

Interreg Programme Management Handbook

Guide to the 2021-2027 period

The Interreg Programme Management Handbook comprises a series of factsheets. They can be read individually, or collectively, to understand the relevance of certain aspects of Interreg management. They cover the relevance, legal basis, key challenges and approaches to the given subject.

Factsheet | **Anti-fraud in Interreg**

1. Why are we discussing it?

Fraud and corruption undermine trust in the management of EU funds. The regulatory framework for the 2021–2027 period requires all Interreg programmes to implement **proportionate and risk-based anti-fraud measures**. The cross-border nature of Interreg adds complexity to controls and increases exposure to risks making fraud prevention particularly important.

Managing authorities are responsible for preventing fraud by **ensuring the effectiveness of management and control systems**. This includes setting up sound procedures and providing guidance and training for programmes' staff and beneficiaries. Despite these obligations, Interreg programmes need support in identifying risks and implementing corrective measures.

2. What is it? What is the definition and terminology?

In this context, understanding the differences between irregularities and fraud is essential.

- **Irregularity** (Art. 2(31), CPR 2021/1060): A breach of EU or national law which prejudices or risks prejudicing—the EU budget. Irregularities may be isolated or systemic and can be intentional or unintentional.
- **Irregularity with suspicion of fraud**: irregularity that raises red flags, requiring further investigation to confirm or rule out fraud.
- **Fraud**: intentional act of deception to gain unlawful advantage. It involves deliberate misrepresentation, falsification, or misuse of funds.
- **Red flag**: indicator of potential fraud; a factor that may need to be observed.
- **Conflict of Interest**: A situation where an individual's personal interests could improperly influence their official responsibilities.

3. Legal references

- **CPR (EU) 2021/1060: Article 125(4)(c)**: managing authorities must apply effective, proportionate anti-fraud measures; Article 69 and article 73: Obligations to detect, prevent, report, and correct irregularities.

- **EPPO Regulation (EU) 2017/1939**: Establishes prosecutorial powers for financial crimes.
- **OLAF Regulation (EU) 883/2013**: Outlines OLAF's mandate for administrative investigations.
- **Financial Regulation (EU) 2018/1046**: Sets general anti-fraud principle.

4. Challenges and frequently asked questions?

How can anti-fraud measures be **proportionate** to the size and risk of each programme?

- Are programmes required to use ARACHNE?
(Not for the 2021-2027, but an equivalent risk-based tool must be in place; however, for Post 2027 the submission of data to ARACHNE is mandatory)
- How to distinguish between fraud and significant irregularity?
- At what stage should conflicts of interest be assessed?
- What are the most relevant red flags for fraud in Interreg?

5. How are they addressed?

The European Commission recommends a structured **fraud risk assessment**. The process includes:

- Identifying potential **fraud scenarios**
- Evaluating existing **control measures**
- Implementing **additional mitigating actions**
- Reviewing and updating **risk assessments** regularly

Interreg programmes are encouraged to **cooperate with**:

- **AFCOS** (Anti-Fraud Coordination Services)
- **OLAF** (European Anti-Fraud Office)
- **EPPO** (European Public Prosecutor's Office)

Each Interreg programme should adopt an **anti-fraud system**, including preventive procedures, risk analysis, and mechanisms to detect and report fraud.

6. How does it work in practice?

The Commission provides tools and guidance for developing and applying anti-fraud measures¹. MAs and Member States are expected to:

- Apply **proportionate, effective measures**
- Identify **red flags** (e.g. suspicious procurement outcomes, vague deliverables, or repeated contract changes)
- Report **suspected fraud** to:
 - Managing Authority/Joint Secretariat
 - AFCOS, OLAF, or EPPO (depending on national protocols and the nature of the suspicion)

To ensure the protection of the European Union's financial interests, several bodies and institutions have been created. Key among these institutions are **AFCOS**, **OLAF**, and the **EPPO**. In the context of Interreg programmes and the role to protect EU funds it is essential to understand the differences between these institutions created in implementation of EU Regulations that have a “**PIF-centric mandate**”, i.e. a mandate focused on the protection of the financial interests of the Union.

AFCOS (Anti-Fraud Coordination Services)

Role and Mandate:

- The anti-fraud coordination services of Member States were introduced by Regulation (EU, Euratom) No 883/2013 to facilitate effective cooperation and exchange of information, including information of an operational nature, with OLAF
- In this capacity, they acts as a national contact point for OLAF. AFCOS assists OLAF investigators during their on-the-spot-check on the territory of the country.
- AFCOS Services are often responsible for the reporting of irregularities from national level to OLAF.
- AFCOS Services are also often responsible for the elaboration, implementation and monitoring of the National Anti-Fraud Strategies of the MS.
- Some of the AFCOS services perform administrative investigations into irregularities and fraud affecting the financial interests of the EU.

Structure:

- Each Member State is required to designate their own AFCOS. Its structure varies from country to country. Some of the AFCOS services can have only one person working for the AFCOS, while others – nearly a hundred.
- The AFCOS services are usually created in the Ministry of Finance (for example in Croatia, Cyprus, Estonia, Finland, German, Latvia and others, in the tax authorities (Austria, Hungary)

¹ [Fraud Risk Assessment and Effective and Proportionate Anti-Fraud Measures](#). The tool, even if prepared for 2014-2020 is also valid for 2021.2027.

in the Council of Ministers (Malta, Italy, Slovakia or Romania) ; or in the Ministry of Interior (Lithuania and Bulgaria)

- Member States play a critical role in establishing and ensuring the effective functioning of AFCOS.

