Arachne

Frequently asked questions

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ACCESS TO ARACHNE, USER ROLES

1.   Who has access to Arachne?

Based on instructions from the Member States Authorities', the Commission services will grant local administrator rights in Arachne to a limited number of users for the concerned Operational Programmes or Plan.

It is the responsibility of the local administrator to manage the Arachne accounts for the operational programmes or plan for which they are local administrator by respecting the conditions set out in the Arachne charter.

Access can be granted to local users from managing authorities, paying agencies, certifying authorities, audit authorities, intermediate bodies, coordination bodies and other agencies, provided that this access is granted strictly in the context of the management and control system of the European funds that are in the scope of Arachne.

Following the extension of the CPR to other Funds (i.e. Asylum, Migration and Integration Fund, Border Management and Visa Instrument and the European Maritime, Fisheries and Aquaculture Fund), the use of Arachne could be extended to these Funds, in addition to the Cohesion policy Funds and the Resilience and Recovery Facility.

The users in the Member States have access to the result of the risk calculations for all the projects in the scope of the operational programmes or plans that they administer.

The auditors of the Commission services have access to the results of the risk calculations for all the projects.

The users in the Member States and the auditors of the Commission services also have access to the companies' database.

The Commission services will not grant the European Court of Auditors (ECA), the European Anti-Fraud Office (OLAF) and the European Public Prosecutor's Office (EPPO) automatic access to the results of the risk calculation of Arachne. However, in duly justified circumstances, OLAF, ECA and EPPO can request to the Commission services, on a case-by-case basis, information about the risks calculated.

2.   Can authorities that are not directly involved in the implementation of ESI Funds, but are participating in the control or audit of ESI (for ex. law enforcement authorities, Supreme Audit Office) be granted access to Arachne?

The local administrator can only grant access rights to users who are working in a body that is part of the management and control system for specific programmes/plans. This is also mentioned in the charter of Arachne that lines out the basic principles for using Arachne.

3.   Can the European Court of Auditors and OLAF have access to Arachne?

In accordance with the opinion concerning the "risk analysis for the prevention and detection of fraud" of 17 February 2014 (2013-0340), the European Data Protection Supervisor (EDPS) states that OLAF and the European Court of Auditors may submit formal requests to the Commission on a case-by-case basis for access to the information held in Arachne, for individual cases. These requests are examined by the DG to whom the request is addressed and, where appropriate, OLAF may obtain access to information held in Arachne, allowing it to perform ad hoc research only for the case in question. The use of Arachne by OLAF will be subject to the regulatory framework for OLAF investigations. The research must therefore be legal, proportionate and linked to investigation.

The European Court of Auditors does not have access to Arachne, which in any case cannot be used to establish samples of operations to be examined in DAS (statement of assurance) audits. A sample based on Arachne would produce results that might not be considered as representative. The Court could be led in specific cases to ask the Commission to consult Arachne for operations already selected or in the event of suspected fraud. These requests should be analysed on a case-by-case basis.

4. Is it mandatory to use Arachne?

The Commission is enforced by a set of regulations to provide a data mining and risk scoring tool to the Member States, not limited to the current cases covered by Arachne. Specifically:

- The Common Provisions Regulation (CPR), Regulation (EU) 2021/1060, recital 72

- The Recovery and Resilience Facility Regulation (RRF), Regulation (EU) 2021/241, recital 54

- The European Globalisation Adjustment Fund for Displaced Workers (EGF), Regulation (EU) 2021/691, recital 44

- The Common Agricultural Policy (CAP), Regulation (EU) 2021/2115, recital 121

- The Brexit Adjustment Reserve (BAR), Regulation 2021/1755, recital 25

- A recent proposal for the revision of the Financial Regulation, COM/2022/223 final, recital 27

However, the use of Arachne is for the moment on a voluntary basis. Member States are free to use other adequate and effective systems. However, for the purpose of the obligation for the Member State to put in place "effective and proportional anti-fraud measures and procedures, taking into account the risks identified " in the programming period 2021-2027, Arachne is the Commission's benchmark.

5. How does a local administrator decide to whom it grants which user role?

After the Member State's decision to use Arachne, the Commission services give administrators' rights to a restricted list of local administrators who are designated by the Member State. The local administrators have the rights to grant access, for the programmes/plans they administer, to designated users.

The local administrator can, per programme/plan assign a specific user role such as supervisor or guest to each user. The various roles define different rights to work with within the case management functionality of Arachne. The case management is a functionality which assists the user in the follow-up of projects or contracts that require additional review. More information about the case management functionality is available in the user manual of the Arachne web interface.

Besides the case management role, another specific role that the local administrator can grant is the one of 'data uploader'. The data uploader can upload to Arachne the XML data files containing the project, contract and expense data for the programmes/plans that he administers.

6. Will the use of Arachne in a Member State be evaluated?

The audit authority and probably the Commission auditors will assess in the framework of system audits if the anti-fraud measures put in place are proportionate and effective according to Article 74 (1)(c) of the Regulation (EU) 2021/1060. The assessment criteria are set out in the 'Guidance for the Commission and Member States on a common methodology for the assessment of management and control systems in the Member States" (EGESIF_14-0010, key requirement 7 – effective implementation of proportionate anti-fraud measures).

7. If a Member State opts for Arachne, will there be a possibility to adapt Arachne to specific needs?

No, Arachne and its way of calculating risks are uniform for all users. However, the Commission encourages all users to give feedback to the Commission about the usefulness or the calculation of risk indicators. If it is in the common interest of all Member States, future versions of Arachne could be designed taking into account these comments.

8. Is Arachne available in different languages?

Yes, the Arachne interface and the user manual are available in all official EU languages.

9. Will a Member State have access to data from other Member States?

Arachne users have only access to the data of the programmes/plans for which they have access rights. In most cases these access rights are restricted to one programme/plan or to all programmes within a Member State.

Limited information about data from other Member States is available through the concentration risk indicators and the total amount of financial support. If a company is involved in multiple projects implemented in different Member States, the authorities from each Member State will be able to retrieve some limited data from the other Member State by means of the concentration risk indicators, i.e., the name of the authority, the programme/plan, the project name, start and end date of eligibility, project cost and status.

