

February 2022



Identifying and Preventing Fraud & Corruption in European Structural & Investment Funds

Day 3 and 4



This training has been organised by EIPA under the Framework Contract Nr 2019CE16BAT060. The opinions expressed are those of the contractor only and do not represent the EC's official position



Day 3, February 17th 2022



- 14.00 **Access of participants to online platform**
- 14.15 **Review of Day 2** *Marco Lopriore*
- 14.20 **Fraud Risk Management, processes and coverage**
Jo Kremers (NL), former senior audit manager Audit Authority, Central Audit Services,
 Lecturer for the National Academy for Finance and Economics of The Ministry of Finance, The Netherlands
- Multiple Choice Questions polling: A warming up session, to test and to refresh your knowledge
 - The Anti Fraud Cycle (AFC) and the Management control Systems (MCS), special attention for Deterrence
 - The Fraud Risk Assessment (FRSA): the tool
 - **Break-out rooms on real live cases and plenary assessment**
- 15.45 Virtual Coffee Break meeting room – Tour de table
- 16.00 **Improving frameworks against fraud & corruption**
Jo Kremers
- The Frame for successful combating fraud and corruption in ESI Funds
 - The Fraud symbols, how to make use of these to give follow up to those symbols
 - **Break out rooms on real live cases and plenary assessment**
- 17.00 **Specific challenges in preventing fraud**
Marco Lopriore
- Reviewing your eligibility rules, ESF Challenges, Simplified Cost Options
 - Double funding; Conflict of interest
- 17.30 **End of the day**





AGENDA

Day 3

- Fraud Risk Management, Processes and Coverage
- Improving the Frameworks against Fraud and Corruption
- Break out rooms Exercises
- Specific challenges in preventing fraud / by Marco Lopriore



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Jo Kremers

CPA / certified IT auditor, fraud investigator

till May 1st 2019

*senior audit manager Audit Authority
Central Audit Service / Auditedienst Rijk
Ministry of Finance / The Netherlands*

Lecturer for

- *The International Anti-Corruption Academy (IACA, close relations with its initiating partners: the United Nations, INTERPOL, the European Anti-Fraud Office, OLAF and the Republic of Austria); since 2013 till now*
- *The National Academy for Finance and Economics of the Dutch Ministry of Finance The Hague;*
- *EIPA (European Institute for Public Administration) Maastricht*
- *Maastricht School of Management*



the fight against Fraud and Corruption in ESI Funds, a Key Message



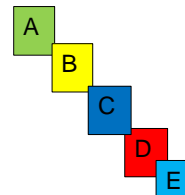
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Warming up Question 1

The EU, question plus explanation

*Your votes please
Fill in the Zoom polling.....*





Question 1, some more information



Question 2

The AFC, a question and explanation



Question 3



The **definition of Fraud** as used by
the Commission

a question and an explanation



Question 4



Fraud and Corruption

and

The **INTERNATIONAL STANDARDS ON AUDITING**

the ***responsibility of auditors***.....





The Anti Fraud Cycle (AFC) and the Management control Systems (MCS), special attention for **Deterrence**

Lets take the first version of the AFC :

Case 1 Break out rooms

dear teams :

please fill in the AFC, the stages 1 Prevention & Deterrence, 2 Detection, and 3 Correction, for your “own” MCS;

*Mention for each of the 3 stages at least
4 effective and proportionate controls / measures*



**Case 1 Break out rooms ;
the results presented by the teams**





The Fraud Risk Assessment (FRSA): *the tool / the self assessment team*

Break-out rooms on real live cases and plenary assessment

Introduction



3.2. Composition of the self-assessment team

It is recommended that the most relevant actors take part in the assessment in order that it is as honest and accurate as possible and so that it can be done in an efficient and smooth way.

The assessment team could therefore include staff from different departments of the MA having different responsibilities, including selection of operations, desk and on the spot verification and authorisation of payments, as well as representatives from the certifying authority (CA) and implementing bodies.

Mas may want to consider involving the Anti-Fraud Coordination Services ('AFCOS') or other specialised bodies, which could bring in specific anti-fraud expertise into the assessment process.



The Fraud Risk Assessment (FRSA): *the tool / the self assessment team*

Break-out rooms on real live cases and plenary assessment

first, Jo will present a case that comes from his own practice

dear teams :

regarding the case presented by Jo, could you as self assessment team define

(1) the risks

and

(2) related effective and proportionate anti-fraud measures in this?

Focused on 1 prevention & deterrence, 2 detection and 3 correction.



Before starting your teamwork , please decide **who will represent** your team in presenting the outcome of your self assessment session





Case 2 Break out rooms ; the results presented by the teams



Symbols Case 1 Individual

To prevent, to detect, to analyse fraud and corruption, and to understand its causes, reasons and signals we can make use of some very important fraud symbols.