Role of Member States:

- It is up to the Member State to decide how to create its AFCOS service and what powers to invest in it. Interreg programmes can count on the support of AFCOS Services regarding trainings, information, reporting of irregularities and coordination with OLAF.

OLAF (European Anti-Fraud Office)

Role and Mandate:

- OLAF is an administrative body of the Union responsible for investigating irregularities and fraud affecting the financial interests of the European Union.
- Its mandate includes conducting administrative investigations into irregularities and fraud involving EU funds – *but only if the EPPO is not competent or has decided not to exercise competence. The investigations of OLAF, which have an administrative nature, do not end with a sanction, but with recommendations.*
- Developing anti-fraud policies for the protection of EU financial interests
- OLAF receives and analyses the reported irregularities from the Member States and prepares the PIF Report on behalf of the Commission

Structure:

- OLAF operates as an independent office which is structurally part of the European Commission. It cooperates with Member States through AFCOS and other national bodies.
- OLAF is headed by a Director General and structured in 4 Directorates – one dedicated to Expenditure investigations, second one dedicated to Revenue investigations: third one dedicated to an Anti-Fraud Knowledge Centre and a 4th one dedicated to Legal, Resources and Partnerships.

Role of Member States:

- Member States are obligated to support OLAF investigations by providing necessary information, access to data, and cooperation during investigations.
- Member States are obliged to report to OLAF the encountered irregularities via the IMS.
- OLAF depends heavily on Member States to enforce recommendations that arise from its investigations, especially when national legal action is required.

EPPO (European Public Prosecutor's Office)

Role and Mandate:

- The EPPO is the independent public prosecution office of the European Union.
- As such, it has prosecutorial powers to investigate and prosecute crimes affecting the financial interests of the EU, such as expenditure fraud, corruption, VAT fraud and Customs fraud. The EPPO exercises the functions of prosecutor in the competent courts of the participating Member States, until the case has been finally disposed of.

- EPPO is entirely distinct from OLAF because it can directly prosecute criminal cases in national courts within Member States, whereas OLAF only conducts administrative investigations with recommendations.
- Up until the EPPO started its operations in 2021, only national authorities could investigate and prosecute these crimes, but their powers stopped at the borders of their country. Organisations like Eurojust, OLAF and Europol do not have the necessary powers to carry out such criminal investigations and prosecutions.
- Mandate: EPPO has jurisdiction over the offenses affecting the EU's finances, as said above: expenditure fraud, which includes procurement fraud, non-procurement fraud, misappropriation, corruption, VAT fraud and customs fraud, as well as money laundering, organized crime and other inextricably offences to those.

Structure:

- EPPO is a supranational entity, with a central office in Luxembourg and a decentralized network of European Delegated Prosecutors (EDPs) based in each participating Member State. These EDPs are empowered to investigate and prosecute on behalf of the EPPO within their national systems.
- The Central Office is headed by the European Chief Prosecutor and a College of Prosecutors from all participating Member States, and supported by highly specialized staff.
- EDPs work within their national legal frameworks but under the guidance and supervision of the central EPPO office.

Role of Member States:

- Member States participating in EPPO allow the EPPO to exercise jurisdiction within their borders, meaning their national courts handle cases brought by EPPO. We call this no border zone the “EPPO ZONE”, which covers almost the Entire European Union (except Ireland, Denmark and Hungary). In this zone the EPPO can investigate, prosecute and bring to judgement the fraudsters which have affected the EU's budget.
- Institutions, bodies, offices and agencies of the Union and the authorities of the Member States competent under applicable national law shall without undue delay report to the EPPO any criminal conduct in respect of which it could exercise its competence (art. 24 of the EPPO Regulation)!

Data Mining Tools

ARACHNE, the data mitigation tool that helps managing authorities to identify areas that might be susceptible to risks of irregularities and fraud, conflict of interest by searching for companies, persons, memberships and affinity links, to assess exposure to specific risks and detection of red flags, risk categories for public procurement, eligibility, etc. It can be used as a risk-scoring tool, which can increase the efficiency of processes within the programme. The Member State can decide if the programmes work with this tool. However, the programmes are not obliged to use it, but if they do not use it, then it shall be proposed an alternative tool.

EDES, the early detection and exclusion system, is established to reinforce the protection of the budget of the Union and to ensure sound financial management as a repository of information on potentially unreliable contractors and beneficiaries.

There are also many other data mining tools public or private which can be used by the programmes. For example, programmes can consult national data bases of companies, court registries, commercial data bases (e.g. Orbis, Crif), data bases of beneficial owners etc.

7. Good practice examples, innovative approaches

- Some programmes have implemented a proportional approach to conflict of interest, ensuring fair procurement procedures even when familial ties exist.
- Use of AI-powered tools is emerging, though caution is advised regarding data protection.

8. Repository with useful links

[OLAF – Anti-Fraud Office](#)

[EPPO – European Public Prosecutor's Office](#)

[Arachne Risk Scoring Tool](#)

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