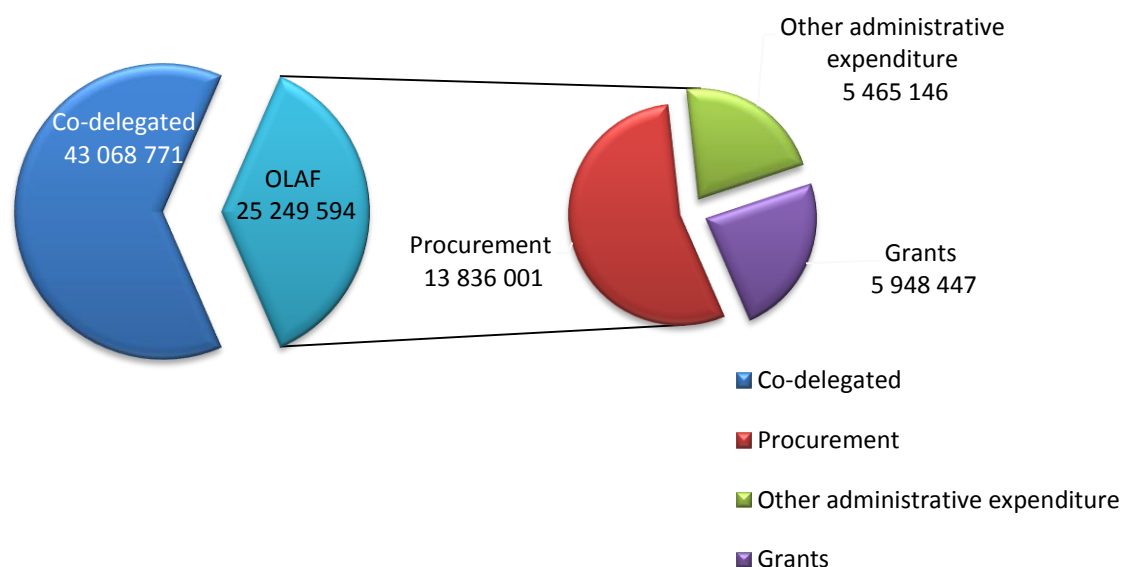
This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives⁴³. The DG's assurance building and materiality criteria are outlined in Annex 4. Annex 5 outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the relevant control systems.

OLAF is a low spending DG in the Commission with a total budget of EUR 81.2 million (EUR 59.1 million administrative and EUR 22.1 million operational⁴⁴, managed through direct management).

As regards payments, OLAF's expenditure can be broken down between those managed directly by OLAF and those for which a co-delegation exists with other Commission Services.

This means that OLAF implements only part of its expenditure, which is related to procurement (EUR 13.5 million), grants (EUR 5.9 million) and some administrative expenditure (EUR 5.4 million for rent of the OLAF building and the reimbursement of experts) under direct management mode. About EUR 43 million is co-delegated to other Services. The vast majority of this amount relates to salaries of statutory and external staff co-delegated to PMO/HR. The remainder is co-delegated to DIGIT, COMP, DEVCO/EEAS, HR and SG.

Payments



⁴³1) Effectiveness, efficiency and economy of operations; 2) reliability of reporting; 3) safeguarding of assets and information; 4) prevention, detection, correction and follow-up of fraud and irregularities; and 5) adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 36.2).

⁴⁴OLAF's operational budget finances activities in the framework of the Hercule programme, and the operation of AFIS.

1. Effectiveness

- **Legality and regularity of the transactions**

OLAF has set up internal control processes aimed to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments concerned. The control objective is to ensure that the estimated error rate does not exceed 2% annually.

The financial circuit applied is a partially decentralised model for all transactions except for the pre-financing transactions where the centralised model is used. The operational units are responsible for the operational verifications. In OLAF, all files are verified by at least three persons (two financial and one operational agent) before they are accepted and processed by the Authorising Officer by Sub-Delegation (AOSD).

Ex-ante controls are carried out by the FVA on every transaction (administrative, grants and procurement files) which requires an approval of the AOSD. During these ex-ante controls the legality and regularity of transactions are checked on the basis of checklists. When errors and/or weaknesses are noted, the checklists are updated in order to cover the risk identified.

The accounts are checked on a monthly basis by the Accounting Correspondent supervised by the AOSD of the Budget Unit.

A register is kept for all exception and non-compliance events reported (each of them being signed at the appropriate management level). These cases were not of a nature or extent to lead, either to a reservation, or to the identification of a significant weakness in the internal control system, and did not have an impact on the declaration of assurance of the AOD. The analysis of the registered exceptions and non-compliance events revealed that during the reporting year there were 17 events of non-compliance and 6 exceptions. None of these exceptions or non-compliance events had an impact on the legality or the regularity of the transactions.

Ex-post controls (desk reviews) were carried out on 2018 expenditures for grants, procurements, experts and rent for the OLAF building. The latter is paid in compliance with a long-term leasing contract and paid on a quarterly basis. During the ex-post controls the regularity and legality of the transactions were verified. The controls were carried out on the basis of a random sample which is sufficiently representative to draw valid management conclusions and composed of 51 transactions representing a value of EUR 5.1 million (in payments, of which 1.3 for rent) which corresponds to 3.7% of the number of transactions and 20.1% in value of the total amount under review as of 31 December 2018.

