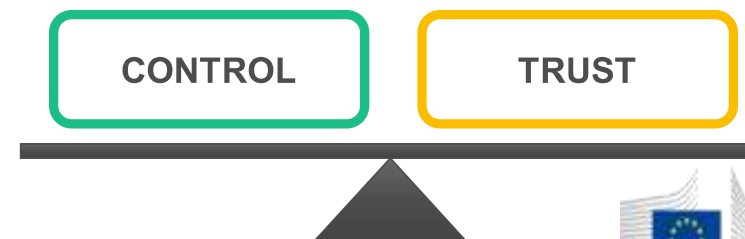


DAC audits on Conflict of Interest (Col)

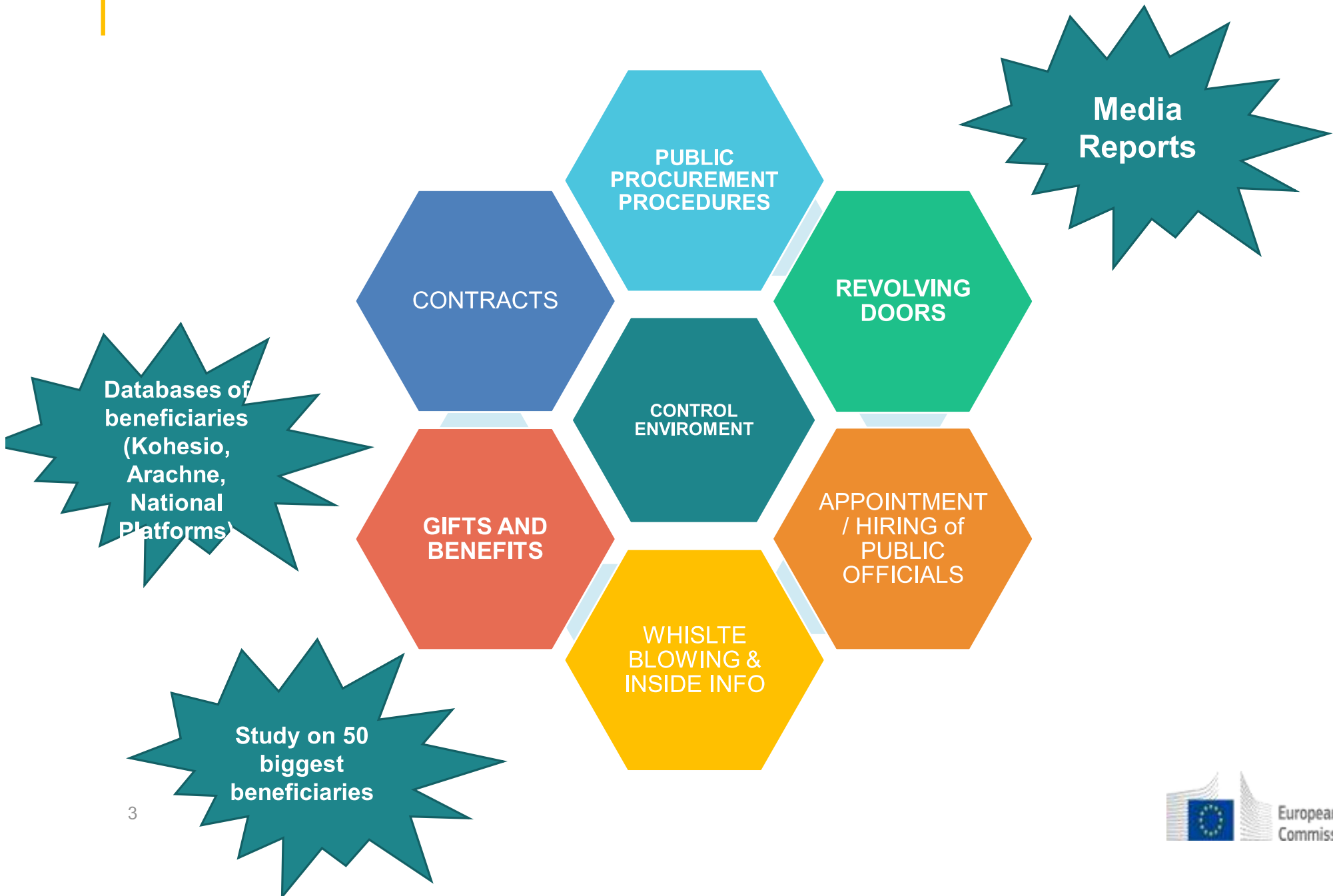
- DAC **audits** on Col are conducted with respect to :
 - Financial Regulation (EU) no 2018/1046, Article 61;
 - Directive 2014/24 on Public Procurement (PP), Article 24;
 - The Common Provisions Regulation (CPR);
 - The 2021 Commission Guidelines.
- DAC has been conducting targeted **thematic audits on Col** since the entry into force of Article 61 of the Financial Regulation
- DAC has made **recommendations** to Member States to improve Management & Control Systems, verifying that that systems ensure a proportionate approach and balance between:



