



# **Annual Activity Report 2023**

European Anti-Fraud Office (OLAF)

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## OLAF IN BRIEF

The European Anti-Fraud Office (OLAF) **protects EU revenue and expenditure** through independent **administrative investigations** into irregularities, suspected fraud and corruption. OLAF also **investigates serious misconduct** by EU staff and members of the EU Institutions, bodies, agencies and offices, according to its mission. In addition to its investigative work, OLAF coordinates the implementation of the **Commission Anti-Fraud Strategy** and develops **fraud risk analysis and anti-fraud policy measures** to support Commission services. The Office also contributes to developing and implementing anti-fraud legislation and policies and contributes to upholding the **rule of law in the EU**.

**OLAF's mission and political priorities** are guided by the Treaty on the Functioning of the European Union and further defined by the political framework set out in the President's six headline ambitions and in a seventh horizontal objective: 'A modern, high-performing and sustainable European Commission'. OLAF's relations with stakeholders are guided by **cooperation, trust and transparency**. OLAF has its own Spokesperson and press team, communicating with the media and European citizens on its activities through press material and social media outreach.

The revised **OLAF Regulation <sup>(1)</sup>**, which entered into force on 17 January 2021, increased the effectiveness of OLAF investigations and adapted the Office to a new anti-fraud landscape, which evolved with the entry into operation of the **European Public Prosecutor's Office** (EPPO) on 1 June 2021.

Through 2023, the **Recovery and Resilience** Facility remained in high focus. OLAF used the experience it gained from contributing to the screening of the National Recovery and Resilience Facility (RRF) Plans to continue the ongoing engagement with Member States. In 2023, OLAF opened a number of investigations concerning the RRF on irregularities and instances of suspected fraud and corruption, as it does in all areas of EU funding. OLAF continued to support Member States with prevention activities such as strategic analysis and training as well as with financial support from the EU Anti-Fraud Programme.

OLAF stepped up its engagement with **Ukraine** to ensure the protection of the EU's financial assistance against fraud and other illegal activities. The Russian war of aggression against Ukraine has accelerated the already existing cooperation and despite the difficult circumstances, investigations remain possible thanks to the flexibility and adaptability of OLAF investigators. OLAF protects EU financial interests in **Ukraine** and is actively contributing to the design anti-fraud measures in EU funding mechanisms for Ukraine. OLAF also played an important role in enforcing the EU sanctions against Russia and Belarus by cooperating with a wide range of partners, both in the EU and third countries, using available administrative tools to ensure that the sanctions are enforced effectively.

OLAF operates with a total budget of €90.0 million (€63.6 million administrative and €26.4 million operational, managed in direct management mode).

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<sup>(1)</sup> Regulation (EU, EURATOM) No 883/2013 as amended by Regulation (EU, EURATOM) 2020/2223

# EXECUTIVE SUMMARY



This annual activity report is a management report of the Director-General of the European Anti-Fraud Office (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 the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties <sup>(2)</sup>.

## A. Key results and progress towards achieving the Commission's general objectives and department's specific objectives

### Specific objective 1: Efficient and effective management of OLAF investigations

In 2023, despite challenging circumstances, OLAF staff continued to produce results in protecting the interests of the EU and its citizens, while applying the highest standards of protection of fundamental rights and procedural guarantees. The Office's core business was impacted by various challenges during the course of 2023. While the COVID-19 pandemic still has an impact on the duration of investigations opened in recent years, there are other operational procedures that bear upon the performance of the office. These include the workload that ensues from the cooperation with the EPPO, the limited availability of financial and human resources, especially while considering the increase in the number and complexity of cases and the increased workload resulting from the intensified engagement with Ukraine.

These external factors continue to impact the Key Performance indicators. In 2023, for the second consecutive year, the **average duration of closed selections**, the first Key Performance Indicator remained 1.8 months, below the target of 2.1 months. The **average duration of closed investigations**, the second Key Performance Indicator stands at 26.1 months, compared to the target of 24.3 months.

For investigations closed in 2023, the amount recommended for **recovery** of unduly spent or evaded amounts from the Union budget was 1,043.8 million euro, compared with 456.8

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<sup>(2)</sup> Article 17(1) of the Treaty on European Union.

million euro in 2022. The financial impact of OLAF investigations in relation to its administrative budget amounted to 6.2 in 2023 compared with 6.08 in 2022.

### **Specific objective 2: Compliance with legal obligations under Regulation (EU) 2018/1725**

OLAF continued to ensure timely replies to citizens' requests for access to personal data, rectification, blocking, erasure and objection as well as to the European Data Protection Supervisor (EDPS). Despite the challenges in complying with the short deadlines to reply to citizen requests (one month that may be prolonged to three months in justified cases) introduced by Regulation 2018/1725, OLAF dealt with all requests on time.

### **Specific objective 3: Cooperation between OLAF and the EPPO to ensure EU financial interests are better protected**

OLAF and the EPPO have distinct and complementary mandates but are natural partners with a common mission. Since it commenced its operations in June 2021, the European Public Prosecutor's Office (EPPO) has enhanced the protection of EU funds across Europe. The EPPO conducts criminal investigations and prosecutions while OLAF conducts administrative investigations at Union level. OLAF's administrative investigations protect the EU budget by facilitating speedy financial recovery, disciplinary or administrative action. OLAF investigations can lead to precautionary measures or to the development of solutions to systematic shortcomings identified. These actions are crucial for ensuring a comprehensive protection of the EU budget

The legal framework allows OLAF and the EPPO to cooperate in complementary investigations and support, which allow OLAF and the EPPO to work together using, respectively, administrative and criminal tools available to ensure a comprehensive protection of the EU's financial interests. In this respect, 22 complementary investigations and 4 support cases were opened in 2023. OLAF and the EPPO continue to streamline the mechanisms of cooperation while clarifying and developing close working relations. Additionally, a clearing-house meeting is regularly taking place to clarify any outstanding issues of operational nature, mostly related to cases. Additionally, OLAF provides support to the EPPO and the Commission services in the context of the Commission-EPPO Agreement signed on 18 June 2021 <sup>(3)</sup>.

### **Specific objective 4: Strengthen EU framework to combat customs fraud**

In 2023, OLAF negotiated five **international agreements containing mutual administrative assistance (MAA)** and effective antifraud provisions to ensure that movements of goods are compliant with the applicable rules. In 2023, OLAF continued to improve the Anti-Fraud Information System (AFIS) and to develop an analytical platform to improve the ability to detect and prevent customs fraud.

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<sup>(3)</sup> OLAF provides support in its capacity as the relevant liaising Commission service.

In 2023, OLAF co-organised or supported **13 Joint Customs Operations (JCOs)** covering a broad spectrum of targets: from the detection of goods undervaluation to the fight of tobacco smuggling, illegal waste shipments, counterfeit and substandard oncological medicines and hormonal substances, counterfeit food and hazardous toys, and the smuggling of CITES protected species of wild fauna and flora.

#### **Specific objective 5: Strengthen EU framework to fight illicit tobacco trade**

In 2023, OLAF and the Commission Services prepared and published **the outcome on the implementation of the 2nd Action Plan to fight the illicit tobacco trade** 2018-2022<sup>(4)</sup>. In 2023, the laboratory facility for the analysis of seized cigarettes (**TOBLAB**) produced and disseminated 107 analysis reports concerning tobacco samples submitted by Member States.

#### **Specific objective 6: Implementation of the Commission Anti-Fraud Strategy (CAFS) with a view to protecting the financial interests of the EU**

Preventing fraud from happening – rather than correcting it later – is a crucial element to ensure that EU money reaches its intended beneficiaries. The **Commission Anti-Fraud Strategy** (CAFS) from 2019 plays a significant role to prevent the possible misuse of EU money. In 2023, OLAF led the revision of the accompanying Action Plan, in cooperation with Commission services and executive agencies. The new Action Plan, adopted in July 2023, includes 44 actions.

In 2023, OLAF continued raising fraud awareness, notably by providing **more than 50 training sessions to Commission** services, agencies and external partners, including Member States authorities. OLAF also provided advice to Commission services on their anti-fraud strategies.

#### **Specific objective 7: Support national authorities and other partners in the protection of EU financial interests through the EU Anti-Fraud Programme**

The Commission adopted the third Financing Decision for the Union Anti-Fraud Programme (UAFP) on 7 February 2023, establishing a Union contribution for the implementation of the programme of 24.85 million euro for 2023. Out of this yearly envelope, 15.7 million euro were allocated to the fight against fraud, corruption and any other illegal activities affecting the EU budget (around 9 million euro were allocated to the other two components of the programme, the Anti-Fraud Information System and the Irregularity Management System).

