



REPUBLIC OF CROATIA  
MINISTRY OF FINANCE

# AFCOS system in the Republic of Croatia

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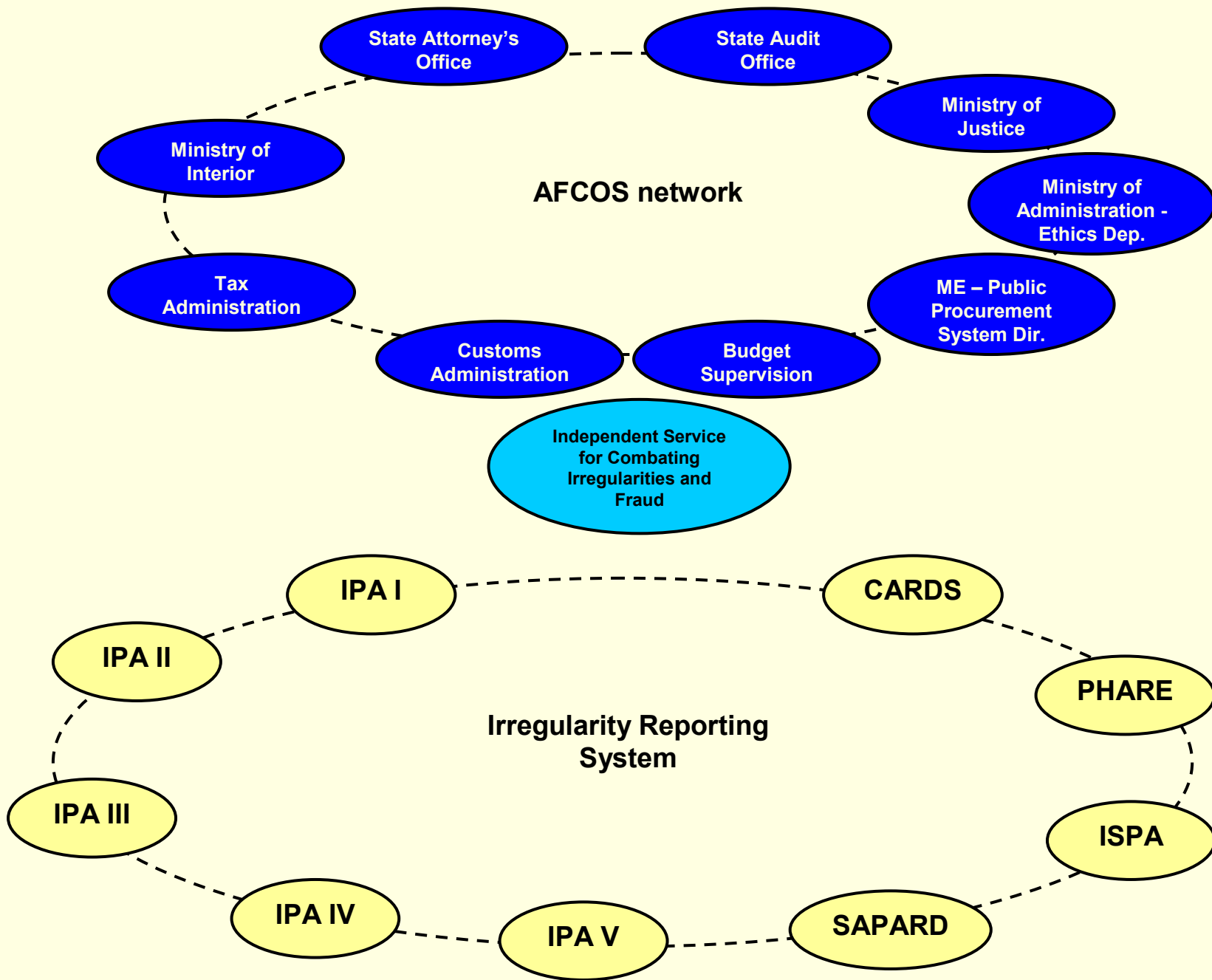


# ***ESTABLISHING THE AFCOS SYSTEM IN CROATIA***

- **Chapter 32. Financial control** (benchmark for closing the chapter) - The Republic of Croatia is obligated to provide a legislative framework for the protection of the financial interests of the EU, and to ensure the establishment of an effective and efficient system for the management of irregularities and fraud related to the use of EU assistance funds (AFCOS)
- **Article 114 paragraph 4 of the Budget Act** (Official Gazette 87/2008)  
- the Republic of Croatia, as a beneficiary of the European Union assistance funds, is obliged to ensure protection of the financial interests of the European Union by putting in place the system for the prevention of irregularities and fraud — AFCOS
- For the purpose of protecting EU financial interests a new type of criminal offence was introduced: “Fraud against the Financial Interests of the European Communities” - **Alignment Criminal law with PIFC Convention**

# ***AFCOS SYSTEM IN CROATIA***

- **In the Republic of Croatia, the AFCOS system includes:**
  - a network of bodies managing and using EU assistance funds **(IRREGULARITY REPORTING SYSTEM)**,
  - a network of bodies dealing with combating fraud, corruption or some other forms of irregularities in the system **(the AFCOS network)**,
  - the Ministry of Finance – **Independent Service for Combating Irregularities and Fraud (ISCIF)**, carrying out a coordinative role within the system and representing OLAF's contact point.



