



Day 1: Dermot Byrne, Head of ERDF AA, Ireland

Introduction to Identifying and Preventing Fraud; Fraud Indicators

- Architecture of systems
- Rules and definitions
- Fraud indicators and the Fraud triangle
- **Break out rooms !**
- Overview of fraud schemes



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Responsibilities for Fraud Prevention and Detection



Architecture of system

Assurance model 2014-2020



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Definitions : Irregularity, Fraud, Corruption



Definition of Irregularity

'Any infringement of a provision of Community law resulting from ...

- *an act or omission by an economic operator,*
- *which has, or would have, the effect of*
- *prejudicing the general budget of the Communities or budgets managed by them,*
- *either by reducing or losing revenue accruing from own resources collected on behalf of the Communities,*
- *or by an unjustified item of expenditure'*

Article 122.2 of CPR : MS responsibilities for irregularities in 2014-2020

- MS shall prevent, detect and correct irregularities and shall recover amounts unduly paid together with interest on late payments. (general principles)
- MS shall notify the Commission (OLAF) of irregularities > €10,000 (co-funded element) and advise OLAF of progress to recover and of any legal proceedings.



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When is an Irregularity recognised?



Article 27(b) of 1828/2006

- **"...first written assessment by a competent authority"**
- Irregularities only arise on expenditure that has been declared to EC
- Process of identifying irregularities should be mainly driven by the AA (after the contradictory process)
- To a lesser extent by MAs and CAs
- Irregularities can also be discovered on audits by the EC/ECA

When you do NOT formally report ? (Derogations) Art 122.2 of CPR

- If the irregularity consists solely in the failure to execute, in whole or in part, an operation included in the OP owing to the bankruptcy of the beneficiary
- Cases voluntarily brought to the attention of the MA or CA by the beneficiary before detection by either of them
- Cases which are detected and corrected by the MA or CA before inclusion of the expenditure concerned in a statement of expenditure submitted to the Commission.



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Definitions: Fraud and Corruption



Definition of Fraud

- **The use or presentation of ...**
 - false, incorrect or incomplete statements or documents,
 - which has as its effect the misappropriation or wrongful retention of funds
 - from the general budget of the European Communities or
 - budgets managed by, or on behalf of, the European Communities.
- **Non-disclosure of information** in violation of a specific obligation, with same effect.
- **Misapplication of such funds** for purposes other than those for which granted.

Definition of Corruption

'The abuse of (public) position for private gain'.

Note:

- Corrupt payments facilitate other frauds e.g. false invoices, phantom expenditure, failure to meet contract specifications etc.
- The most common form of corruption is a receiver (passive corruption) accepting a bribe from a giver (active corruption).

Note:

It is the element of intention which distinguishes fraud/corruption from irregularity.



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Information Note on Fraud Indicators for ERDF, ESF and CF COCOF 09/0003/00 - EN



3 Fraud Types:

- **Intentional manipulation of financial statements**
(e.g. inappropriately reported revenues)
- **Any type of misappropriation of tangible / intangible assets**
(e.g. fraudulent expenses)
- **Corruption**
(e.g. bribery, bid rigging, undisclosed conflict of interest, embezzlement)



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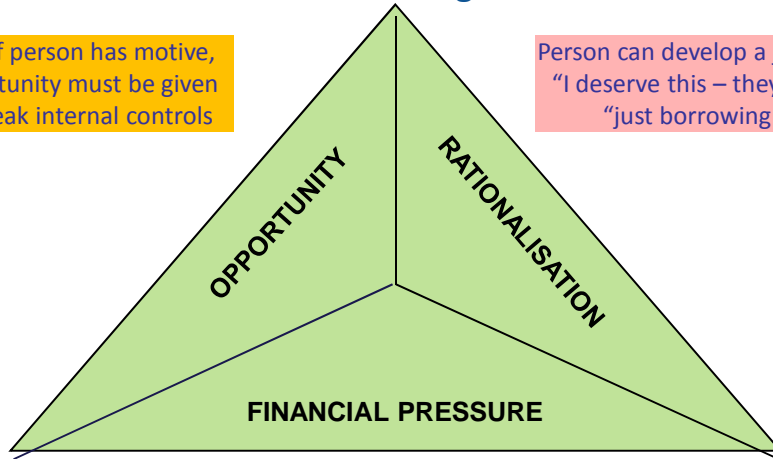
Reasons behind fraud



Fraud Triangle

Even if person has motive,
Opportunity must be given
eg, weak internal controls

Person can develop a justification
“I deserve this – they owe me”
“just borrowing money”



The “need or greed” factor
Financial problems, gambling, addictions



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BREAK OUT ROOM

- What are the most common and frequent fraud schemes in your country?



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Perspectives on fraud in Ireland



- Fraud awareness?
- Culture of corruption?
- Developed anti-fraud policies?
- Reported irregularities to OLAF?
- Culture / tone at the top?
- Challenges for the 2014-20 and 2021-2027 Programmes?



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