Arachne Interreg survey 2022
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Interact Programme

Survey outcomes

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Outcomes of the survey

Interact has launched a survey on the use of the Arachne risk scoring tool in cooperation with DG Regio. This survey aimed to understand the current use of the system by Interreg programmes, as well as the advantages and disadvantages of using the IT system, and experiences with the European Commission Arachne team. It also looked at planned approaches and how the user experience could be improved for the 2021–2027 programming period.

The survey was completed in January 2022. In total, 37 responses were submitted, including remarks and experiences from the programmes (section IV of the survey).

After collecting data from the survey, Interact prepared this summary. Note that this is a presentation of information, not having conclusions or data analysis. It includes all the points, comments, and questions from the survey and the main questions and answers we provided during a meeting with the Interreg programmes on 04 March 2022 (section IV of this report).

SECTION I: About the user

This section has information about the user, name and function, programme name, and structure of the person who takes the survey.

European Regional Development Fund

SECTION II: About Arachne

Does your programme plan to use Arachne in 2021-2027?	
Yes	17
No	20

Does your programme use Arachne in the current programming period?	
Yes	17
No	20

Why have you decided not to use Arachne in the current period? What can make you change for the future one?

- This was a decision by the Managing Authorities. I do not have access to the information on why or what might change their decision.
- Requires all MS of the programme to participate to be of full value.
- Workload exceeds the value.
- GDPR issues unsolved.
- We did not even discuss it.
- The CCM decided that the Arachne system not be used for the current program due to legal and administrative hindrances. (CCM Decision 92/31.01.2019)
- National rules are sufficient; using Arachne would lead to extra work without an increase in reaching the goal
- The region uses its program for funding management.
- Because of the lack of availability of data within the system, Arachne has not been used during the current programming period. It would have been useful using the Arachne system since the first stage of the programming period (assessment of applications), but as it has not been fulfilled, its usage did not give an added value at the final stage of the programme. As a general overview of the projects, the information collected by the controllers was sufficient to prevent potential frauds and irregularities without resorting to the Arachne tool.
- The MA of the programme decided not to use this application.
- The programme has its procedure on the management of evaluation of the fraud risks because of the particularities of the projects implemented in partnership.
- Principles of aggregation of data are not suitable because they are different.
- The data collected at considerable expense by administrative authorities, combined with the anti-fraud mechanisms already in place (e.g., criminal law assessment, audits and controls), allow conclusions to be drawn about the potential for fraud even without the use of Arachne or a comparable IT tool.
- We have used other sources for information and assessments in the current period. To use Arachne in future, it needs to be better and more efficient than other tools used. The information needs to be easily available, demand little administration, and be reliable.
- The programme uses IOLF and not Arachne.

- Arachne is not used in most of the programme countries. In addition, the use of Arachne would be overdone and would not be proportionate.
- No consensus between the Member States. We will try to use it in the period 2021-2027.
- Not yet discussed with the Member States participating in the programme.

Please explain why you don't use Arachne:

- The compulsory ex-ante control carried out by the controllers (Grant Thornton) replaces Arachne advantageously
- National rules are sufficient; using Arachne would lead to extra work without an increase in reaching the goal
- At the beginning of the programming period, we used Arachne to check the financial insolvency of private partners requesting over ERDF 200,000 before project approval and during project implementation (every year). Until 2019, we also checked yearly the risks of conflict of interests in public procurement and the risk of phantom providers.
- To have a more proportional use of the tool and take stock of the absence of results from Arachne, it was decided to reduce the use of the tool:
  - yearly check on the solvency of private partners with a budget over ERDF 200,000
  - on-demand use on an ad-hoc basis (to reply to a data request from a controller or programme bodies such as monitoring committee, MA/JS, accounting body, audit authority, group of auditors' members etc.)
- The Ministry of Finance currently manages ARACHNE; therefore, the single MA/Regions are not autonomous in using this specific tool. More info will likely be available at the beginning of the next year, even if the concern regards some missing information not included in Arachne.
  As remarked during some meetings with the first level control structures, considering the complexity of this tool, it is suggested to use Arachne only for the sampling of on-the-spot checks.
  Anyhow, it could represent a challenge for the next financial year if the tool is integrated and appropriately upgraded.
- It is not included in the risk management procedures for 2014-2020.

How long have you been an Arachne user?	
0 – 3 years	3
3 – 5 years	9
More than 5 years	3
No answer	20
Never	0

How often do you use Arachne?	
Daily	0
Weekly	1
Monthly	6
A few times per year	9
Never	21

According to your internal procedures, the use of Arachne is?	
Mandatory	12
Voluntary	6
Not included in the procedures	19

How useful is Arachne for you?	
Extremely useful	1
Very useful	3
Somehow useful	10
Not so useful	7
Not at all useful	15

Have you ever identified an irregularity in a project based on the info from Arachne?	
Yes	4
No	33

Have you ever identified a case of fraud or suspected fraud based on the info from Arachne?	
Yes	2
No	35

How complex is the Arachne application?	
Not at all complex	3
Not so complex	7

Somehow complex	16
Very complex	5
Extremely complex	5

Which functions do they use in Arachne, and how useful are they for their work?