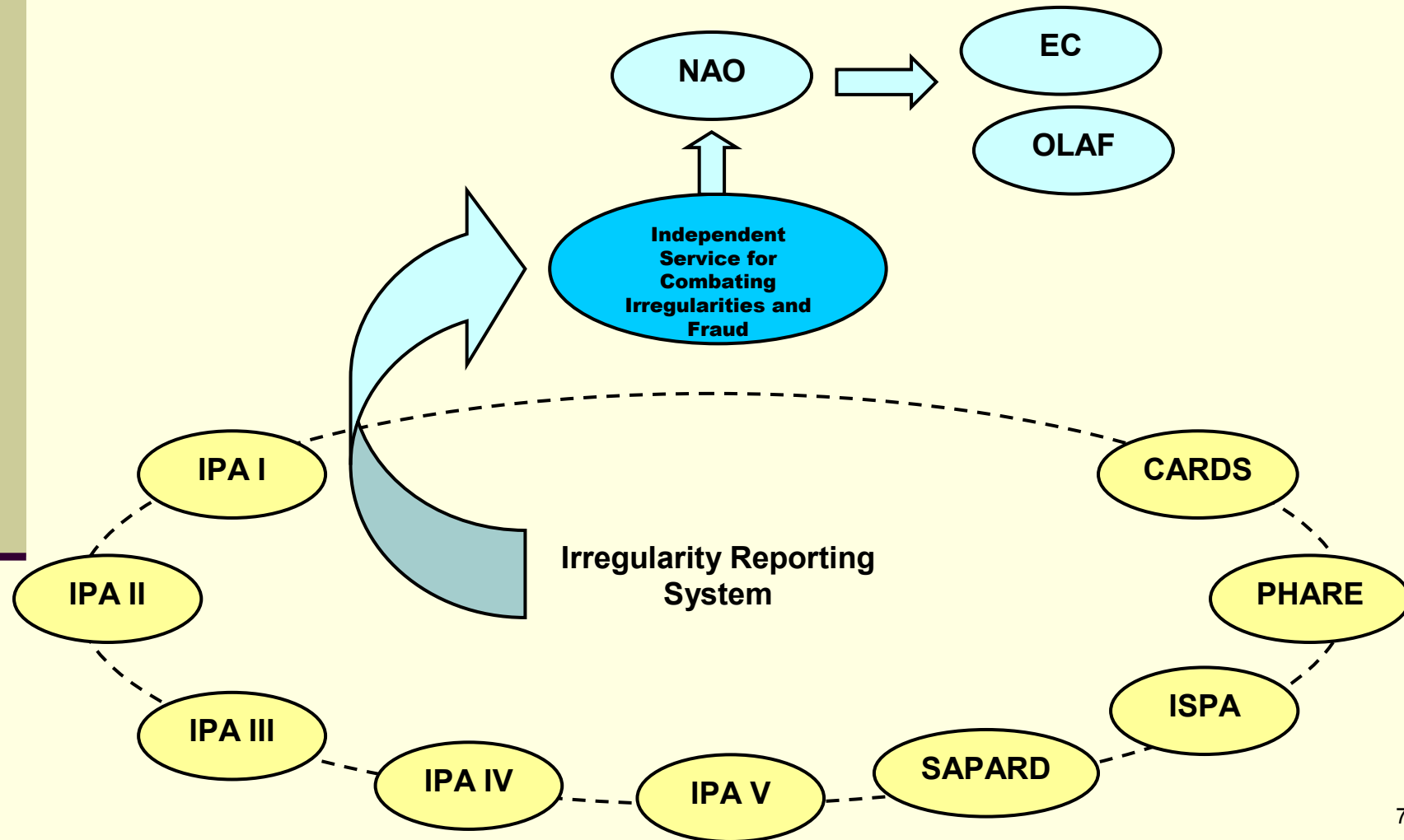
# IRREGULARITY REPORTING SYSTEM

- **The Irregularity Reporting System (IRS)** has been developing continuously since 2005, when state administration bodies were preparing for accreditation by the European Commission concerning the use of EU assistance funds.
- **The main function of this system** is reporting on irregularities and suspicion on fraud.
- Bodies constituting the IRS are obliged to **quarterly report** on irregularities and suspicion on fraud which occurred in their bodies throughout the usage of EU pre-accession funds in accordance with the procedures for managing irregularities and fraud.