Moreover, in the risk calculation of one of the reasonability indicators, the total amount of financial support of a company is calculated for all Programmes/Plans in all Member States. The total amount is visible in this specific risk indicator to all the users, but the details are only visible for the projects or contracts linked to the programmes/plans for which the user has access rights.

Finally, Member States can grant access to users outside of their country. In that case, the user can see all the risk indicators for the programme/plan of another Member State. This may be particularly interesting for the Interreg programmes where designated bodies for one programme/plan are located in different Member States.

10. Is a user allowed to modify or update data in Arachne?

Data uploaded in Arachne cannot be changed. The only option for the Member State to change or correct data is to upload a new data file in XML format. The updated XML file with the corrected data is the basis of new risk calculation. Arachne calculates the risks once a week based on the data provided by the Member State. Consequently, it takes up to one week to correct the erroneous data.

The only exception of data that can be altered without uploading a new data file is the data in Case Management. Creating and updating a case is possible for the users with the necessary roles in Arachne. Information about the case management is available in the user manual.

11. How many licences are available for Arachne users?

The number of concurrent licenses determines how many users can retrieve data coming from external sources Orbis and World Compliance at the same time. Currently there are 40 concurrent licenses available. If no license is available at a certain moment, the user need to wait for a few minutes before some licenses become (automatically) available. The Arachne IT team in the Commission monitors the use of Arachne in terms of number of concurrent users and if needed, the number of licences can be modified.

12. Can the Commission confirm that the Arachne licenses are made available free of charge to the users for the entire duration of the programme?

The Commission will cover the license costs at least until the closure of the period 2021-2027. Towards the end of this programming period, it plans to assess the use and impact of the tool. Subject to the results of this evaluation and depending on the available budget, the Commission plans to keep the licenses available free of charge for all the users.

SOURCE, STRUCTURE AND CREDIBILITY OF DATA

13. Which data fields do the Member States have to upload in Arachne in order to get results of the risk calculations displayed on the dashboards of Arachne?

The national authorities are responsible to record and store electronically the data on each operation according to Article 72(1)(e) of the Regulation (EU) 2021/1060 and in accordance with the provisions of Annex XVII of this Regulation.

Apart from the data included in the Annex XVII of the Common Provision Regulation, the national authorities can, on a voluntary basis, enlarge the amount of data fields that they upload to Arachne.

With only the data fields described in Annex XVII, not all risk indicators can be calculated, notably for the risks related to expenditures (e.g. double payments, payments before eligibility period started). Arachne can only calculate a risk indicator if all the information necessary for its calculation is available. If not all the data is uploaded, not all the risk indicators can be calculated in Arachne. Hence, it is recommended to include in the national computerized systems all the data fields that can be processed by Arachne in order to fully benefit from the results of the risk calculation and the potential of Arachne. Providing additional data such as expenses will make Arachne a more useful, effective and accurate tool.

After calculation of the risks and based on the data provided by Member State, users can consult and assess the risks related to projects, beneficiaries, contracts, contractors and expenses data via the Arachne web interface.

At request, the Commission services can provide relevant documentation concerning:

- All data fields that can be processed to calculate the risks in Arachne.

- The link between the data used for the calculation and the related risk indicator, available in Arachne as a result of the risk calculation.

- A technical explanation and guidance to create the XML data file

14. Which databases are used as data sources?

Arachne uses data from the operational databases in the Member States and from three external databases.

Generally the operational database used to extract data from, is the computerised system according to Article 69(11) of the Regulation (EU) 2021/1060. However, in some cases it is possible that some data, which is not included in the computerised system, is stored and processed in other systems. It is advisable that the national authorities elaborate the sources of data that are available in their local data systems and how data from these systems can be merged with data extracted from the computerised system. The aim should be to source as much as possible data necessary to calculate all the risks in order to fully benefit from the result of the risk calculations in Arachne, as explained in question 13.

Arachne uses three external data sources during the enrichment and risk calculation process.

- Orbis database: Information on more than 400 million companies worldwide, including:
  - financial data of the company (turnover, cash flow, profit margin, …)
  - shareholders, subsidiaries and ultimate owners
  - address information

- o sector, type, size

- o members of the board of directors and (beneficial) owners

- o indicators like credibility and bankruptcy

- World Compliance database: Aggregated and centralized information about:

  - o PEP lists (politically exposed persons)

  - o sanctions lists (EU Terrorism List, ICE List, CBI List, …)

  - o enforcement list (narcotic & human traffickers, money launderers, fraudsters and other criminals, …)

  - o adverse media list (companies or persons that have been linked to illicit activities by news sources)

- VIES system: VAT Information Exchange System of the Directorate General of Taxation and Customs Union (TAXUD) to check the validity of VAT numbers used by beneficiaries, contractors and subcontractors.

15. Who is responsible for providing operational data for the risk calculation?

According to the regulation, national authorities have to put in place effective anti-fraud measures, appropriate to the risk identified and hence, they are responsible for the organization of the collection, the extraction, the creation and the upload of the data files.

The local administrator in the Member State can grant the role of 'data uploader' to one or more users for the programmes or Plans for which he is local administrator. The data uploader must use the '"file upload' functionality within the Arachne web interface to upload the XML data file(s) containing the project, contract, and expense data for the programmes/plans that he administers.

16. Is it possible to upload several XML files for one programme/plan with different data sources?

The data to upload in Arachne may be collected from different data sources. However, it is recommended to aggregate this data and to upload the data for one programme/plan in one single XML file. At least all data related to one project must be provided in the same XML file.

17. Will Arachne use data from the systems of the Commission, particularly the Irregularity Management System (IMS), the Anti-Fraud Information Services (AFIS) or the Tenders Electronic Daily (TED)?

The only systems of the Commission used by Arachne are the following:

- VIES: The VAT Information Exchange System of DG TAXUD, to check the validity of VAT numbers used by beneficiaries, contractors and subcontractors (see https://ec.europa.eu/taxation_customs/vies) ;

- INFOREURO: The currency rate published by DG BUDG in the beginning of each month (see http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm) ;

- EU-Login for access control ;

18. The financial statements do not always contain the turnover and the number of employees of companies, how does Arachne handle this?

This data is taken from the Orbis database if the concerned companies have published these figures. If not, the national authorities can provide these figures to Arachne if they have the information available in their local IT system.

19. How long the data will be retained?

Regarding data retention for the 2014-2020 programming period, the data is kept for three years following the closure of an operational programme and in accordance with the requirements of Article 90 of Regulation 1083/2006.