The ex-post controls carried out did not lead to the identification of any financial error. They allow OLAF to conclude that the control objective has been met as regards the control effectiveness on legality and regularity.

In the context of the protection of the EU budget, at the Commission's corporate level, the DG's estimated overall amounts at risk and their estimated future corrections are consolidated.

For OLAF, the estimated overall amount at risk at payment⁴⁵ for the 2018 payments made was less than 0.5% (i.e. less than EUR 138 000). This is the AOD's best, conservative

⁴⁵In order to calculate the weighted average error rate (AER), the detected or equivalent error rates have been revised; see note 6 to the table.

estimation of the amount of *relevant expenditure*⁴⁶ during the year (EUR 27.51million) not in conformity with the applicable contractual and regulatory provisions at the time the payment is made⁴⁷. Considering the estimated future corrections⁴⁸ for the 2018 expenditure, the overall amount at risk at closure for the 2018 expenditure can be estimated at a maximum of EUR 138 000.

⁴⁶"*relevant expenditure*" during the year; see note 5 to the table.

⁴⁷ "*payments made*" or equivalent; see note 2 to the table.

⁴⁸Based on the 7 years historic Average of Recoveries and financial Corrections (ARC) which is the best available indication of the corrective capacity of the ex-post control systems implemented by the DG over the past years.

Estimated overall amount at risk at closure

DG OLAF	"payments made" (FY; m€)	minus new prefinancing [plus retentions made] (in FY; m€)	plus cleared prefinancing [minus retentions (partially) released and deductions of expenditure made by MS] (in FY; m€)	relevant expenditure (for the FY; m€)	Average Error Rate (weighted AER; %)	estimated overall amount at risk at payment (FY; m€)	Average Recoveries and Corrections (adjusted ARC; %)	estimated future corrections [and deductions] (for FY; m€)	estimated overall amount at risk at closure (€)
-1	-2	-3	-4	-5	-6	-7	-8	-9	-10
24 01[1]	11.16	0	0	11.16		0.056		0	0.056
24 02[2]	7.98	3.35	5.60	10.23		0.051		0	0.051
24 04[3]	6.11	0	0	6.11		0.031		0	0.031
Overall	25.25 mEUR	3.35mEUR	5.6mEUR	27.51mEUR	0.5%	0.138mEUR and 0.5% of (5)	0%	0	0.138mEUR and 0.5% of (5)

[\[1\] Administrative expenditure of the "Fight against fraud" policy area](#)

[\[2\] Promoting activities in the field of the protection of the European Union's financial interests \(Hercule III\)](#)

[\[3\] Anti-fraud information system \(AFIS\)](#)

- **Fraud prevention and detection**

In July 2018, OLAF adopted its second anti-fraud strategy (AFS) for 2018-2020, elaborated in compliance with the methodology provided by OLAF at corporate level.

Taking into account the fraud risk screening conducted internally and in combination with the audit assignment carried out by the Commission's Internal Audit Service on ethics in the second half of 2017, it was decided to concentrate efforts on achieving the following two strategic objectives:

- Promote the highest standards of professional ethics
The existence of a corporate culture which fosters integrity of staff is of the highest importance in fighting fraud. With this in mind, both management and OLAF staff members should be aware of and share appropriate ethical and organisational values and uphold these through their own behaviour and decision-making. This is in particular emphasised by means of OLAF's Ethics Guide, which underlines the importance of ethics in OLAF and which, for the areas of gifts and hospitality, establishes stricter rules (zero tolerance) than the standard for the Commission, to avoid any reputational risk resulting from the appearance of loss of impartiality.
- Maintain a high level of control for funds managed by OLAF
With respect to the management of funds, OLAF endeavours to maintain its robust control environment. As a matter of fact, although OLAF has a small operational budget and limited financial transactions, its mission 'in the fight against fraud' requires that it leads by example with a zero tolerance to fraud.

An action plan, designed to implement OLAF's anti-fraud strategy, covers the period from 2018 to the end of 2020 and comprises 11 actions in total.

With regards to the type of core business of OLAF the fraud prevention and detection system put in place is assessed as sufficient and adequate.

Indicator: Updated anti-fraud strategy of OLAF	
Current situation	Target 2020
Date of the last update: 24 July 2018	Update every year, as set out in the AFS
Indicator: Percentage of newcomers trained on Ethic's matters	
Current situation	Target 2020
100%	100% target population reached
Indicator: Regular monitoring of the implementation of the anti-fraud strategy and reporting on its result to management	
Current situation	Target 2020
In July and December 2018 in the framework of the Management Plan mid-term review and preparation of the next Management Plan	Twice per year

- **Other control objectives: safeguarding of assets and information**

In the context of the Ethics training sessions a special emphasis is given to the safeguard of information by ensuring that all staff members know the treatment to be given to sensitive information. Moreover, during the welcome session for newcomers a training session is given on the protection of personal data.

