Arachne

CHARTER

FOR THE INTRODUCTION, THE APPLICATION

AND THE INTEGRATION OF THE ARACHNE RISK SCORING TOOL

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LIST OF ACRONYMS

BAR	Brexit Adjustment Reserve
BO	Beneficial owners
CAP	Common Agricultural Policy
CPR 14-20	Common Provision Regulation (EU) No 1303/2013
CPR 21-27	Common Provision Regulation (EU) No 2021/1060
DPO	Data Protection Coordinator
DPIA	Data Protection Impact Assessment
EC	European Commission
ECA	European Court of Auditors
EGF	European Globalisation Adjustment Fund for Displaced Workers
ESIF	European Structural and Investment Funds
EPPO	European Public Prosecutors Office
EU	European Union
EUDPR	Regulation (EU) 2018/1725 of 23 October 2018
FTS	Financial Transparency System
RRF	Resilience and Recovery Facility
VAT	Value Added Taxes
VIES	VAT Information Exchange System

1 PREAMBLE AND PURPOSE

Arachne is a data mining and enriched risk-scoring tool developed by the European Commission. It is represented by several Directorates-General, namely the Directorate-General for Employment, Social Affairs and Inclusion; the Directorate-General for Regional Policy and Urban Policy; the Directorate-General for Agriculture and Rural Development; the Directorate-General for Economic and Financial Affairs; the Directorate-General for Maritime Affairs and Fisheries; and the Directorate-General for Migration and Home Affairs (hereinafter referred to as the Commission services). This development was carried out in close cooperation with several Member States.

Firstly, the Commission services aim at supporting Managing authorities responsible for the European Structural and Investment Funds (ESIF), notably for the programming periods 2014-2020 and 2021-2027. This support is provided through the Arachne Risk Scoring Tool, which helps identify the riskiest projects/ operations, contracts, contractors, and beneficiaries. This tool is essential for management verifications under point (c) of Article 125(4) of the Common Provision Regulation (EU) No 1303/2013 (CPR 14-20) and under point (c) of Article 74(1) of the Common Provision Regulation (EU) No 2021/1060 (CPR 2021-2027).

In response to the increased support for the EU economy during the COVID-19 crisis, the Commission has requested to the programme authorities/entities to implement sufficient risk-mitigating factors, using databases of projects/ operations and beneficiaries/ final recipients for all EU funds. Arachne serves as an effective detection tool to mitigate risks such as that of double funding and conflict of interest. Therefore, the common principles outlined in this charter are to be applied by the programme authorities and the Commission services responsible for the implementation of the Common Agricultural Policy (CAP), the Resilience and Recovery Facility (RRF), the European Globalisation Adjustment Fund for Displaced Workers (EGF), the Common Agricultural Policy (CAP) and the Brexit Adjustment Reserve (BAR).

The use of Arachne has also been extended to the European Maritime and Fisheries Fund (2014-2020), covered under CPR 14-20, and the following funds under CPR 21-27: (i) European Maritime, Fisheries and Aquaculture Fund, (ii) Asylum, Migration and Integration Fund, (iii) Internal Security Fund and the (iv) Instrument for Financial Support for Border Management and Visa Policy. This ensures comprehensive risk management across multiple funding instruments.

The Commission is under the obligation by a set of regulations to provide a data mining and risk scoring tool to the Member States, among others:

- The **Common Provisions Regulation (CPR 21-27), Regulation** (EU) 2021/1060, recital 72, states that *"the Commission should make available an integrated and interoperable information and monitoring system, including a single data mining and risk-scoring tool to access and analyse the relevant data, and the Commission should encourage its use with a view to a generalised application by Member States".* Moreover, point c of article 74 (1) states that *"the managing authority shall have effective and proportionate anti-fraud measures and procedures in place, taking into account the risks identified".*

- The **Recovery and Resilience Facility Regulation (RRF),** Regulation (EU) 2021/241, Article 22(4), states that "*The Commission shall make available to the Member States an integrated and interoperable information and monitoring system including a single data mining and risk-scoring tool to access and analyse the relevant data, with a view to a generalised application by Member States of that system including with support of the Technical Support Instrument.*"

- The **European Globalisation Adjustment Fund for Displaced Workers (EGF),** Regulation (EU) 2021/691, recital 44, states that: "*To enhance the protection of the Union's budget, the Commission should make available an integrated and interoperable information and monitoring system including a single data-mining and risk-scoring tool to access and analyse the relevant data, and the Commission should encourage its use with a view to generalised application by Member States*."

