

# Report on the protection of financial interests of the EU in Sweden 2016-2018



**Ekobrottsmyndigheten**  
Swedish Economic Crime Authority

## Foreword

The Swedish Council for the Protection of the Europeans Union’s Financial Interests (the SEFI Council) was instituted by the government to promote the efficient and correct use of EU-related funds in Sweden. Government authorities involved in the management and protection of the EU’s funds in Sweden are represented on the Council, either by their own member or via another participating party. The Swedish Economic Crime Authority chairs the Council and runs its secretariat.

Every three years the SEFI Council reports to the government on the protection of the EU’s financial interests in Sweden. The present report is the SEFI Council’s fourth such triennial report<sup>1</sup>, covering the period from 2016 to 2018 inclusive. The report details what the SEFI Council and its member authorities have done during the period to promote efficient and correct handling of EU funds in Sweden. It also includes a description of how the SEFI Council’s work has developed and what it is planning for the next three years. All of the Council’s member authorities have contributed to the report, and the SEFI Council’s secretariat has compiled the material.

The number of cases of suspected EU fraud reported to the Swedish Economic Crime Authority remains very small. The SEFI Council has been working actively on this issue for some time, including by means of a reporting policy (2011) and guidance for handling suspected crimes (2014). The SEFI Council has also visited almost all member authorities’ management teams to highlight the importance of reporting suspected crimes, and the Swedish Economic Crime Authority has held several training courses for the authorities’ staff. The SEFI Council Conference covering the 2016–2018 reporting period was held in March 2019, and one of its main points of focus was why so few suspected cases of EU fraud are reported in Sweden.

This reporting period has also been characterised by a high turnover of Council members. The previous chair, Lena Lindgren Schelin, resigned in the spring of 2018, and most of the authorities have appointed new members during the period.

Since the autumn of 2018 the Council has been conducting a structured discussion about how the SEFI Council’s mission is best fulfilled and whether the Council should change its working methods. Participation and interest in the issue is considerable among the Council’s members, which gives me cause to look ahead with confidence to the SEFI Council’s continued work over the coming three-year period.

Stockholm, August 2019

Olof Hallström  
Chair of the SEFI Council

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<sup>1</sup> Until 2006, annual reports were submitted by the EU Fraud Council. Previous three-year reports have covered the years 2007–2009, 2010–2012 and 2013–2015.

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## Abbreviations

<b>The Commission</b>	The European Commission
<b>FEAD</b>	Fund for European Aid to the Most Deprived
<b>ISF</b>	Internal Security Fund
<b>The Agricultural Fund</b>	The European Agricultural Guarantee Fund (FEOGA) and the European Agricultural Fund for Rural Development (EAFRD)
<b>OLAF</b>	Office européen de lutte antifraude, or the European Anti-Fraud Office
<b>The Regional Fund</b>	The European Regional Development Fund
<b>The SEFI Council</b>	The Swedish Council for the Protection of the EU's Financial Interests
<b>The Social Fund</b>	The European Social Fund
<b>AMIF</b>	Asylum, Migration and Integration Fund

# 1. Introduction

## *General remarks*

A large part of the EU's budget goes to the EU Cohesion Policy, which includes the Agricultural<sup>2</sup>, Structural and Investment funds. It follows from Article 325 of the Treaty on the Functioning of the European Union that it is the shared responsibility of member states to counter fraud and any other illegal activities, such as corruption, affecting the EU's financial interests. As part of the cohesion policy, administrative authorities in the member states are responsible for adopting equivalent and effective measures to address the recognised risks. This responsibility covers the entire fraud combating process (preventing and discovering fraud, countermeasures, crime reporting, and recovering funds disbursed under incorrect circumstances). The EU's regulatory framework thus places considerable demands on Swedish administrative authorities to manage EU funds in a correct and reliable way, and with the same level of responsibility as if they were national funds.

A new requirement for the current programming period (2014–2020) is that administrative and competent authorities have to assess risks in a more structured and deliberate manner than during the previous programming period.

The government has instituted the SEFI Council in order to promote good cooperation between authorities managing EU funds in Sweden. The Council's mission is to promote cooperation between the Council's member authorities in order to increase effectiveness in preventing, discovering, investigating and taking action in the event of suspected misuse of EU-related funds. The SEFI Council also has a strategic role in developing the overall protection of the EU's financial interests in Sweden.

The SEFI Council is made up of representatives of authorities that are responsible, in different ways, for the handling of EU funds in Sweden. The member from the Swedish Economic Crime Authority chairs the Council and also runs its secretariat.

The Commission may, in the event that it makes the assessment that the protection of EU funds is insufficient in a particular member state, decide to impose financial sanctions on that member state. This may involve the Commission deciding not to finance certain aid with funds from the EU's budget. In some cases the affected member state must then finance this aid exclusively with national funds. Deficiencies that have come to light may also influence the allocation of funds for the upcoming programming period. It is important, therefore, to ensure that Sweden provides satisfactory protection for EU funds administered in the country.

## *Reported crimes*

A total of 15 reports of suspected fraud involving EU funds were made to the Swedish Economic Crime Authority during the period, which is 20 fewer than during the previous reporting period. One sentence and two summary impositions of fines were issued in 2016. In 2017 one sentence and one summary imposition of a fine were issued, and in 2018 the authority brought one prosecution. The number of reports made is comparatively small, even from a European perspective, in particular as the affected authorities have annual disbursements of just under SEK 15 billion. The quality of reports is high, and they normally lead to the Swedish Economic Crime Authority being able to open a preliminary investigation.

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<sup>2</sup> The European Agricultural Guarantee Fund (FEOGA) and the European Agricultural Fund for Rural Development (EAFRD). The Guarantee Fund and the Fisheries Fund are part of the natural resources policy area, however.

## 2. The SEFI Council

### 2.1 Background to the creation of the SEFI Council

Since 1999 the Swedish Economic Crime Authority has been responsible for coordinating measures in Sweden against inefficient handling, irregularities and fraud with regard to EU-related funds. For this reason a special council was set up at the authority (the EU Fraud Council) to promote close collaboration between Swedish administrative and law enforcement authorities, and to ensure the correct use of EU-related funds.

In 2007–2008 the then chair of the EU Fraud Council drew up a proposal, on the Swedish Economic Crime Authority's instructions, for the further development of the Council's role as a forum for information and experience exchange. This proposal was implemented in 2008 and included an alteration to the Swedish Economic Crime Authority's instructions<sup>3</sup>. The new council was named the Swedish Council for the Protection of the EU's Financial Interests (abbreviated the SEFI Council in Swedish). The SEFI Council's mission comprises the entire chain from administrative and disbursing authorities to the auditing authority and authorities responsible for the administration of justice. This mission implies action at the strategic and national level.

The change also meant that the SEFI Council would be obliged to report to the government every three years on the protection of the EU's financial interests in Sweden. This is the Council's fourth such report.

### 2.2 The SEFI Council's tasks and composition

In order to strengthen the Council's role and the authorities' knowledge of its mission, a special ordinance<sup>4</sup> regulating the SEFI Council's tasks was adopted on 1 January 2016.

The SEFI Council's overall mission is to promote the efficient and correct use of EU-related funds in Sweden. This mission also comprises promoting measures against fraud, misuse and other irregular handling of EU funds. The SEFI Council is further to:

- Promote cooperation between the affected authorities in order to increase effectiveness in preventing, discovering, investigating and taking action in the event of suspected incorrect use of EU-related funds.
- Monitor developments within its remit and propose or initiate measures to uphold the protection of the EU's financial interests.
- Be a forum for information and experience exchange.
- Analyse and evaluate actions taken.

The SEFI Council thus has a strategic role to act at a comprehensive level in order to develop the protection of the EU's financial interests in Sweden. The SEFI Council has representatives from all authorities that administer EU funds in Sweden or, as in the case of Swedish Customs, are partly responsible for the EU's revenues.

Currently the Council is composed of the Swedish Economic Crime Authority, the National Financial Management Authority, the Board of Agriculture, Västerbotten County Administrative Board<sup>5</sup>, the Migration Agency, the Swedish Agency for Economic and

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<sup>3</sup> SFS 2008:119 on changes to the Ordinance (2007:972) with instructions for the Swedish Economic Crime Authority.

<sup>4</sup> Ordinance (2015:745) on the council for the protection of the European Union's financial interests.

<sup>5</sup> Västerbotten County Administrative Board also represents the county administrative boards of Jämtland and Norrland counties.

Regional Growth, the Swedish Police Authority, the Swedish ESF Council, and Swedish Customs. Representatives from the Ministry of Finance, the Ministry of Justice, the Ministry of Enterprise, Energy and Communications, and the Ministry of Employment are also invited to the SEFI Council's meetings. The composition of the SEFI Council is intended to reflect the current administrative organisation for the EU's financial interests in Sweden.

