

# IMI2 JU Anti-Fraud Strategy

## Implementing the common Research Anti-Fraud Strategy

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# 1 Background

Anti-fraud measures are an essential element of the legal and financial framework of the Innovative Medicines Initiative 2 Joint Undertaking (IMI2 JU) in line with:

- The responsibility of the Joint Undertaking to ensure that the financial interests of its Members are adequately protected (Article 14 of the Regulation establishing the IMI2 JU<sup>1</sup>), and
- The principle of sound financial Management which involves reducing the risk of fraud and irregularities by building relevant preventive and protective measures in the Internal Control Systems (Articles 11 and 12 of the IMI2 JU Financial Rules).

Furthermore, according to Article 16 (paragraph 1, subparagraph 2) of the IMI2 JU Financial Rules the Joint Undertaking shall participate in fraud prevention activities of the European Anti-Fraud Office (OLAF)<sup>2</sup>.

Since its set-up, IMI has ensured that appropriate controls to fight against fraud at all stages of the Management process are applied across the Joint Undertaking. A relevant pillar of this approach has been the implementation by IMI of the Commission's Anti-Fraud Strategy (CAFS) of June 2011<sup>3</sup>, as well as, the Research Family Anti-Fraud Strategy of 27 July 2012<sup>4</sup> for the 7<sup>th</sup> Framework Programme for Research and Innovation. As a consequence, several anti-fraud checks have been integrated in ex ante and ex post controls for prevention and detection purposes. In addition, a policy on sensitive posts is in place to support Management. The Joint Undertaking's Programme Office is also collaborating closely with the European Commission services on this matter and participates actively in coordination meetings and in training activities on fraud awareness.

With the implementation of Horizon 2020, the new Framework Programme for Research, a Common Support Center (CSC) has been established with a centralised audit department (the Common Audit Service, CAS), to review business processes and technical tools throughout a common approach for the Research family. For such reason, the IMI2 JU Anti-Fraud Strategy needed to be updated to match the new common Research Anti-Fraud Strategy (RAFS) and its Action Plan (Annex)<sup>5</sup>.

## 2 IMI2 Anti-Fraud Strategy

IMI2 JU endorses and implements through its policies and activities the common Research Anti-Fraud Strategy.

The common approach does not prevent<sup>6</sup> the Joint Undertaking to develop additional anti-fraud measures to better cope with its specificities as a Public Private Partnership. While the RAFS coordinates and harmonises the approach within the Research family in areas where it has a real added value (addressing scientific misconduct, common training, awareness raising, proactive data analysis, a common audit strategy for Horizon 2020, harmonised treatment of fraud cases and a common policy on administrative and financial penalties) there are some specific issues - such as interaction with industry and with associated partners, or related to internal misconduct - for which action might be taken internally, under the responsibility of the Joint Undertaking Management.

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<sup>1</sup> Council Regulation (EU) No 557/2014 of 6 May 2014 establishing the Innovative Medicines Initiative 2 Joint Undertaking, OJ L 169/54 of 07/06/2014.

<sup>2</sup> A Decision concerning the terms for internal investigations in relation to the prevention of fraud, corruption and any illegal activity detrimental to the European Community's interests was adopted by the IMI JU Governing Board since October 2008.

<sup>3</sup> COM(2011) 376 final.

<sup>4</sup> Ref. Ares(2012)911323 - 26/07/2012.

<sup>5</sup> Both these documents have been adopted by the CSC's Executive Committee on 5 February 2015.

<sup>6</sup> RAFS, Section 1, pg. 4: "... The Common strategy and action plan are not however intended to be a straightjacket. They must allow some flexibility for services to adapt to their own particular needs and to their anti-fraud measures already implemented...".

## 2.1 Objectives

The IMI2 JU Anti-Fraud Strategy (AFS) adopts common principles and target actions to address identified common risks, shared with the RAFS and its Action Plan, while considering operational tasks and budgets stemming from its own programme. The IMI2 Strategy aims at:

- Minimising the opportunities for internal and external fraud ensuring that effective counterfraud measures are in place and provide an appropriate response when fraud occurs,
- Raising awareness about fraud risk across the JU as well as among partners and beneficiaries, and
- Conducting fraud risk analysis and reviews especially in areas considered vulnerable to fraud.

Furthermore, as the aim of the RAFS will focus mainly on fraud detection, the IMI2 Strategy will address also prevention, to decrease the likelihood of fraud, and to strengthen its own internal controls.

## 2.2 Roles and responsibilities

The implementation of the AFS is the responsibility of all Members, partners, beneficiaries and Joint Undertaking's staff. However, Members of the Board and Managers have a particular responsibility to establish mechanisms to prevent fraud and to ensure that any suspected fraudulent activity is immediately reported and followed-up as appropriate.

Each Manager and member of the staff in charge of a given operational process, project, or activity, must be aware of the risks that this may incur. A systematic fraud risk assessment should allow them to take preventive measures and suitable steps to ensure that those measures, in particular the controls introduced, are effective.

## 3 IMI2 Anti-Fraud Action Plan

In parallel with the Common Research Action Plan the IMI2 JU's Programme Office shall implement its Anti-Fraud Strategy through the internal Action plan described below.