2. Efficiency

As regards procurement, OLAF launched two tendering procedures⁴⁹ with publication in the Official Journal in December 2017. The opening, evaluation and awarding process happened in 2018.

With respect to grants, OLAF launched three calls for proposals in 2018 and received 72 applications altogether. The success ratio 'value proposals received over budget available' is 269% which illustrates the attractiveness of the programme towards beneficiaries. In December 2018, the Commission was able to award 33 grants to the 72 applicants (45.8%). The successful applicants were notified of the outcome of the evaluation procedure around 5 months after the deadline for submission of applications in June 2018 (as compared to 3.5 months in 2017). The rejected applicants were notified at the same time as the successful ones. Due to technical issues encountered in the usage of the E-grant system, which triggered important delays in the granting procedure, only a bit more than half of the grant agreements were signed before the end of 2018, which corresponds to around 1 month (1 month in 2017) after the notification on the outcome of the evaluation procedure. The remaining half was signed by mid-February 2019 (2.5 months after the notification).

The Commission informed all rejected applicants via the E-grant system about the scores their application was given by the Evaluation Committee as well as the reasons and justifications given for these scores. Few rejected applicants requested additional information on the Commission's decision.

Overall, 1557 payments were executed, of which 1466 (94.16%) within the time limits. For procurement and grants in particular, a total of 944 payments were carried out with 876 (93.86%) respecting the time limits.

Indicator: Percentage of payments handled within the time limit (Art. 116 FR)	
Current situation	Target 2020
94.14%	More than 90%
Indicator: Percentage of applicants informed of the outcome of the evaluation of their application within 6months	
Current situation	Target 2020
100%	100%
Indicator: Percentage of grant agreements signed with applicants within 3 months	
Current situation	Target 2020
100%	100%

3. Economy

The cost of controls have been estimated following the corporate methodology, i.e. on the basis of the workload (full-time equivalents (FTEs)) allocated to these control functions/activities.

Grants

The preparation, adoption and publication of the relevant documents in E-grant system in relation to the three Calls for proposals (annual work programme, technical specifications, guidelines, forms) required around EUR 118 400 which corresponds to an average cost of EUR 1 644 per application.

⁴⁹ Tendering procedures for amounts above EUR 135 000

The total cost of controls related to grants has been estimated at EUR 725 200, of which some EUR 7 400 relate to ex-post controls. This total cost of controls corresponds to 12.19% of the total amount of payments carried out related to grants. However, when considering the total amount of final payments made on behalf of former calls as well as the pre-financing related to the calls for proposals published in 2018, representing EUR 8.6 million in total, the relative share of the costs of control throughout 2018 would drop to a mere 8.43%. This significant difference is due to the fact that a large part of pre-financing payments could not be executed before the end of the year because of technical problems with the E-grants application. These controls have also led to the adjustment of 32 cost claims for a value of EUR 518 344. The ex-post controls (desk reviews) carried out covered 14 transactions on grants for a value of EUR 2 729 389 (representing 45.9% of the payments of 2018 for grants) and did not identify any financial error⁵⁰ that could have had a negative impact on the assurance.

Programmes ran smoothly in 2018 without any reported litigation cases.

Procurement

OLAF launched two tendering procedures⁵¹ in December 2017 with publication in the Official Journal. The opening, evaluation and awarding process happened in 2018.

In 2018, the procurement payments amounted to EUR 13 836 001.

The cost of the controls on procurement procedures related to 2018 was assessed at EUR 218 165 (including EUR 3 363 for ex-post desk reviews) corresponding to 1.58% in value of the payments made as regards procurement.

The ex-post controls (desk reviews) carried out on procurements covered transactions for EUR 1 032 146 (representing 7.5% of the value of the payments made in 2018 for procurements). The ex-post controls did not identify any significant financial error that could have had a negative impact on the assurance.

OLAF has assessed these costs of controls as adequate taking into account the atypical position of OLAF as the Office in charge of the fight against fraud which pleads for a strong control environment.

Indicator: Conclusion reached on cost effectiveness of controls	
Current situation	Target 2020
Yes	Yes
Indicator - Grants: Part of the cost of control in proportion of the budget controlled	
Current situation	Target 2020
12.19%	Less than 15%
Indicator - Procurement: Part of the cost of control in proportion of the budget controlled	
Current situation	Target 2020
1.58%	Less than 5%

Other administrative expenditure

In 2018, these payments amounted to EUR 5 465 146 related to rent (EUR 5 208 870) and the reimbursement of experts (EUR 256 276). The cost of the controls was assessed at EUR 13 206, of which some EUR 840 relate to ex-post controls. The ex-post controls (desk reviews) carried out covered 1 transaction for EUR 1 316 448 (representing 25% of the value

⁵⁰No error on the legality and regularity was identified by the ex-post controls on 2018 expenditures.
⁵¹ Tendering procedures for amounts above EUR 135 000

of the payments made in 2018 for rent) and 10 transactions for a value of EUR 6 882 representing 9.8% of the reimbursements made for experts. The ex-post controls did not identify any significant financial error that could have had a negative impact on the assurance.