### **2.3 The SEFI Council's activities 2016–2018**

The SEFI Council serves as a forum for cooperation where member authorities can exchange experiences. The Council meets regularly for full-day meetings, and arranges workshops. Members raise current issues of combating fraud as well as other global issues of importance at these meetings. During the period, the Council held thematic meetings where invited speakers made presentations on particular themes which were then followed up at the subsequent Council meeting, when the various authorities described how they work with the particular thematic issue. Authorities also raise their own issues at the Council's meetings.

During the period, presentations were held by the *Swedish National Audit Office* on "Government authorities' protection against corruption", by the *Swedish Anti-Corruption Institute* on "How the Institute works to counter corruption", by the *National Financial Management Authority* on "The role of risk analysis in fraud prevention efforts", by the *Swedish Economic Crime Authority* on "Reporting of suspected crimes in 2015 and 2016", by the *National Agency for Public Procurement* on "The new public procurement regulation", by the *Swedish Enforcement Authority* on "Assumptions and procedures for dealing with a request for judicial assistance from a competent authority making on-the-spot checks", and by the *Swedish Competition Authority* on "Inspections and interventions in connection with contested procurements". The Council also held several workshops focusing on the direction of its future activities.

The SEFI Council discussed Committee directive 2016:61, "Evaluation of the Benefit Fraud Act", as the chair of the inquiry contacted the Council's secretariat during the course of the inquiry. The subsequent report (SOU 2018:14) on "Benefit fraud and duty of notification in the event of incorrect payments from welfare systems" was also highlighted by the Council.

Representatives of the Ministry of Finance, the Ministry of Justice, the Ministry of Enterprise, Energy and Communications, and the Ministry of Employment participate in the Council's meetings. Representatives of the Government Offices provide strategic intelligence, principally regarding developments within the EU, to the Council's members – in particular on negotiations about new legislation and around relevant aspects of the EU's budget.

#### *Thematic meetings*

During the 2016–2018 period the SEFI Council held thematic meetings that concluded with presentations by different external speakers. The theme of each meeting was then followed up by Council members at the subsequent meeting, where they described how they engage with the specific issue.

#### *SEFI Council Day*

During every three-year period the SEFI Council arranges a conference for managers and employees at the Council's member authorities. During the 2016–2018 period this conference, known as SEFI Council Day, was held in March 2019. The theme of the conference was "How to manage EU funds in a changing world", and it focused on

- the dilemma inherent in providing service to the applicant for EU funding while also checking that the funds are used in the right way,
- the fact that so few cases of EU fraud are reported in Sweden, and

- how to manage the new risks that follow from digitalisation and the new means of monitoring and control that it provides.

The conference attracted almost 120 participants, with speakers drawn mainly from organisations outside the Council's own circle, including *the Swedish Agency for Public Management, CSN, and Transparency International Sweden*. The conference was very highly rated by its participants, and it received media attention (Dagens Nyheter and Sveriges Television) as well as requests from other authorities interested in taking part in the next conference.

#### *Visits to authorities and training*

The SEFI Council's secretariat visited the management of several member authorities during the period. The aim of these visits is to increase knowledge about the SEFI Council's activities at the authority management level and to underline the importance of reporting suspected crimes. The Swedish Economic Crime Authority held training courses at member authorities on the criminal justice process following a reported crime, and on how officials should act when there is reason to suspect a crime.

In addition to measures taken during the period as part of the SEFI Council's work, member authorities implemented extensive measures to improve the handling of EU funds and make it more efficient, in order to counter fraud. It may be noted in particular that authorities with smaller fund operations can benefit from the larger fund-managing authorities' greater resources when drawing up procedures and internal regulations etc within the framework of the Council's activity.

The SEFI Council's operations in 2016–2018 contributed in various ways to increasing awareness and knowledge among the Council's authorities of issues concerning the efficient and correct management of EU funds, and led to the adoption by authorities of policies for combating fraud and of new or changed procedures for how to deal with suspected crimes. In one case, an authority revised its procedure for recovery of incorrect payments such that for every established incorrect payment an assessment must be made of whether it should be reported as a crime.

## **2.4 The SEFI Council's work 2019–2021**

In the autumn of 2018 the SEFI Council began an evaluation of how the Council works. To this end, several workshops were held with member authorities. The aim was to produce an operational plan for the Council and to identify focus areas for its operations over the coming three-year period.

The role of the SEFI Council is to work strategically to promote the efficient and correct use of EU funds in Sweden, and to promote measures against the misuse of EU funds. The SEFI Council will therefore continue to hold thematic meetings, as these particularly encourage structured information and experience exchange between members. In this way, the Council's work will promote authorities' efforts in specified areas for the purpose of fraud prevention, as well as enable experience exchange. The SEFI Council intends to hold a fourth SEFI Council Day in 2021.

The SEFI Council will continue to offer member authorities training courses organised by the Swedish Economic Crime Authority, on the theme "identifying and dealing with suspected crimes". The SEFI Council will further monitor how authorities work to prevent, discover and rectify suspected fraud, with the aim of clarifying why so few suspected crimes are reported.

### 3. The EU's financial interests in Sweden 2016–2018

#### 3.1 The EU's financial interests in Sweden

As a member state of the EU, Sweden handles various types of funds that go into or come out of the EU's budget. Every year Sweden pays a contribution to the EU that includes a proportional share of the country's gross national income (GNI), made up partly of customs duties and sugar and agricultural levies. Funds transferred from the EU to Sweden – what is known as the return – are used mainly for different types of support to Swedish recipients. Most of the financial support that Sweden receives in return from the EU are funds for agriculture and regional development.

EU funding is provided to member states through direct or shared management. The SEFI Council's mission concerns the protection of EU funds within the framework of shared management, which means that the funds are managed jointly by Swedish authorities and the Commission. This shared management means that the Commission has the overall responsibility for the funds, but that Swedish authorities are responsible for establishing a management and monitoring system that guarantees the sound financial management of the funds. Direct payments by the Commission to recipients in Sweden (known as direct management) are not considered in this report.

##### 3.1.1 The EU budget's revenue – Sweden's contribution to the EU

The EU is financed by its member states' annual contributions. The EU contribution is calculated on the basis of a member state's gross national income. With respect to Sweden's contribution to the EU, this report only considers the customs revenue that Sweden, via Swedish Customs, pays to the EU.

**Table 1. Total funds from Sweden to the EU (SEK million)<sup>6</sup>**

2014	2015	2016	2017	2018
41 600	44 200	30 400	24 200	35 000

##### 3.1.2 The EU budget's expenditure – funds from the EU to Sweden

Sweden receives funding from the EU budget through various types of funds and programmes directed towards Swedish recipients. Associations, organisations, businesses and individuals etc can apply for financial support from the EU budget. This report only considers those EU funds that are subject to shared management (see above).

**Table 2. Total return from the EU budget to Sweden (SEK million)<sup>7</sup>**

2014	2015	2016	2017	2018
11 900	9 700	11 000	10 500	12 000

<sup>6</sup> Source: the Swedish Riksdag's information service – <https://eu.riksdagen.se/vad-ar-eu/medlem-i-eu/#Sveriges-EU-avgift>

<sup>7</sup> Source: the Swedish Riksdag's information service – <https://eu.riksdagen.se/vad-ar-eu/medlem-i-eu/#Sveriges-EU-avgift>

### **3.1.3 EU funds in Sweden**

The distribution of EU funding among the various funds and programmes is determined within the EU's multiannual financial framework. This report covers the programming period from 2014 to 2020. Below are brief presentations of the EU funds that are managed by Swedish authorities during this budget period.

#### **Agricultural funds**

*The 2014–2020 period; the European Agricultural Guarantee Fund (the Guarantee Fund)*

The Guarantee Fund finances, for example, various forms of direct payments to farmers and market support aimed at stabilising the agriculture market.

*The 2014–2020 period; the European Agricultural Fund for Rural Development (the Rural Development Fund)*

The Rural Development Fund is intended to protect the environment as well as improve competitiveness and quality of life in rural communities.

#### **Funding for the fishing industry**

*The 2014–2020 period; the European Maritime and Fisheries Fund (the Maritime and Fisheries Fund)*

The Maritime and Fisheries Fund is intended to promote an ecologically, economically and socially sustainable fishing industry.

#### **Structural funds and part of the Europe 2020 strategy**

*2014–2020; the European Regional Development Fund (the Regional Fund)*

The Regional Fund is intended to reduce economic and social differences between European regions and inhabitants. The fund finances initiatives in infrastructure, employment, and in local and regional development. The Regional Fund is also used by the cross-border programmes aimed at increasing collaboration between regions in several countries.

*2014–2020; the European Social Fund (the Social Fund)*

The Social Fund supports projects that promote skills development and countering social exclusion.

*2014–2020; the Fund for European Aid to the Most Deprived (FEAD)*

This fund is intended to reduce the number of people living in poverty by providing non-material aid.

#### **Funding in the area of migration and integration, for the protection of external borders and for police cooperation**

*2014–2020; the Asylum, Migration and Integration Fund (AMIF)*

This fund is intended to support projects relating to asylum, legal migration and the integration of third-country nationals, as well as measures for returning illegally remaining third-country nationals.