### 3.1 Fraud risk assessment

The starting point of the IMI2 JU Anti-Fraud Strategy (AFS) is a systematic fraud risk assessment included in the annual Risk Assessment Exercise (RAS). This will be the main tool that IMI2 will employ to monitor its exposure towards (internal and external) fraudulent activities as well as to assess the fraud awareness of its staff. A first fraud risk assessment<sup>7</sup> has been conducted in view of the revision of the IMI2 JU AFS strategy.

The Fraud risk assessment is a periodic review of the Joint Undertaking operations and controls and its related policies and procedures, to determine where gaps exist that could allow a person or group of persons to carry out activities leading to fraud against the IMI2 JU and its Members financial interests. The fraud risk assessment will look at key areas of IMI2 JU to determine if actions have been taken that would up-front alert Management to a probable or real fraud activity. The fraud risk assessment (especially through a gap analysis) shall contribute to help Management to identify significant risks to be addressed (below on Section 2.3 an example related to this point).

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<sup>7</sup> As part of the Annual Risk Exercise 2014-2015.

Objective / Priority implemented	Process owner(s)	Deadline	Indicator(s)
Objective : Conducting fraud risk analysis and reviews especially in areas considered vulnerable to fraud  Priority: Prevention / Corrective measures	Internal Control and Risk manager	31/12/2015  By Q1/2016	1. A fraud risk assessment to be embedded in the annual risk assessment exercise.  2. Set up and manage a risk register of potential cases identified.

### 3.2 Training and communication activities

Training activities on ethical behaviour and fraud detection are useful tools of anti-fraud strategies. Beyond the common actions to be undertaken jointly by the Research family services, the IMI2 JU will also promote tailor made anti-fraud training activities addressing examples of internal misconduct and fraud risks related to its core business activities. Training and ethical seminars will focus on the procedures to prevent fraud and red flags and to develop fraud indicators specific to IMI2 JU environment.

In addition, dedicated training activities on specific subjects related to detection and reporting of fraud, may be proposed to IMI beneficiaries (might be integrated in the periodic financial training provided to projects participants) and to IMI industry partners.

A key element of any anti-fraud strategy is improving the communication process both at internal and external level. Regular exchange between departments will be planned as part of the internal control review (please see below session 3.3).

Specific communication to stakeholders and beneficiaries should stress the commitment of IMI2 JU to combat fraud and of their contribution to maintain a high level of trust by reporting suspicious or inappropriate activities.

In this context, a significant point of the ASF will be to increase at all levels of the Joint Undertaking and amongst its stakeholders the understanding of IMI commitment towards addressing fraud risks. A systematic reporting in the Annual Activity Report of the IMI2 JU of its anti-fraud actions and achievements will contribute to follow-up on this point.

Objective / Priority implemented	Process owner(s)	Deadline	Indicator
Objective: Raising awareness about fraud risk across the JU as well as among partners and beneficiaries  Priority: Prevention	Head of Administration and Finance and HR Manager  Communication Manager (and other Managers where needed)	31/12/2015 and yearly  31/12/2016 and yearly  Yearly  31/12/2016 and yearly  31/06/2016	1. At least a training seminar to be followed yearly by all the staff.  2. Specialised trainings organised yearly for key staff (e.g. SOs, FOs, LOs).  1. Presentation to target groups (such as Governance bodies; Experts, etc.)  2. Prepare and communicate targeted Fact-sheet to beneficiaries and other stakeholders.  3. Insert a clause mentioning IMI AFS within contract and Purchase Order templates.

### 3.3 Review and strengthening internal controls

Strong internal controls are broadly considered as the most important tool to effective fraud prevention. In this view, strengthening internal controls is seldom accomplished by enhancing one process but rather involves a comprehensive review of the risks faced, the existing internal controls already in place and their adequacy in preventing fraud from occurring. The gap analysis embedded in the fraud risk assessment (above Section 3.1) shall support this objective and should lead to remediation plans for fraud risks or schemes that could not be linked to existing internal controls.

Main actions that will be undertaken by the IMI2 JU include:

- Identifying a fraud control officer who deals with the policy, works as contact point and liaison for the implementation of the common RAFS and may support the JU's organisation and external stakeholders in dealing with the implementation of the present AFS.
- Establish standard operating procedures of how fraud allegations will be investigated and resolved including procedures for documentation preservation and evidence gathering. The policy shall also address the functions responsible, accountable, consulted, and informed depending on the nature of the allegation.

Objective / Priority implemented	Process owner	Deadline	Indicator
Objective: Minimising the opportunities for internal and external fraud ensuring that effective counter fraud measures are in place and provide an appropriate response when fraud occurs	Head of Administration and Finance and Internal Control Manager	31/03/2016	1. Establishing a fraud detection scorecard
Priority: Prevention / Detection /Corrective measures		Yearly	2. Average time to address cases of potential fraud: - Internal cases (< 3 months) - External cases (6 months from identification and communication to OLAF)
		Yearly	3. Losses recovered out of the losses identified: 75%

## 4 Conclusion

IMI2 JU is committed to prevent and identify fraud, wherever it occurs, through awareness raising and training; implementing the necessary internal controls; and, responding to indications of fraud promptly and effectively, in particular by means of established investigation procedures. When fraud has occurred, the Joint Undertaking will take the appropriate administrative, disciplinary and/or legal respective action.

In this framework IMI2 JU Members, beneficiaries and stakeholders have also a key role to play, together with the staff, in the prevention and detection of fraud and, as such, they have the responsibility to report suspicions of fraud in good faith.