Two calls for proposals were published in March 2023 (“Technical assistance” and “Training, conferences, staff exchanges and studies”) under the programme’s first component, focused on the protection of the Union’s financial interests. 104 proposals were received

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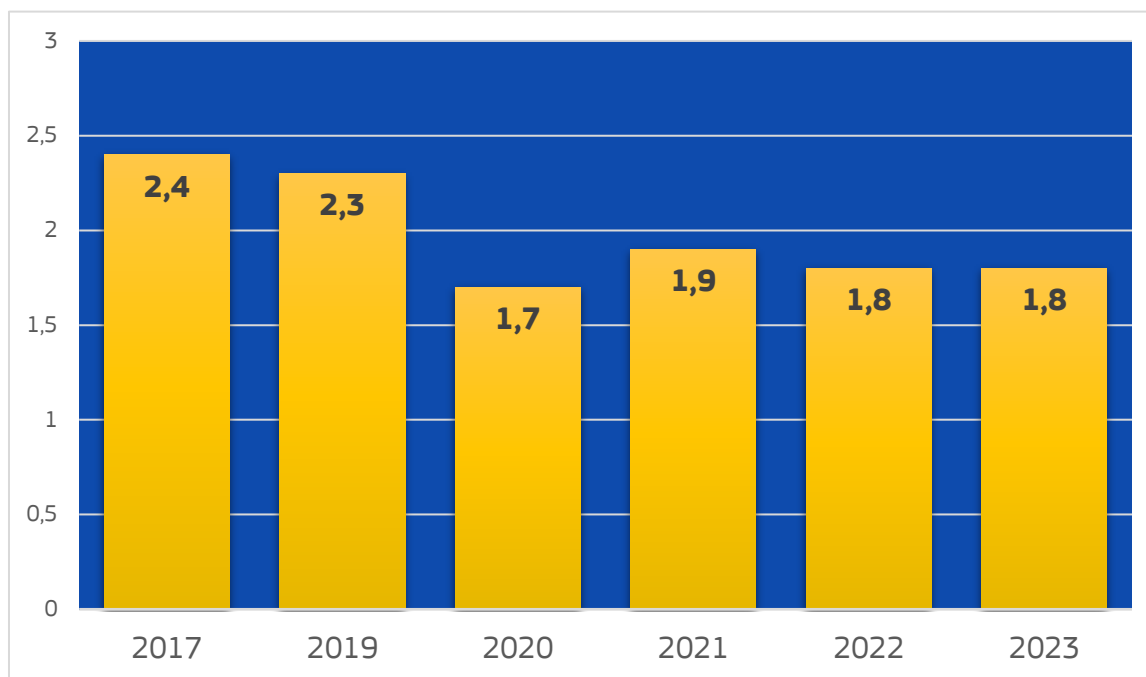
<sup>(4)</sup> [https://anti-fraud.ec.europa.eu/system/files/2023-12/swd-outcome-implementation-2nd-action-plan-fight-illicit-tobacco-trade\\_en.pdf](https://anti-fraud.ec.europa.eu/system/files/2023-12/swd-outcome-implementation-2nd-action-plan-fight-illicit-tobacco-trade_en.pdf)

and evaluated, and the beneficiaries have been informed on the outcome of the evaluation in November 2023.

The programme also funded various procured activities to the benefit of the Member States authorities, enhancing their operational capacities needed for the protection of the Union's financial interests, such as specialised forensic and analyst training and access to commercial databases.

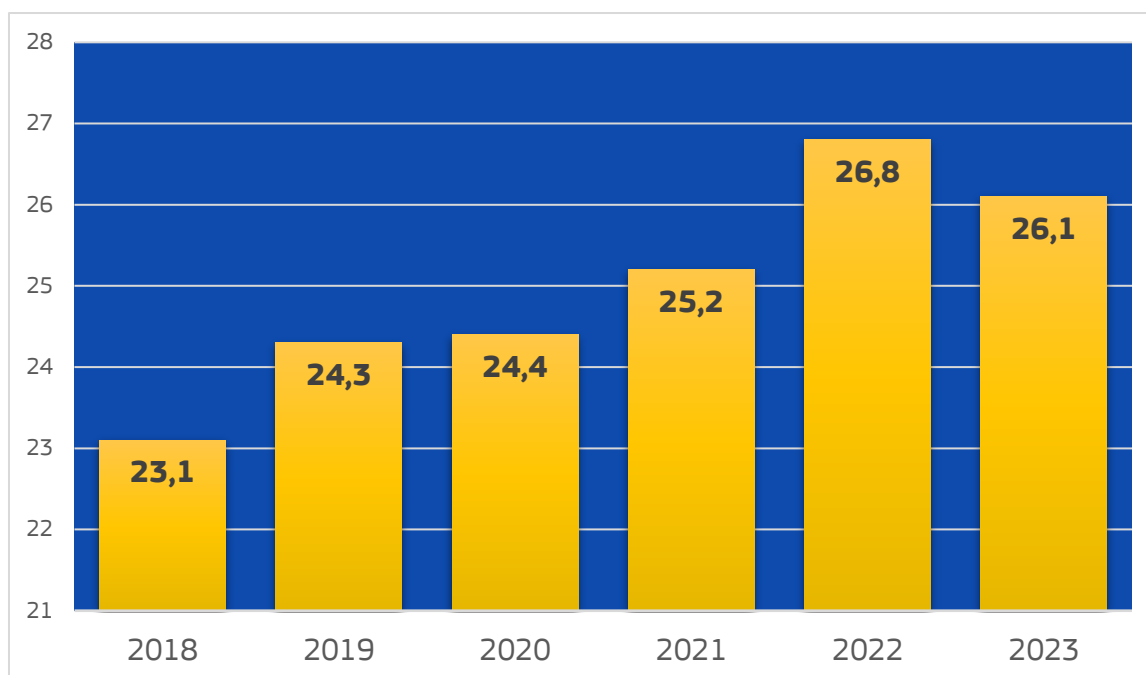
## B. Key performance indicators

### 1. Average duration of closed selections (in months) Target 2023: 2.1 months



Source: OLAF

### 2. Average duration of closed investigations (in months) Target 2023: 24.3 months





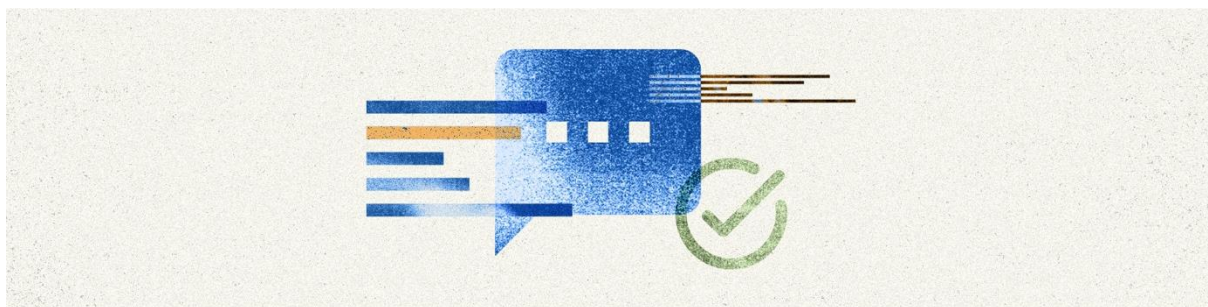
## C. Key conclusions on internal control and financial management

In line with the Commission's Internal Control Framework, OLAF has assessed its internal control systems during the reporting year and has concluded that **its internal control system is effective** and the components and principles are present and functioning as intended. Please refer to annual activity report section 2.3 for further details.

In addition, OLAF has systematically examined the available control results and indicators, as well as the observations and recommendations issued by OLAF Internal Audit Function, the Commission's internal auditor and the European Court of Auditors. These elements have been assessed to determine their impact on management's assurance about the achievement of the control objectives. Please refer to section 2 for further details.

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

## D. Provision of information to the Commissioner(s)



In the context of the regular meetings during the year between the European Anti-Fraud Office and the Commissioner on management matters, the main elements of this report and assurance declaration, have been brought to the attention of Commissioner Hahn, responsible for Budget and Administration.

## KEY RESULTS AND PROGRESS TOWARDS ACHIEVING THE COMMISSION'S GENERAL OBJECTIVES AND SPECIFIC OBJECTIVES OF THE DEPARTMENT <sup>(5)</sup>



### Specific objective 1: Efficient and effective management of OLAF investigations

In 2023, OLAF maintained an overall strong investigative performance. Missions and on-the-spot checks, with access to the premises of the economic operators and, where appropriate, forensic operations, are an essential investigative tool. During 2023, the number of missions performed by OLAF staff increased steadily to pre-COVID-19 levels. The mitigating practices adopted due to the pandemic have led to new working methods, some of which (remote interviews, requests for documents) have been used in 2023 and are likely to be retained in the future. In 2023, despite a globally strong performance, a number of cases were impacted by delays due to the knock-on effect of COVID-19 restrictions.