*2014–2020; the Internal Security Fund (ISF)*

This fund supports projects that are aimed at reinforcing the common visa policy, achieving effective control and surveillance of external borders, benefiting crime prevention and crime-fighting efforts, and supporting European police cooperation and collaboration on crisis management.



## **3.2 Organisation and handling of EU funds in Sweden**

### **3.2.1 General structure for the handling of EU funds in Sweden**

During the 2016-2018 period there were a total of eight<sup>8</sup> authorities that either were or had previously been appointed as administering, managing, certifying or auditing authorities of EU funds in Sweden. The administering authorities – sometimes the term “managing authority” is also used – are responsible for calling for proposals, for payments and for ensuring that the funds are used in an efficient and correct way. The task of the certifying authorities is, for most of the funds, to assess whether the expenditure that funding has been provided for is entitled to receive it, and to certify to the Commission that the authority’s expenditure statement is correct. The National Financial Management Authority is the auditing authority.

In contrast with the other administering and managing authorities, Swedish Customs levies the EU’s own funds, which consist of customs duties and other charges in accordance with the Common External Tariff, and a VAT-based charge.

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<sup>8</sup> The Board of Agriculture, the Migration Agency, the Swedish Police Authority, the Swedish ESF Council, the Swedish Agency for Economic and Regional Growth, the county administrative boards of Jämtland, Norrbotten and Västerbotten, and the National Financial Management Authority.

**Table 3. General structure for the administration of EU funding in Sweden – programming period and 2014–2020**

Area	Program-ming period	Fund	Managing/ Administering authority	Certifying authority	Auditing authority /certifying body
<b>Agriculture payments</b>	2014–2020	European Agricultural Guarantee Fund	Board of Agriculture		National Financial Management Authority
	2014–2020	European Agricultural Fund for Rural Development	Board of Agriculture		National Financial Management Authority
<b>Funding for the fishing industry</b>	2014–2020	European Maritime and Fisheries Fund	Board of Agriculture	Board of Agriculture	National Financial Management Authority
<b>Structural and investment funds</b>	2014–2020	European Regional Development Fund	Swedish Agency for Economic and Regional Growth and Jämtland, Norrbotten and Västerbotten county administrative boards <sup>9</sup>	Swedish Agency for Economic and Regional Growth and Jämtland, Norrbotten and Västerbotten county administrative boards <sup>10</sup>	National Financial Management Authority
	2014–2020	European Social Fund	Swedish ESF Council	Swedish ESF Council	National Financial Management Authority
<b>Part of the Europe 2020 strategy aimed at reducing poverty and social exclusion</b>	2014–2020	Fund for European Aid to the Most Deprived	Swedish ESF Council	Swedish ESF Council	National Financial Management Authority
<b>Funding in the area of asylum, migration and integration, and for internal security</b>	2014–2020	Asylum, Migration and Integration Fund	Migration Agency		National Financial Management Authority
	2014–2020	Internal Security Fund	Swedish Police Authority		National Financial Management Authority

<sup>9</sup> In Sweden the Regional Fund is divided into eight regional programmes, one national regional fund programme, and five territorial programmes. The Swedish Agency for Economic and Regional Growth is the managing and certifying authority for the eight regional programmes and one territorial programme. The county administrative boards of Norrbotten and Västerbotten (two programmes) and of Jämtland are managing and certifying authorities for the remaining four territorial programmes.

<sup>10</sup> See footnote 8 above.

### **3.2.2 Organisation and handling of EU aid during the 2016–2018 period**

#### ***Agriculture payments and rural support***

Support to rural communities is financed by two funds, the Guarantee Fund and the Rural Development Fund. The Board of Agriculture is the managing and disbursing authority for these funds, which implies a responsibility for effectiveness and for the correct handling of the funds. The Board of Agriculture is the managing authority, but also responsible for the administration of certain measures. County administrative boards are tasked with implementing the rural development programme at the county level, while the Swedish Forest Agency, Swedish Agency for Economic and Regional Growth and the Sami Parliament have special responsibilities for those parts of the programme that concern forestry, local services development, and Sami livelihoods.

#### ***Locally Led Development***

The Board of Agriculture is responsible for decisions on funding within the Locally Led Development programme, which is carried out as part of the rural development programme, the maritime and fisheries programme, and the regional and social fund programme for locally led development. The Board of Agriculture is also responsible for administering and making decisions on payments within the framework of the Local Action Groups' (LAG) remit.

The implementation of Locally Led Development is done through measures within the framework of local development strategies, which are drawn up by local actors. This is to enable cooperation and a strong grassroots perspective.

The National Financial Management Authority is the certifying authority for the agricultural funds and the auditing authority for the programme that implements Locally Led Development.

#### ***Funding for the fishing industry***

For the Maritime and Fisheries Fund, EU rules allow the managing authority to carry out the certifying authority's tasks. In its role as managing authority for the Maritime and Fisheries Fund, therefore, the Board of Agriculture also fulfils the tasks of the certifying authority.

During the 2014–2020 programming period, the Swedish Agency for Marine and Water Management has been established as an intermediate body, in addition to the county administrative boards. Intermediate bodies make decisions, as before, on funding with respect to specific measures, but now only process applications for payments relating to those measures where they make the decision to provide funding. The Board of Agriculture makes decisions on funding and processes applications for payments relating to all other measures. This means that the Board of Agriculture also decides on funding and processes applications for payments for measures managed according to the model for locally led development. Accounts and a management declaration are prepared and submitted to the Commission every year. The National Financial Management Authority is the auditing authority for the operational programme.

## *Structural funds and part of the Europe 2020 strategy*

### *The Regional Fund*

The Regional Fund is a significant part of the cohesion policy aimed at reducing regional differences and economic inequality between people within the EU. The aim of the Regional Fund is to part-finance projects with the goal of strengthening innovation and entrepreneurship, and to create sustainable growth and make the regions more attractive. The Swedish Agency for Economic and Regional Growth is the managing and certifying authority for the eight regional structural fund programmes and the national regional fund programme relating to the investment for growth and employment objective. The Swedish Agency for Economic and Regional Growth is also the managing and certifying authority for the territorial cooperation programme for Öresund-Kattegat-Skagerrak.

There are 102 employees of the Swedish Agency for Economic and Regional Growth working with the Regional Fund in eight locations around the country. Working procedures have been organised so that the certifying operations are kept separate from managing operations. Execution of tasks within the managing authority is organised within the authority's operational departments, while certifying tasks have been devolved to a supporting function. The certifying authority employs one person since 2017.

As the managing authority, the Swedish Agency for Economic and Regional Growth is responsible for processing applications for funding and examining whether they fulfil the formal requirements that apply for each programme. Those applications (projects) that are approved following this examination are then passed on to the structural fund partnership in the region in question for a final prioritisation as to which projects will be granted funding. The Swedish Agency for Economic and Regional Growth makes the final decision on funding and is responsible for examining the projects' expenditure claims in these programmes.

### *Interreg programmes<sup>11</sup>*

The Norrbotten, Västerbotten and Jämtland county administrative boards are the managing authorities for the territorial cooperation programmes: the Nord programme, the Botnia-Atlantica, Northern Periphery and Arctic programmes, and for the Sweden-Norway (Interreg) programme. During the 2014–2020 programming period, the certifying authority is a separate function within the managing authority instead of being a separate authority, which was the case during the 2007–2013 programming period. In the current programming period the territorial cooperation programmes are denominated Interreg programmes.

Each county administrative board is responsible, through specially appointed national controllers, for scrutiny and control of project expenditure arising in Sweden. Staffing of the managing and certifying authorities, and the national control function, amounted to about 14 annual work units, while the programme secretariats employed about 15 full-time or part-time staff during 2013. Staff at the programme secretariats are placed in Sweden, but also in Finland, Denmark and Norway. The current programming period has brought a slight increase in staff compared with the previous period.

Each Interreg programme has a Supervisory Committee that monitors its implementation, and all except the Northern Periphery and Arctic programme have one (or several) Steering Committees that recommend project applications. The managing authority makes decisions on funding and on payments.

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<sup>11</sup> The Interreg activities are part of the Regional Development Fund.

The Swedish Agency for Economic and Regional Growth is also responsible for carrying out cost checks on territorial programmes with a managing authority that is not located in Sweden. The Swedish Agency for Economic and Regional Growth is responsible for checks of expenditure entitled to funding in seven territorial programmes, also known as Interreg programmes. Checks are carried out on the following programmes: Interreg Öresund-Kattegat-Skagerrak, Interreg South Baltic, Interreg North Sea Region, Interreg Baltic Sea Region, Interreg Central Baltic, Interreg Europé, Urbact III. The reports that these checks result in are used as decision support for funding approved by foreign managing authorities.

During the current programming period (2014–2020), the Swedish Agency for Economic and Regional Growth has worked more proactively, and brought some of the checks in the administrative process forward. In this connection the Agency has revised its regulations and worked to stimulate an efficient implementation of the 2014–2020 programming period. The ambition has been eventually to make the entire regional growth effort more efficient, and to strengthen the competitiveness of businesses.