	I don't know / don't use this	Extremely useful	Very useful	Somewhat useful	Not so useful	Not at all useful
Welcome window	23	2	6	3	2	0
Search for companies	20	3	9	4	0	0
Search for persons	21	3	5	7	0	0
Search for groups	26	2	2	5	1	0
Search for projects	22	4	4	5	1	0
Search for contracts	25	4	2	4	1	0
Search for legal links	23	3	7	3	0	0
Search for private links	23	3	7	3	0	0
Search for memberships Search for affinity links	25	2	4	5	0	0
Search for involved companies	23	2	8	3	0	0
Search for involved persons	24	3	6	3	0	0

Projects dashboard	20	2	8	5	1	0
Contracts dashboard	24	1	5	4	2	0
Beneficiaries dashboard	23	1	6	6	0	0
Contractors dashboard	24	1	4	6	1	0

Case management	24	1	3	8	0	0
Historical risk indicators	23	3	5	3	2	0
Data delivery statistics	27	2	3	2	2	0
Detailed reports	21	6	3	6	0	0
Printable reports	23	6	2	5	0	0
Views (hierarchy, local, group, surrounding, affinity)	21	5	6	4	0	0
Risk evolution	23	4	3	5	1	0
Navigator	23	2	5	3	3	0

Export	24	4	5	2	1	0
Risk indicator pop-up windows	24	4	5	3	0	0

How useful are the different risk categories for you?

	I don't know / don't use this	Extremely useful	Very useful	Somewhat useful	Not so useful	Not at all useful
Procurement	23	5	7	1	0	0
Contract management	23	4	3	5	1	0
Eligibility	22	3	7	1	3	0
Performance	23	3	5	3	2	0
Reasonability	23	2	5	3	3	0
Concentration	22	4	5	5	0	0
Reputational and fraud	22	6	6	2	0	0

Please indicate why you use Arachne:	
To decide on policies and programmes	1
To select applicants (prior verifications of projects in the selection and designation phase)	6
To assess exposure to specific risks (detection of red flags)	7
To get a sample of operations (risk-based selection of projects and contracts)	1
To prepare for on-the-spot checks	0
To verify the eligibility of payment claims	1
To identify global risk patterns	1
Other	19

How would you rate your satisfaction of:

	Very satisfied	Somewhat satisfied	Neither satisfied nor dissatisfied	Somewhat dissatisfied	Very dissatisfied
Application interface (look and feel)	3	6	22	4	1
Performance of the tool (speed)	4	6	24	1	1

Quality of translations	6	7	22	0	1
Availability of the tool	5	11	19	0	1
Quality of the external data (companies data)	2	5	24	3	2
Quality of the internal data (your projects)	3	3	26	3	1
User manuals)	2	5	27	1	1
Accuracy of the risk scores	2	4	24	5	1

Which version of the application do you use?	
The installed client version	1
The web version	15
Both	2
I don't use any	18

SECTION III: About Arachne's support

Did you participate in an Arachne training?	
Yes	15
No	22

The Arachne training I attended was:	
Provided by the European Commission Arachne team	15
Internally organised	1

Did you have contact with the European Commission Arachne team in the past?	
Yes	16
No	21

Please rate the support the European Commission Arachne team gave you on the following:

	Very satisfied	Somewhat satisfied	Neither satisfied nor dissatisfied	Somewhat dissatisfied	Very dissatisfied
Level of knowledge	11	2	2	1	0
Response time)	9	5	2	0	0
Overall professionalism	11	2	2	1	0

SECTION IV: Conclusions and remarks

Comments and questions from the Interreg programmes:

- The tool and technology are good and in line with modern control/audit - i.e., risk-based. But must have filters to become operational. Possibly some scripts assist the user in limiting the outcome.
- Arachne is not used in the Interreg NPA programme. The survey was not prepared for this option. I would recommend making the question a disqualifying one, so participants do not have to complete the rest of the survey.
- UIA (future European Urban Initiative) aims at strengthening the controls and hopes to avoid using Arachne
- We're happy we have access to a powerful and valuable tool like Arachne, and we look forward to using it in the future. Thank you!
- The programme plans to use ARACHNE for the 2021-2027 programming period in the same limited way used in 2014-2020. Arachne helps to comply with anti-fraud requirements. However, some Member States do not provide data, which is a deterrent. It would be good to extract programme data automatically from JEMS to feed Arachne. Arachne is not user-friendly, and training on how best to use the tool would be appreciated.
- Will there be a new version of Arachne or simply an updated one? The option to use Arachne was not yet discussed with the MS participating in the programme.
- The programme does not use it. Many colleagues are not even aware of its existence. We were never trained in how to use it.
- The JTS in our ENI programme, unfortunately, does not apply to Arachne.
- In general, the National Authorities do not use Arachne in Interreg programmes in the current period. The institutions of the programme do not use Arachne. Nevertheless, we have paid attention to it and expressed interest in it several times, but have remained with the decision not to use it because:

Initially, Arachne was used in the mainstream funds in one country participating in the programme, but it was not used in the other country, so we considered that approach to use it if data from one country were not available would not be systemically sound; thus, we decided against it.