- The **Common Agricultural Policy (CAP)**, Regulation (EU) 2021/2116, Article 59(2) states that "*To assist the Member States in this respect, the Commission shall make available to the Member States a data-mining tool to assess risks presented by projects, beneficiaries, contractors and contracts while ensuring minimal administrative burden and effective protection of the Union financial interest*."

- The **Brexit Adjustment Reserve (BAR)**, Regulation 2021/1755, recital 25, states that: *"To enhance the protection of the Union budget, the Commission should make available an integrated and interoperable information and monitoring system, including a single data mining and risk-scoring tool to access and analyse the relevant data, and should encourage its use with a view to a generalised application by Member States."*

By using Arachne, the programme authorities accept to adhere to the principles set out in this charter. The programme authorities include:

a. European Structural and Investment Funds (ESIF): Managing authorities, intermediate bodies, certifying authorities, and audit authorities.

b. Common Agricultural Policy (CAP): Paying agencies and audit authorities.

c. Recovery and Resilience Facility (RRF): Coordinating and implementing bodies and audit authorities.

d. And other authorities involved in the implementation of Brexit Adjustment Reserve (BAR) and European Globalisation Adjustment Fund for Displaced Workers (EGF)**.**

2 GENERAL PRINCIPLES

The ESIF programme authorities agree to incorporate the Arachne Risk Scoring Tool as one of the anti-fraud measures according to Article 125 (4)(c) of the Regulation (EU) No 1303/2013 of the European Parliament and of the Council (*enhancing the efficiency and effectiveness and preventing irregularities, and to integrate the Arachne Risk Scoring Tool in their management verification processes, conform to the procedures that the Managing authority has decided to put in place*) and recital 72 of the Common Provisions Regulation (CPR 21-27), Regulation (EU) 2021/1060 (*the Commission should make available an integrated and interoperable information and monitoring system, including a single data-mining and risk-scoring tool to access and analyse the relevant data, and the Commission should encourage its use with a view to a generalised application by Member States)*.

The Coordinating and implementing bodies for the RRF agree to do the same in line with the requirements of Article 22(4) of the RRF Regulation to access and analyse the relevant data. The Paying agency for the CAP agrees to incorporate the Arachne Risk Scoring Tool as one of the control systems to assess risks presented by projects, beneficiaries, contractors and contracts according with Article 59(2) of Regulation (EU) 2021/2116.

To achieve this objective, the Commission services will provide both technical and administrative support to the programme authorities. The aim is to facilitate the installation, integration, and effective utilization of Arachne, thereby enabling these authorities to obtain comprehensive risk calculations.

3 BENEFITS OF THE ARACHNE RISK SCORING TOOL AND USE OF THE RESULTS

The Arachne Risk Scoring Tool represents the state-of-the-art technology in terms of data mining and data enrichment. Applying this advanced technology will:

- contribute to help improving the efficiency and effectiveness of management verifications, thus contributing to optimizing the human resource capacity for the desk review and on-the-spot verifications;
- offer the programme authorities to document increased effectiveness and efficiency of the management verification over time;
- prevent potential irregularities and therefore result in lowering error rates, a common aim both of the Commission and the programme authorities;
- as far as Managing authorities responsible for the implementation of European Structural and Investment Funds are concerned, put in place an effective and proportionate anti-fraud measure, in line with Article 125 (4)(c) of the CPR 14-20 and article 74 (1)(c) of the CPR 21-27.

The programme authorities granted access to Arachne's risk calculation results will utilise this information strictly for management verifications, controls and audits. These results shall not be used for personal interests or any other purposes.

4 COST AND LICENSE FEES

The Commission services are providing the Arachne Risk Scoring Tool free of any charge to programme authorities (Managing authorities and Intermediate bodies, certifying authorities, Audit authorities, Paying agencies for the CAP and the Coordinating and implementing bodies for the RRF). Unless unforeseen circumstances occur, the Commission services will provide the access to the Arachne tool and its databases, maintenance, training and support, for the whole duration of the RRF implementation period, the programming period 2014-2020 and the programming period 2021-2027 (until the closure of the period).

5 ACCESS OF OLAF, THE EUROPEAN COURT OF AUDITORS AND EPPO

The Commission services grant in duly justified circumstances, through a case-by-case interface, the European Court of Auditors (hereinafter: ECA), the European Anti-Fraud Office (hereinafter: OLAF) and the European Public Prosecutors Office (hereinafter: EPPO) limited automatic access to the results of the risk calculation of Arachne.