In 2018 the Swedish Agency for Economic and Regional Growth worked in several ways to counter and prevent irregularities and fraud. In the spring of 2016 the Agency's Risk Assessment Team carried out a risk assessment of the entire administrative process on the basis of guidance drawn up by the Commission. The assessment showed that the identified risks of fraud and irregularities could be managed to a large extent with the help of training. An action plan to this effect was formulated and followed up in December 2018. The need for training became the focus of the action plan, and in the spring of 2018 a course on corruption prevention was held for managers as well as employees at the Swedish Agency for Economic and Regional Growth. The course sessions were filmed and are available as part of the Guru support tool for administrators.

In connection with following up the 2018 action plan a new risk assessment was carried out, and a new action and operational plan for 2019 was drawn up. The action plan maintains a focus on information and training, e g by training and informing the members of the Structural Fund Partnership.

The Swedish Agency for Economic and Regional Growth is an active participant in national and international networks focused on fighting fraud, including the SEFI Council, the Authority Network Against Corruption, and the COCOLAF and OLAF networks.

### *The Social Fund*

The Swedish ESF Council is the managing and certifying authority for the national Social Fund programme for growth and employment (ESF) and the Fund for European Aid to the Most Deprived (FEAD). The authority employs around 130 people spread across eight offices around the country, with the head office in Gävle. The certifying authority is part of the same public body as the managing authority, but split off in a separate function.

The ESF Council's managing authority is responsible for ensuring that the programmes are implemented in accordance with the principle of sound financial management. Selections and measures are carried out in observance of the criteria for operational programmes, and implemented in accordance with applicable provisions in national and EU law. The authority is responsible for coordinating the entire flow of activities such as information, calls for proposals, preparation of applications, funding decisions, auditing of payments and project completion. In order to increase local involvement in the Social Fund there are eight structural fund partnerships for regional funds, and these are tasked with prioritising among approved project applications.

When an application for payment is received, an assessment is made of whether the project is progressing in accordance with the decision and of whether documentation verifying the expenditure exists and can be deemed credible. The current programme period has brought a clearer focus on results, including an expectation that projects express more clearly how they will contribute to achieving the programmes' targets, and have long-term effects. In the interests of shifting the focus from project administration to project results and effects, the authority has introduced a number of simplification measures, including uniform costs for accounting for staff and participants, and a 40% standard charge to cover the project's other costs.

Every year the managing authority prepares a management statement that includes an annual summary as well as accounts. This is based partly on the results of internal management controls and partly on the results of the audit bodies' various reports. The summary includes an analysis of the errors and irregularities discovered during the fiscal year, and the measures undertaken to rectify them.

#### *Locally Led Development*

The Board of Agriculture is both managing and certifying authority for the Locally Led Development programme, which is funded through the Regional Development Fund and the Social Fund. Projects carried out within the framework of Locally Led Development are based on the local development strategies drawn up by each local development group.

The National Financial Management Authority is the auditing authority for all structural fund programmes.

#### ***Funding through the Asylum, Migration and Integration Fund (AMIF) and the Internal Security Fund (ISF) for the 2014–2020 programming period***

In the 2014–2020 programming period, the Framework Programme for Solidarity and Managing Migration Flows 2007–2013 has been replaced by two new funds: the Asylum, Migration and Integration Fund (AMIF) and the Internal Security Fund (ISF). The last annual programme regarding SOLID was presented to the Commission in March 2016.

#### *Funding related to asylum, migration and integration*

The objective of the Asylum, Migration and Integration Fund (AMIF) is that it contribute to the development of the Union's common asylum and immigration policy against a background of solidarity and responsibility sharing among member states, and collaboration with third countries. At the national level, Sweden wants to contribute to ensuring a long-term sustainable migration policy with the intention of improving the entire migration process.

The Migration Agency has been appointed managing authority for AMIF in the 2014–2020 programming period. The Agency has delegated responsibility for management of AMIF to the function for the funds, which is part of the Agency's organisation but otherwise an independent function whose unit head reports directly to the Director-General. About 25 people work at the function for the funds, divided between offices in Norrköping and Stockholm.

The delegated responsibility means that the function for the funds executes tasks as the managing authority in accordance with applicable regulations. This includes responsibility for the effectiveness of the national programmes, which comprises calling for proposals,

preparing and making decisions on co-financing and payment, and following up and reporting.

Quality checks on compliance of the national programme for AMIF are carried out in cooperation with national expert groups. The function for the funds has also set up an internal quality function to ensure that internal quality assurance works satisfactorily in order to minimise any deficiencies in management.

The function for the funds administers decisions on co-financing both as the awarding and the executive body. However, when decisions concern funding of the Migration Agency's own projects, implementation of the projects is delegated to other operational areas/departments at the Agency in order to avoid e.g. conflicts of interest.

#### *The Internal Security Fund (ISF)*

During the 2014–2020 programming period the Internal Security Fund is to support measures that strengthen the EU's internal security. This comprises development of border controls and visa procedures, improvements to crime prevention and crime fighting, emergency preparedness, crisis management, and the protection of essential services/critical infrastructure. Funding is to be allocated in particular to the implementation of legal acts of the Union and the EU's cooperation mechanisms in the form of directives, regulations and decisions that are binding on Sweden, as well as to strengthening ongoing EU cooperation in the area.

The Swedish Police Authority is the managing authority for the ISF. Responsibility for management has been allocated to the Financial Affairs Department in order to separate it from other parts of the authority that may be granted funding from the ISF. The ISF secretariat has four full time employees and has access to other functions within the authority when needed. Tasks include organising calls for proposals, preparing and making decisions on funding and payment, monitoring the use of the funds, and reporting back to the Commission.

In 2016 procedures in the management and monitoring system were developed. Regulations for the ISF were adopted and supporting material in the form of project guidelines, templates and check lists were produced. This work on further developing processes and procedures for management and monitoring continued in 2017 and 2018.

Funding was provided above all through direct awards for special measures that national authorities are responsible for. The partnership of ten law enforcement agencies participated in preparing decisions on the focus of calls for proposals as well as decisions on funding.

The National Financial Management Authority is the auditing authority for the operational programmes in both funds.

### **3.3 Payment of customs duties and charges to the EU**

The task of Swedish Customs is to levy customs duties, taxes and other charges such that proper collection is ensured. Together with the other EU member states, Sweden is part of a customs union that applies common customs legislation throughout the EU. In order for Swedish Customs to be able to ensure proper collection, goods have to be declared in accordance with importation and exportation regulations.

Customs charges are determined on the basis of the information provided in the customs declaration. Swedish Customs can ensure proper collection by carrying out correct customs clearance and then making subsequent verifications to confirm that businesses' declarations were correct and that they have satisfactory procedures for their customs process.

Swedish Customs ensures that the customs duties and charges that have to be paid to the EU, as part of Sweden's contribution, are paid in accordance with the rules. In 2016–2018 Swedish Customs paid SEK 15 784 million to the EU.

During the 2016–2018 period Swedish Customs recovered approximately SEK 221 million in customs duties by means of subsequent verifications. This was principally for wrongly declared imports and goods that were not declared at all. During the same period Swedish Customs repaid around SEK 5.3 million in customs duties that had been wrongly declared by importers.



## **4. Measures undertaken by the SEFI Council's authorities to promote efficient and correct management of EU funds 2016–2018**

### **4.1 Introduction**

In addition to the measures taken within the framework of the SEFI Council's operations, the authorities in the Council carried out a series of initiatives in 2016–2018 to further improve and streamline management of the EU funding they oversee.

### **4.2 The Board of Agriculture**

During the 2016–2018 period the Board of Agriculture had a working group specially devoted to measures for countering fraud. In 2016 the Board of Agriculture informed administrators at the funding authorities as well as at the Board itself about the risk of fraud. Together with the Swedish Economic Crime Authority, the Board arranged a course on combating fraud for its staff. Procedures for OLAF reporting and for reporting prosecutions to the Swedish Economic Crime Authority were updated. In 2017 information on the rules regarding disqualification and bribes was provided to selected operating areas.

The Board of Agriculture has also drawn up a risk analysis for fighting fraud. The analysis covers the support/funding that falls within the Board's remit and also includes an assessment of which forms of funding imply the greatest risk of fraud. The risk analysis has been presented to the affected operating areas and was used as decision guidance in operational planning for 2018.

In 2017 the Board of Agriculture introduced a whistleblower function for reporting serious maladministration in its own operations. This allows employees (whistleblowers) to draw the employer's attention to instances of serious maladministration (shortcomings, contraventions and irregularities) that they feel they are unable to report to other functions at the Board. The reporting function is managed by the Chief Legal Officer and the Head of Information Security. One report has been made to the function so far.