For the 2021-2027 programming period, in line with the Common Retention List, all projects, contracts, and expenses data, which are uploaded by the Member States in the Arachne database, and all corresponding calculated risks, will be kept for 10 years after the last payment claim by the Member State to the Commission.

20. Are all the amounts VAT included?

Yes, if VAT is an eligible expense item.

21. For data sourced in another currency than EUR, which exchange rate is used?

All amounts in Arachne are expressed is EURO. If Member States are sourcing the amounts of projects, contracts, expenses … in other currencies they will be converted in the beginning of the risk calculation process of Arachne.

Arachne uses the exchange rate applicable to the conversion of the expenses according to the regulatory requirements. This rate is published by DG BUDG in the beginning of each month (see http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm).

The conversion is only done when new or updated data is uploaded in Arachne.

22. How to ensure the matching between the external database Orbis and the data uploaded by the Member State?

The name given by the company in the application can be different from the one with which they are registered in the Orbis database. In such a case, even if a 'fuzzy matching' mechanism is applied, the name may not be matched with the Orbis database and consequently the Orbis data will not be used in the risk calculations.

It is advisable that the Member State aligns the identification number of the entity in its computerized system with the BVD ID (=Bureau van Dijk identification number in Arachne) of the identified company, which is in general equal to the national business registry number, and to use this number as the Entity ID in the operational data uploaded in Arachne.

23. Is it necessary to upload data for all the projects and contracts or can a selection be made?

Arachne calculates for several risk indicators peer group averages for the whole programme/plan. If not all projects and contracts are provided, the peer group averages will not be accurate which may lead to "false positive" risks. In addition, concentration risks will not reflect the reality for the

selected projects or contracts if other projects or contracts are not loaded in Arachne and finally, the total EC financial assistance used in one of the reasonability risk indicators will not be correct.

24. How are the results of the risk calculation for Arachne stored?

The result of the risk calculation of Arachne is stored in a database. Arachne users can retrieve these results using the web interface of the Arachne application and have the possibility to assess the risks related to the programme/plan(s) for which they have access via dashboards for projects, contracts, contractors and beneficiaries. They can also export selected data or they can save printable reports.

25. Are the data provided by the external service providers Orbis and World Compliance credible?

The data providers Moody's for Orbis and LexisNexis for World Compliance have been selected after an intensive market study performed by the Commission. One of the main principles to select the service provider was that they provide only the data that are publicly available and that they do not use information from sources that are not official or that are unreliable. Their service providers ensure the quality of the data through internal quality checks. Incorrect information can only be changed by companies by correcting their data in the respective national company register.

26. Who will check the coherency and the correctness of the XML data files?

It is the responsibility of the Member State to check the coherency and correctness of the data they upload in Arachne. The Commission supports the national authorities in the setup and test phase by checking the quality and quantity of the data sourced.

Technical validation of the XML data file can be performed by using the 'File validation' functionality available in the Arachne tool.

A functional validation of the data file is performed in the Arachne tool few minutes after the upload of the data file in the tool. A specific screen in available for the user who uploaded the data files in which he can retrieve the eventual functional errors and warnings.

27. "Uploading data in Arachne is too complex."

Like in any communication between different IT systems, a specific format is necessary to transmit data from the Member States to Arachne. The format used is XML, which is a very widely applied and popular interface language that any IT department should be able to use. If an IT investment is not possible in short term, an Excel template is available where the data fields can be entered and from which the XML file can be generated automatically. The generated XML files can be uploaded in Arachne by means of just a few clicks within the tool.

A web service will be made available in the near future to automatically upload XML data files in Arachne.

28. "Too many data fields must be uploaded in the system."

In total, there are 105 data fields available for upload in Arachne. Not all data fields are applicable to all types of projects, and only 8 data fields are mandatory to be uploaded. All the data fields that are available in the national IT system for a project can be added in the data extraction algorithm that creates the XML data file. Data fields missing in the national IT system can remain empty in the XML file. The more data fields are filled in, the more risk indicators can be calculated for each project and contract.

29. "Not all data fields are available in the national systems."

Data fields missing in the national IT system can remain empty in the XML file. The more data fields are filled in, the more risk indicators can be calculated for each project.

30. Is the operational data in Arachne updated continuously, or on predefined dates?

Once a Member State decides to use Arachne, it becomes their responsibility to upload data in Arachne. If the national authorities do not upload data on a regular and timely basis (ideally once a month and at least every 3 months), there is a risk that the effectiveness of the anti-fraud measures is compromised.

All files uploaded by the Member States into Arachne before Monday 06:00 AM Central European Time are included in the weekly risk calculation. The enrichment and risk calculation process of Arachne runs every week and starts each Monday. On the following Monday, the updated results of the enrichments and the risk calculations are visible in Arachne.

### 31. How does Arachne process updates its source databases?

The two external databases (Orbis and World Compliance) used by Arachne in the enrichment and risk calculation process are refreshed every 3 months. It is the responsibility of the Commission to guarantee that the refresh is performed as planned.

32. Do the Member States have any responsibility as regards updating Arachne source databases (timing, set of data provided)?

Member States have the responsibility to update their data in Arachne by uploading new data files on a regular basis ideally once a month and with a minimum set of data, as described in the answers 13 and 27.

33. How long does it take before information about organisations, individuals or relationships become available in Arachne?

The maximum period a company can take to file its accounts after its year-end is generally 6 to 9 months. The maximum period between a company filing its accounts and the records appearing on the Orbis database is 6 weeks. Arachne receives every 3 months a refresh of the Orbis database. So it can take up to 13.5 months before the accounts are available in Arachne.
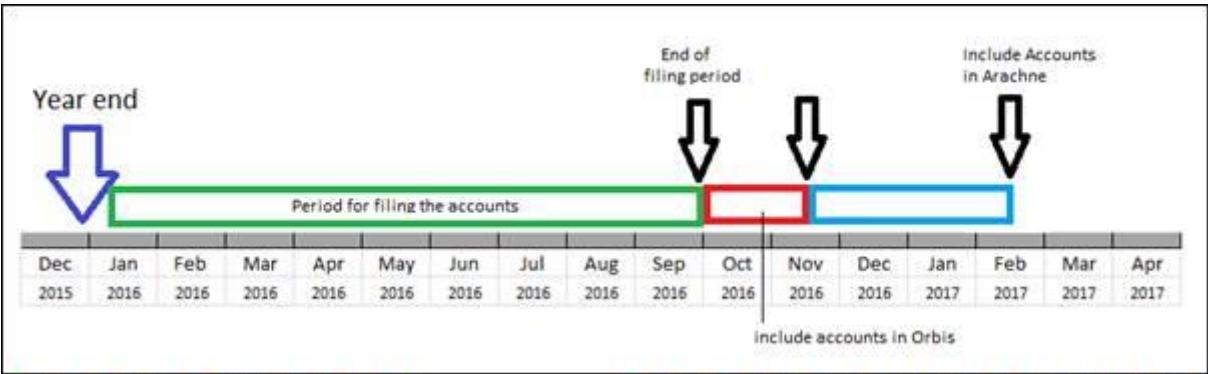
FUNCTIONALITIES AND POSSIBILITIES OF USE