Conclusion as regards economy

OLAF has assessed its cost of controls as adequate taking into account the atypical position of OLAF as the Office in charge of the fight against fraud, which pleads for a strong control environment.

4. Conclusion on the cost-effectiveness of controls

Overall, the costs of controls on grants, procurement and other administrative expenditure was assessed at 3.42% over the relevant funds managed, which is the same as last year.

Based on the most relevant key indicators and control results, OLAF has assessed the effectiveness, efficiency and economy of the control system and reached a positive conclusion on the cost-effectiveness of controls.

2.1.2 Observations and recommendations from audit and other supervisory bodies

A. Audit observations and recommendations

This section reports and assesses the observations, opinions and conclusions reported by auditors in their reports, as well as the limited conclusion of the Internal Auditor on the state of control, which could have a material impact on the achievement of the internal control objectives, and therefore on assurance, together with any management measures taken in response to the audit recommendations.

OLAF is audited by both internal and external independent auditors: its Internal Audit Function (IAF), the Commission Internal Audit Service (IAS) and the European Court of Auditors (ECA).

Furthermore, OLAF's investigative function is regularly monitored by OLAF's Supervisory Committee, in accordance with Article 19 of Regulation 883/2013.

Internal Audit Function

The Commission decided⁵² to centralise the internal audit function (IAF) in the IAS and that by the end of February 2015, the internal audit function in the individual Directorates-General, Services, Offices and Executive Agencies would cease to exist. As per the specific provisions concerning administrative cooperation between OLAF and the IAS, the scope of IAS audits and consulting services will not cover issues which fall under the Director-General's independence in the execution of his duties with respect to investigations as described by Article 17 of Regulation 883/2013 and Articles 3, 5 and 6 of Commission Decision 1999/352, that the Office is not reporting to the Commission, unless specifically requested by the Director-General of OLAF in writing. In order to cover processes and procedures which are not covered by the IAS, OLAF management decided to appoint a new IAF. The IAS was consulted on the appointment and the Charter for the new IAF. The former OLAF's Internal Audit Capability (IAC) handed over to the IAS the follow-up of IAC previous

⁵² Minutes of the 2104th meeting of the Commission held on Wednesday 5 November 2014.

audits on the management and control systems on which OLAF reports to the Commission.

There were no new audit engagements completed in 2018. Two follow-up audits concluded the closure of the three outstanding important recommendations. For an audit engagement completed in 2017, three recommendations have been reported as fully implemented (two very important and one important), and two recommendations as partly implemented (one very important and one important). Regarding the very important recommendation, the implementation of the pending action was postponed and the revised deadline for implementation is end of June 2019.

Internal Audit Service

The IAS' conclusion on the state of internal control is based on all work undertaken by the IAS in the period 2016-2018⁵³, namely:

- Audit on procurement and grants in OLAF (2016);
- Audit on performance and coordination of anti-fraud activities in the traditional own resources area (2016);
- Audit on governance, planning, monitoring and implementation of the budget of the OLAF supervisory committee (2016);
- Audit on ethics in OLAF (2017);
- Audit on IT logical security controls in OLAF (2017).

All recommendations issued by the IAS have been accepted. Hence, in order to implement these recommendations, OLAF management has adopted action plans which the IAS considers adequate to address the residual risks identified by the auditors.

The implementation of these plans is monitored through reports by management and follow-up audits by the IAS, which led the IAS to conclude that the internal control systems for the audited processes in place are effective except for the observations giving rise to the 'very important' recommendations mentioned below.

In accordance with the IAS methodology on the rating of its recommendations, the IAS considers the risk to be high due to:

- The combined effect of six 'very important' recommendations, from different IAS audits which point to major internal control deficiencies in several audited processes;
- The impact of the delay observed in implementing the recommendations from the audit on performance and coordination of anti-fraud activities in the traditional own resources (TOR) area (2016) and from the audit on IT logical security controls in OLAF (2017).

However, it should be noted that some aspects of these recommendations have already been effectively dealt with by OLAF in the course of 2018, while other aspects are being finalised at the beginning of 2019. Therefore, considering the actions already undertaken OLAF is of the opinion that the residual risk is reduced for the following reasons:

- Audit on performance and coordination of anti-fraud activities in the traditional own resources (TOR) area: the implementation of the remaining two 'very important' recommendations has been fully incorporated in the updated CAFS which will be adopted by the Commission at the beginning of 2019. The closure of the recommendation depended thus on the adoption by the Commission of the CAFS.
- Audit on IT logical security controls in OLAF: measures have already been taken to

⁵³Final audit reports issued in the period 01/02/2016 – 31/01/2019.

implement three remaining 'very important' recommendations and the recommendations should be closed at the beginning of 2019.

- Audit on ethics in OLAF (2017). The IAS audit report contained one 'very important' recommendation. The implementation of this recommendation has been finalised in March 2019.

European Court of Auditors

ECA Special Report "Fighting Fraud in EU Spending: Action Needed" was published on 10 January 2019 (after a record number of 3 pre-adversarial and 5 adversarial meetings with the ECA in during autumn/winter 2018).