In addition, the entry into operations of the EPPO in June 2021 continue to impact the duration of OLAF's investigations. OLAF is bound to report to the EPPO, and wait for its decision on, all 79 cases, which OLAF reported to the EPPO as potentially falling under the EPPO's competence. Pending the EPPO's decision on any case reported, OLAF does not carry out investigative activities in these cases in order to avoid jeopardising potential criminal investigations.

The **average duration of closed selections**, the first Key Performance Indicator, amounted to 1.8 months in 2023, thus complying with the target of 2.1 months. The **average duration of closed investigations**, the second Key Performance Indicator, amounted to 26.1 months, exceeding the target value of 24.3 months.

OLAF's investigative activities have a strong preventive and deterrent effect. After an investigation, OLAF issues recommendations to EU institutions, bodies, offices or agencies (IBOAs) to recover taxpayers' money spent on projects subject to irregularities or to collect customs duties illegally kept from the EU budget. OLAF also addresses recommendations to Member States' judicial authorities to prosecute fraudsters under criminal law. Similarly,

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<sup>(5)</sup> An Executive Agency uses as heading: "Implementation of the Agency's Annual Work programme - Highlights of the year".

through its disciplinary recommendations, OLAF recommends disciplinary actions on possible wrongdoing by staff of the institutions, bodies, offices and agencies.

During the reporting period, OLAF continued to monitor the follow-up given to its recommendations. It continued to do so in close cooperation with the relevant Commission services including DG BUDG as regards financial recommendations and DG HR.IDOC as regards disciplinary ones. Following extensive stocktaking exercises of the previous years, the reporting year 2023 brought about a regular annual monitoring cycle for all types of recommendations. At the same time, the monitoring workflow for financial and administrative recommendations has been significantly changed, with the majority of analytical work now centralised in the monitoring and reporting unit. Further efficiency gains are to be achieved by means of a new monitoring tool, currently in development by the in-house IT unit, which aims at simplifying the data exchange between OLAF and the spending services.

As regards financial recommendations, in 2023, OLAF closed 265 investigations resulting in 1,043.8 million EUR recommended for **recovery** of unduly spent or evaded amounts from the Union budget compared to 256 closed investigations resulting in 426.8 million EUR in 2022. In addition, OLAF recommended 209.4 million EUR to be prevented from being unduly spent, in comparison to 197.9 million EUR in 2022.

The financial impact indicator (Annex 2, Specific Objective 1, indicator 1.4) measures the financial impact of OLAF investigations retrospectively, in the period of two years preceding the reporting year, as a ratio of amounts of potential damage to the EU budget prevented and amounts recommended for budgetary recovery on the one hand, and OLAF's administrative budget on the other hand. The ratio currently stands at 6.2, significantly exceeding the target ratio of 2.0. In addition, during 2023, OLAF enhanced the implementation of Art.7(6) Regulation 883/2013 <sup>(6)</sup> in its relations with the Authorising services that allows where possible the undue spending to be prevented instead to go to recoveries.

Furthermore, during 2023 OLAF completed 41 internal investigations, of which 22 were concluded with disciplinary recommendations, potentially impacting a total of 34 individuals.

### **OLAF's external communication**

In 2023, OLAF's external communication activities remained targeted towards media and expert stakeholders using a combination of different channels to underline OLAF's important role in protecting the EU budget.

In addition to the traditional communication mix consisting of increasingly proactive press and media relations, OLAF overhauled the presentation of its annual report, presenting a

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<sup>(6)</sup> In one case, because of the OLAF intervention, the EU authorities prevented over EUR 90 million from being unduly spent.

condensed and engaging short printed version and an interactive digital format that provided a broader overview of OLAF operations including tangible examples and data.

The **OLAF external communication team** explained OLAF's role in protecting EU funds in support of the EU economy and its recovery, to the benefit of citizens. OLAF **published 31 press releases and news items in 2023**. The solid number of interviews with influential media outlets across Europe – and beyond – was also maintained, with 30 interviews and background briefings. Throughout the year, OLAF continued to be active on Twitter, with more than 7,500 followers in 2023 (compared to 6,600 in 2022). OLAF is also active on LinkedIn with 11,000 subscribers, a notable increase from 6100 followers in 2022.

Cooperation with national administrations via the OLAF Anti-Fraud Communicators' Network and institutional partners continued in 2023 with the annual OAFCN meeting taking place in March 2023 with the participation of national investigative services in Member States as well as participants from OLAF, the European Public Prosecutor's Office, the European Investment Bank, Eurojust and Europol.

## **Specific objective 2: Compliance with legal obligations under Regulation (EU) 2018/1725**

OLAF continued implementing its specific objective of compliance with legal obligations related to the processing of personal data.

Persons involved in OLAF investigations can complain to the EDPS in relation to the processing of their personal data. In 2023, OLAF was requested to provide input to one complaint submitted to the EDPS.

In relation to requests to exercise data subject rights (access, erasure, rectification, objection, restriction of processing of personal data), OLAF received 12 requests in 2023. One request received by OLAF in November 2023 is still pending and therefore not considered for the purpose of the 2023 results. Out of the 11 requests treated in 2023, seven were for access, three for erasure and one for erasure combined with objection to processing of personal data. Despite the challenges in implementing the short deadlines (one month that may be prolonged to three months in justified cases) introduced by Regulation 2018/1725, OLAF dealt with all requests on time.

## **Specific objective 3: Cooperation between OLAF and the EPPO to ensure that the EU financial interests are better protected**

The European Public Prosecutor's Office (EPPO) has been operational since June 2021, and its arrival enhanced the way forward for an increased protection of EU funds across Europe. OLAF and the EPPO are natural partners with a common mission relying on distinct yet complementary mandates. The EPPO conducts criminal investigations and prosecutions within the EPPO participating Member States to ensure the protection of the EU financial interests while OLAF conducts administrative investigations at Union level. The legal framework allows OLAF and the EPPO to cooperate in complementary investigations.

Complementarity means that OLAF investigates irregularities affecting the EU budget and serious misconduct by EU staff, while the EPPO focuses on establishing criminal liability for prosecution, by the EPPO, before the national courts. OLAF acts in complementarity with the EPPO to facilitate the speedy recovery of funds, the adoption of precautionary measures and proposal of solutions where systematic shortcomings are identified. These actions are crucial for ensuring a comprehensive protection of the EU budget.

In this context, OLAF and the EPPO have made use of the available mechanisms and ways of cooperation foreseen in the legislation and relevant working arrangement to ensure a comprehensive protection of the EU's financial interests.

OLAF and the EPPO are continuously streamlining ways of cooperation by developing close working relationships between OLAF investigators, European Delegated Prosecutors and staff from the EPPO Central Office. Additionally, a clearing house meeting is regularly taking place to clarify any outstanding issues of operational nature, mostly related to cases.

In 2023:

- OLAF reported 79 cases (EPPO Crime Reports ECRs) to the EPPO;
- The EPPO opened 45 criminal investigations based on OLAF reporting, (16 reports transmitted in 2022 and 29 in 2023);
- OLAF opened 22 new complementary investigations;
- OLAF opened 4 support cases; and
- The EPPO reported information to OLAF in 81 instances during the past year, including dismissed cases, non-initiations and information received by EPPO from private parties.

OLAF-EPPO cooperation is marked by impactful investigations and significant recoveries. Some successful actions taken by OLAF during complementary administrative investigations included conducting on-the-spot checks and controls as well as digital forensics operations, collecting evidence from third countries, as well as analysing complex information, which can lead to the uncovering of complex fraud mechanisms orchestrated by entities across multiple countries. These activities are carried out in close cooperation with the European Delegated Prosecutors in charge of the EPPO investigation by coordinating investigative activities, both during the complementary investigations and after their closure.

In addition to complementary investigations, the EPPO also relies on OLAF expertise to support its investigations. The support provided by OLAF's investigators ranges from serving as expert witnesses in complex cases, to cracking encrypted software, to analysing complex documentation of EU projects and programmes or assisting the EPPO during interviews. OLAF has provided support to EPPO in four instances in 2023. These support measures offer another way of cooperation that ensures that all available means are put in place to safeguard EU's taxpayers' money from fraud and other irregular activities.



In the future, both offices will keep developing synergies including in the areas of reporting and efficient exchanges of information. Ensuring complementarity between the two bodies will continue yielding results for the overall protection of the EU's financial interests.