Lawyers at the Board of Agriculture joined lawyers from the Swedish Forest Agency, the Swedish Agency for Marine and Water Management, the Swedish National Food Agency, the National Veterinary Institute, and the Ministry of Enterprise and Innovation to participate in a course and workshop held by the Swedish Agency for Public Management. The course dealt with the role as civil servant in relation to corruption, and presentations were followed by group discussions focusing on practical examples.

In 2018 the Board of Agriculture's internal audit unit carried out an audit of risk management of irregularities, from the entire Board's perspective. Management then adopted an action plan on the basis of the internal audit's recommendations.

Every year, the Board's internal audit unit examines different parts of the processes connected with payments of rural development aid, agricultural aid, and with payments made from the Fisheries Fund. The administrative processes are carried out at the various funding authorities and at the Board of Agriculture. The Board requests that action plans be drawn up if the examined authorities are found to have serious deficiencies. Such action plans detail measures for rectifying the identified deficiencies.

Since 2016 the internal audit unit also carries out internal audits of the certified part of the information security management system in accordance with SS-ISO/IEC 27001:2014. Internal audits are carried out on a continuous basis during the year, and are divided into six periods. For each period, the audit examines the various areas that are included in that period. Any deficiencies that are discovered are reported to the management of the EU funding department at the Board of Agriculture.

### **4.3 The Swedish Agency for Economic and Regional Growth**

In 2018 the Swedish Agency for Economic and Regional Growth carried out an organisational reform which had been initiated the year before. The aim of the reform was to create an organisation that makes the Agency even more effective and focused on results. It included the establishment of a central audit unit within the Quality and Control Department to examine all funding applications.

The Agency has created a central system for the correct handling of applications, in order to promote legally certain, efficient and equal handling of matters throughout the organisation. Questions from the regional units are answered by a central entity, for the whole Regional Development Fund. This forum also allows administrators to discuss issues and collaborate with the other funds in Sweden.

The Agency has made major developments to the website about the EU, with the aim of making it easier for funding applicants and recipients to proceed correctly, and of minimising the risks of incorrect documentation. The Agency has also developed a new administrator support tool, Guru, which will replace the internal handbook for the EU's structural fund programmes. This support tool brings together the current regulatory framework, including rules, policies, procedures and job descriptions, in one place. The Agency has furthermore revised the digital handbook for applicants, where the regulatory framework with guidelines, procedures and job descriptions is also comprehensively presented. The handbook also contains information about how to propose, plan, carry out and complete projects. The digital handbook is supplemented by the administrator's support tool, Guru, for the Agency's administrators.

In 2018 the Agency reviewed existing documents and produced new ones: the Agency's plan for combating fraud in the Regional Development Fund; Policy against bribes and conflicts of interest; the Agency's internal rules (2018:2) on gifts and other benefits from external actors; Memo regarding crimes in funding operations; and Information memo on conflicts of interest .

The Agency has additionally held a number of internal process training courses in order to increase knowledge of all processes in different areas, with the aim of promoting the correct management of EU funds.

Two annual experience exchange meetings were held under the auspices of the territorial cooperation programmes, and were directed at funding recipients. The focus of the meetings was procurement and the importance of following current regulations.

### **4.4 Västerbotten, Norrbotten and Jämtland county administrative boards**

In order to promote the efficient and correct management of EU funds, a number of measures were undertaken by the county administrative boards that manage EU funds (Interreg). Measures to facilitate matters for funding recipients, as well as checks, were introduced at the beginning of the programme. In 2018, on the basis of the Omnibus regulations that were introduced that year, the programmes adopted rules that bring further simplifications in terms of financial accounting. This is expected to reduce the risk of errors in the accounts and at

the same time reduce the administrative burden on funding recipients. Digital administration of applications and payments was further developed during the period.

Training courses for funding recipients were arranged on a continuous basis. Skills development initiatives for programme administrations were also carried out, largely in the form of cooperation between different programmes and funds by means of established cooperation networks such as FÖN (Fund coordination for Upper Norrland) and Interreg ERFA (experience exchange between the Interreg programmes, the Swedish National Financial Management Authority and the Ministry of Enterprise and Innovation). Specific examples include the Swedish Economic Crime Authority's training course on economic crime (fraud), and that representatives from Interreg participated on the SEFI Councils' own courses as a way of improving skills at the EU fund managing authorities and contribute experiences. Additionally, national controllers have their own network for experience exchange between authorities as a means to quality assurance such that management and control are done in a legally certain and equal way throughout the country.

#### **4.5 The Swedish ESF Council**

On the basis of the recommendations in the Commission's guidance on fraud prevention measures<sup>12</sup>, the Swedish ESF Council reviewed its fraud prevention efforts. This led to the Council drawing up a policy and a strategy for fighting fraud. The policy makes clear that the Council has a zero-tolerance approach to fraud and corruption, and that all staff are expected to share this commitment. The strategy outlines what risk areas have been identified within the Council and how it is working to prevent, discover and rectify these risks.

The principal risk areas identified within the Council were the following:

- The processes for calls for proposals, decisions on funding, and decisions on payment.
- Funding recipients' completion of projects, with a focus on public procurement and costs for work.
- Approval of payments within the managing authority.
- The managing authority's procurement contract.

With respect to preventive measures, the Council has worked to develop a culture of fighting fraud. Clear operational targets, clear messages from management and a clear code of ethics for all staff are intended to contribute to this culture. Skills development initiatives focused on the prevention, identification and action against fraud, as well as on ethics and culture generating issues, are also intended to contribute to this culture.

Discovery measures consist of the Council's control systems, with administrative controls applied to the projects and initiatives in accordance with its governance model, including risk analysis, risk management and internal control. The Council's integrated IT system for administrative processing, which is continually being developed, furthermore supports efforts to prevent and discover irregularities. With respect to corrective measures and reporting suspected irregularities and crimes, the Council already has policy documents in the form of a guideline and policy. When the new policy and strategy for fighting fraud was implemented, the Council undertook skills development initiatives for its employees.

These initiatives included a values role play in which different courses of events in social fund projects were discussed, both in order to highlight issues and to confer knowledge. The Council also established what is known as a self-assessment group tasked with carrying out regular risk analyses and drawing up action plans with measures. The background to this work is the Commission's recommended model for risk analysis, which was adapted to suit Swedish as well as Council-specific conditions.

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<sup>12</sup> EGESIF\_14-0021-00

These efforts have led to the Council's policy on external activities being updated, to training programmes in administrative process diligence, to the preparation and implementation of a new procedure for payments to project principals, and to a new information package being given to new employees detailing the Council's core values, code of ethics, conflicts of interest and other rules intended to reduce the risk of fraud. The question of whether to establish a whistleblowing function was also explored, and the decision taken that the Council would not set up a standard whistleblowing function with an external recipient, but instead introduce a reporting function to be managed by the Council's lawyers. This reporting function is described on the Council's external and internal websites.

#### **4.6 The Migration Agency**

Under the regulatory framework, the managing authority<sup>13</sup> is to introduce effective and proportional provisions on combating fraud. In order to promote the efficient and correct management of EU funds, and to meet the requirements of the regulatory framework that governs AMIF, the following measures, inter alia, were undertaken for the 2016–2018 period.

The function for the funds drew up procedures and check lists in accordance with AMIF's management and control system, including a strategy and procedure for handling irregularities. In 2016 a digital administrative processing system was implemented that meant the administration was partly digitalised, simplifying controls and other handling of the application, payment and reporting processes for project principals and administrators. The system was further developed in 2018, enabling it to receive all evidence documents digitally and thus also facilitating the process of checking the chain of evidence. An internal quality function was established in order to minimise deficiencies and ensure that internal quality assurance is sufficient.

Further, information about conditions for funding and the funding process, as well as manuals, were published on the web along with enforcement regulations that had been drawn up in accordance with the regulation (1538:2014) on the management of the Asylum, Migration and Integration Fund. In order to further facilitate for recipients to proceed correctly, the function for the funds introduced compulsory introduction meetings with awarded projects, in which projects are informed about the regulatory framework, division of responsibilities etc.

As a consequence of deficiencies identified during audits by the Swedish National Financial Management Authority, the function for the funds implemented expanded checks on cost eligibility and evidence documents, including expanded audits of procurements, in 2018. The Agency then carried out training programmes about the Public Procurement Act in order to improve skills in this area, which is a risk area. As an extension of this, procedures and check lists were also updated, and the SEFI Council's guidance and procedure for reporting suspected fraud was implemented and linked to confirmation questions in check lists. Additionally, extensive manuals on the procedure for auditing procurements and the verification of target groups were compiled and published on the function's external website in 2018.

Since November 2018 the function for the funds has worked on further improvement measures including process mapping, updating of policy documents and procedures, with the aim of making the processes legally certain and improving as well as simplifying things for recipients as well as employees. These measures are expected to be in place during 2019.

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<sup>13</sup> The term "managing authority" is comparable to the term "administering authority" in most respects; see Table 3 above regarding differences.

#### **4.7 The Swedish Police Authority**

During the period, the managing authority worked in accordance with the regulatory framework and the adopted control strategy which comprises administrative controls on reports and operational and financial on-the-spot checks.