34. Which functionalities does Arachne offer?

Arachne offers several functionalities for the assessment of risks related to projects, contracts, contractors and beneficiaries. Additionally, Arachne gives Member States the possibility to retrieve officially registered data from companies worldwide via the Orbis database.

35. Is it possible to use Arachne on an ex-ante basis before a grant agreement or a contract is signed?

A Member State has the possibility to carry out ex-ante checks, before the grant agreement. Two cases can be distinguished:

1) Manually:

All users have access to the information displayed in the company detailed reports, accessible via the search functionality in Arachne. General and financial information and information on the bankruptcy score as well as information about shareholders, subsidiaries; relations between involved companies; owners/managers and links between them are available if officially registered.

2) By using the ex-ante functionality:

The Member State's local administrator may grant authorised users access to the ex-ante functionality, which is a system for systemic checks of applicants before a contract or a grant agreement is signed. This enables national authorities to identify concentration risks, contract management risks and reputational and fraud risks, such as potential conflict of interest or the involvement in sanction lists.

36. Can Arachne display information about successful and unsuccessful candidates or applicants?

In principle, all information that is officially recorded in company registers around the world can be displayed in Arachne via the Orbis database. For all candidates or applicants, information may be available in Orbis. Depending on the respective national law, the details of the information that must be registered may vary. Notably for small entities, financial data is not always available.

37. What is the benefit for a Member State to use Arachne?

1. Meeting the requirements of the Regulation (EU) 2021/1060
2. Install and run the risk scoring tool free of charge
3. Get training and technical support from the Commission
4. Increase efficiency and effectiveness of management verifications
5. Show and document the result of the increased efficiency and effectiveness of management verification
6. Strengthen measures to prevent and fight against irregularities
7. Profit from automatic dataflow and decreased administrative burden

38. Which risks are analysed by Arachne?

Arachne can calculate and display up to 103 risk indicators classified in 7 risk categories: procurement, contract management, eligibility, performance, concentration, reasonability and

reputational and fraud alerts. Details such as a description and the data needed to calculate the risk are available in the risk pop-up windows of the tool and in the user manual.

39. Does Arachne include data on entities that are facing recovery of funds based on a Commission decision, in which the financial assistance was marked as ineligible and incompatible with the single market?

Arachne is not linked to any other system in the Commission, except for the VAT Information Exchange System (VIES) of the Directorate General of Taxation and Customs Union (TAXUD) that is used to validate VAT numbers.

In the data file to be uploaded in Arachne, national authorities can include information on involved companies affected by financial corrections in the past. This information is used in the procurement risk indicator category.

40. Is Arachne able to detect collusive behaviour?

- Arachne only uses data that is officially published by companies. Secret cooperation cannot be detected automatically by Arachne. But three risk indicators might help in the detection of collusive behaviour: , i.e., Contractors involved in multiple projects of the beneficiary, Sub-contractors involved in multiple projects of the beneficiary and Supervision contractor multiple times in same constellation with work contractors

41. Is Arachne able to detect accumulation of state aid and de minimis?

No, Arachne cannot automatically detect the accumulation of state aid. However, some counters that take into account data from all Member States and for all types of funds, and that are available in the company's detailed report, as well as some risk indicators, might help in the detection, i.e.,

- Number of projects as beneficiary
- Total of project costs as beneficiary
- Indicator 'Overall EC financial assistance vs turnover of the beneficiary'
- Indicators in the category concentration

42. Can I identify if an applicant / enterprise can be classified as an SME?

Arachne indicates 'BvD size' in the company's detailed report. This is a categorisation according to Bureau van Dijk and can give a first indication for the classification of a company as very large, large, medium sized or small.

Member States should in any case follow the EU recommendation 2003/361 and can get more detailed information via the web page http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition where a revised User Guide to the SME definition is available in all EU languages.

Despite the fact that the Orbis definition does not comply with the EC definition of company size, the represented Orbis data can be used to derive the EU defined size. The company's detailed report shows the turnover, the balance sheet total and the number of employees. Orbis information also allows us to check whether a company is an autonomous enterprise or if there are partner or linked enterprises.

Orbis uses following criteria to classify the companies:

<u>Very large Companies</u>

Companies on Orbis are considered to be very large when they match at least one of the following conditions:

- Operating Revenue >= 100 million EUR
- Total assets >= 200 million EUR
- Employees >= 1,000
- Listed

Notes:

- Companies with ratios Operating Revenue per Employee or Total Assets per Employee below 100 EUR are excluded from this category.
- Companies for which Operating Revenue, Total Assets and Employees are unknown but have a level of Capital over 5 million EUR are also included in the category.

Large Companies

Companies on Orbis are considered to be large when they match at least one of the following conditions:

- Operating Revenue >= 10 million EUR
- Total assets >= 20 million EUR
- Employees >= 150
- Not Very Large

Notes:

- Companies with ratios Operating Revenue per Employee or Total Assets per Employee below 100 EUR are excluded from this category.
- Companies for which Operating Revenue, Total Assets and Employees are unknown but have a level of Capital comprised between 500 thousand EUR and 5 million EUR are also included in the category.

Medium sized Companies

Companies on Orbis are considered to be medium sized when they match at least one of the following conditions:

- Operating Revenue >= 1 million EUR
- Total assets >= 2 million EUR
- Employees >= 15
- Not Very Large or Large

Notes:

- Companies with ratios Operating Revenue per Employee or Total Assets per Employee below 100 EUR are excluded from this category.
- Companies for which Operating Revenue, Total Assets and Employees are unknown but have a level of Capital comprised between 50 thousand EUR and 500 thousand EUR are also included in the category.