## ***IRREGULARITY REPORTING SYSTEM***

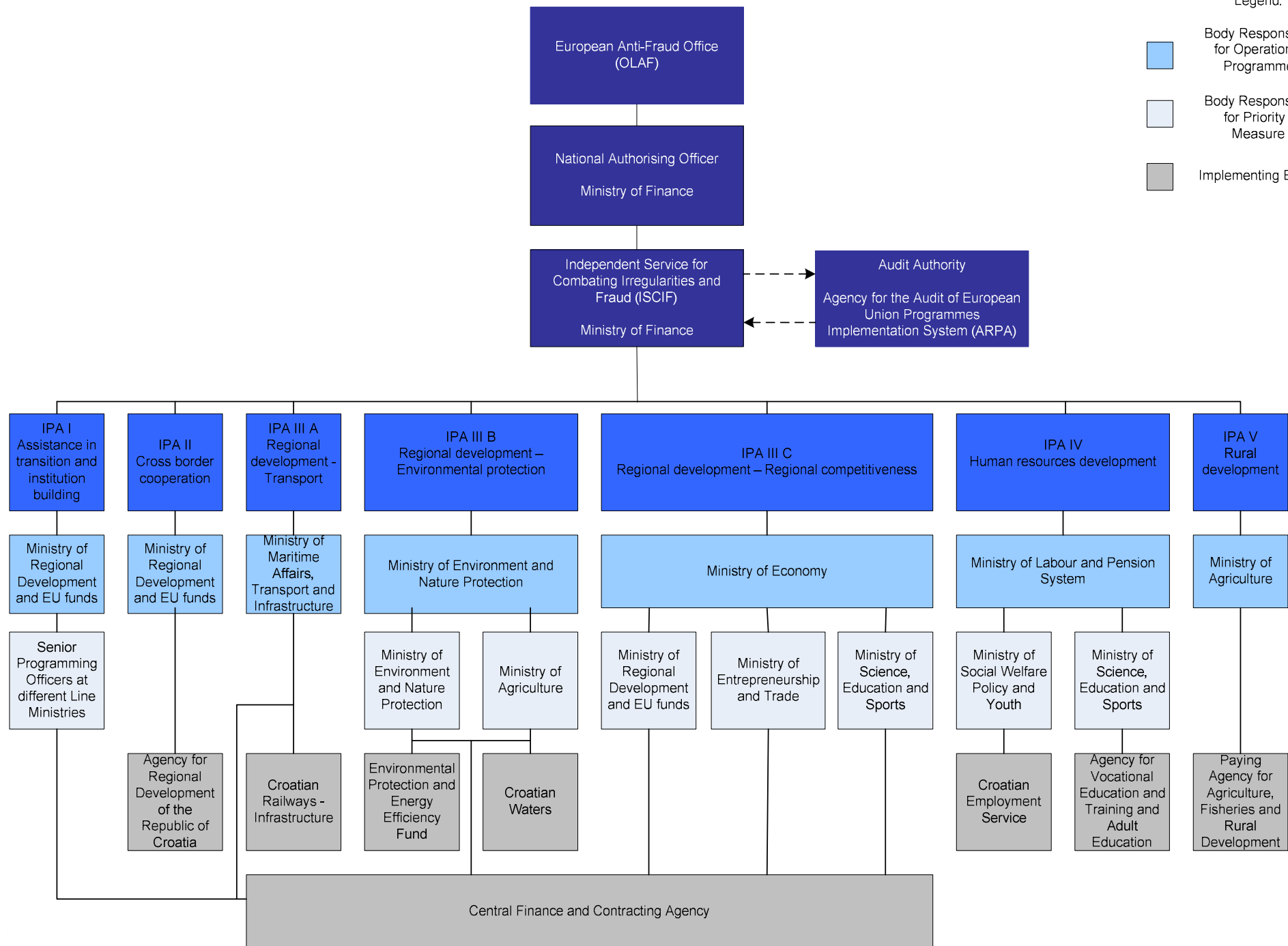
- Reporting is performed by **Irregularity Officers** who are appointed in each of the bodies.
  
- The purpose of appointing Irregularity Officers is to provide each of the bodies in the Irregularity Reporting System with a person who will deal with irregularities and fraud on an operational level, and whose primary tasks are:
  - receiving information on the occurrence of irregularities and fraud,
  - notifying the superior responsible person on the received information, monitoring the follow up of the reported irregularity or fraud within the body,
  - drafting irregularity reports and their forwarding to the ISCIF,
  - cooperate and communicate with staff within the body and also with ISCIF,
  - keeping a register of irregularities and suspicion on fraud.