6 DATA

6.1 Data protection

Following the adoption of Regulation (EU) 2018/1725 of 23 October 2018 (EUDPR) and the Implementing Rules (Commission Decision (EU) 2020/969) the Commission services updated the legacy notification into a record and updated the privacy statement. They have been validated by the Commission Data Protection Officer (DPO) and published on the DPO register.

As outlined in Articles 39 and 40 of the EUDPR, the Commission services conducted a Data Protection Impact Assessment (DPIA) to analyse, identify, and minimise the data protection risks associated with our processing operations. The assessment concluded that, given the safeguards, security measures, and risk mitigation mechanisms in place, the processing of personal data does not pose a high risk to the rights and freedoms of natural persons. The DPIA was validated by the Data Protection Officer (DPO) on July 22, 2022, and updated in the DPO register on November 22, 2023.

The Commission services ensure transparency by complying with the conditions pertaining to the information to be provided, and the rights of data subjects mentioned in Articles (15) to (24) Regulation (EU) 2018/1725. The compliance of the data processing performed in Arachne with the articles listed above has been stated in the Privacy statement published in the Arachne homepage (Link: What is ARACHNE? - European Commission).

6.2 Data collection

The Arachne Risk Scoring Tool is based on internal and external data.

The internal data (projects, payments, final recipients, beneficiaries, contracts, contractors, subcontractors, beneficial owners and expenses) are extracted by the programme authorities from their local computerised systems and uploaded on a dedicated server of the Commission services and from two systems owned by the European Commission, namely (I) VIES, a search engine that retrieves data from national VAT databases, and (II) FTS, the Financial Transparency System, a public web search engine that allows users to search for beneficiaries and final recipients of European Union funds managed by the Commission under direct management.

The external data is bought by the Commission services from two external data providers. The first database contains financial data as well as shareholders, subsidiaries, and official representatives of over 400 million companies. The second database is composed of a list of politically exposed persons, sanction lists, enforcement lists and adverse media lists. All these data are officially published and publicly available. The processing of these data shall be carried out exclusively with a view of identifying the risks of fraud and irregularities at the level of the final recipients, beneficiaries, contractors, subcontractors, beneficial owners, contracts, and projects/ operation, both at project approval as well as at the project implementation phase.

Moreover, a procedure called "Feedback loop" allows Arachne users to report errors or inconsistencies and correct wrong data mapping between the programme operational data (uploaded by the Member State) and the public data sources. With this feature the Arachne users can request to the Commission service (DG EMPL) a correction of an invalid matching between internal and external data

The internal data and results of the calculated risks will be stored for a period of 10-year from the last payment claim for the period by the managing authority and paying agency to the Commission. The legal base of the retention schemes is the Common Retention List whereby files concerning the implementation under shared management (shared between the Commission and the Member States) have an administrative retention period of 10 years. In the case of the RRF, the retention period is five years from the date of the final payment in accordance with Article 12(1) of the Financing Agreement and, where relevant, in accordance with Article 21(1) of the Loan Agreement signed between the European Commission and the Member States.

The programme authorities, using the Arachne, must comply with national and European data protection regulations. To this end, the programme authorities need to inform the final recipients (RRF) and the beneficiaries that their data, available in the internal and external databases, will be processed for the purpose of identification of the risk indicators. This communication to final recipients (RRF) and beneficiaries needs to be carried out, preferably by inserting data protection clauses in the grant/contract application documents. The Commission services have established a dedicated website[1] aimed at explaining the process and the purpose of data analysis.

[1] http://ec.europa.eu/social/main.jsp?catId=325&intPageId=3587&langId=en

The programme authorities shall provide a link to this dedicated website through its own website. The results of the risk calculation are internal data used for the purpose of the protection of the financial interest of the EU, and for management verifications. They are therefore subject to data protection conditions and should not be published (neither by the Commission services nor by programme authorities).

7 SUPPORT PROVIDED BY THE COMMISSION SERVICES TO PROGRAMME AUTHORITIES

The Commission services will provide the support necessary to enable the programme authorities to work with the Arachne Risk Scoring Tool effectively and efficiently.

The support will comprise:

- Technical support for the initial installation of the Arachne risk-scoring tool.
- Technical support to enable the programme authorities to send data in the "XML-format" required for the data exchange with Arachne.
- Initial training of "core users" based on the principle "train the trainers" to enable the effective and efficient use of Arachne.
- Training after major updates of the Arachne Risk Scoring Tools.
- Advice to integrate the Arachne Risk Scoring Tool in the daily management verification process.
- Continuous support to facilitate efficient use whenever possible with available resources.
- Facilitation of sharing experience and good practices between the programme authorities using Arachne.