The aim of on-the-spot checks is to ensure that the project's costs are eligible, that completed activities meet the requirements in the fund's regulatory framework as well as in national legislation. Check sampling is done both on the basis of risk and randomly. Analyses of these efforts are carried out annually, allowing for improvement needs to be identified and addressed in the following year's planning of on-the-spot checks.

The Police Authority drew up and implemented a procedure for fighting fraud during the period. Identified risk areas include inaccurate or incomplete information, double financing, conflicts of interest, procurements or other purchases, and deviation from the decision on funding.

The managing authority considers preventive work against irregularities and fraud to be very important, through guidance and support to applicants and recipients. During project startup meetings arranged by the Police Authority, the regulatory framework and conditions for purchases, procurements and cost-effectiveness are clarified, and the project's purchasing plans are discussed. Additionally, rules on the project's budget, on bookkeeping and eligible costs and on transparency are explained, as well as contract clauses and annexes to consider, and what project periods and reporting periods apply for the project. Finally, the managing authority explains in what way it intends to monitor the project during its life cycle.

The Police Authority holds follow-up meetings with projects at least once a year. These provide an opportunity to discuss the status of the projects as well as any uncertainties or difficulties. Meetings serve as support and help for the project as well as being an instrument for the managing authority in its follow-up efforts of individual projects and the fund as a whole.

The managing authority has also invested in skills development in the areas of disqualification, conflicts of interest, and methods for discovering and dealing with irregularities.

#### **4.8 Swedish Customs**

During the period Swedish Customs increased its focus on attachment somewhat, in order to ensure that payments are made. An internal skills development course was held in order to increase awareness about attachment, in order that employees take this into consideration in their examining work. It is nevertheless the case that few attachments are carried out, as several criteria have to be met before an application for an attachment can be made.

Swedish Customs collects approximately 99.8 per cent of the customs duties levied.

## 5. Coordination and cooperation measures

Below is a description of the coordination and cooperation initiatives against misuse and incorrect management of EU funds that the SEFI Council's authorities implemented during the 2016–2018 period. The activities of the SEFI Council are presented in Chapter 2 above.

The Migration Agency and the Swedish Police Authority, which are managing authorities for the AMIF and ISF funds respectively, had regular cooperation during the period, meeting around twice a year. This cooperation is aimed at experience exchange and at providing each other with guidance in the management of various shared issues, such as management of annual accounts, interpretations of regulatory frameworks, and control and follow-up of projects, including control of purchases linked to the Public Procurement Act.

In connection with planning and startup of the 2014–2020 programming period, the three county administrative boards involved cooperated with the Swedish Agency for Economic and Regional Growth on coordination and simplification of the management of the Interreg programmes. This cooperation between the five managing authorities is set to continue throughout the programming period, in the form of structured experience meetings and continuing liaison. Cooperation is also ongoing between several funds and those overseeing growth initiatives in Upper Norrland, which also includes arranging regular training programmes for administrators (Upper Norrland Fund Coordination).

During the period, the Swedish ESF Council, the Swedish Agency for Economic and Regional Growth and the Board of Agriculture cooperated and kept each other up to date on their internal efforts in anti-fraud matters. Training programmes in fraud prevention measures held for staff at the Swedish ESF Council were also attended by invited representatives from the Swedish Agency for Economic and Regional Growth and the Board of Agriculture.

At the EU level, fraud fighting efforts are run by the various directorates as well as by OLAF, the European Anti-Fraud Office. The authorities regularly attend meetings arranged by OLAF. The Swedish Agency for Economic and Regional Growth participated in a working group aimed at countering corruption and incorrect management of the EU's structural funds. In preparation for meetings of the Advisory Committee for the Coordination of Fraud Prevention (COCOLAF), the authorities liaised regarding the various items on the agenda. At the national level there is a network for OLAF reporting, which met on five occasions during the reporting period. This network includes the Swedish ESF Council, the Board of Agriculture, Jämtland, Norrbotten and Västerbotten county administrative boards, the Migration Agency, the Swedish Police Authority and the Swedish Agency for Economic and Regional Growth. It meets regularly for information and experience exchange regarding the reporting of irregularities.

The Swedish ESF Council, the Swedish Agency for Economic and Regional Growth and the Board of Agriculture are additionally part of a national fund coordination group. Its purpose is to create enhanced cooperation between the authorities and address cross-fund issues within the framework of the partnership agreement and the operational programmes. A new long-term plan for fund coordination was adopted in 2018, with the objective of creating better conditions in the next programming period for using the funds effectively and for maximising the benefits of their complementarity. This change is also underpinned by the current implementation position, with a generally high decision-making level in the programmes' concluding phase leading to an increased need to focus further on making results visible of the funds' overall added value in Sweden.

Among the consequences of the new long-term plan are that the Shared Interpretation and Rule Simplification, Locally Led Development, and Horizontal Principles working groups

will no longer report to the steering committee. Work in these areas will instead be linked to the authorities' regular work (including coordination) on the coming programming period. The fund coordination secretariat will focus on coordination of the Fund coordination task, management support/contact point for the Communication, Follow-up and Evaluation working groups, and the authorities' work on the coming programming period linked to fund coordination.

The National Financial Management Authority arranged joint seminars for all authorities managing EU funds. The aim of these was to exchange experiences on the basis of completed audits as well as to discuss the proposals made by the Commission for new regulatory frameworks in shared management.

During the period, the Swedish Economic Crime Authority held training programmes at the Migration Agency, the Board of Agriculture, the Swedish Agency for Economic and Regional Growth, and the county administrative boards on the criminal justice process in the event of crimes against the EU's financial interests, and on how administrators should handle suspicions of crime.

Swedish Customs protects those financial interests by working actively to recover unpaid customs duties and other charges. Swedish Customs cooperates with the Swedish Enforcement Authority and the Tax Agency to ensure that customs duties and other charges are collected and can be paid to the EU. Collaboration with the Swedish Enforcement Authority is also a means to recovering claims abroad, and Swedish Customs additionally applies EU and Nordic agreements to this end.

Within the EU there is a web-based system that allows OLAF and member states quickly and easily to notify each other and to exchange information about identified risks with respect to customs duties evasion or fraud. During the 2016–2018 period Swedish Customs sent about ten such notifications at its own initiative and also worked actively with notifications received from OLAF and member states.

## 6. Experiences of the National Financial Management Authority

The National Financial Management Authority (abbreviated ESV in Swedish) is Sweden's national auditing body for EU funds, and is charged as such with promoting the efficient and correct management of EU funds in Sweden. Its remit covers those EU funds that are managed jointly with the Commission and means that ESV is the certifying body for the

two agricultural funds and the auditing authority for the other funds. ESV's audit responsibility comprises EU funding from

- The Agricultural Funds
- The Regional Development Fund
- The Social Fund
- The Maritime and Fisheries Fund
- The Asylum, Migration and Integration Fund
- The Internal Security Fund
- The Fund for European Aid to the Most Deprived

EU funds that are not managed jointly with the Commission are not included in ESV's remit.

In essence the ESV's task is to examine whether the management and control systems live up to the requirements of the European Parliament, the Council and the Commission. ESV examines and checks whether the expenditure declared to the Commission is eligible for support and whether it has been used for the right ends. Auditing is carried out at the Swedish authorities responsible for management as well as on location with the recipients of funding. The auditing work concludes with ESV preparing an annual report that summarises its work, calculates what proportion of the expenditure reported to the Commission is incorrect, and makes an audit statement for each programme. For the agricultural funds ESV also repeats the controls carried out by the Board of Agriculture and the county administrative boards, and then calculates the discrepancy between its control and those of the Board of Agriculture and the county administrative boards, as a percentage. ESV submits its annual reports and statements to the Commission and to the Swedish government. It is not the task of the auditors to determine whether identified management errors are due to fraud, irregularities or other incorrect use of EU funds.

In keeping with the requirement for independence, ESV has no formal collaboration with the other authorities. However, in addition to the ESV's formal reporting to the authority in question, regular meetings are held with individual authorities as well as with all the authorities together, for the purpose of informally disseminating and exchanging experience and knowledge of how management can improve its prevention and detection of errors.

The audit results reported by ESV show that the majority of the programmes function satisfactorily and that errors in management have decreased over time. Those errors that are detected are primarily due to the EU-funded projects' failure to comply with the Public Procurement Act, to a lack of records and documentation showing that reported costs have to do with the project, and to funding recipients not fulfilling all the conditions for funding. Some errors have occurred in connection with the administration by managing authorities. In a few cases errors have been observed which have led ESV to file reports with the Swedish Economic Crime Authority for further investigation of suspected crimes.