# IRREGULARITY REPORTING SYSTEM



Legend:

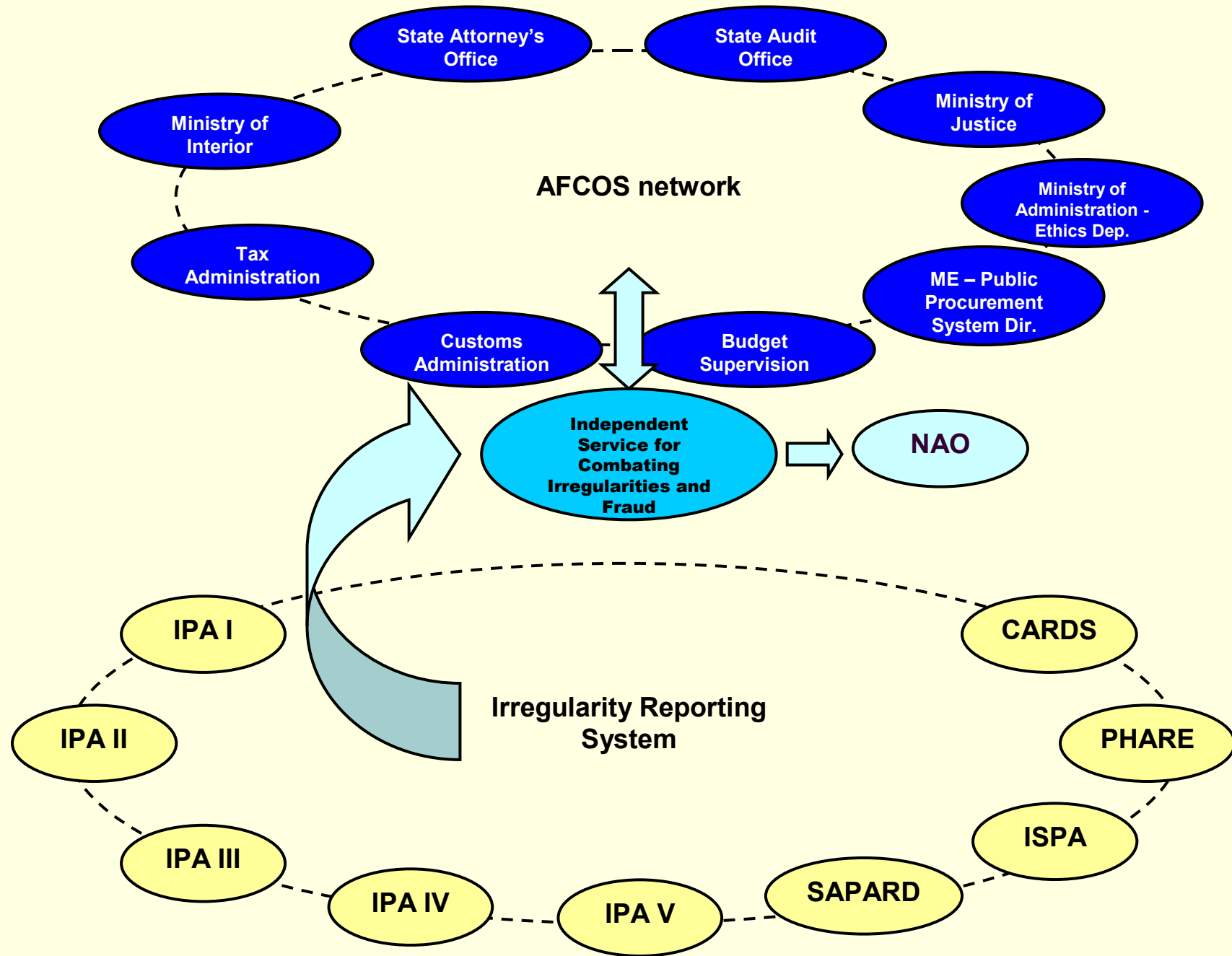
-  Body Responsible for Operational Programme
-  Body Responsible for Priority / Measure
-  Implementing Body