Small Companies

Companies on Orbis are considered to be small when they are not included in another category.

43. Does Arachne provide an assessment of financial health of a company?

Arachne provides an assessment of the financial health of a company via two indicators built on predictive modelling techniques. These indicators, called Vadis Predictive Indicators or VPI (Vadis

Technologies is the company that calculates these indicators in collaboration with Moody's (owner of the Orbis database), are only available for companies.

The two indicators are:

- VPI Bankruptcy score (Vadis Predictive Indicator for the propensity to become bankrupt):

Measures the propensity for a company to become bankrupt within the next 18 months.

The indicator scores (from 1 to 9) and ranks companies from A to F (F being assigned to companies with the highest propensity to become bankrupt) for all companies for which a score could be computed (when recent detailed financial data is available) and which are located in one of the fifty main industrialized countries.

- VPI P2Bsold (Vadis Predictive Indicator for the propensity to be sold):

Measures the propensity for a company to be sold within the next 18 months.

The indicator ranks from 1 to 5 for the top 10% of companies for which a score could be computed when recent detailed financial data is available for each of the main fifty industrialized countries that display the highest probability to be sold. Each ranking value therefore represents 2% of the 10% of the population of each country with 5 being the 2% of the companies being the most probable to be sold in that country.

44.   Is Arachne able to detect a possible conflict of interest?

Arachne is able to detect links between companies and/or persons based on the information in Orbis and the data provided by a Member State. Legal links (between companies), private links (between people and companies) and affinity links (between people) are taken into account. These links are used in the following risk indicators:

- links between beneficiaries and project partners
- links between beneficiaries/project partners and contractors/consortium members
- links between beneficiaries/project partners and sub-contractors
- links between contractors and consortium members
- links between contractors/consortium members and sub-contractors
- links between related people and involved companies

Whether a specific link identified by Arachne constitutes a conflict of interest or not, must be duly verified in every case by the user in the light of national laws.

A 'private link' means a link between a person and a company due to their role in the company that is registered officially in the company register of a country. This does not represent a link between family members or other relationships.

45.   Does Arachne provide data on publicly available information of a company or a person?

Arachne checks if companies, involved in a project or a contract, appear on the PEP, enforcement, sanction or adverse media lists available in the World Compliance database. People registered as an official representative of an involved company and people provided by the Member State via the operational data (e.g. because they were part of the selection committee for the project) are also checked on these lists. The results of these checks are available by means of four risk indicators in the reputational and fraud category:

- Involvement in PEP lists
- Involvement in sanction lists
- Involvement in enforcement lists

- Involvement in adverse media

46. What are risk categories, risk indicators and the overall risk?

Arachne can calculate up to 103 risk indicators. Each individual risk indicator has its own calculation rule that can be displayed in a pop-up window. Arachne can only calculate and display a risk indicator (1) if all the data fields necessary for its calculation are uploaded by the Member State and (2) if all external data, necessary for its calculation, is available in the exteral data bases . All risk indicators are grouped into the seven risk categories: procurement, contract management, eligibility, performance, concentration, reasonability and reputational and fraud alerts. The number of risk indications in each risk category varies. Whereas the risk category procurement contains six risk indicators, the risk category reputational and fraud alerts comprises 31 risk indicators.

The maximum score of an individual risk varies between 5 and 20 depending on the type of the individual risk indicator. If not all data is available to calculate the risk indicator (see above), there will be no score for that indicator. A score equal to 0 means that Arachne did not detect any risk for the specific indicator. A score equal to the maximum score (5, 10, 15 or 20) means that Arachne identified a potential risk.

An overall score is calculated for each category (with a maximum score of 50) taken into account the 3, 5 or 10 highest identified risk scores.More details are available in the user manual of the risk scoring principles.

Arachne gives the Member State the possibility to easily identify the most risky projects, contracts, contractors and beneficiaries with the help of the "overall risk", which is the average of the overall scores of the seven risk categories.

47. What is the content of risk category "reputational and fraud "?

In the "reputational and fraud" alert category Arachne provides 31 different risk indicators. All the risk indicators are calculated if enough data is available.

This risk category includes following risk indicators:

- Financial risks: Overall financial performance of beneficiaries, project partners, contractors, sub-contractors and consortium members, based on financial reporting data

- Relationship risks: Existence of relationships between beneficiaries, project partners, contractors, sub-contractors and consortium members and their official representatives and related people

- Reputational risks: Involvement in activities that could possibly result in reputational damages (e.g. bankruptcies)

- Sanction risks: Identification of beneficiaries, project partners, contractors, sub-contractors and consortium members or their official representatives and related people, blacklisted or appearing in any type of sanction list (in case of matching with the World Compliance database)

- Change risks: Any type of changes to the company structure, name, address, directors, …

The overall score of the "reputational and fraud" alert category is the average of the 10 highest individual scores in this category.

48. Who updates the risk status within the system in case the risk decreases due to implementation of certain measures?

The indicators in Arachne are calculated automatically every week. New data uploaded in Arachne by a Member State, a refresh of the external databases Orbis and World Compliance, or simply the passing of time can influence the values of the risk calculations.

Additionally, the data received from other authorities, even from other Member States, can influence the risks linked to programmes/plans for which no new or updated data was sourced (concentration risks, financial risks, …). This would be the case where beneficiaries, contractors or subcontractors have obtained a grant for a project or a contract in a different Member State.

49. Is it possible to see the history of officially registered financial data of any given company?

Arachne provides, via the consultation of the Orbis database, the financial data that companies have officially published over the last ten years. The financial details can be retrieved in the company's detailed report. Additionally, these financial details are used in many risk indicators, and in that case, these details can be retrieved via pop-up windows.

50. How does Arachne keep track of changes in the overall risk assessment over time?

The complete history of all the potential risks that were identified by Arachne for projects, contracts, contractors and beneficiaries is kept in Arachne. This historical data can be viewed using various functionalities and screens. Please find more information about these functionalities in the Arachne user manual.

51. Is it possible to see the risk level at any point in the past using Arachne?

Arachne offers the possibility to retrieve the risk levels at any given moment (starting from the moment the project/contract was uploaded in Arachne). This historical data can be viewed using various functionalities and screens. Please find more information about these functionalities in the Arachne user manual.