In parallel, OLAF serves as Contact Point for some notification flows established under the Commission-EPPO Agreement, which provide for the notification of the Commission, by the EPPO, of information for the purpose of ensuring an effective financial, administrative and disciplinary follow-up by the Commission and its services.

#### **Specific objective 4: Strengthen EU framework to combat customs fraud**



In 2023, OLAF continued to ensure an effective implementation of Regulation (EC) No 515/97 allowing Member States' national authorities to exchange information among themselves and with the Commission (OLAF) to ensure the correct application of the EU legislation.

At the international level, in 2023, the Commission (OLAF) negotiated five international agreements containing mutual administrative assistance (MAA) and effective antifraud provisions to ensure that movements of goods are compliant with the applicable rules on duties and taxes, and with measures of restriction, prohibition or control.

In order to support the mutual assistance activities in the anti-fraud area, Regulation (EC) No 515/97 establishes several IT systems (CIS – Customs Information System, FIDE – Customs File Identification Database, CSM – Container Status Messages directory, and IET – Import, Export and Transit directory), which are accessible to competent Member State authorities and designated Commission departments. In 2023, OLAF pursued its efforts in developing and improving the systems. All these applications are available under the umbrella of the Anti-Fraud Information System (AFIS). In 2023, OLAF continued to develop an analytical platform in AFIS (AFIS FraudAP) to increase its analytical capacity to support the OLAF investigators as well as the Member States in their operational work, and to improve OLAF's ability to detect and prevent customs fraud.

In addition to its investigation activities, OLAF coordinates and cooperates in large-scale Joint Customs Operations (JCOs) and similar operational activities involving EU and international operational partners. In 2023, 13 Joint Customs Operations (JCOs) were co-organised or supported by OLAF covering a broad spectrum of targets: from the fight of tobacco smuggling, illegal waste shipments, counterfeit and substandard oncological medicines and hormonal substances, counterfeit food and beverages, counterfeit and/or

hazardous toys to the detection of goods undervaluation and the smuggling of CITES protected species of wild fauna and flora.

In 2023, OLAF and the Commission's Joint Research Centre (JRC) continued their activities under the CAFET project (Customs Anti-Fraud Emerging Technologies) to help Member States make best use of the data at their disposal in existing databases and IT systems, and strengthen their analytical capacities in the customs anti-fraud area. The work included activities to improve the AFIS modules for monitoring of import prices (AMT) as well as container movements (CSM). The research in the areas of undervaluation, misdeclaration of origin and misdescription of imported goods continued as well and generated results that helped to increase the reliability of the information made available through these modules to the end users. By the end of 2023, OLAF and the JRC agreed to the follow-up of the CAFET-project for the period 2024-2027. This new project (CAFET-2) will continue focussing on research to secure data quality of the source data needed as input to the AFIS-modules. It will also cover statistical and scientific support to the intelligence analyses based on the data sources available under the newly data analytical platform in OLAF.

### **Specific objective 5: Strengthen EU framework to fight illicit tobacco trade**

In 2023, OLAF and the Commission Services prepared and published the outcome on the implementation of the 2<sup>nd</sup> Action Plan to fight the illicit tobacco trade 2018-2022. The actions taken include specific policy and enforcement measures, including the strengthening of cooperation with relevant European partners and the implementation of the WHO FCTC Protocol to Eliminate Illicit Trade in Tobacco Products.

Furthermore, in 2023, the laboratory facility for the analysis of seized cigarettes (TOBLAB) produced and disseminated 107 analysis reports concerning tobacco samples submitted by Member States.

### **Specific objective 6: Implementation of the Commission Anti-Fraud Strategy (CAFS) with a view to protecting the financial interests of the EU**

The **Commission Anti-Fraud Strategy (CAFS)** adopted in April 2019 plays a significant role to prevent the possible misuse of EU money. On 11 July 2023, the Commission adopted a Communication on the revision of the CAFS Action Plan<sup>7</sup>, which accompanies the plan<sup>(12)</sup> itself. The revision was a joint effort of Commission services and executive agencies, coordinated by OLAF. The new action plan is more targeted and strategic than the previous plan, reflecting some of the overall objectives of the Commission. It includes 44 actions under seven themes that cover the Commission's priorities in fighting fraud. The seven themes include digitalisation, RRF, customs fraud, as well as strengthening the EU anti-fraud architecture and the Commission's anti-fraud and ethics culture.

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<sup>7</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52023DC0405>

In 2023, OLAF continued its **strategic analytical work**, notably by updating its risk framework for the RRF, and deepening its analysis of the detection and reporting of irregularities and fraud in different sectors, as well as of differences in reporting among Member States. The 2022 annual report on the protection of the EU's financial interests, adopted on 27 July 2023, integrated for the first time an analysis on conflict of interests in the use of EU funds. OLAF furthermore advanced on the development of the Irregularity Management System (IMS).

Throughout the year, OLAF also worked with other Commission services and the Member States on the preparation and adoption of **new delegated and implementing regulations** setting out the rules for the reporting of irregularities concerning the European Agricultural Funds (EAGF, EAFRD) and the European Globalisation Adjustment Fund (EGF). The regulations lay down, for the funds concerned, the criteria for determining the cases of irregularities to be reported by the Member States, the data to be provided, and the format of reporting in IMS. The Commission adopted the four regulations on 18 December 2023, with an expected entry into force in mid-February 2024.

OLAF continued to collaborate with the Commission services, notably with DG BUDG, in order to facilitate the recovery process related to financial recommendations in the area of direct and indirect management. Corporate guidance prepared by DG BUDG in 2022 was complemented by a 2023 update, which analysed the results of the financial year 2022 and identified concrete steps to be undertaken by the spending services in order to follow the guidance more closely. The planned adoption of new monitoring guidelines for financial recommendations had to be postponed due to a reorganisation of the monitoring workflow both within OLAF (transfer of activities from the eight investigation units to the OLAF monitoring unit), and with the Commission spending services (upcoming deployment of a collaborative tool, replacing exchanges by email).

Follow-up to OLAF's financial and administrative recommendations, monitored in regular annual cycles (see under Specific Objective 1), is supported by a systematic discussion at working level in the format of technical meetings with the spending services. The progress in the implementation was reviewed by horizontal services in the 8<sup>th</sup> Monitoring Meeting on the Follow-Up of OLAF's Recommendations organised by the Secretariat-General, with the main results also presented to the Corporate Management Board in September 2023.

In 2023, OLAF continued **raising fraud awareness**, notably by providing more than 50 training sessions to Commission services, agencies and external partners, including Member States' authorities. OLAF also provided advice to Commission services on their anti-fraud strategies. OLAF has also provided **anti-fraud advice and training** to EU decentralised agencies and Joint Undertakings, on topics ranging from fraud risk management to ethics. Furthermore, an updated methodology for anti-fraud strategies of such bodies was developed in 2023, and will be published in 2024. It is expected to contribute to a common approach to anti-fraud topics and the harmonisation of practices in decentralised agencies and Joint Undertakings.



Respect for the **rule of law** in the Member States is central to the protection of the EU's financial interests. Drawing on its mandate and expertise, OLAF contributes to the Commission's rule of law toolbox, notably to the Commission Rule of Law Report and the Rule of Law conditionality mechanism. For this purpose, OLAF uses a dedicated module in the OLAF Case Management System (OCM) to ensure that any potential breach of the rule of law, identified during its administrative investigations, will be considered.

### **Specific objective 7: Support to national authorities and other partners in the protection of EU's financial interests through the EU Anti-Fraud Programme**



To implement the UAFP, the Commission adopted the Financing Decision 2023 and the Annual Work Programme on 7 February 2023, allocating 24.85 million euro for the implementation of the programme in 2023, out of which 15.7 million euro were geared towards the fight against fraud, corruption and any other illegal activities affecting the EU budget. Two calls for proposals were published in March 2023: (1) Technical assistance (indicative budget 9.65 million euro) and (2) Training, conferences, staff exchanges and studies (indicative budget 0.9 million euro). 104 proposals were received in response and the evaluation of these was finalised by the end of November 2023, with the award of 30 grant agreements. The Technical Assistance Call received a record number of proposals (83), almost double than the previous years.

The 2023 programme budget financed a vast array of procured events, to the benefit of Member States authorities, such as the high-level conference on customs fraud, the annual conference of the "Cigarettes" task group, or the training event for national investigators on shared management.

The feedback received in the framework of the first workshop organised by OLAF (in Freiburg, in April 2023) with the programme's past beneficiaries under the "Training" component, highlighted the relevance and effectiveness of the provided support to Member States academia and practitioners. 61 specialists representing 21 Member States attended the presentation of recent legal studies and publications financed by the programme and addressing the protection of Union's financial interests and exchanged ideas and best practices.