- It recognised the Commission's efforts and steps already taken to fight fraud, for instance the Commission's Anti-Fraud Strategy and the new European Public Prosecutor's Office.
- It also highlights certain areas for improvement, most of which have long been identified and tackled by the Commission and by OLAF.
- The ECA addressed four recommendations with in total 10 sub-recommendations to the Commission; three of them were accepted, six partially accepted and one considered already reflecting the actual situation.

Overall conclusion

The audit work and opinions by both internal and external auditors reveals that the internal control system in place at OLAF gives reasonable assurance regarding the achievement of the business objectives.

B. Recommendations of the OLAF Supervisory Committee (SC)

The mandate of the SC is to monitor OLAF's investigative function in order to reinforce the Office's independence as outlined in Regulation 883/2013. The SC delivers Opinions, which can include recommendations, to OLAF's Director-General. The current Committee is in place since January 2017. The Director-General of OLAF meets and exchanges views with the members of the SC on a regular basis.

In 2018, the Committee transmitted to OLAF one Opinion⁵⁴ concerning the OLAF Preliminary Draft Budget for 2019, including four recommendations. The Committee also provided comments to the European Parliament and the Council on the amendment of Regulation 883/2013.

OLAF reports yearly to the SC on the implementation of the Committee's recommendations. In its 2018 reporting, OLAF assessed five recommendations out of ten as implemented, four as ongoing and one as not applicable. OLAF regards this as a satisfactory rate of implementation which, as such, does not has any material negative impact on the achievement of the internal control objectives or on assurance.

OLAF's recent and past reporting on the implementation of the SC recommendations is publicly available on OLAF's website⁵⁵.

⁵⁴ http://europa.eu/supervisory-committee-olaf/sites/default/files/opinion_olaf_pdb_19072018_adopted.docx.pdf

⁵⁵ https://ec.europa.eu/anti-fraud/about-us/supervisory-committee/exchanges-between-olaf-and-its-supervisory-committee_en#sc%20other

2.1.3 Assessment of the effectiveness of the internal control systems

The Commission has adopted an Internal Control Framework based on international good practice, aimed to ensure the achievement of policy and operational objectives. In addition, as regards financial management, compliance with the internal control framework is a compulsory requirement.

OLAF has put in place the organisational structure and the internal control systems suited to the achievement of the policy and internal control objectives, in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

OLAF annually assesses the effectiveness of its key internal control systems. The assessment relies on a number of monitoring measures and sources of information including a management risk assessment, monitoring of reported instances of exceptions, non-compliance events and internal control weaknesses related to audit findings.

As regards the exception and non-compliance events reported, it has been confirmed that none of these cases were of a nature or extent to lead either to a reservation, or to the identification of a significant weakness in the internal control system and did not have an impact on the declaration of assurance of the AOD.

OLAF has assessed its internal control system during the reporting year and has concluded that it is effective and that the components and principles are present and functioning as intended except for Internal Control Principle 11 (control activities over technology) which is partially present and needs improvements. This is mainly due to a number of very important open audit recommendations issued by the IAS pending full implementation. An action plan addressing these issues has been established and is expected to be fully implemented by the end of the second trimester 2019.

Other very important IAS recommendations as regards the performance and coordination of anti-fraud activities in the traditional own resources (TOR) area have already been effectively addressed by OLAF but merely depend on the adoption of the Commission Anti-Fraud Strategy (CAFS), which is likely to occur in the imminent future.

2.1.4 Conclusions on the impact as regards assurance

This section reviews the assessment of the elements reported above (in Sections 2.1.1, 2.1.2 and 2.1.3), the sub-conclusions above, and draws the overall conclusion supporting the declaration of assurance and whether it should be qualified with reservations.

In view of the control results and all other relevant information available, the AOD's best estimation of the risks relating to the legality and regularity for the expenditure authorised during the reporting year (EUR 25.25 million) is less than 0.5%, which implies an amount at risk below EUR 138 000.

Taking into account the conclusions of the review of the elements supporting assurance it is possible to conclude that the internal control systems implemented by OLAF provide sufficient assurance to adequately manage the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes. Furthermore, it is also possible to conclude that the internal control systems provide sufficient assurance with regard to the achievement of the other internal control objectives.

OLAF has sufficient reasonable assurance that a reservation on the declaration is not seen as necessary.

Overall Conclusion

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director-General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

2.1.5 Declaration of Assurance

DECLARATION OF ASSURANCE

I, the undersigned,

Director-General of OLAF

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view.

State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the hand-over file established by my predecessor, acting Director-General Mr Nicholas J. Ilett, for the period covering 1 January until 31 July 2018, the results of the self-assessment, ex-post controls, the limited conclusion of the OLAF Internal Audit Function on the state of control, the observations of the Internal Audit Service and the lessons learnt from the reports of the Court of Auditors for years prior to the year of this declaration.

Confirm that I am not aware of anything not reported here which could harm the interests of OLAF or those of the Commission.

Brussels, 4 April 2019

(signed)

Ville ITÄLÄ

2.2 Other organisational management dimensions

2.2.1 Human resource management

During 2018, OLAF has further strengthened its investigative know-how by recruiting laureates from the OLAF specialised competitions lists, made available at the end of 2017. The vacancy rate has decreased from 9.14% at the end of 2017 to 6.7% on 1 January 2019.