EXPLANATION



Symbols Case 2 Individual



Effective and Proportionate Anti_Fraud measures taking into account the outcome of your Risk Analysis



The Fraud symbols,
how to make use of these to give follow up in order
to **improve your MCS ?**



Question:

who do you prefer as *your assistant* in
combating fraud and corruption ?



Any questions ?

Thank you for your attention

hope to meet again tomorrow.....

Jo Kremers
jmwkremers@home.nl





17.00 Specific challenges in preventing fraud

Marco Lopriore

- Reviewing your eligibility rules, ESF Challenges, Simplified Cost Options
- Double funding; Conflict of interest

17.30 **End of the day**



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Day 4 February 18th 2022



Identifying and Preventing Fraud & Corruption in European Structural & Investment Funds

Day 4



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Day 4: Jo Kremers, former senior audit manager Audit Authority, Central Audit Services, Lecturer for the National Academy for Finance and Economics of The Ministry of Finance, The Netherlands (NL)

- Fraud Detection: a special focus on management verifications & audits on-the-spot
- The most important anti-fraud instruments / tools for verification, audit and investigation
- Innovation in Key Requirements
- Data Analysis and **NEW 2022: OSINT** (an introduction and some examples)
- **POLLINGS, BREAKOUT ROOMS and HANDS UP** for interaction!



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Fraud Detection, a special for management verifications and audits on the **SPOT**

The **most important anti-fraud instruments / tools for verification, audit and investigation**





Tools Case 1

To detect fraud in ESI Funds and Facilities successfully, auditors and controllers who perform audits on operations or management verifications on the spot, should make use of some **very important** tools.

Which Tools?



Now let us **test** the good functioning of those **tools**,
by use of the following cases....





Tools Case INDIVIDUAL



Tools Case 2 INDIVIDUAL

Please,
Immediately PUSH the BUTTON (the HAND functionality in Zoom) if you have a / any
suspicion





TOOLS CASE 3 HANDS UP in ZOOM!

An ERDF-funded project:

Project: a Municipality wants to upgrade the old historic harbour of the city by making it more attractive for tourists. Among other things the Municipality thinks of underground waste containers as part of a new waste management system.

The waste management system, as written in the project plan: in order to solve the growing problem of litter and waste left behind by tourists that visited the old harbour. They (the tourists) can offer their garbage for free to the system, **for free to stimulate them to do so.**

Underground containers for garbage as aesthetic "pillar" will save space and preserve the aesthetics of the environment.



TOOLS CASE 4 POLLING !

look to the following picture and answer the question



For your brains (and eyes) only.....
First an introduction of the cases 5 and 6:



**TOOLS CASES 5
and 6
POLLING !**

REGULATION (EU) 2021/1060 CPR

Article 50

Responsibilities of beneficiaries

1. Beneficiaries and bodies implementing financial instruments shall **acknowledge support from the Funds**, including resources reused in accordance with Article 62, to the operation by:
 - (c) **displaying durable plaques or billboards clearly visible to the public**, that present **the emblem of the Union in accordance with the technical characteristics laid down in Annex IX**, as soon as the physical implementation of operations involving physical investment starts or purchased equipment is installed, in respect of the following:
 - (i) operations supported by the ERDF and the Cohesion Fund the total cost of which exceeds EUR 500 000;
 - (ii) operations supported by the ESF+, the JTF, the EMFAF, the AMIF, the ISF or the BMVI the total cost of which exceeds EUR 100 000;

ANNEX IX

Communication and visibility – Articles 47, 49 and 50



**TOOLS CASE 7
POLLING !**



Please,
Immediately PUSH the BUTTON (the HAND functionality in Zoom)

if you know the answer to the following question.....





Virtual Coffee Break ...tour de table!



Innovation

M & C System

MA KR 2 and 4

MA KR 7

AA KR 12 and 13

More examples of Innovation in the AFC,
also very effective ones in times of pandemics and crisis :
Advanced Level Anti-Fraud and Corruption Game 2022



Innovation in the Key requirements :



European
ANNEX XI

Key requirements of management and control systems and their classification - Article 69(1)