The procured activities financed by the programme in 2023, such as forensic and analyst training sessions and access to commercial databases, provided valuable support to the Member States authorities that are on the front-line in the fight against fraud, corruption and other illegal activities affecting the Union's budget.

In 2023, OLAF received an association request from the Ukraine - being the first third country expressing such interest - in relation to the Union Anti-fraud Programme. An association agreement covering the participation of Ukraine in the programme has been negotiated between the Commission (represented by OLAF) and the competent authorities of Ukraine and is in its last steps of adoption (foreseen for February 2024).

As requested by the programme's legal basis, OLAF has launched in 2023 the programme's interim evaluation, to be finalised by the end of 2024. The interim evaluation is performed with the support of an external contractor, performing an independent evaluation study. The evaluation does not only cover the 'Hercule' (grants and procurement) component, but also the 'AFIS' and 'IMS' components of the programme. The evaluation will include as well an assessment of the follow-up of the conclusions and recommendations included in the final evaluation of the previous Hercule III programme.

# INTERNAL CONTROL AND FINANCIAL MANAGEMENT

Assurance is provided on the basis of information on the efficiency and effectiveness of internal control systems and governance processes. The management monitors the functioning of the internal control systems on a continuous basis and carries out an objective examination with internal and external auditors. The results are explicitly documented and reported to the Director-General. The following documentation have been considered:

- the reports from Authorising Officers by Subdelegation (AOSD);
- the contribution by the Director in charge of Risk Management and Internal Control, based on the results of internal control monitoring at DG level and the Internal Control Monitoring Criteria;
- the reports on recorded exceptions, non-compliance events and any cases of 'confirmation of instructions' (Art 92.3 FR);
- the reports on ex-post supervision and/or audit results;
- the limited conclusion of the Internal Auditor on the state of internal control, and the observations and recommendations reported by the Internal Audit Service (IAS);
- the observations and the recommendations reported by the European Court of Auditors (ECA);
- OLAF's risk register.

The systematic analysis of the available evidence provides sufficient guarantees as to the completeness and reliability of the information reported and results in the full coverage of the budget delegated to the Director-General of OLAF.

This section covers the control results and other relevant elements that support management's assurance. It is structured into 2.1. Control results, 2.2. Audit observations and recommendations, 2.3. Effectiveness of internal control systems, and resulting in 2.4. Conclusions on the assurance.

The risk connected to OLAF's transactions is considered low and the impact on the accounts of the Commission, should there be a mistake, is immaterial.

## 2.1 Control results

This section reports on the control results used by management to support the assurance on the achievement of the internal control objectives (ICO). OLAF's assurance building and materiality criteria are outlined in annual activity report annex 5. The annual activity report annex 6 outlines the main risks together with the control processes 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 €90.0 million (€63.6 million administrative and €26.4 million operational, managed in direct management mode). Three quarters of OLAF's **administrative budget** was co-delegated to the Office for Administration and Payment of Individual Entitlements (PMO) for the settlement of the monthly salaries; the Office for Infrastructures and Logistics in Brussels (OIB); the Publications Office (OP); the Secretariat-General (SG); the Directorate-General for Human Resources and Security (HR); the Directorate-General for Competition (COMP); the Directorate-General for International Partnerships (INTPA); the Directorate-General for Financial Stability, Financial Services and Capital Markets Union (FISMA) and the Directorate-General for Digital Services (DIGIT). Additionally, OLAF has co-delegated the implementation of a share of its operational budget to the Directorate-General for Taxation and Customs Union (TAXUD), DIGIT, and the Directorate-General for Communication (COMM). Management assurance for this part of the budget depends on the assurance provided by the Authorising Offices by Delegations (AOD) of these entities in their own Annual Activity Reports. OLAF is not aware of any issues that may have a significant impact on the assurance. The rest of OLAF's administrative budget mainly consist in procurement contracts, mainly related to Information and Communication Technology.

OLAF has received a co-delegation from Directorate-General for Financial Stability, Financial Services and Capital Markets Union (FISMA) to cover the expenses related to the development and maintenance of the FIU.net and signed Service Level Agreements with the European Union Intellectual Property Office (EUIPO) and Joint Research Centre (JRC-ISPRA).

1. OLAF signed a Service Level Agreement with EUIPO signed on 1 March 2022 for the enhancement of data collection as part of the work of the Technical Group on IP Enforcement and data Exchange (Technical Group) - Business case: "B2B MS Customs IPR national systems-CIS" (CIS-Business Case). The agreed amounts put at the disposal of OLAF are transferred by means of a recovery order
2. An administrative arrangement with OLAF was agreed with the Commission's Joint Research Centre (JRC) in December 2023 covering the period 2024-2027. This arrangement, known as CAFET (Customs Anti-Fraud Enabling Technologies), will be renewed for a four-year period (2024-27) and provides scientific and technical support to OLAF and the Member States for developing and sharing their experience using data analysis to combat customs fraud.
3. OLAF has signed a specific administrative arrangement with the JRC, covering the period 20 July 2023 to 19 July 2026, to carry out chemical analyses of samples from tobacco and cigarette seizures in the Member States (as part of the 'TOBLAB project').

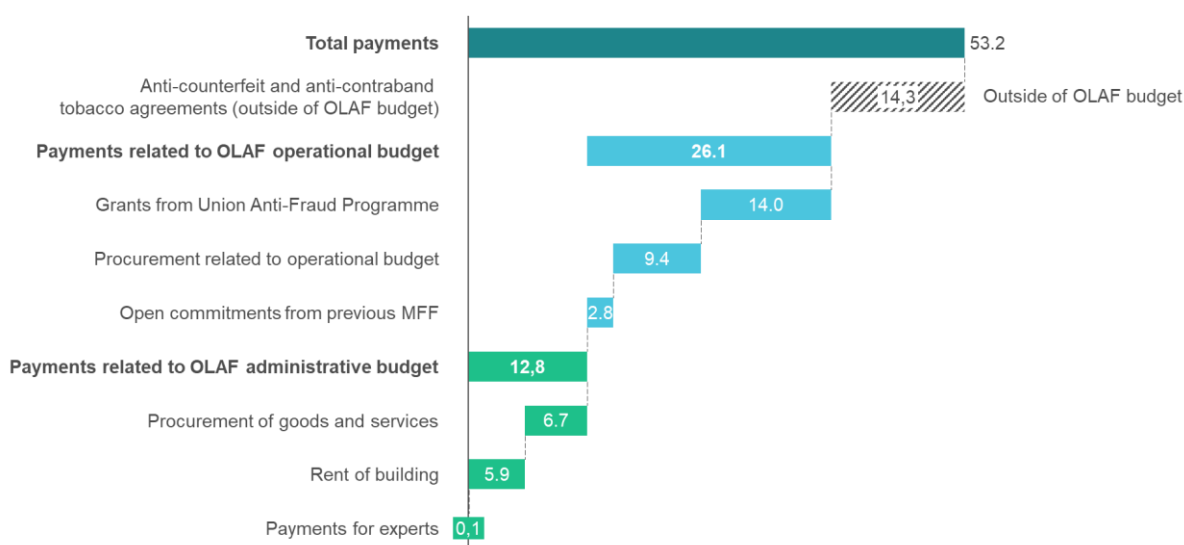
The Office combines a centralised management mode for the overheads and the pre-financing payments, with a decentralised financial mode with counterweight of the financial unit for the projects managed by the business units. Every Head of Unit and Director has been granted the powers of Authorising Officer by sub-delegation (AOSD). Both modes follow a full validation workflow (Financial Initiating Agent (FIA), Financial

Verification Agent (FVA) and Authorising Officers by Sub-delegation) for commitments, recovery orders and payments.

In 2023, OLAF paid €53.2 million:

- €14.3 million related to the implementation of the Anti-Counterfeit and anti-contraband tobacco agreements. The amounts paid by the Tobacco Manufacturers are immediately distributed amongst the Member States. This falls outside the scope of OLAF's budget since the amounts are kept outside the budget of the EU ;
- Operational budget (€26.1 million):
  - €13.9 million related to strand 1 of the Union Anti-fraud Programme Preventing combatting fraud, grants paid under the Union Anti-Fraud Programme. These payments are subject to a highly automated approval workflow integrated in the corporate application Compass (eGrants);
  - €9.35 million related to the maintenance of strand 2 AFIS and strand 3 IMS, as well as strand 1 organisation of conferences and training for national authorities, and provision of access to databases;
  - €2.8 million related to open commitments from the previous Multiannual Financial Framework.
- Administrative budget (€12.78 million):
  - Procurement of goods and services (€6.8 million), mainly for IT hardware and database and services for events organisation. In 2023, all procurement payments above €15,000 were performed using framework contracts. OLAF did not launch new public procurement procedures, which greatly reduces the risk of irregularity;
  - Rent of OLAF's office (€5.9 million): repetitive, stable payment, very low risk;
  - Payments for experts (€0.1 million): mainly travel costs, very low materiality

**Figure 2 – OLAF 2023 payments (€ million)**



OLAF should be exemplary in the management of its financial resources. Any irregularity could severely damage the office's reputation. Its payments present a low risk profile, but are nevertheless subject to extensive ex ante and ex post checks:

- Ex ante verification of all transactions by the Financial Verification Agent (FVA) in the finance unit;
- Ex post controls performed both by the finance unit and the internal control coordinator. The controls are based on a randomly selected sample of transactions;
- Regular reviews by OLAF's accounting correspondent in the framework of the accounting quality campaign.