## 7. Reporting of irregularities to OLAF

### 7.1 General assumptions

In order to protect the EU's financial interests, all EU member states are required to prevent, discover and rectify irregularities<sup>14</sup> and to recover funds that have been paid on incorrect grounds, along with any interest on arrears. Member states have to report irregularities that exceed 10 000 euros in EU funds to OLAF. The Commission must also be kept informed of significant advances in administrative and judicial procedures associated with this.<sup>15</sup>

On 5 July 2017 the European Parliament and the Council adopted Directive (EU) 2017/1371 on the fight against fraud to the Union's financial interests by means of criminal law (the PIF Directive). The directive specifies a common definition of fraud, Article 3.2, directed against the EU's financial interests. This definition, which is very extensive, applies to expenditure not related to procurements, expenditure related to procurements, and revenue from sources other than value-added tax as well as from value-added tax.

In summary, the definition above classifies as fraud any intentional act or omission carried out for personal gain or with the aim of causing detriment to another party<sup>16</sup>, and as an irregularity any act that is not compatible with the EU's rules and that may have negative effects on the EU's financial interests. Irregularities may be due to unintentional error, but if an irregularity is committed intentionally it may constitute fraud.<sup>17</sup>

Irrespective of whether the act is intentional or not, it must be reported to OLAF. Information on discovered irregularities is submitted on a quarterly basis. Each managing authority is responsible for its own reporting, and since 2008 reporting from Sweden uses a fully electronic reporting system, IMS.<sup>18</sup> Swedish Customs uses the OWNRES<sup>19</sup> electronic reporting system.

A common feature of all quarterly reports is that if the EU-funded part of the sum affected by the irregularity is less than 10 000 euros, it is not to be reported unless the Commission expressly requests it. The majority of all payments of EU funds in Sweden are for amounts lower than 10 000 euros. There are furthermore special exceptions to the reporting obligation for the various funds. In the case of the structural funds, for example, errors that are detected and corrected before being included in the final expenditure declaration submitted to the Commission do not need to be reported.

Every year OLAF produces a Report from the Commission to the European Parliament and Council on the Protection of the European Union's financial interests – Fight against fraud (known as the PIF Report)<sup>20</sup>. In it OLAF describes the measures undertaken during the year. The report also has annexes with statistics for the administrative cases that member states have reported to OLAF during the year. OLAF divides these cases into two categories:

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<sup>14</sup> Swedish uses two essentially interchangeable terms for irregularity: *oegentlighet* and *oriktighet*.

<sup>15</sup> This obligation is specified, for the structural, agricultural and fisheries funds, in Regulation (EU) No 1303/2013, in Commission Delegated Regulation No 1970/2015 and in Commission Implementing Regulation No 1974/2015. In the customs area, the obligation to report irregularities is laid down in Council Regulation No 608/2014.

<sup>16</sup> Read more in Article 1 of the Convention on the protection of the European Communities' financial interests, 1995.

<sup>17</sup> Read more in Article 1 of Council Regulation No 2988/95.

<sup>18</sup> Information Monitoring System.

<sup>19</sup> Short form of "own resources".

<sup>20</sup> The PIF Report for each year can be accessed on [https://ec.europa.eu/anti-fraud/about-us/reports\\_en](https://ec.europa.eu/anti-fraud/about-us/reports_en). According to OLAF, the 2018 report will be presented on 30 September 2019.

fraud/suspected fraud and irregularities that do not constitute fraud. The statistics include figures for how many cases each member state has reported in each category. The PIF Report for 2018 will be published on 30 September 2019.

It is important not to confuse the terms fraud or suspected fraud with the term irregularity. Reporting of irregularities includes all types of irregularities, from unintentional mistakes by the funding recipient and the authorities managing the EU funds to conscious cheating and intentional fraud. Only the statistics on crime give an idea of the number of cases of fraud.

## **7.2 Reported irregularities 2016–2018**

### **7.2.1 General information**

#### *Customs duties and charges*

In 2016 Swedish Customs reported 99 irregularities connected with customs duties and charges, totalling about 5.8 million euros or about 58 600 euros per case, on average. There were two irregularities that were reported as fraud, totalling about 92 000 euros. In 2017 there were 165 irregularities reported, totalling about 6.3 million euros or about 38 000 euros on average. Four irregularities were reported as fraud, totalling about 4.3 million euros. In 2018 there were 151 irregularities reported, totalling about 5.9 million euros or about 39 000 euros on average, and one irregularity reported as fraud, of about 34 000 euros.

The increase in the number of irregularities reported compared with 2013–2015 was due largely to changed and improved reporting procedures within Swedish Customs. The irregularities reported as fraud that involved the largest sums related to the importation of solar cell panels from China.

#### *Agricultural funds*

Compared with the previous period, the Board of Agriculture reported significantly fewer cases in 2016–2018. There are several explanations for this, which should not be interpreted as evidence that the authority is discovering fewer errors than before. Among other things, reporting rules have been changed so that only errors that imply recovery claims are reported, unlike earlier when deductions made before payment were reported as well. The Board of Agriculture has also experienced certain technical difficulties with the handling of recovery claims.

#### *Structural funds*

##### *The Swedish ESF Council*

No irregularities were noted by the Swedish ESF Council in 2016 with respect to established threshold amounts. In 2017 the Swedish ESF Council reported eight irregularities totalling 794 642.42 euros, or an average sum per irregularity of 99 330.30 euros. In 2018 the Swedish ESF Council reported three irregularities totalling 346 058.46 euros, or an average sum of 115 352.82 euros. In both 2017 and 2018, one irregularity was for a much higher amount than the others and thus not representative. If these irregularities are disregarded, the average sum per irregularity is 29 655.07 euros in 2017 and 21 254.40 euros in 2018.

##### *The Swedish Agency for Economic and Regional Growth*

In 2016 the Swedish Agency for Economic and Regional Growth reported nine irregularities totalling 1 278 837 euros; in 2017 the number of reported irregularities was four, totalling 198 471 euros; and in 2018 one irregularity of 14 377 euros was reported. The average sum

for which recovery claims were made during the period was 106 549 euros; by year it was 142 093 euros in 2016, 49 618 euros in 2017, and 14 377 euros in 2018.

Looking at 2013–2015, when the number of reported irregularities was 35 in 2013, 24 in 2014, and 21 in 2015, it may be noted that the number of reported irregularities has continued to fall. Possible explanations for this include improved controls, better risk assessment tools, and an increased understanding among project principals etc, which would then mean that the number of irregularities will fall during the current programming period compared with the previous one.

### ***The Asylum, Migration and Integration Fund (AMIF) and the Internal Security Fund (ISF)***

During the 2016–2018 period, the Migration Agency did not report any irregularities regarding AMIF.

The Swedish Police Authority did not report any irregularities regarding ISF during the 2016–2018 period.

## **7.3 A European overview**

Managing authorities and other bodies in the member states report irregularities, both those that constitute a suspected crime and those that do not, to the Commission. Below is a summary of reported irregularities constituting suspected and confirmed fraud.

In September 2018 the Commission published its annual report on the protection of the EU's financial interests – the 2017 PIF Report. The report shows that instances of reported fraud are significantly more numerous within the EU's cohesion policy area than within other areas.<sup>21</sup>

According to the data on which the 2017 PIF Report is based, the irregularities with a suspicion of fraud that were reported by the member states represented 0.44% of the EU funds that were disbursed in the cohesion policy area.<sup>22</sup>

The proportion of suspected and confirmed cases of fraud in this area varies greatly between the member states: from 0.0% for Sweden, Finland, Luxemburg and Ireland, where the number of reported cases of suspected and confirmed fraud is so low that it is rounded to 0%, to 1.10% and 2.13% for Romania and Slovakia, respectively, which have the highest shares. The average for the whole EU is 0.44% of disbursed funds.

As of December 2018, member states had reported 155 irregularities with a suspicion of fraud in the cohesion policy area for the 2014–2020 programming period. This number can be compared with 174 reports for the corresponding period during the 2007–2013 programming period. In total, however, 1 925 such reports were made during the 2007–2013 programming period. It may thus be noted that the majority of reported cases of suspected fraud were made towards the end of the programming period. The downward trend in the number of reports is clear in Sweden as well.

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<sup>21</sup> Special Report 06/2019 “Fighting fraud in the EU's cohesion expenditure: managing authorities have to get better at discovery, countermeasures and coordination”.

<sup>22</sup> COM(2018)553 final, 3.9.2018; the statistics annex to the 2017 PIF Report (p 93).

It emerges from the 2017 PIF Report, and from an interim presentation of the 2018 PIF Report made by the Commission at a COCOLAF<sup>23</sup> meeting in June 2019, that the value of individual reported cases of fraud within the EU is increasing. Fewer, but bigger, cases of fraud. Similar conclusions cannot be drawn for Sweden, other than that in Sweden as well the number of discovered suspected cases of fraud tends to increase towards the end of programming periods.

In a report published recently (Special report no 06/2019: *Tackling fraud in EU cohesion spending: managing authorities need to strengthen detection, response and coordination*), the European Court of Auditors notes that the readiness of managing authorities to systematically report suspected crimes is insufficient (the report concerned eight member states; Sweden was not among them).