The female representation in middle management has significantly increased, from 10.5% in 2013 to 42% at the end of 2018. OLAF has reached the Commission's overall target set at 40% by the end of 2019 but intends to continue its efforts to reach a fair equilibrium of the gender representation in the middle management. The OLAF internal target of three first appointments of women to middle management positions set for 2017-2019 has also been reached as four first-time women Heads of Unit have been recruited during this period. Three colleagues also participated in the first Female Talent Development Programme.

OLAF continues to invest in the professionalisation of its staff via continuous learning and development. In 2018, 103 trainings (increase of 38% compared to 2017) were delivered to OLAF staff with a total of 3847 participants (more than double compared to previous year). These included training organised for newcomers, lunchtime debates, team events and training delivered by in-house trainers and by external trainers (other DGs or private bodies). Specific trainings were organised for newly appointed investigators (interviewing techniques, drafting of reports, on-the-spot checks, etc.) as well as more advanced ones (interviewing advanced, open sources research, designing a relevant investigative strategy, etc).

In 2018, specific focus has been put on raising awareness on ethics (social media, contacts with interests groups, etc).

Regular invitations to participate in management trainings have been sent to OLAF managers in order to enhance their managerial competences. Managers can also benefit from coaching sessions with an external consultant.

Following the results of the 2016 Commission Staff survey many actions were developed. To address dissatisfaction expressed on career development, the service of career guidance has been advertised, all vacant posts are communicated to OLAF staff and the internal mobility has increased. To tackle concerns on learning and development needs, specific actions have been developed to support managers in the identification of the learning needs. To tackle concerns regarding wellbeing, several activities were organised during the year, such as a health and wellbeing week, or specific sessions to raise the awareness of managers on these topics.

2.2.2 Better regulation

Mid-term evaluation of Hercule III Programme

The Commission adopted the report on the mid-term evaluation of Hercule III Programme and transmitted it to the European Parliament and the Council on 10 January 2018. As Regulation 250/2014⁵⁶ requires an independent assessment, the report was supported by a study carried out by an external contractor. An Interservice Steering Group was also closely involved in the preparation of the report. The mid-term evaluation has demonstrated that the Hercule III Programme, in its current form and at this stage of its implementation, has largely fulfilled its mission. It has proved relevant, mechanisms are in place to ensure its coherence, and it has been effective and efficient. There is a clear added-value to have such

⁵⁶Regulation (EU) No. 250/2014 of the European Parliament and of the Council of 26 February 2014 establishing a programme to promote activities in the field of the protection of the financial interests of the European Union (Hercule III programme) and repealing Decision No. 804/2004/EC, OJ L 84 of 20 March 2014.

a programme at the level of the EU, and the activities of the programme have been found largely sustainable.

During the external evaluation process, some ideas have been tabled of possible new objectives and activities for the programme going forward. These are, in particular, in the areas of cross-border cooperation between Member States, cooperation with non EU partners, as well as new technological developments ideas. Although these ideas are anecdotal in nature (as they have not been tested with the stakeholders consulted during the external evaluation process), they might be explored during the remaining years of the programme. A few specific actions, such as the purchase of services to store and destroy seized cigarettes and other counterfeit goods, or the funding of scientific publications were found to be less relevant to fulfilling their missions in relation to the protection of the EU's financial interests. This finding is largely explained by the fact that these actions target a narrow group of possible participants and, consequently, the bulk of the participants do not see their relevance.

Furthermore, some applicants suggested alleviating the burden generated by the application and reporting processes, for instance by reducing the amount of requested information or increasing the use of IT tools for the application process. Almost all respondents who considered the grant awarding and contracting phase cumbersome suggested what could be done for making the application phases less cumbersome. However, each suggestion was provided by a limited number of consulted stakeholders.

The Commission is in the process of addressing a large part of the issues through the use of the electronic management system for the submission, processing and management of grant applications under the programme. The improvements brought about by the electronic management system involve for instance digitalising the whole application process and introducing the use of digital signatures. The electronic system is expected to noticeably alleviate the administrative burden and related time and resources spent on the applications in particular.

Proposal for a Regulation establishing the Anti-Fraud Programme – ex-ante evaluation

On 30 May 2018 the Commission adopted a proposal for a Regulation of the European Parliament and of the Council establishing the EU Anti-Fraud programme. For such proposal, it was deemed that an Impact assessment was not required, considering that the EU Anti-Fraud Programme is a continuation, with some adjustments, of existing initiatives (Hercule, AFIS and IMS) and considering its structure and the limited size of its budget. In addition, the mid-term evaluation of Hercule III Programme was largely positive (see above) and demonstrated that the Programme has fulfilled its mission and there's a clear added value to have such Programme at EU level. Room for improvement was suggested during the evaluation in order to alleviate the burden generated by the application and reporting processes. This has already been addressed: the Commission is currently using an electronic management system for the submission, processing and management of grant applications under the programme. The evaluation outlined ideas of possible activities for the programme going forward (see section above). It also found that only few actions involved staff exchanges between national administrations and few actions involved international participation. Some of these suggestions have been reflected in the anti-fraud programme proposal (provisions on third countries), or are being addressed in the actions and priorities contained in the annual work programmes of the current Hercule III.