In line with the 2018 Financial Regulation (FR), OLAF's assessment for the new reporting requirement is as follows:

- Cases of 'confirmation of instructions' (new FR art 92.3) – no such cases detected;
- Cases of financing not linked to costs (new FR art 125.3) – no such cases detected;
- Financial Framework Partnerships >4 years (new FR art 130.4) – no such cases detected;
- Cases of flat-rates >7% for indirect costs (new FR art 181.6) – no such cases detected;
- Cases of 'Derogations from the principle of non-retroactivity of grants pursuant to Article 193 FR' (new Financial Regulation Article 193.2) – no such cases detected.

### 2.1.1 Effectiveness of controls

#### **Legality and regularity of the transactions**

OLAF uses internal control processes to ensure the sound management of risks relating to the legality and regularity of the underlying transactions it is responsible for, taking into account the multiannual character of programmes and the nature of the payments concerned.

##### 1) Control objectives

The control objective is to ensure that the estimated error rate does not exceed 2% annually. First, the FVA performs ex ante controls on every transaction (administrative, grants and procurement files) which requires an approval of the AOSD. Second, the accounts are also systematically checked in the framework of the Accounting Quality

exercise by OLAF's Accounting Correspondent supervised by the AOSD of the Budget Unit. Finally, the Internal Control Coordinator (ICC) of OLAF performs ex post controls on a sample of transactions (judgmental sampling).

## 2) Assessment of the control results

In 2023, the ex-post controls identified an underlying error of 0.04%. The conservatively estimated future corrections for 2023 payments are thus negligible. The consideration of the amounts concerned leads to the estimated overall risk at closure for the 2023 expenditure of €176 353.60. The most prudent approach to estimate an overall theoretical amount at risk is to use the maximum possible error rate in the administrative expenditure recommended in the AAR instructions.

The ex-post controls (desk reviews and on-the-spot checks) carried out covered:

- **Administrative expenditure:**
  - **Procurement process:** 10 transactions for a value of €2.745 million. No financial error was identified;
  - **Missions performed by OLAF's staff:** 19 transactions for a value of €102 634. The ex-post controls identified 7 missions affected by a financial error, resulting in an error of €1 993 (error rate of 1.9%, below the materiality threshold of 2%). The financial errors resulted from ineligible amounts or missing documentation or derogation to justify the costs.
  - **Payments for experts:** 3 transactions concerning administrative expenditure for a value of €12 841. No financial error was identified.
- **Preventing and combatting fraud (Grants – strand 1):** 7 transactions for a value of €1.286 million. No financial error was identified;

In 2023, there were 1 exception and 12 non-compliance events (86% more than in 2022):

- Exception: The only one was related to a **grant agreement**: the extension of a project duration was signed after the project end date due to a late request, high workload and a sick leave;
- Non-compliance events (12):
  - Ten were related to **procurement**:
    - i. For nine, the legal or financial commitment was signed after the start of the provision of the services (e.g. for software licences), mainly due to delays in receiving the offers. To avoid such problems in the future, OLAF will start ordering/renewal processes earlier;
    - ii. For one, the late invoicing of travel costs for office presence by far-site consultant created over usage of the budget established to cover that kind of expenses;
  - Two were related to a **grant agreement**:
    - i. In one case, the final payment was processed after the final deadline for implementation;

- ii. In one case, the maximum ceiling amount was increased due to the COVID 19 pandemic.

### 3) Overview of OLAF risk profile

OLAF's portfolio consists only of segments with a very low error rate (all below 2%). This low risk is thanks to the inherent risk profile of the programmes and funding modalities and the performance of the related control systems.

### 4) Estimated risk at payment and at closure

Based on all the above, OLAF presents in the following Table 1, an estimation of the risk at payment and risk at closure for the expenditure managed during the reporting year.

**Table 1 – Estimated risk at payment and at closure**

The full detailed version of the table is provided in annex 9.

Budget line	Payments made m EUR	Estimated risk at payment		Estimated future corrections (m EUR)	Estimated risk at closure	
		m EUR	%		m EUR	%
Administrative expenditure	12.78	0.0-0.06	0.0-0.5	0	0.0-0.06	0.0-0.5
Preventing and combatting fraud, corruption and any other illegal activities affecting the financial interests of the Union	14.36	0.0-0.05	0.0-0.5	0	0.0-0.5	0.0-0.5
Support the reporting of irregularities, including fraud	1.29	0.0-0.01	0.0-0.5	0	0.0-0.01	0.0-0.5
Provide funding for actions carried out in accordance with Regulation (EC) No 515/97	8.07	0.0-0.04	0.0-0.5	0	0.0-0.04	0.0-0.5
Completion of previous programmes and activities	2.80	0.0-0.01	0.0-0.5	0	0.0-0.01	0.0-0.5
<b>TOTAL</b>	<b>39.30</b>	<b>0.18</b>	<b>0.0-0.5</b>	<b>0</b>	<b>0.8</b>	<b>0.0-0.5</b>

Source: OLAF



Table X : Estimated risk at payment and at closure (amounts in EUR) - Estimated risk at payment and at closure

DG OLAF	Payments made (2023 MEUR)	minus new prefinancing (plus retentions made) (in 2023 MEUR)	plus cleared prefinancing (minus retentions released and deductions of expenditure made by MS)	Relevant expenditure (for 2023 MEUR)	Detected error rate or equivalent estimates	Estimated risk at payment (2023 MEUR)	Adjusted Average Recoveries and Corrections (adjusted APC, %)	Estimated future corrections (and deductions) (for 2023 MEUR)	Estimated risk at Closure (2023 MEUR)
-1	-2	-3	-4	-5	-6	-7	-8	-9	-10
Procurement	0.00	0.00	0.00	0.00	0.00% - 0.00%	0.00 - 0.00	0.00% - 0.00%	0.00 - 0.00	0.00 - 0.00
Administrative	12.78	0.00	0.00	12.78	0.00% - 0.50%	0.00 - 0.06	0.00% - 0.00%	0.00 - 0.00	0.00 - 0.06
Anti-fraud Programme	1.73	0.00	0.00	1.73	0.00% - 0.50%	0.00 - 0.01	0.00% - 0.00%	0.00 - 0.00	0.00 - 0.01
Support the reporting of irregularities	1.29	0.00	0.00	1.29	0.00% - 0.50%	0.00 - 0.01	0.00% - 0.00%	0.00 - 0.00	0.00 - 0.01
Regulation 5937	8.07	0.00	0.00	8.07	0.00% - 0.50%	0.00 - 0.04	0.00% - 0.00%	0.00 - 0.00	0.00 - 0.04
Grants	0.00	0.00	0.00	0.00	0.00% - 0.50%	0.00 - 0.00	0.00% - 0.00%	0.00 - 0.00	0.00 - 0.00
Anti-fraud Programme	12.26	- 9.74	6.16	8.68	0.00% - 0.50%	0.00 - 0.04	0.00% - 0.00%	0.00 - 0.00	0.00 - 0.04
Former Multi-annual Financial Framework	2.80	0.00	0.00	2.80	0.00% - 0.50%	0.00 - 0.01	0.00% - 0.00%	0.00 - 0.00	0.00 - 0.01
Codelegation procurement	0.37	0.00	0.00	0.37	0.00% - 0.00%	0.00 - 0.00	0.00% - 0.00%	0.00 - 0.00	0.00 - 0.00
DG total	39.30	- 9.74	6.16	35.72	Overall risk at payment in %	0.00% - 0.18% (7) / (5)	0.00% - 0.00%	Overall risk at closure in %	0.00% - 0.18% (10) / (5)

As presented in the table in supra, OLAF manages only low-risk expenditure.

The estimated overall risk at payment for 2023 expenditure, 0.5 %, is the AOSD's best conservative estimation of the amount of relevant expenditure not in conformity with the contractual and regulatory provisions applicable at the time the payment was made. Considering the intensive controls and the low error rate (0 %) on multiannual payments for grants, no further corrections to the expenditure are expected and the estimated future corrections are thus set at 0 %. As a result, the estimated overall risk at closure corresponds to the estimated overall risk at payment.