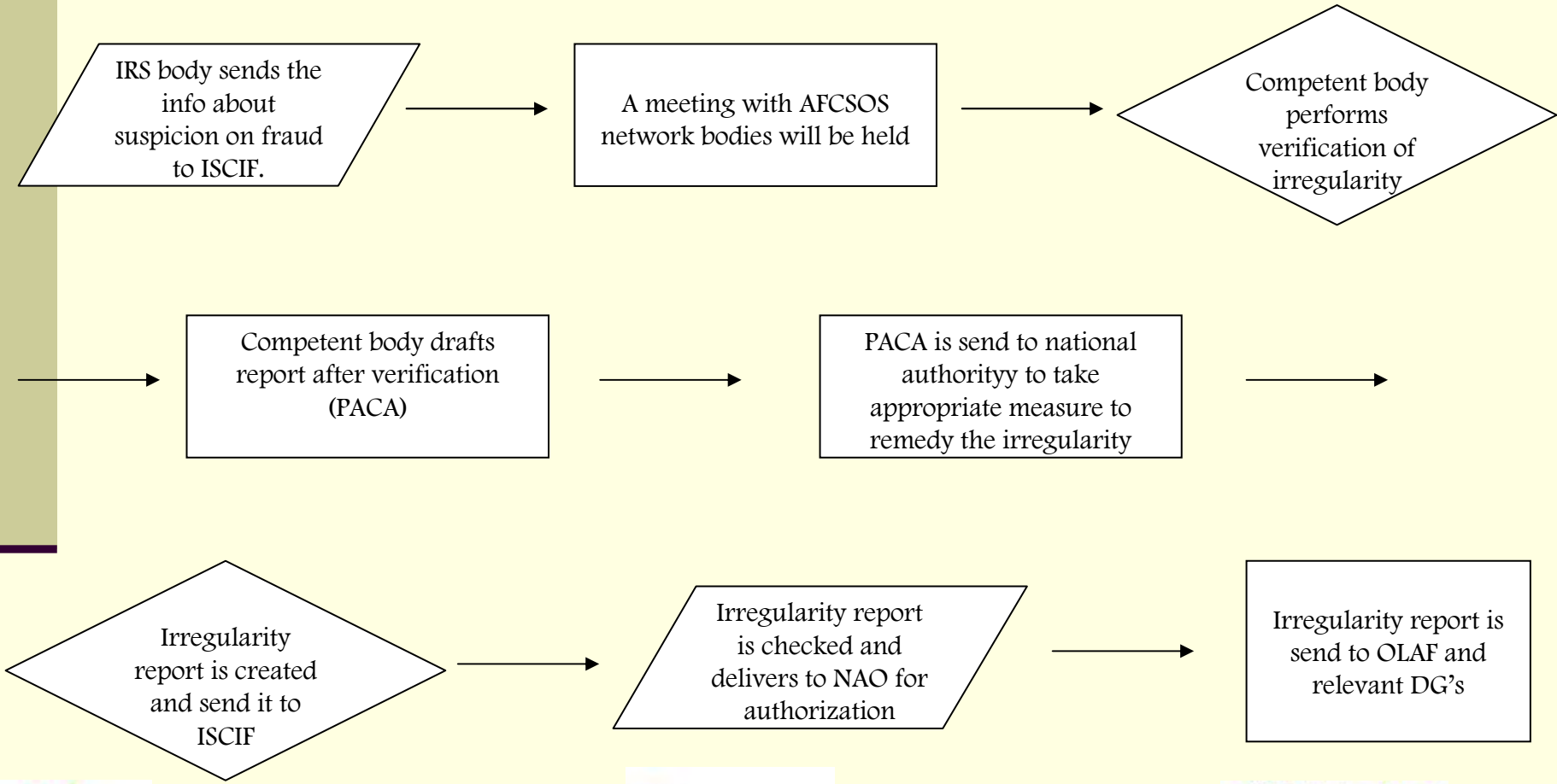


# THE AFCOS NETWORK

- In order for the competent bodies to be able to act in a timely manner in the case of a reported suspicion of irregularity or another corruptive act, **the AFCOS Network as an element of the AFCOS system has been established** by a Decision of the Government of the Republic of Croatia (OG 92/08).
- **The role of the AFCOS network** is not reporting on irregularities and fraud but proceedings with irregularities and fraud, when it is necessary, together with the ISCIF.
- If the ISCIF considers that follow up by bodies from the AFCOS network is necessary in a concrete case, it will arrange a meeting with all representatives of the bodies from the AFCOS network and the irregularity officer who has submitted the irregularity report, with the aim of establishing the competences for follow up in the concrete case. After the competent body has been determined, it initiates appropriate procedures.



# COOPERATION BETWEEN IRS AND AFCOS NETWORK



# ***INDEPENDENT SERVICE FOR COMBATING IRREGULARITIES AND FRAUD***

- **Independent Service for Combating Irregularities and Fraud (ISCIF)**
  - carrying out a coordinative role between the bodies in the Irregularity reporting system and the bodies in the AFCOS network, and
  - **representing OLAF's contact point**
  
- ISCIF is established within the Ministry of Finance and is operationally independent from any single body within the AFCOS system.

**INDEPENDENT SERVICE FOR  
COMBATING  
IRREGULARITIES AND FRAUD  
(ISCIF)**

**DEPARTMENT FOR DATA  
COLLECTION AND ANALYSIS  
AND IRREGULARITIES REPORTING**

**DEPARTMENT FOR MONITORING  
ACTIONS TO BE TAKEN  
UPON REPORTED  
IRREGULARITIES AND  
CO-ORDINATION WITH  
COMPETENT BODIES**

**DEPARTMENT FOR TRAINING  
AND  
RISK MANAGEMENT**



# ***INDEPENDENT SERVICE FOR COMBATING IRREGULARITIES AND FRAUD***

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- **The tasks and responsibilities of the ISCIF** are established by Croatia Government Regulation no 32/2012 on internal organization of the Ministry of Finance (OG 43/2005, 114/2005, 14/2006, 138/2006, 127/2007, 14/2008 and 29/2009).
  