A thorough ex-ante evaluation in line with Article 30(4) of the Financial Regulation in force at the time (Regulation No 966/2012) was performed.

The scope of the evaluation covers the lessons learnt, the challenges to be addressed, internal coherence as well as coherence with other instruments, policy and management objectives, objectives of the Programme, the structure and added value of the Programme, delivery mechanisms, performance monitoring and evaluation.

Evaluation of the Commission Anti-Fraud Strategy

In preparation for the MFF 2021-2027, OLAF has been working on an update of the Commission Anti-Fraud Strategy (CAFS). The adoption of the update is scheduled for the first quarter of 2019.

The CAFS provides a policy framework for the prevention, detection, investigation and reparation of fraud at the level of the Commission and its executive agencies. The previous CAFS was drawn up in 2011 to prepare for the current MFF. With a view to assessing the relevance, effectiveness, efficiency and coherence of the CAFS and its implementation, OLAF as lead service for the CAFS Update carried out an evaluation of the 2011 CAFS. This evaluation has been based on desk reviews (of resolutions of the European Parliament, the Commission's annual reports on the protection of the EU's financial interests, OLAF's annual reports, audit reports from the European Court of Auditors and the Commission's Internal Audit Service and other sources), further on an on-line survey among all staff of the Commission services and executive agencies, as well as on targeted interviews with interlocutors from various Commission services.

According to the evaluation findings, the CAFS has contributed to sound financial management and to making EU anti-fraud policies more efficient and effective through a structured and holistic approach. In particular, the combination of a corporate strategy, setting a general direction, and strategies at Service level enabling them to adapt anti-fraud actions to their specific area of policies and operations, has proved useful. Gaps were identified regarding the coordination of, and synergies between, anti-fraud actions, especially but not exclusively those for the protection of the revenue side of the budget. Collection and IT-based analysis of data in support of anti-fraud policies were equally considered perfectible. More generally, the CAFS should adapt to an evolving context (new fraud trends, new fraud schemes, development of IT tools, etc.). Overall, however, the evaluation concludes that the CAFS remains relevant and effective as a policy format for the protection of the EU budget. Moreover, for the strategy update, OLAF also carried out a fraud risk assessment with the strong involvement of all Commission services and executive agencies, which are responsible for their internal control systems and thus are on the frontline of the fight against fraud. On that basis, OLAF and the other Commission services examined anti-fraud approaches across different EU policies so as to reinforce anti-fraud measures where appropriate. The CAFS is addressed to the Commission services and executive agencies. It is thus an internal strategy without any immediate impact on citizens, businesses, Member States or other external stakeholders. The CAFS Update was therefore not preceded by an impact assessment.

Objective: Prepare new policy initiatives and manage the EU's acquis in line with better regulation practices to ensure that EU policy objectives are achieved effectively and efficiently.

Indicator 1: Percentage of Impact assessments submitted by OLAF to the Regulatory Scrutiny Board that received a favourable opinion on first submission.

Explanation: The opinion of the RSB will take into account the better regulation practices followed for new policy initiatives. Gradual improvement of the percentage of positive opinions on first submission is an indicator of progress made by the DG in applying better regulation practices.

Source of data: Internal consultations

Baseline 2015	Milestone 2016	2018	Target 2020
N/A – no impact assessments were conducted during 2014-2015	Positive trend compared to DG's 2014 situation.	No impact assessments were conducted in 2018	Positive trend compared to DG's 2016 situation.

Indicator 2: Percentage of the DG's primary regulatory acquis covered by retrospective evaluation findings and Fitness Checks not older than five years.

Explanation: Better Regulation principles foresee that regulatory acquis is evaluated at regular intervals. As evaluations help to identify any burdens, implementation problems, and the extent to which objectives have been achieved, the availability of performance feedback is a prerequisite to introduce corrective measures allowing the acquis to stay fit for purpose.

Relevance of Indicator 2: The application of better regulation practices would progressively lead to the stock of legislative acquis covered by regular evaluations to increase.

Source of data: Internal consultations

Baseline 2015	Milestone 2016	2018	Target 2020
Percentage of the DG's primary regulatory acquis covered by retrospective evaluations and Fitness Checks' findings not older than five years. 0%	Positive trend compared to baseline	Mid-term evaluation of Hercule III Programme completed Proposal for a Regulation establishing the Anti-Fraud Programme – ex-ante evaluation Evaluation of the Commission Anti-Fraud Strategy (CAFS)	Positive trend compared to interim milestone

Main outputs in 2017:

Description	Indicator	2018	Target
Finalise the Evaluation of Hercule III Programme	Evaluation Report submitted to the European Parliament and the Council Decide planning reference number: 2017/OLAF/002	Commission Report adopted and transmitted to the European Parliament and the Council on 10 January 2018	End of 2017
Organise the stakeholder conference on the relation between EPPO and OLAF	Conference has taken place	Conference has taken place on 1-2 March 2017	1 st quarter 2017

2.2.3 Information management aspects

In 2018, OLAF managed to keep the number of registered ARES documents that are filed very high as the result of a systematic monitoring of registered documents by the Document Management Centre.