The estimated overall risk at closure remains similar to the one of 2022 (0.5%); OLAF maintained the same intensive controls as last year and did not launch any large public procurement procedure.

For an overview at Commission level, the departments' estimated overall risk at payment, estimated future corrections and risk at closure are consolidated in the AMPR.

## 5) Preventive and corrective measures

As regards the corrections carried out in 2023, OLAF has in place an effective mechanism for correcting errors, through ex-ante and ex-post controls, resulting in preventive and corrective measures, amounting to €0.176 million and €0 million respectively. This is similar to last year.

## Fraud prevention, detection and correction

OLAF has developed and implemented its own anti-fraud strategy since 2013, based on its own methodology that is applied across all Commission DGs and services. It was updated in 2018 and in 2021. The implementation of the OLAF Anti-Fraud Strategy 2021-2024 is being monitored and reported to the management at least once a year in the annual

activity report. All actions in the OLAF AFS have been fully implemented and reached their targets except two actions:

Action 1 consisted of measures to increase staff awareness on the Commission Guidelines on ethics, the use of social media and on contacts with interest groups, mainly through training. Two training courses have been postponed to February 2024 due to a high workload;

Action 9 consisted of ex post checks on missions. The target was a compliance rate of 100% in a sample covering at least 10% of the mission costs. The action has been fully implemented, but the compliance rate was only 98.1%.

The results achieved during the year thanks to the anti-fraud measures in place are the following:

- OLAF promoted the highest standards of professional ethics through training and awareness-raising sessions;
- OLAF disseminated and successfully applied rules and procedures on conflict of interest, mission costs and protection of sensitive information;
- OLAF implemented a high level of controls for funds with proper supervision, ex ante and ex post controls. For the first time, OLAF conducted ex post controls on-the-spot for the grants of the Union Anti-Fraud Programme..

On the basis of the available information, OLAF has reasonable assurance that the anti-fraud measures in place are effective overall. No additional measures are necessary.

OLAF also coordinated the revision of the Commission anti-fraud strategy Action Plan published in July 2023. It includes 44 actions, and OLAF is in lead for 24 of them (13). OLAF is working with other services to implement the revised action plan.

### 2.1.2 Efficiency of controls

OLAF assessed the efficiency of controls based on 'time-to' indicators, measuring the time spent to complete a specific procedure.

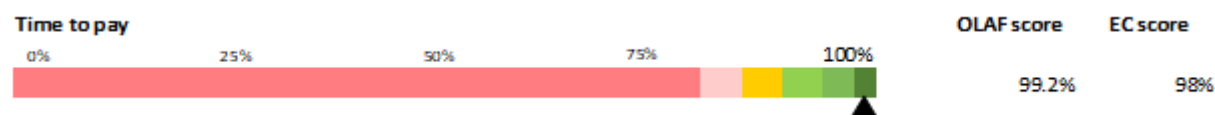
## Time to procure

In 2023, OLAF launched two calls for tenders and evaluated the bids of two call for tenders launched at the end of 2022. The average time between the publication in the Official Journal and the publication of the award decision is between 4 and 6 months, depending on the complexity of the subject and the number of bids received. Because the numbers of OLAF's call for tenders does not follow a steady path, it is rather difficult or pointless to present a trend or compare the timing between two budgetary years. Time to Grant & Time to inform

During 2023, OLAF managed to significantly improve the Time-To-Grant (TTG) for the "Technical Assistance" Call for proposals, reducing 90 days in 2022 to 67 days in 2023. For the same call, The Time-To-Inform (TTI) was reduced from 180 days in 2022 to 174 days in 2023. For the "Training" Call for proposals, the TTG increased slightly from 90 days in 2022 to 96 days in 2023, due to two files which required many budget adaptations and to a technical issue in another case. The TTI for the "Training" Call met the 183 days deadline provided by the Financial Regulation.

## Time to pay

OLAF processed 99.2% of payments within the legal deadlines. For the second year in row, OLAF managed to decrease the amounts paid late and paid quicker than the EC average. OLAF will continue to closely monitor the payment deadlines and strengthen the follow-up of the invoices or cost claims.



Source: OLAF

### 2.1.3 Economy of controls

In 2023, the total costs of controls for grants, procurement and other administrative expenditure was €1.42 million or 3.6% of the managed funds as compared with 3.8 % in 2022 (see Table Y in Annex 7 for further details).

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.

## 2.1.4 Conclusion on the cost-effectiveness of controls

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

## 2.2 Audit observations and recommendations

This section sets out the observations, opinions and conclusions reported by auditors – including the limited conclusion of the Internal Auditor on the state of internal control.

OLAF is audited by its Internal Audit Function (IAF), the Commission Internal Audit Service (IAS) and the European Court of Auditors (ECA). OLAF's investigative function is also regularly monitored by the OLAF Supervisory Committee, in accordance with Article 15 of Regulation (EU, EURATOM) No 883/2013.

### Internal Audit Function

The IAS' work does not cover issues that fall under OLAF Director-General's independence with respect to investigations <sup>(8)</sup>. To ensure internal audit coverage for processes and procedures not covered by the IAS, OLAF management maintains an internal audit function in-house. In 2023, OLAF recruited a new Internal Auditor. She performed audit fieldwork on the "Management of OLAF staffing needs" but did not issue any audit report yet. There is no outstanding recommendation from the Internal Audit Function.

### Internal Audit Service

In 2023, the IAS completed an audit on OLAF's effectiveness in the area of fraud prevention activities. It concluded that the anti-fraud activities implemented by OLAF were adequately designed, effective and efficient and that the controls put in place for the implementation of grants under the Union Anti-Fraud Programme were adequate and in compliance with the applicable rules and principles of sound financial management. The IAS did not make any critical or very important recommendation to OLAF.

As of January 2024, there is no new or overdue critical or very important recommendation from previous IAS audits.

The IAS has issued a limited conclusion on the state of internal control in OLAF based on the audit work carried out in the period 2018-2023 and has concluded that the internal control systems in place for the audited processes are effective.

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<sup>(8)</sup> Article 17 of Regulation 883/2013 and Articles 3, 5 and 6 of Commission Decision 1999/352

## European Court of Auditors

In 2023, the ECA did not make any observation or recommendation related to financial management and internal control and affecting OLAF's control systems. As of January 2024, there is no overdue recommendation from previous ECA audits.

### Conclusion on audit observations and recommendations

Audit observations and recommendations in 2023 did not raise any issue that should be considered in OLAF's assessment of internal control systems.

## 2.3 Assessment of the effectiveness of internal control systems

The Commission has adopted an Internal Control Framework based on international good practice, to ensure the achievement of its policy and management objectives. Compliance with the internal control framework is a compulsory requirement.

OLAF uses the organisational structure and the internal control systems suited to achieving its policy and internal control objectives in accordance with the internal control principles and has due regard to the risks associated with the environment in which it operates.

OLAF has assessed its internal control system during the reporting year based on self-assessment and regular monitoring of relevant internal control monitoring criteria, on the analysis of exceptions and non-compliance events during 2023, the results of ex-ante and ex-post controls, OLAF's risk register, and relevant audit results by OLAF's internal and external auditors.

Despite minor deficiencies, OLAF has concluded that, overall, **its internal control system is effective** and the components and principles are present and functioning as intended.

### Figure – Assessment of OLAF Internal Control System



Source: OLAF Internal Control Coordinator

## 2.4 Conclusions on the assurance

In conclusion, based on the elements reported above, 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.

## 2.5 Declaration of Assurance

### Declaration of Assurance

*I, the undersigned, Ville Itälä, 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 <sup>(9)</sup>.*

*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 results of the self-assessment, ex-post controls, the work of the Internal Audit Service and the lessons learnt from the reports of the European 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 the institution.*

*Brussels, 12 April 2024*

.....

*(signature)*

*Ville Itälä*

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<sup>(9)</sup> True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG.

# MODERNISING THE ADMINISTRATION

## 3.1 Human resource management

In late 2023, OLAF finalised strategic recruitments of laureates successful in specialised competitions in grades AD7 and AD9, and offered specialised training and development for existing staff throughout the year.

In 2023, OLAF staffing was reduced by twelve full-time equivalents (FTE) and four contract agents. Sixteen FTEs were transferred to the EPPO, two FTEs were returned to the Commission in the framework of the cuts for surcharge. To preserve effectiveness, despite a reduction of staff, OLAF reviewed priorities and redeployed internally staff during the implementation of the December 2023 small-scale reorganisation.