52. If an Arachne user identifies an irregularity, is it possible for him to record this information in Arachne?

The only possibility to add information to a project or a contract is by means of the case management system that allows the user to add comments. Please find detailed information about this case management system in the Arachne user manual.

53. Are persons working in one of the bodies of the management and control system, such as the managing authority, intermediate body, paying agency, certifying authority or audit authority included in Arachne?

Arachne users can search in the external database Orbis for a person having or have had an official role in a company that is registered. Employees or people involved in the management and control system are not included in Arachne.

Arachne, however, provides the Member State the possibility to add 'related people' for each individual project. This data field could contain names of the persons who are involved in the evaluation process. If the names of these persons are provided to Arachne by the Member State, Arachne will calculate their corresponding concentration, sanction and relationship risk. However, if the Member State considers providing names of individuals, it should strictly follow the national data protection laws and may need the individual's consent.

54. Are audit authorities allowed to use Arachne to select the operations to be audited in the framework of the annual control report instead of using statistical sampling?

This is not possible. The audit authority has to audit the declared expenditures based on a representative sample and generally on statistical sampling methods, allowing for the selection of a sample that represents the population. The final goal is to extrapolate for the entire population the value of a parameter (the "variable") observed in the sample and to conclude whether a population is materially misstated or not, and if so, by how much (an error amount).

55. Will the Commission base the selection of projects to be audited on the results of the risk calculation of Arachne?

The system audits of the Commission are conducted using a sample of operations selected on the basis of an own risk assessment methodology that is based on different criteria, such as previous results of audits, thematic objectives, amounts, type of operation, value, own findings, findings from the European Court of Auditors or strategic criteria such as horizontal aspects. The risks calculated in Arachne will therefore not be used to select the operations to be audited.

Only after the selection of the operations to audit, the auditors may consult Arachne in the preparatory phase of the audit to detect any related risks, in order to cover them during on-the-spot checks.

Additionally, there is also a possibility that the auditors re-perform the audit work done by the audit authority. In that case, the operations were already selected and subject to an audit by the audit authority.

Furthermore, in accordance with Article 148(4) of Regulation (EU) 1303/2013, the Commission could perform ad hoc audits, specifically on risk operations, selected after consulting Arachne. In such cases, the results could be considered as being representative of part of the programme potentially affected by the same risks (perimeter to be defined according to risks, potentially linked to certain operational features).

The Commission may also perform system audits relating to key requirement No. 7 – adequate anti-fraud procedures. In the context of such audits, the results of Arachne might be consulted.

56. Can Arachne outputs be used, in legal steps/legal acts, for termination of a contract or termination of a grant agreement?

The information used in Arachne comes from authorities and from official sources (publically available information and officially published) via the external databases Orbis and World Compliance. However, the risks displayed are based on predefined arithmetic formulas and do not establish a fact.

The risk indicators calculated in Arachne help Member States identify potential risks related to projects, contracts, contractors and beneficiaries. The calculated risks are not solid evidence for an irregularity as such. The identified risks can only be established as an irregularity if further documentation and verification are corroborated that finally prove by evidence that the risk identified is in fact an irregularity.

57. Is it possible to fine-tune a risk indicator calculation for a specific programme/plan?

The risk indicators are unique for all programmes/plans. Nevertheless, if experience indicates that risk indicator calculations need to be refined and if it is in the common interests of all the Member States, a fine-tuning may be considered.

58. What would be the level of risk of each individual group of indicators to decide to take further steps for verification?

It is advisable to establish an upfront strategy based on a risk assessment of when and where further actions for verification or investigation need to be conducted.

59. "The tool is complex and not easy to use."

Arachne offers many functionalities targeting risk mitigation in the management and control system of European funding. It enables, among other possibilities, carrying out individual and horizontal checks to identify potential issues with conflict of interest, eligibility, procurement, contract management, performance, involvement with fraudulent practices or other criminal activities, bankruptcies, etc., as well as looking up company and manager data on a global scale. Any IT system offering these possibilities would require in-depth training in order to use and understand it, and to correctly interpret the results. Besides training, regular use of the tool is necessary for its correct application.

Simplifications and a more condensed summary of the project and company reports have already been developed. Moreover, based on the feedback of Arachne users, more improvements will be made. Arachne will also be adapted to the specific needs of the different funds.

60. "Too many indicators are displayed in the dashboards. Many of these indicators are not relevant for my programme."

Arachne is designed as a 'one size fits all' tool. A workgroup comprised of representatives of managing authorities from several Member States, in collaboration with EC auditors, defined 103 indicators. These indicators were all considered as important in the context of the management and control system of ESI funds.

However, if a particular DG considers certain indicators to be irrelevant or even unsuitable for them, Arachne can be adapted and indicators can be removed from the scope.

TIME SCHEDULE, TRAININGS, SUPPORT

61.   What are the necessary steps to take before an authority can use Arachne?

Generally, the following steps need to be taken to start working with Arachne:

1. A first general presentation of Arachne will give the authority the possibility to see the analytical strength and vast possibilities of Arachne for its management verifications and the indications of red flags. The presentation will include some explanations about the technical requirements and XML format of the data file to be uploaded.

2. Once the authority wants to start the use or integration of Arachne, it will have to extract data from their computerised system. The creation of one data file in XML format for each programme is mandatory. The data file needs to be uploaded in Arachne.

3. The Commission will come back to the Member State and will present the result of the risk calculation. Ideally, this is combined with a first training session for designated users who will be involved in the integration of Arachne.

4. The authority can already decide at that stage if they want to grant access to intermediate bodies or other authorities, in order to get their feedback on the usefulness of Arachne, whether it is helpful for management verifications and how it can be integrated into the management and control system. The Member State can rely on the support of the Commission at any stage.

5. At the request of the Member State, advanced training sessions for designated users who work in a body that is part of the management and control system can be organized in order to expand the effective and efficient use of Arachne.

6. Once the authority decides to include Arachne in their management and control system, it should include Arachne in the description of the functions and procedures in place of the designated bodies. A delegated person(s) will manage all user accounts, permissions and roles for their programme(s).