The rationalisation of OLAF's filing system's structure was finalised end of 2018. This exercise strives to delete all empty files, merge active files and close Ares files whose activity is completed. All files whose activity ended before 2018 were indeed closed. In total 694 non-case related files were closed in 2018, which is more than the total closure since the launch

of ARES in OLAF (525 files closed between 2012 and 2017). All active files that could be merged were merged.

Files created before 2018 but not used and without any filed documents, have been deleted.

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:			
Source: OLAF C1			
Output	Indicator	2018	Target
Accountability and traceability of OLAF activities	Number of ARES registered documents filed	99%	95% or more
Rationalising ARES filing system in OLAF	Deleting empty ARES files	100%	100% of empty files deleted by end of 2018 At least 65% of OLAF's Units covered by the end of 2018 At least 50% of OLAF's Units covered by the end of 2018
	Merging active files	100%	
	Closing ARES files whose activity is completed	100%	

2.2.4 External communication activities

Throughout 2018, the OLAF Press Office continued to promote the work of OLAF as an institution with the unique mandate of protecting the EU budget from fraud. The Press Office's activities have emphasised that OLAF is a dedicated service that helps ensure European money is not lost to fraud, but is spent in a manner that contributes to growth and job-creation. The Press Office particularly focused on upholding and enhancing the reputation of the Office, by concentrating on its performance, leadership and innovative work.

In practical terms, that mainly meant supporting journalists in reporting on OLAF's investigative achievements, such as its string of undervaluation fraud cases concluded in the last two years, or showcasing the concrete cases that led to OLAF recommending over 3 billion Euros for recovery to the EU budget in 2017. In order to do that, the Press Office answered press questions quickly and comprehensively, and organised numerous interviews and background discussions, ensuring that OLAF's large, transnational cases featured prominently in media both in Brussels, and across the European Union.

The Press Office also published press releases, memos, news items, speeches and articles by senior management. These actions were geared towards developing and maintaining a positive relationship with journalists in Brussels and beyond, with the end goal of both informing our target audiences on why enforcing a policy of zero tolerance to fraud is essential, and empowering them to take an active stance in fraud prevention and detection. Effective communication on anti-fraud policies contributes to the protection of the EU budget by broadening staff members' and other stakeholders' awareness and by driving home the message to potential fraudsters that EU funds are protected diligently and that wrongdoing will be sanctioned swiftly and effectively⁵⁷.

Empirical evidence shows that OLAF was more positively portrayed in European media in 2018 than in the previous years (with more reports including OLAF lines to take on large cases featured in prominent media; a very good coverage of the OLAF Report 2017 released in June 2018 etc).

⁵⁷ See Section 1.C. above.

The Office also supported Senior Management as well as the Cabinet of Commissioner Oettinger by frequently drafting briefings and media analyses. The Press Office also hosted several visits for journalists working at national level to allow them the opportunity to meet OLAF management and understand OLAF's day-to-day work.

Throughout the year, OLAF became even more active on Twitter, which resulted in its account being followed by more than 2200 Twitter users. During the year, the Office strived to present its work in a clearer and more engaging fashion, alternating between tweets promoting OLAF investigations and customs operations, and lighter posts supporting European citizens to report fraud. The goal was to reassure European citizens that EU funds are indeed well-protected, and that any defrauded funds are progressively returned to the EU budget. OLAF's seven most popular tweets of the year received more than 81,000 impressions, and almost 900 impressions.

During the year, OLAF also hosted a training seminar for the OLAF Anti-Fraud Communicators Network that focused on dealing with fake news, using digital tools to share messages across borders, as well as using insights and analytics to reach audiences and measure impact. The event brought together communicators from across all the partner services of OLAF.

<p>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.</p> <p>Main outputs in 2018:</p>			
<p>Source: OLAF Spokesperson – Budget Unit</p>			
Description	Indicator	2018	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.	20	More than 30 items
Press events and organised visits for groups of journalists	Numbers of press events and visits, number of participants	5 events +/- 125 participants	At least 4 events At least 80 participants
Communications with citizens on social media	Number of Twitter followers	2210 followers	At least 2000 followers
Annual communication spending	Commitments	84 600 EUR	70 000 EUR

2.2.5 Examples of initiatives to improve economy and efficiency of financial and non-financial activities of the DG

An analysis of the existing OLAF financial circuits⁵⁸ led to the conclusion that there is no need for a change. OLAF has assessed its cost of controls as adequate taking into account the atypical position of OLAF as the Office in charge of the fight against fraud, which pleads for a strong control environment.

Considering the nature of OLAF's expenditure, ex-post controls have been done by means of desk reviews. As regards grants, however, it has been decided to include on-the-spot checks. A first series of checks has been carried over from end 2018 to the beginning of 2019.

⁵⁸In OLAF, all files are verified by at least three persons (two financial and one operational agent) before they are accepted and processed by the Authorising Officer by Sub-Delegation (AOSD).