### Equal opportunities

The Commission target on gender balance in management remained a priority for OLAF. In 2023, women accounted for 46 % of OLAF's management.

To ensure that OLAF proactively supports female colleagues, it has continued and implemented a 'Local Female Talent Development Programme'. In 2023, 10 female colleagues of AD 7 grade and above took part in the programme, combining individual, targeted learning actions and group activities. The different training methods and activities helped participants to develop their management competences and leadership behaviours.

OLAF has reached its objectives for the appointment of first female appointment as middle managers and as senior managers until 2024.

### Well-being

OLAF resumed on-site wellbeing activities such as yoga, pilates and chair massage, and continued encouraging its staff to participate in wellbeing activities offered by DG HR's corporate 'BeWell' programme. In June 2023, OLAF's cycling group initiated 'green-transport to the away day event' using the Commission's e-bikes with a group of 20 colleagues. Regarding mental health, OLAF has continuously communicated, via its intranet, monthly training activities and events to promote mindfulness, mental health.

### Talent management and career development

OLAF invested in targeted recruitments through reserve lists for grades AD7 and AD 9 to ensure that profiles that are needed are recruited. Throughout 2023, OLAF invested in external training consuming the entirety of its independent training budget to ensure that its workforce is well equipped with the relevant specialised skills and knowledge.

In 2023, OLAF focused on managerial coaching, making use of primarily external coaches who could actively support the OLAF managers to reach their full potential. OLAF will



continue to invest in its staff via a tailor-made learning and development (L&D) package that includes both in-house and external training.

OLAF participation rate in the last EC staff survey was 65%. The results are not yet available.

### **OLAF HR Strategy**

OLAF'S HR Strategy is a set of three components, each with its action plan: the HR strategy, the Learning and Development strategy and the Diversity and Inclusion Charter.

The strategy is accompanied by an action plan with 24 specific actions on strengthening collaboration, improving in-house skills and knowledge mapping, improving working methods, strengthening professional development for OLAF managers and staff.

### **Internal Communication**

In 2023, OLAF used multiple forms of internal communication channels to enhance staff engagement. In 2023, 'My OLAF Intranet' and a weekly OLAF news update, continued to inform OLAF staff about issues pertaining to their work and professional development. These were complemented by the monthly internal newsletter, the information screens, weekly video debriefs by senior management as well as regular OLAF debates, trainings and events.

## **3.2 Digital transformation and information management**

OLAF contributed to the implementation of the EC digital strategy through a number of activities.

### **Digital culture**

We invested on the improvement of staff **skills** through a series of targeted trainings (i.e., for investigators, analysts, forensic experts, etc.) and participation in /organisation of conferences and training events related to anti-fraud practises and investigations. We apply an OLAF-specific policy that ensures broad use of **mobile** devices; it is to be noticed that almost half of OLAF's population owns a corporate mobile device. In terms of reinforcing and securing **collaboration** with external stakeholders, OLAF finalised the installation of a local instance of the CIRCABC software.

### **Business-driven digital transformation**

OLAF kept **automating its business process** through advancements in its flagship systems, AFIS/IMS in support of anti-fraud policies and OCM as the case management system for internal investigative process. AFIS continued to improve with new developments and integration between its core modules. The Import, Export and Transit directory (IET) was integrated with the Container Status Message directory (CSM) module and received a major revamp of the user interface including better searching capabilities.

The first operational version i.e. underlying hardware and specialised software applications, of the AFIS analytical platform (AFIS Fraud AP) which aims to improve OLAF's and Member States anti-fraud capacity, was went live in the last quarter of 2023. Work continued towards improving technologically and functionally IMS as per internal planning to maximize the effect of the system on OLAF's operations. OCM, running in maintenance mode, released four major versions, which implemented technological upgrades and integration with Commission's corporate EU Sign service resulting in improvements to systems performance, as well as various new business-related features driven by the needs of the Office.

As data are the most important asset for OLAF, special attention was given to proper **data management** and enriching our datasets, thus increasing the quality and speed of produced intelligence. In 2023, OLAF collaborated with two National Business Registries and obtained direct access to the respective data platforms. From a data resource perspective, OLAF also identified other data publicly available data sources containing information published by national public institutions in the remit of anti-fraud, black listing and cross-debarment. During the reporting period, OLAF also largely implemented corporate data governance principles and data policies relating to the management and use of key data assets managed by the Office. As of end-2023, OLAF had registered 24 entries in the EC Data Directory, covering both commercial sources as well as some managed by OLAF as lead Service.

OLAF ensured **interoperability** between its own systems and with outside sources. In this respect, GETI and IMS data exchange was automated with the use of web services, GETI was interconnected to more databases, an automated mechanism was developed to receive surveillance data from DG TAXUD and have them imported into AFIS analytical platform thus improving the analytical capacity of OLAF in the detection and investigation of fraud in the customs area.

Recognising the importance of **Artificial Intelligence** in our era, OLAF started to explore how AI could be in support of investigative work, i.e. shorten the duration of cases, reduce administrative burden on investigators, improve quality of results, or identify new risk patterns and cases. The pilot will continue and conclude in 2024 with recommendations on the integration of the tested scenarios and final AI product. Data protection and compliance with the AI Act and other relevant Commission decisions are from the outset part of the initiative.

### **Seamless digital environment**

OLAF operates a self-sustained IT environment based on a local datacentre due to the sensitive nature of performed activities. While managing projects and developing information systems of our **portfolio**, we follow Commission standards and methodologies (DEVOPS, PM2, Agile ...) and adhere to the decisions of Commission's IT Governance (ITCB). Although working in a confined environment, we perfectly realise the technological shift towards services provided on the **Cloud** and we started turning our applications into Cloud-native ones (using techniques such as containerisation and micro-services). In term of

**reusability**, we do conform to the Reuse-Buy-Build Commission policy and made use of corporate building blocks such as eTranslate and GISCO for GETI4All, EU Sign for OCM and CIRCABC.

### **Green, Secure and resilient infrastructure**

OLAF and DIGIT kicked-off work on a due-diligence that would potentially result in OLAF's migration to the **Digital Work Place** (DWP) and WELCOME domain in 2024. Meanwhile OLAF makes wide use of the corporate workplace applications for productivity, collaboration and communication purposes. When it comes to **cybersecurity**, OLAF is subject to Commission standards and applies those consistently; the local environment is well-protected and security controls apply depending on the level of confidentiality, i.e. a local Net1 environment for administrative work, a secure domain requiring certificate-based authentication for our case management system (OCM) and an air-gapped environment for forensic examinations. Finally, we design our systems based on electronic workflows and equip our staff with latest technology screens and mobile devices to keep the **use of paper to the minimum** necessary.

## **3.3 Sound environmental management**

During 2023, OLAF continued its commitment to environmentally responsible practices by pursuing green public procurement in its tender procedures and by prioritising effective measures to minimise the environmental impact and reduce the CO2 emissions of the events. OLAF also completed an extensive refurbishment project, where the common areas were upgraded with new natural plants.

OLAF participated in EMAS actions and campaigns throughout 2023. The OLAF Green Team initiated actions such as a digital cleaning exercise and an outdoor cleaning activity in a park in Brussels. The Green Team continued to raise environmental awareness in the office, in particular the publication of five OLAF's EMAS team and Green Team articles in OLAF's newsletter. These activities are also aimed at encouraging more staff to volunteer to join the team.

## **3.4 Examples of economy and efficiency**

In OLAF's current structure, flexibility and adequate prioritising of all activities, by combining some tasks and creating synergies, has progressed remarkably throughout the whole Office. For instance the centralisation of the procurement related tasks managed by the Office's budget and finance unit should entail a more robust control structure to further reduce the time-to-pay targeting >90%. In fact OLAF's average payment time of over 98% shows that the new initiatives of improved monitoring and sharing responsibilities between the business units and OLAF's budget unit, proved to be effective.

Further to this new structure, an improved back-up procedure for senior management, investigators, desk officers and file managers remains in place. The structure foresees the

substitution of OLAF staff members, as well as for the replacements of the substituting agent (level 2). This system has many advantages, such as business continuity, as there are no interruptions during short or long absences. Since the risk of interruptions is removed, the risk of not respecting deadlines, - e.g. payment time, has been mitigated.

OLAF has more than 90 external providers involved in IT development, support and operations. Efficiencies were identified by applying a uniform approach on the selection of Framework Contracts or switching between them, management of timesheets, backups during holidays and requirements for physical presence in the office. Similar efficiencies resulted from the centralisation of the IT assets and vulnerability management as well as from sharing knowledge and resources for the creation of new or revision of existing IT Security Plans. To the extent possible, existing services were reused as in the case of the Open Source Intelligence (OSINT) environment shared between different analytical functions of OLAF.