62.   How will Arachne users be trained?

In general, the following trainings can be provided by the Commission:

- A one-day training session in combination with a presentation of the first results in Arachne as a first step.
- Advanced and in-depth training sessions (1 or 2 days) for designated users as a second step.

The cost of the organization of on-the-spot training, such as IT-equipment and a training facility, must be covered by the Member State. The Commission will cover the travel costs of the representatives of the Commission.

Note that since 2020 on-line training sessions are also possible. Experiences have learned us however that they are less interactive and productive.

63.   Who provides technical support to Arachne users?

Documentation is available from the Commission for all technical and administrative aspects of Arachne. The Commission also provides technical support to Arachne users by phone, online, on the spot or via the functional mailbox (EC-ARACHNE-INFO@ec.europa.eu).

64. How long does it take before Arachne is operational for a new Authority?

The amount of time for implementing Arachne depends on the specific situation in each Member State (level of experience of dedicated people, the administrative capacity, the availability of training rooms, the priority that is given on each task, …). In an ideal setting, it takes between 3 and 5 weeks to have Arachne operational:

$\Rightarrow$ a one-day information session,

$\Rightarrow$ 3-5 days for data mapping and extraction, creation of the Arachne data files and upload of the data in Arachne,

$\Rightarrow$ 2 weeks for data processing and risk calculation and a quality review of the first delivery,

$\Rightarrow$ one day to define users and roles and to create the user accounts,

$\Rightarrow$ 2 days to follow training for the designated users.

SECURITY AND DATA PROTECTION

65. Does a Member State need to adopt specific measures in order to protect data that can be displayed with Arachne?

The 'outputs' of Arachne are the calculated risk indicators. This information is stored in the Arachne database and is only accessible by Arachne users who are designated by a national authority. It is the responsibility of the authority to verify whether the designated users:

- are part of the management and control system,

- received the necessary documentation and training to use the system,

- do not extract, print or distribute Arachne information to individuals or organisations outside of the management and control system. Once a suspected case of fraud is detected, it should be reported via the established clear reporting mechanism to the competent investigative bodies in the respective Member State, to the Commission and to OLAF.

66. Data security – what are the technical specifications for computers on which the designated users can access Arachne?

The following elements are required in order to use Arachne:

- Screen resolution of at least 1024 x 768 (ideally 1680 x 1050 or greater)
- A working internet connection allowing the HTTPS (TLS) protocol
- Chrome, Firefox or Edge installed

67. Are there specific requirements for persons who are designated by the Member State to work with Arachne and/or have access to Arachne such as security clearance?

Arachne users do not have to sign specific security clearance documents for the Commission. The management of user access falls under the responsibility of the national authority. Local administrators, assigned by the authorities, administer the access rights for Arachne. These local administrators are responsible for managing user rights in line with the local security guidelines and with the general principles lined out in the charter of Arachne.

68. How is the consent of the data subject ensured as regards the processing and provision of personal data that is made accessible to third parties?

Data is only accessible via the Arachne tool but can be extracted and /or printed and shared with people who cannot access the application. It is the responsibility of the national authority to ensure that designated users are trustworthy and honest and do not share information obtained by Arachne with third parties that do not belong to one of the bodies of the management and control system. National authorities are also responsible for complying with national data protection regulations. In this respect, the data subject should be made aware that their data might be used for the identification of risk indicators as described in the Arachne manual.

69. Following the transfer of data by the national authority, will the Commission become the de facto owner of the data?

No, the Commission will not be the owner of the data. The national authorities will retain ownership of their data. The responsibility of the Commission goes no further than the in-depth analysis and enrichment of the data.

70. Can the Commission describe the system set in place to meet any requests from individuals to exercise their rights to access and rectify data held on the legal entity that they represent or their own personal data in an information system?

The Member States retain ownership of the data that they have entered in Arachne. It is therefore up to the national authorities to establish procedures to deal with any requests from natural persons concerning access to and rectification of the data shared in Arachne. At Commission level, all personal data is processed in accordance with Regulation (EC) No 2018/1725 of 23 October 2018 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data. Any request from natural persons to access and rectify personal data is handled in accordance with the provisions of this regulation. This regulation does not cover data concerning legal persons.

71. Should potential beneficiaries or contractors be informed that the national authority is using Arachne to assess risks associated to projects, beneficiaries, contracts and contractors?

Yes, all interested parties should have the possibility to be informed. A web page with all the relevant information about Arachne is available. Once integrated into the management and control system, the national authorities are advised to publish a link on their webpage so that anyone interested is informed about the checks that are carried out by the national authority.

SPECIFIC QUESTIONS RELATED TO INTERREG PROGRAMS

72.   Can the Commission indicate whether Arachne is suited to the Interreg programmes?

Arachne is also adapted in the context of the European territorial cooperation programmes. The designated managing authorities will have access to and must manage the data relating to their programme. All the data available in Arachne concerning operators, partners and programme operations is accessible to the managing authority of a programme.

73.   Can the managing authority use the information of the eMS system (computerised system developed in close collaboration by INTERACT for Interreg programmes) to download the data and upload it in form of an XML file to the Commission services?

Yes, extraction scripts have been made by some pilot managing authorities. These scripts are available for distribution to other managing authorities where they can be modified according to the specific implementation of eMS.

74.   What to do if partner countries do not want to use Arachne?

Arachne can be one element of effective and proportionate anti-fraud measures to be put in place by the managing authority. It should seek a common understanding with the partner country in that respect.

75.   What risk indicators are most useful for Interreg programmes?

There is a wide range of risk indicators that help the managing authorities or the respective controllers to increase the effectiveness and efficiency of the verifications in all stages of the project cycle. Some examples:

- Before project approval, check systematically all private economic operators to identify any risk of financial insolvency. In the case of a high risk detected by Arachne, the joint secretariat informs the relevant Member State before the meeting of the monitoring committee takes place in order to leave national representatives sufficient time for investigation and to confirm the financial viability of the applicant concerned.

- All economic operators declaring to be small and medium-sized enterprise (SME) and whose budget is framed under state aid rules that apply to SMEs only can be assessed using Arachne to identify any potential risk of false declaration (e.g. the enterprise is part of a larger group/economic operator).

- After project approval, the financial capacity of all beneficiaries that are private entities can be assessed at least once a year to identify any risk of financial insolvency.

- Check the risk of a conflict of interest between the project beneficiary and the external contractor if costs are incurred under the provisions of the public procurement directives (2004/17/EC; 2004/18/EC or 2014/23EC).