When we started using Arachne at the national level, we wanted to reconsider the possibility to use it at the programme level, but on the condition that in Arachne, the data could be transmitted

from the eMS (so that there would not be a huge burden to enter the data manually from one system to another). Interact did not provide such eMS functionality.

Later we learned that some programmes use Arachne with eMS. We contacted other colleagues and found out they planned to connect both databases themselves. However, at that time, they had not yet started using Arachne but had received training and had concluded that Arachne could be used in procurement monitoring (on the control level) and in the project assessment process (which was no longer relevant to us as it was already quite late in Programme implementation phase). At that moment, we fully decided not to use Arachne for the implementation of the 2014-2020 programmes and to finish the implementation of the program with controls and checks that we were ongoingly performing according to our procedures.

Also, a while ago, we contacted the EC representatives about a possible presentation and/or training of Arachne functionality (for the time being not received it yet as it is not urgent), because in the period 2021-2027, we are going to seriously evaluate the approach to use Arachne from the very beginning of the programme implementation. We also hope that the JEMS will include the possibility of automatic data transfer to Arachne.

- The JTS of the programme has no experience with Arachne for the period 2014-2020, and what regards the next period. However, there is no such option to be chosen in the questionnaire. All irregularity cases were detected following the procedures set by the programme, not using Arachne.
- The reason for it is that we do not use Arachne. Such a situation concerns all operational programmes at the national level.
Instead of Arachne, we use data from public databases and registers, and, in exceptional cases, data provided by an economic intelligence agency.
For the 2021-2027 financial perspective, we are planning to implement new special functionality, named Scanner, in the central data system dedicated to the programmes.
It will allow detecting the connections of persons and business entities, both current and historical.
- We are using the Graydon Insights system instead of Arachne. We have used it in a free trial period and then concluded that it did not offer enough besides Graydon to justify the expensive additional system.
- The program doesn't use Arachne. Therefore, we are not able to answer the questions from the survey.

Main questions and answers from the survey:

Answers to comments and questions presented in this report have been provided by Mr Luc Molemans, Arachne Project manager, Mr Luca Baldin, EMPL.REGIO.DAC.1. Audit I, and Florin Neculcea, Interact programme (answer to Q2, on behalf of the Interact Jems team) during the meeting on the use of the Arachne risk scoring tool in Interreg, which took place on 04 March 2022.

Q1: Will there be a new version of Arachne or simply an updated one?
A1: An updated version of Arachne will be released in April 2022

Q2: The Joint electronic monitoring system (Jems) will include the possibility of automatic data transfer to Arachne? Is it possible to connect both databases themselves, Jems and Arachne? So that there would not be a considerable burden to enter the data manually from one system to another. Interact not provide such eMS functionality.
A2: Interact does not plan to develop a specific interface/link between Jems and Arachne. Still, programmes can indirectly connect both applications, using a customised Jems plugin that extracts data

from Jems into a file compatible with Arachne's import of data. The Jems plugin, however, should be developed by the programmes themselves.

Q3: Arachne is not user-friendly, and training on how best to use the tool would be highly appreciated.
A3: Arachne European Commission team can provide training for the programmes upon specific request.

Q4: We use Arachne only for sampling the on-the-spot checks at the programme level.
A4: It is highly recommended to use the Arachne Risk Scoring tool for ex-ante and ex-post verifications. The main benefits of Arachne: increasing efficiency and effectiveness of MSs verifications, preventing potential irregularities and therefore lowering irregularities in the expenditure financed by the EU budget, identifying criticalities and management risks, improving the detection of risk areas leading to an increase in the effectiveness of the use of programme resources (i.e., staff, time, budget), improving accuracy on the reporting and monitoring for EU funds management.

Q5: The tool and technology are good and in line with modern control/audit - i.e., risk-based. However, must have filters to become operational. Possibly some scripts assist the user in limiting the outcome.
A5: The IT system has inbuilt filters that users can easily access.

Q6: Lack of availability of data within the system
A6: The data on companies is collected from publicly available information (i.e., official annual reports or balance sheets submitted to regulatory bodies). The level of details available in the database varies by country and company size.

Arachne has all public data available concerning legal and physical persons:
- <u>Companies</u>: +/- 400 million companies worldwide (active and inactive)
- Ownership information (shareholders, subsidiaries, participation rate...)
- 41 million companies with detailed financial information (turnover, cash flow, solvency ratio...)
- Address information
- Related people (directors, senior management, contact people...)
- Indicators like credibility and bankruptcy
- <u>Persons</u>: +/- 200 million persons
- First name, last name, Age
- Number of affinities, number of companies and role in a company

The Member States ' authorities uploaded the data on projects and contracts and decided to integrate Arachne into their management and verification processes. The responsibility for the quantity and quality of the data also the frequency of updates lies in the Member States and influences the accuracy of the risk indicator calculations.

Arachne is not mandatory. Currently, it covers +/- 55 % of the ESF/ERDF/ETC programmes for the 2014-2020 period.