8 CONSULTATION OF ARACHNE BY THE COMMISSION SERVICES

The Commission services have access to both the results of Arachne's risk calculations and the companies' database. They may consult the identified risks for control and audit purposes. However, in the context of an audit, Arachne must not be used to select a sample of projects or operations for auditing by the Commission services, as its outcomes cannot be considered representative of the program, which may be uniformly affected by the same risks.

The Commission services may carry out system audits and in such a context, the Commission services will consult the results of Arachne and its effective use by programme authorities.

The Commission services acknowledge that it is the responsibility of Member States' authorities to define the sample or the population of operations, which will be further verified/audited, based on the risk indicators and risk scores calculated by the Arachne tool. Member States are however strongly recommended to define upfront their risk score analysis strategy, which will lead to the identification of projects or payments selected for verification. The Commission acknowledges also that professional judgment and resource limitations must be considered to determine the sample of projects subject to verification. To be able to demonstrate the actions taken on the individual cases verified, Member States' authorities should keep track of the activities, corrections or dismissal of cases.

For the latter category, the Member States' authorities should record their decision not to verify "high-risk scoring projects" by using the case management system of Arachne.

9 BENEFITS AND CONSEQUENCES FOR THE PROGRAMME AUTHORITIES OF A 'HIGH RISK INDICATION' AFTER CONSULTING ARACHNE

The Arachne Risk Scoring Tool will alert the programme authorities in identifying most risky projects/ operations, contracts, contractors, final recipients and beneficiaries, and help to concentrate on their administrative capacity for verifications.

Where the programme authorities conclude, because of the risk scoring results and subsequent verification of the risks, that an expenditure or a payment might be affected by irregularities, it runs all procedures necessary and appropriate to confirm or discard the possible irregularities. The risk scoring could be carried out before approving the projects/operations. For the CPR 14-20 and the CPR 21-27, this is ideally done before declaring expenditure to the Commission by the certifying authority. The programme authorities will do so to prevent, detect and correct irregularities or fraud, and to make, where required, the necessary notifications to OLAF via the IMS database as provided for in the management and control systems, and in accordance with the rules in force.

When the analysis by the program authorities identifies recurring risks, the management and control systems should be strengthened to prevent these risks from occurring in the future. The programme authorities should subsequently identify the projects or operations for these recurring risks and take the necessary measures to protect the financial interest of the EU.

10 AUTHORISATION PROCEDURE AND ACCESS RIGHTS

Arachne provides granular access rights (specific data available to specific users' roles) and enforces the following authorisation process. The managing authorities must put in place effective and proportionate anti-fraud measures according to Article 125 (4) (c) of the CPR 14-20 and to article 74 (1)(c) of the CPR 21-27. Similarly, the coordinating and implementing bodies for the RRF need to ensure compliance with Article 22 of the RRF Regulation, and the Paying Agency shall take the actions necessary to ensure a proper functioning of their management and control system and the legality and regularity of expenditure declared to the Commission according to Article 59 of Regulation (EU) 2021/2116. Following official instructions from the managing authorities, paying agencies and coordinating and implementing bodies, the Commission services will grant local administrator rights in Arachne to designated users. These local administrators will have the right to grant access to local users of the managing authorities, certifying authorities, audit authorities and intermediate bodies for ESIF, of the Coordinating and implementing bodies for the RRF, of Paying agencies for CAP and any other authorities involved in the implementation of Brexit Adjustment Reserve (BAR) and European Globalisation Adjustment Fund for Displaced Workers (EGF).

The local Arachne administrators shall fulfil the following tasks:

- Identify users requesting access; make sure those users are part of the management and control system for (a) specific operational programme(s).
- Create user accounts in the Arachne user management database and grant access with the correct user role for the operational programmes for which access was requested.
- Inform users about their obligations to preserve the security of the system.
- Ensure the continued accuracy of user identification data: request the termination of access rights when those access rights are no longer needed or justified (carry out periodical reviews of user accounts, terminate access rights of people that left institutions or no longer dealing with the tasks that justify their access, etc…).
- Promptly act when suspicious events may bring prejudice to the security of the system.