- **The main tasks of the ISCIF are:**
  - coordination of legislative, administrative and operational activities among the bodies in the AFCOS system for the purpose of protecting EU financial interests, and in relation to that, direct cooperation with OLAF,
  
  - exchange of information on irregularities and fraud with the bodies within the AFCOS network and OLAF,
  
  - providing support in inspections and investigations carried out by OLAF experts in the territory of the Republic of Croatia,

# ***INDEPENDENT SERVICE FOR COMBATING IRREGULARITIES AND FRAUD***

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- sending proposals to the competent bodies from the AFCOS network for the purpose of collecting evidence, establishing facts, and initiating sanctioning procedures in the bodies within the system of reporting on irregularities,
- receiving, control and consolidation of reports on irregularities and suspicion on fraud in the management and use of EU assistance funds, and submitting of the reports to the National Authorizing Officer,
- monitoring the return of illegally disbursed EU assistance funds,
- keeping the register of established irregularities and fraud.

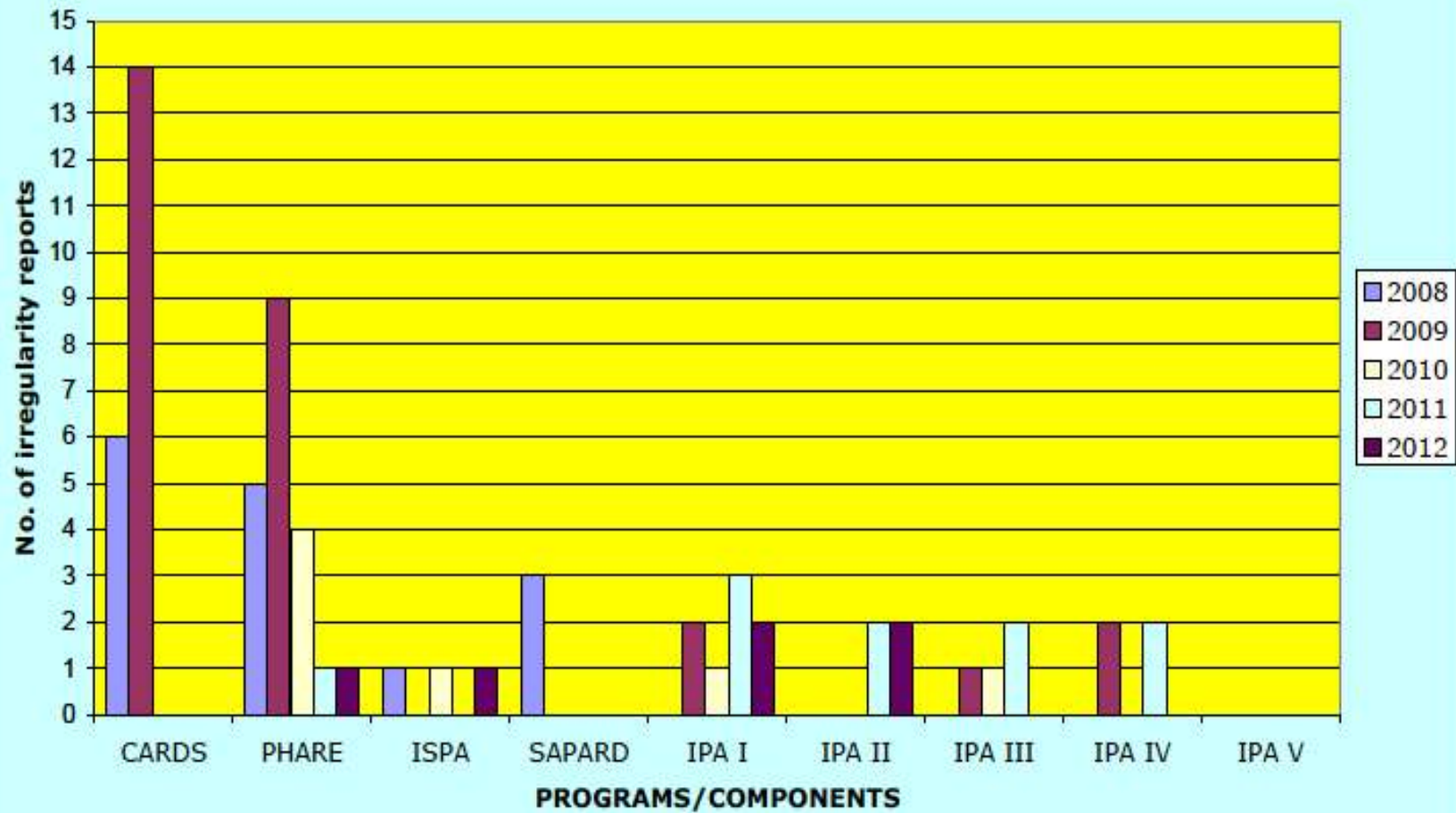
# COOPERATION BETWEEN ISCIF AND OLAF

- **Cooperation with OLAF:**
  - exchange of information in relation to the irregularity or suspicion on fraud,
  - implementing controls of on the spot check,
  - time frame and data protection must be followed,
  - communication and cooperation with competent national authorities (AFCOS network bodies),
  - organizing educational activities (seminars, workshops, trainings, etc.).
  - raising public awareness on anti-fraud - OAFCN
  
- The right of European Commission and OLAF investigators to carry out on the spot controls in beneficiaries of EU assistance funds in the Republic of Croatia is regulated by framework agreements on the use of EU assistance funds (Cards, Phare, Ispa, Sapard and IPA programmes), concluded by the Government of the Republic of Croatia with the Commission of European Communities.