76.   How can I see if a beneficiary, a project partner or a contractor is involved in more than one project or operational programme?

The information is accessible via the indicators in the risk category 'concentration'. Normally, only risks from national operational programmes can be assessed. However, if the beneficiary, the partners, or the contractors are involved in several operational programmes, the managing

authorities can see the identification number (CCI) of these programmes, as well as some general information about the projects in which they are involved. To find out more details about these projects, the managing authority can approach the managing authority of the Member State responsible for the other operational programme in which the beneficiary, the partners, or the contractors are also involved.

77. Is it acceptable that Arachne is only used for certain risks that are of relevance for an operational programme of Interreg and other indicators are not taken into account even though they indicate a high risk?

Arachne is a "one size fits all" tool that identifies potential risks based on a list of over 100 indicators. In terms of verifying the projects showing alerts, there may be situations whereby the managing authority has insufficient capacity to check all highlighted projects or alerts. Naturally, this would need to be explained, e.g. by showing a human resource allocation calculation. If this were the case, it is recommended to act on two levels, i.e. (i) to start verifying the projects with the highest risks and working your way down, and (ii) see, in parallel, which systemic modifications might be required in order to make the system more robust so that gradually the number of risky projects drops. In a situation whereby too many projects are highlighted in red/orange, the managing authority should communicate with the audit and geodesk counterparts in the Commission in order to discuss an acceptable course of action and also, to give a "heads-up" at an early stage. This would also help get a better understanding in case a later audit raises issues/questions.

GUIDANCE

78. Who will give methodological guidance for Arachne users?

There are no "off the shelf" solutions. Everything depends on the self-assessment made by the national authorities, the fraud risks identified and the mitigating measures included in their management and control description in order to further tackle the risks and the subsequent assessment of this analysis by the audit authorities.

The Commission can help the national authorities to setup the integration of Arachne in their daily management verifications. On the initiative of the authorities, the Commission can help organise meetings together with other Member States to exchange experience and share best practices.

79. How to interpret the bankruptcy indicator displayed under the category 'reputational & fraud'? Should a maximum acceptable threshold be defined?

The bankruptcy indicator shows if a company has a greater likelihood of going bankrupt in the next 18 months compared to other companies of the same sector in that particular country. This indicator is calculated by a service provider and is based on a complex mathematical model using more than 100 variables, including historical data and data published by the companies. The mathematical model is fine-tuned, and predicted risks are verified once a year against real data from the past to keep a certain quality standard and a minimum level of probability of the prediction. A maximum acceptable threshold for this predictive indicator cannot be defined and needs to be assessed on a case-by-case basis by the national authorities according to the pre-defined risk strategy.

80. How should 'negative' information be handled from the media lists?

The negative information needs to be handled like any other. The provided information consists of risk indicators and should therefore be used with due care for further checks.

81. What needs to be done if Arachne identifies a company having a high risk to become bankrupt?

The provided alert should be used with due care for further checks either in the selection phase and before the grant agreement or the contract is signed or during the implementation phase of the project. In the latter case, the national authority might verify this alert more in detail before certifying any amounts.

82. Can the Commission indicate the obligations and consequences for the national authority of a "high risk indication" after consulting Arachne, and the method to be used in the event that the consultation has revealed a recurring risk?

If the national authority considers, on the basis of an analysis of the indications of high risks of irregularity or fraud from the system, that projects whose expenses have been declared to the Commission may be affected, it is required to run all the necessary and appropriate procedures, as provided for in the management and control systems, to prevent, detect and correct irregularities or cases of fraud, and to make the necessary notifications to OLAF via the IMS database, in accordance with the rules in force. Where the analysis by the national authority leads to recurring risks being identified, management systems should be reinforced in order to prevent the risk from continuing and, in the case of operations which are already scheduled, the limits of those which are potentially concerned by the identified risk should be defined and the necessary corrective measures taken.

83. If Arachne indicates a number of alerts (red bullets) and the national authority faces a situation where it cannot act on one or the other alert, is there a risk that the audit authority might conclude that the management verification does not work properly?

The Commission services acknowledge that it is the national authorities' responsibility to define the sample or the population of projects which will be further investigated, based on the risk indicators and risk scores calculated by the Arachne tool and possibly on their fraud risk assessment. Member States are, however, strongly advised to define upfront their risk score analysis strategy, which will lead to the identification of the projects selected for investigation.

The Commission also acknowledges that professional judgment and resource limitations may be taken into account to determine the sample of projects withheld for verification. In order to be able to demonstrate the actions taken on the individual cases investigated, the national authorities should keep track of the activities, corrections, or dismissal of cases. For the latter category, the national authorities should clearly record their motivation for not engaging in verifications on the "high-risk scoring projects" resulting from the strategy. In order to do so, the national authorities are offered the possibility to use the case management system, which allows a simplified extraction of the various actions taken for the assigned projects. Alternatively, the national authorities can use other systems, provided that they offer similar functionalities and information.

84. Does the use of Arachne based on the transmission of only the data indicated in Annex XVII to Commission Regulation (EU) No 2021/1060 meet the requirements of Article 74(1c) of this Regulation, "effective and proportionate anti-fraud measures taking into account the risks identified"?

Arachne supports the compliance of the management and control systems with Article 74(1c) of Regulation (EU) 2021/1060 and constitutes a tool which must be incorporated into a series of measures for the prevention and detection of cases of fraud (the allocation of responsibilities, training for management and control agents, analysis of information sources such as audit reports, etc.) established on the basis of an assessment of risks.

In some cases, depending on the risks identified, the data indicated in Annex XVII to Regulation (EU) No 2021/1060 alone is not enough to detect them. If the national authority wants to use the full capacity and the all functionalities of Arachne, the fields that are not defined in the Annex XVII should be transmitted to Arachne as well. The most relevant example is the expenses. Around 20 indicators use expense data, i.e. in the eligibility and reasonability categories, which naturally can only be calculated if expense data is sent to Arachne.

The operational aim for the Member State should be to provide responses which are proportionate to the identified risks and appropriate to the specific situations linked to the funds in a given programme or region. It is up to each Member State to develop its own strategy to analyse fraud risk and to provide effective and proportionate responses by using the most suitable tools in order to reduce the risks – either the tools offered by the Commission, or those created by the Member States.