Table 1 - Key requirements of management and control systems

| | | Bodies/authorities concerned |
|----|---|---|
| 1 | Appropriate separation of functions and written arrangements for reporting, supervising and monitoring of delegated tasks to an intermediate body | Managing authority |
| 2 | Appropriate criteria and procedures for the selection of operations | Managing authority ⁽¹⁾ |
| 3 | Appropriate information to beneficiaries on applicable conditions for support for the selected operations | Managing authority |
| 4 | Appropriate management verifications, including appropriate procedures for checking fulfilment of conditions for financing not linked to costs and for simplified cost options | Managing authority |
| 5 | Effective system to ensure that all documents necessary for the audit trail are held | Managing authority |
| 6 | Reliable electronic system (including links with electronic data exchange systems with beneficiaries) for recording and storing data for monitoring, evaluation, financial management, verifications and audits, including appropriate processes to ensure the security, integrity and confidentiality of the data and the authentication of users | Managing authority |
| 7 | Effective implementation of proportionate anti-fraud measures | Managing authority |
| 8 | Appropriate procedures for drawing up the management declaration | Managing authority |
| 9 | Appropriate procedures for confirming that the expenditure entered into the accounts is legal and regular | Managing authority |
| 10 | Appropriate procedures for drawing up and submission of payment applications and of accounts and confirming completeness, accuracy and veracity of the accounts | Managing authority/ Body carrying out the accounting function |
| 11 | Appropriate separation of functions and functional independence between the audit authority (and any body carrying out audit work under the responsibility of the audit authority on which the audit authority relies and supervises, if applicable) and the other programme authorities and audit work carried out in accordance with internationally accepted audit standards | Audit authority |
| 12 | Appropriate system audits | Audit authority |
| 13 | Appropriate audits of operations | Audit authority |
| 14 | Appropriate audits of accounts | Audit authority |
| 15 | Appropriate procedures for providing a reliable audit opinion and for preparing the annual control report | Audit authority |

My Key message



European
Commission

- **Check and recheck** the information coming from open sources and social media, before using it as facts / evidence

- It could be **fake**



Innovation in KR2, KR4, KR7, KR12 and KR13



use of central databases

an exercise by use of
your own laptop / tablet /
smartphone



Now just some examples out of really a lot of **sophisticated tools for combating Fraud & Corruption**

Falsification / manipulation of paper docs:

How to detect it / how could it be detected in the past?

*But now, what to do in a **world** of e-commerce,
and e-cohesion
our digital world?*





NEW in this training; **OSINT**

An Introduction and some examples of OSINT



First an Introduction of OSINT





OSINT example

Fraud by Plagiarism in project plans and creating fake projects

How to detect it? (detection by use of OSINT)

A case of fraud based on plagiarism

The suspects of this 2 million Euro of ERDF Fund money Fraud have transferred and copied project plans and outcome reports from other companies / beneficiaries.

Based on serious suspicions and notifications that came in via a tip-line, this fraud was detected by the use of a [plagiarism scanner / software tool](#).

With such a tool, you can check on the Internet , or in all documents available in your E-Cohesion system, whether certain texts are duplicated.



2 Risk Scoring Tools / OSINT

an example

your laptops please





3 COVID19 EU and National Support & Recovery

detection of fraud by the use of **OSINT**

an example

your laptops please



many more examples of effective OSINT tools and their application :
Anti-Fraud and Corruption Game Advanced Level 2022

Innovation in Combating Fraud
Data Analysis



**BREAK OUT
ROOMS : CASE
Data Analysis**

very
effective,
behind desk
for
management
verifications
and audits,
and
especially to
detect fraud

OR "DOING DIFFERENT THINGS"

YOUR LAPTOPS PLEASE



Innovation in Combating Fraud Data Analysis



Data Analysis can be used to :

- pinpoint **ANOMALIES**, *patterns and trends of suspicious behavior*,
- *deviations from the rules*, and
- *associations and correlations* that *should, or should not, exist* to uncover fraudulent activity

*explanation and an example
based on the following case*



Case data analysis



“Sustainable roofs and subsidies”

an overview of the process and the executive organisation :

An ERDF supported program grants a subsidy on the application of an **energy-saving coating on company buildings**.

The employees of the Agency assess the incoming subsidy applications of potential beneficiaries and, after internal **approval based on more eyes principle and built-in controls**, the Agency pays the amount of the subsidy. For each application, a maximum subsidy amount of EUR 75,000 can be granted and paid out. A subsidy may be applied to and awarded **for a maximum of once per company building**.

The government has ordered a strong emphasis on services; the turnaround time and complexity of the application procedure must not slow down **applying to** and the **granting of** the subsidy (and thus the application of the energy-saving coating).

The implementing agency records the subsidies paid as costs in its financial statement.

A received whistleblowers notification indicates fraud in the past 2 calendar years.





Case, page 2

“Sustainable roofs and subsidies”

The data analysis

Because of the whistleblowers notification , the auditor wants to introduce a new tool : **data analysis**,
by the use of internal data as collected and stored in the Agencies electronic files and by the use of external data as well.

Case / questions :

1. What would be the risks identified by you, when performing *a FRA* before starting your audit?
2. What data analysis focused *on internal data* would you propose?
3. What data analysis focused *on internal and external data* would you propose?



Another example of **OSINT**

An aggregation site





The Fraud Red Flags a fraudster profile?



Any questions ?

Thank you ALL for your attention and participation

Lots of Success and Passion
in your fight against fraud and corruption



I hope

*Jo Kremers
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