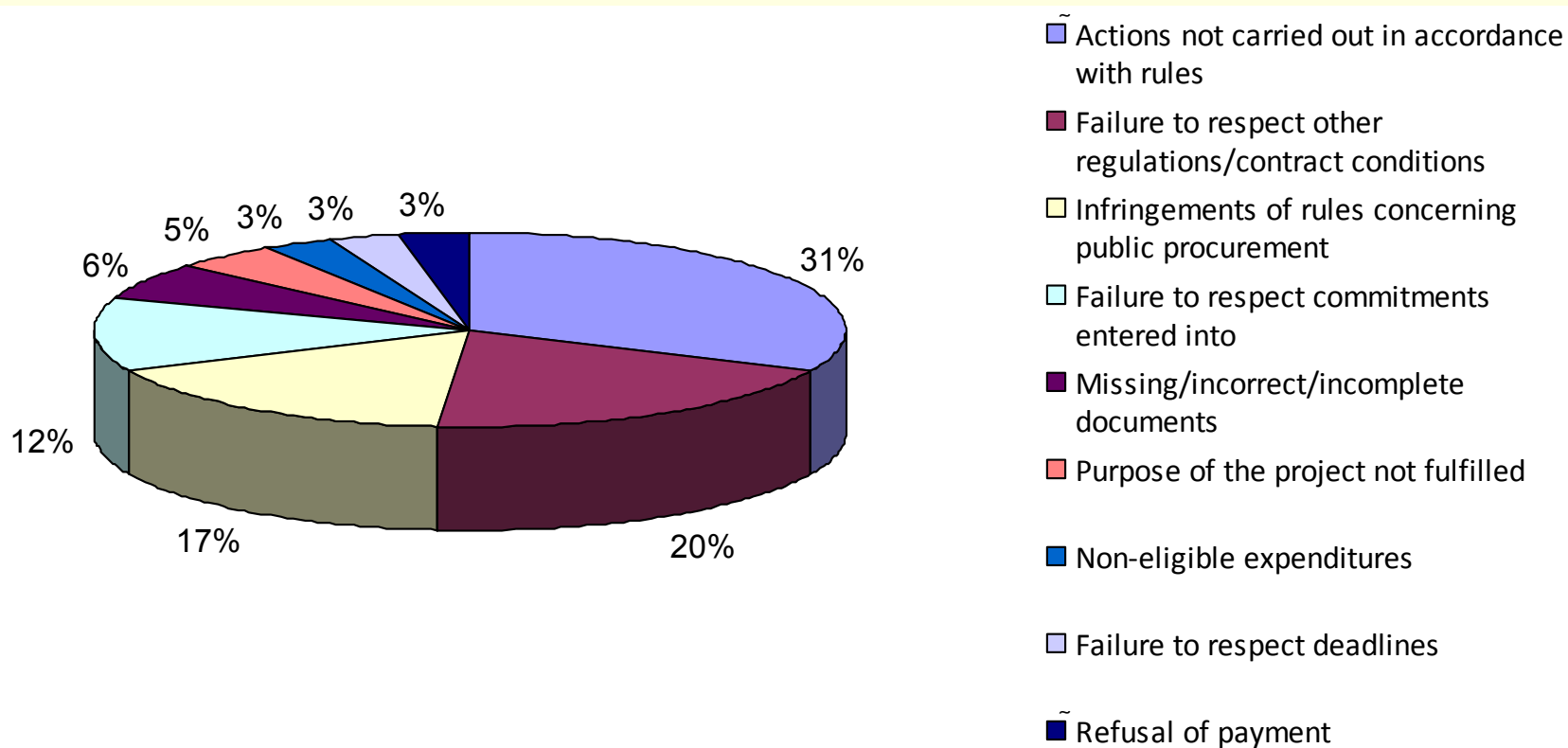


| RB           | PROGRAMME | 2008 - 2012     |               |             | TYPES OF IRREGULARITIES   |
|--------------|-----------|-----------------|---------------|-------------|---|
|              |           | <i>reported</i> | <i>closed</i> | <i>open</i> |   |
| 1.           | CARDS     | 20              | 17            | 3           | <ul style="list-style-type: none"> <li>- Actions not carried out in accordance with rules – 5 cases</li> <li>- Purpose of the project not fulfilled – 4 cases</li> <li>- Actions not completed within the project – 2 cases</li> <li>- Non-eligible expenditures – 1 case</li> <li>- Failure to respect deadlines – 2 cases</li> <li>- Missing/incorrect/incomplete documents – 2 cases</li> <li>- Failure to respect commitments entered into – 1 case</li> <li>- Action not implemented – 1 case</li> <li>- Infringements of rules concerning public procurement – 2 cases</li> </ul> |
| 2.           | PHARE     | 20              | 15            | 5           | <ul style="list-style-type: none"> <li>- Failure to respect other regulations/contract conditions – 7 cases</li> <li>- Infringement of rules concerned with public procurement – 3 cases</li> <li>- Actions not carried out in accordance with rules – 3 cases</li> <li>- Variation in quality or content of equipment – 1 case</li> <li>- Change of destination for delivery of equipment – 1 case</li> <li>- Missing or incomplete documents – 2 cases</li> <li>- Refusal of payment – 2 cases</li> <li>- Action not implemented – 1 case</li> </ul>                                  |
| 3.           | ISPA      | 3               | 2             | 1           | <ul style="list-style-type: none"> <li>- Failure to respect deadlines – 1 case</li> <li>- Action not carried out in accordance with rules – 1 case</li> <li>- Falsified Supporting Documents – 1 case</li> </ul>  |
| 4.           | SAPARD    | 3               | 2             | 1           | <ul style="list-style-type: none"> <li>- Non-eligible expenditure – 1 case</li> <li>- Actions not carried out in accordance with rules – 1 case</li> <li>- Incorrect supporting documents – 1 case</li> </ul>   |
| 5.           | IPA I     | 8               | 4             | 4           | <ul style="list-style-type: none"> <li>- Failure to respect deadlines – 2 cases</li> <li>- Infringement of rules concerned with public procurement – 1 case</li> <li>- Action not implemented – 5 cases</li> </ul>  |
| 6.           | IPA II    | 4               | 1             | 3           | <ul style="list-style-type: none"> <li>- Infringement of rules concerned with public procurement – 4 case</li> </ul>  |