  Here, an activity may be considered as suspicious where (non-exhaustive list):

  - an unknown person or organisation asks for access,
  - persons no longer entitled to use the system have continued access,
  - a person uses the access credentials of another person.

The Commission services have an overview of all users with an account to access Arachne and will contact the programme authorities once a year with a view to obtaining a list of all users having access to their ESIF operational programmes, RRP, and CAP interventions / measures in Arachne. The responsibility to validate this list, or to change access rights, remains at the level of the programme authorities and/or the local administrator(s), in accordance with the procedures defined. On request of the Commission services the programme authorities commit to inform the Commission of which users it has granted access to (the full name of the individual and the name of the body/institution in which the person works).

11 TRANSMISSION OF DATA

The programme authorities transmit the data fields in line with the required scope of Arachne, and as specified in Annex III of the Commission Delegated Regulation (EU) No 480/2014, in Annex XVII of Regulation 2021/1060 and in Article 22(2)(d) of the RRF Regulation for the operational programmes in xml-format, on a regular basis (at least every 3 months).
The initial creation of the XML file requires support from the Commission's Arachne IT team. Subsequently, updating the files with new data from the Member States' IT systems is a straightforward procedure.

Apart from the data fields included in Annex III of the Commission Delegated Regulation (EU) No 480/2014, in Article 22(2)(d) of the RRF Regulation 2021/241, and Annex XVII of Regulation 2021/1060, the programme authorities may, on a voluntary basis, enlarge the number of data fields provided for upload into Arachne.

When the Member State authorities decide to start using Arachne, seven project data fields are mandatory to allow Arachne to calculate risk indicators (out of a total of 105 possible data fields that can be uploaded in Arachne for each programme). The seven mandatory data fields are the following:

1. Project Identifier
2. Project Name
3. Project Status
4. Beneficiary Identifier
5. Beneficiary Name
6. Project Costs
7. Project Type and Directorate General (DG responsible for the fund).

The programme authorities are encouraged to submit comprehensive data, including information on Beneficial Owners (BO) and contractors, in accordance with the Anti-Money Laundering (AML) regulations. While it is mandatory to provide BO and contractor data during the programming period 2021-2027, the European Commission services will continue to accept and process project submissions through the Arachne, even if these specific data sets are temporarily unavailable. Arachne can continue to perform its functions in the interim without the data from beneficial owners and contractors. Nevertheless, the Commission services will actively track updates to project data that lack BO data. Should such omissions occur, the Commission services will issue reminders to the Member States. These reminders will emphasise the enhanced capability of the Arachne tool to produce more accurate risk indicators when supplemented with full BO and contractors' data.

If the programme authorities fail to update the data on a regular basis, the Commission services may decide to withdraw access to Arachne.

The Commission IT department implements all technical and organisational security measures to protect the personal data against accidental or intended destruction or loss of data and non-authorised access. The Data Centre policy ensures that state of the art physical security is applied. The European Commission implements security measures to protect server hardware, software, and the network from accidental or malicious manipulations and loss of data. All data assets are secured in line with the technical security provisions laid down in the Commission Decision (EU, Euratom) 2017/46 of 10 January 2017 on the security of communication and information systems in the European Commission, its subsequent versions, its implementing rules and the corresponding security standards and guidelines, as well as the Commission Decision (EU, Euratom) 2015/443 of 13 March 2015 on the security in the Commission, and the Commission Decision (EU, Euratom) 2015/444 of 13 March 2015 on the security rules for protecting EU classified information, its implementing rules and the corresponding security notices.

12 DATA QUALITY ASSURANCE

The quality and reliability of external data processed for the risk calculation is the responsibility of the external data providers and is ensured by them. The quality and quantity of internal data is guaranteed by the managing authority for ESIF, the coordinating and implementing bodies for the RRF, the paying agencies for the CAP and the authorities involved in the implementation of Brexit Adjustment Reserve (BAR) and European Globalisation Adjustment Fund for Displaced Workers (EGF). The more internal data provided by the programme authorities, the more precise will be the result of the risk calculation of the Arachne Risk Scoring Tool.

13 TERMINATION AND ACCESS WITHDRAWAL

If the above-described guidelines are not respected by the programme authorities, the Commission services will contact the concerned programme authorities to discuss and to evaluate the further usage of the tool. In extreme cases the Commission services reserve the right to withdraw access to Arachne for the concerned programme authorities. If the programme authorities decide to stop using Arachne, the Commission services will, at the request of the programme authorities, remove from the Arachne database all the projects and contracts related data sent by the programme authorities for the concerned operational programme.