Applying EU Conflict of Interests Rules in ERDF, ESF and Cohesion Fund

- DAC audits possible Col situations **at the level of systems** put in place by the **managing authorities**, controlling whether:
 - Adequate procedures for the **selection of operations** are in place (evaluation process);
 - Adequate **management verifications** on Col are performed and public procurement processes are verified.
- DAC also systematically verifies whether **audit authorities** systematically check Col in their **system** and **project audits**.
- DAC audits possible Col situations at the **level of beneficiaries** when auditing operations, in particular public contracts.

DAC audits on Col focus on key risk areas



Audit objectives and approach

Assess the overall control environment around Col.

Raise relevant recommendations wherever needed

Review the **largest private beneficiaries** and focus on the **riskiest ones**;

Review politicians' assets / activities

Obtain **evidence** that the **high-risk areas** and processes are addressed;

Test self-declarations with **hard evidence** (eg ARACHNE).

Recommendations to **ameliorate** the control environment for Col prevention and detection;

Seek the **agreement** of the National Authorities on implementing the recommendations.

Request financial corrections when documented cases are evidenced



Audit example – Country A

During audits we noticed that:

The MS has invested on the control environment of Col mainly through:

- Strengthening the **verifications**;
- Conducting **training sessions** on Col to ESIF participants.

The auditors observed that there is:

No systematic Risk Analysis in place dedicated to the issue of Col in the overall control environment;

No proper **reporting** procedures on Col

- **We recommended the MS to:**
- Establish a systematic Risk Analysis process at the level of the managing authority and focus on a **more holistic review** of Col;
- Enrich its Col **prevention** and **detection** mechanisms;
- Streamline the procedures on **reporting** Col;
- Ameliorate the process on **whistle-blowers** in order to properly protect the anonymity of persons.

Audit example – Country B

During audits we noticed that:

ARACHNE and other national IT data mining tools are in place;

Extensive **system of self-declaration** of absence of Col exists at all levels;

Red flags on Col help on performing further verifications.

Existence of an **Col alert tool for authorities and beneficiaries**

The auditors observed that :

The potential existence of Col for **direct awards** is not checked;

Documentation needs improvement;

⁶ **Col procedures & processes** need update.

We recommended the MS to:

- Check the potential existence of the conflict of interest for **direct awards**;
- Improve **documentation** on verifications;
- Establish **visibility** and easy access to the Col alert tool;
- Finalise the procedures for dealing with **revolving doors**.

Audit example – Country C

The auditors observed that :

Declarations of impartiality were **not signed** by all personnel involved in the implementation of the EU funds;

Checks of self-declarations of impartiality **against other sources** of information were not performed on public procurement;

The level of **awareness-raising** on Col was not adequate;

Non-compliance with the **obligation to notify a risk** of Col to a hierarchically superior.

We recommended the MS to:

- Ensure **family ties of grant beneficiaries with regional public servants** are properly controlled;
- Increase the **transparency** on selection procedures;
- Ensure self-declarations are **signed** at all level;
- Test the impartiality of self-declarations against **risk scoring & data mining tools**;
- Raise the **awareness** on risk of Col;
- Make sure that that all **hierarchical levels** are notified in case of potential Col.

Audit example – Country D

The auditors observed that :

Verification of potential conflict of interests in public procurement **varied significantly;**

Non respect of the national rule on **Declarations of assets and interests** (including for personnel of Mas);

The checks on **veracity of declarations** varies significantly between MAs.

We recommended the MS to:

- Ensure **homogeneity** on the verification of Col;
- Make sure that the Bulgarian Civil Servant Act (Article 29) is respected **across the whole programming period;**
- Introduce procedures on the **uniformity** ensuring the veracity of declarations.

Thank you

Contact: EC-DAC-DIRECTOR@ec.europa.eu

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