| 7.           | IPA III   | 4               | 4             | /           | <ul style="list-style-type: none"> <li>- Infringements of rules concerning the public procurement – 1 case</li> <li>- Failure to fulfill commitments entered into – 1 case</li> <li>- Expenditure not legitimate – 1 case</li> <li>- Action not carried out in accordance with rules – 1 case</li> </ul>  |
| 8.           | IPA IV    | 4               | 4             | /           | <ul style="list-style-type: none"> <li>- Action not carried out in accordance with rules – 2 cases</li> <li>- Infringement of rules concerned with public procurement – 2 case – under the threshold 10 000 €</li> </ul>  |
| 9.           | IPA V     | /               | /             | /           | <ul style="list-style-type: none"> <li>- No irregularity cases were reported</li> </ul>   |
| <b>TOTAL</b> |           | <b>66</b>       | <b>49</b>     | <b>17</b>   |   |

## REPORTED IRREGULARITY REPORTS



## TYPES OF IRRGULARITIES 2008 - 2012



## ***ACHIEVEMENTS OF THE ISCIF***

- Guidelines on prevention, detection, reporting and treatment of irregularities in the context of IPA funds.
- Risk management methodology on irregularities and frauds.
- Medium-term training strategy on system of management of irregularities and fraud for the period 2009 – 2011.
- National Anti-Fraud Strategy for the protection of the EU financial interest for the period 2010 – 2012” and it’s Action Plan (adopted January 14, 2010).
- Administrative agreement on cooperation between the ISCIF and APRA (April 22, 2011).

## ***ACHIEVEMENTS OF THE ISCIF***

- Implementation of IMS system (electronic method for reporting irregularities to OLAF).
- IPA 2007 TWL project “Strengthening Croatian AFCOS system with the aim of protection of EU financial interests” – Romanian Fight Against Fraud Department
- Instructions for managing irregularities and fraud (TWL Project – DLAF).
- HERCULE II 2011 project with DLAF, “Fight against frauds affecting EU’s budget - Sharing the Romanian experience with the Croatian authorities”
- TAIEX – study visit to Internal Audit and Investigations Department, Malta
- Organisation the AFCOS conference in Dubrovnik, Croatia (27-29 June 2012)

## ***PLANNED ACTIVITIES***

- New TWL IPA 2009 project “Further strengthening AFCOS system in Croatia”.
- New National Anti-Fraud Strategy for the protection of the EU financial interest for the period for 2013 – 2015 and its Action plan.
- Development of the data base for fraud risk analysis and methodology for risk analysis
- Signing cooperation arrangement between ISCIF and OLAF.
- Amendments to the decision on the establishment of AFCOS network.
- Signing operational/co-operation agreements/protocols between ISCIF and national authorities (State Attorney, State Audit, etc.)

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# Thank you for your attention!

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