With the aim of strengthening the protection of the EU's financial interests further, all member states are obliged to establish an Anti-Fraud Coordination Service (AFCOS).<sup>24</sup> An AFCOS is a liaison centre and a national contact point for OLAF. In October 2014 the Swedish government decided that the Swedish Economic Crime Authority would be the country's AFCOS, tasked with coordinating contacts with OLAF in operational matters, in what are known as on-the-spot checks. This collaboration is regulated in the Act concerning on-the-spot checks and inspections by the European Anti-Fraud Office (OLAF) (2017:244), which came into force on 1 May 2017. During the reporting period OLAF has carried out checks in Sweden on three occasions, and in the autumn of 2018 OLAF announced that it intends to carry out a number of checks in Sweden during 2019. As part of their AFCOS work, employees at the Swedish Economic Crime Authority have represented Sweden in meetings concerning AFCOS' regulatory framework and function.

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<sup>23</sup> COCOLAF: Advisory Committee for the Coordination of Fraud Prevention in Brussels, 12-13.6.2019.

<sup>24</sup> Under Article 3 (4) of EU Regulation 883/2013.

## 8. Reported EU fraud

### 8.1 Investigating EU fraud

Under the Ordinance (2007:972) with instructions for the Swedish Economic Crime Authority, the authority is to deal with instances of what is termed EU fraud, i.e. matters concerning fraud, fraudulent conduct and serious fraud as specified in Chapter 9, Sections 1–3 of the Swedish Penal Code, if the act impinges on the EU's financial interests. Further, subsidy misuse is dealt with in accordance with Chapter 9, Section 3a of the Swedish Penal Code. As of 1 March 2001, the Economic Crime Authority is charged with investigating all such cases in Sweden.

A report should be submitted to the Economic Crime Authority as soon as there is reason to assume that a crime under the provisions mentioned above has been committed. There is no threshold amount for reporting such suspected crimes, and there is no statutory obligation to report crimes.

The Economic Crime Authority investigates and institutes legal proceedings against all cases of EU fraud at a single economic crime chamber in Stockholm. This arrangement, with responsibility concentrated to one chamber and to special investigators, auditors and prosecutors, achieves increased and consolidated competence, more effective investigations and a more consistent application of the law. Moreover, authorities reporting crimes have one single recipient, which is an advantage for both the reporting authority and the Economic Crime Authority.

In 2019 Sweden has increased the scale of sentencing for subsidy misuse (Section 9.3 b of the Swedish Penal Code<sup>25</sup>). This amendment includes the introduction of a provision on serious subsidy misuse in the Swedish Penal Code. The provision affects those who use EU funds for other ends than they were granted for. The amendment was occasioned by an EU directive (known as the PIF Directive) on fighting fraud directed at the EU's financial interests.

### 8.2 Reports of suspected crime

During the 2018–2018 period a total of 15 reports were made to the Swedish Economic Crime Authority regarding suspected fraud involving EU funds, which is substantially fewer than during the preceding period, when 35 reports were received.

Most of the reports concern structural fund and agricultural fund payments. Those reporting are managing, certifying, paying and auditing authorities, OLAF, and private citizens. The quality of the reports is usually high, and only exceptionally are reports dismissed before a preliminary investigation is begun. However, only a small number of the reports lead to a prosecution being brought. This is typically because a crime cannot be proven due to difficulties in proving what are known in Swedish law as the subjective requirements.

#### 8.2.1 Analysis of received reports of crime

Since 2001, the number of reports of suspected EU fraud made to the Swedish Economic Crime Authority has varied between 5 and 36 per year. It may be noted that the number has varied over time, with a peak in 2004–2005. As the number of reports tends to be higher towards the end of the programming periods, it may perhaps be assumed that more reports will be made in 2019–2021, but the number of reports in 2016–2018 is very low even allowing for that.

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<sup>25</sup> SFS 2019:310 (Govt bill 2018/19:78), which is a part of Sweden's incorporation of the PIF Directive.

It is important in this connection to point out that the authorities that manage EU funds have no statutory obligation to report suspected cases of EU fraud.

As part of the efforts to increase the number of reports, the SEFI Council therefore adopted the previously mentioned joint reporting policy for suspected EU fraud in 2011.

As the number of reports of suspected crime is low, it is difficult to discern characteristic procedures and trends. Most reports, however, contain descriptions of misleading information regarding costs eligible for funding. It may be a matter of fictitious or real costs that do not fall within the project period, or costs that had not been paid at the time of requisitioning. Claims for funding may also refer to other ends than what the funding was granted for. When applying these procedures, suspects often make use of manipulated documents such as receipts, invoices or bookkeeping extracts to prove that the presented costs were paid and the project completed.

A common problem in the Economic Crime Authority's investigations is that it is difficult to prove that someone has intentionally provided incorrect information. This means that even if the objective requirements for proving a crime are fulfilled, it is usually not possible to fulfil the subjective requirements. The majority of all initiated preliminary investigations are therefore withdrawn with the justification that the crime cannot be proven.

It also happens that project principals have improperly hired associated consultants or companies in projects. These types of reports are also difficult to investigate, and require extensive examination of all the accounts. In these cases as well, it is difficult to prove that acts were intentional.

The Economic Crime Authority is frequently able to conclude that the objective requirements for proving a crime are fulfilled, and that the subjective requirements are not. The authority is then unable to bring a prosecution. This should be made clear in the decision to withdraw a preliminary investigation. Such feedback to the reporting authorities is important and can lead the authorities to proceed with administrative measures against the funding recipient in question – for example, wholly or partly revoking a decision on funding, or making a recovery claim for the payment made.

## **9. Conclusions – protecting the EU’s financial interests in Sweden**

As described in Chapter 3, the EU has large budget that is financed through annual contributions from the member states. The responsibility for administering and controlling most of this funding rests with national authorities in the member states. This places considerable demands on the authorities responsible for managing EU funds in Sweden in terms of efficient administrative procedures, secure systems, and policies to prevent, discover, investigate and counter irregularities.

For the purpose of ensuring the correct management of EU funds, managing authorities in Sweden have for many years built up, separately and jointly, protections for the EU’s financial interests. As a complement to preventive work, capacity is also required for discovering crime, and the legal system has to be able to investigate suspected irregularities and ultimately prosecute individuals who have committed crimes.

Active engagement with both preventive and enforcing measures as part of a whole is an important prerequisite of effective protection of EU funds. The work done within the SEFI Council is aimed at strengthening both types of measures.

The fact that the SEFI Council is a forum for information and experience exchange for the authorities involved benefits them. The SEFI Council’s member authorities have shared internal regulations and procedures with each other in order that the authorities with smaller organisations for managing EU funds in particular are able to benefit from the work that authorities with larger such organisations have been able to do.

With the aim of strengthening preventive efforts, the SEFI Council held thematic meetings on particularly urgent issues during the 2016–2018 period.

In order to improve the capacity for discovering suspected crime and for initiating legal proceedings, the SEFI Council also arranged training programmes at the member authorities. The Council also visited management teams at the affected authorities with the aim of emphasising the importance of actually reporting suspected crimes.

The SEFI Council Day allows the Council to reach out to all of the affected authorities’ employees and managers and to highlight particularly topical or interesting issues. One such issue is why so few suspected crimes are reported in Sweden.

Beyond the scope of the SEFI Council’s work, the managing authorities implement cooperation measures intended to coordinate efforts to strengthen protection and make them more effective. In several cases member authorities have also carried out training initiatives and experience meetings directed towards funding recipients, in order to prevent irregularities due to a lack of knowledge. The authorities are continuously working to clarify and simplify the regulatory frameworks.

Few crimes of the type discussed here have been reported to the Economic Crime Authority. The number is small from a European perspective as well, but the downward trend in the number of reports is not unique to Sweden – it applies in the rest of Europe as well. Experience shows that the number of reports tends to increase towards the end of a programming period. The current programming period, 2014–2020, will only be in its final phase from 2019, and on that basis it is difficult to draw any conclusions. The audit results reported by the National Financial Management Authority indicate that errors in management

have decreased over time, but that the errors that do occur are due above all to EU-funded projects not complying with the Public Procurement Act. It can also be a matter of missing records and documentation to prove that the reported costs are part of the project in question.

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**About the SEFI Council**

<https://www.ekobrottsmyndigheten.se/om-oss/samverkan/SEFI-radet/>

**Reporting policy**

<http://www.ekobrottsmyndigheten.se/Documents/Anmalningspolicy-SEFI.pdf>

English version

[http://www.ekobrottsmyndigheten.se/Documents/SEFI\\_council\\_reportingpolicy.pdf](http://www.ekobrottsmyndigheten.se/Documents/SEFI_council_reportingpolicy.pdf)

**Guidance for handling cases of suspected crime**

<https://www.ekobrottsmyndigheten.se/Documents/Vagledning-SEFI.pdf>

The Swedish Council for the Protection of the Europeans Union's Financial Interests (the SEFI Council) was instituted by the government to promote the efficient and correct use of EU-related funds in Sweden.  
The authorities listed below make up the SEFI Council.

