



A NEW LEAF

Agricultural Network
Exchanging Witnesses
and Leading Experiences
Against the Fraud



A New Leaf project. Final conference.

“New policies against frauds in agriculture and shared models of detection and control by the Paying Agencies”

Padova, September 23rd 2015

This event is supported by the European Union Programme Hercule III (2014-2020).

This programme is implemented by the European Commission.

It was established to promote activities in the field of the protection of the financial interests of the European Union.
(for more information see http://ec.europa.eu/anti_fraud/about-us/funding/index_en.htm)





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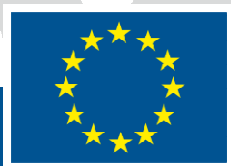


Fraud prevention and detection under the new CAP legislation 2014-2020

Padova, September 23rd, 2015

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Anti-fraud Adviser

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Anti-fraud

Anti-fraud

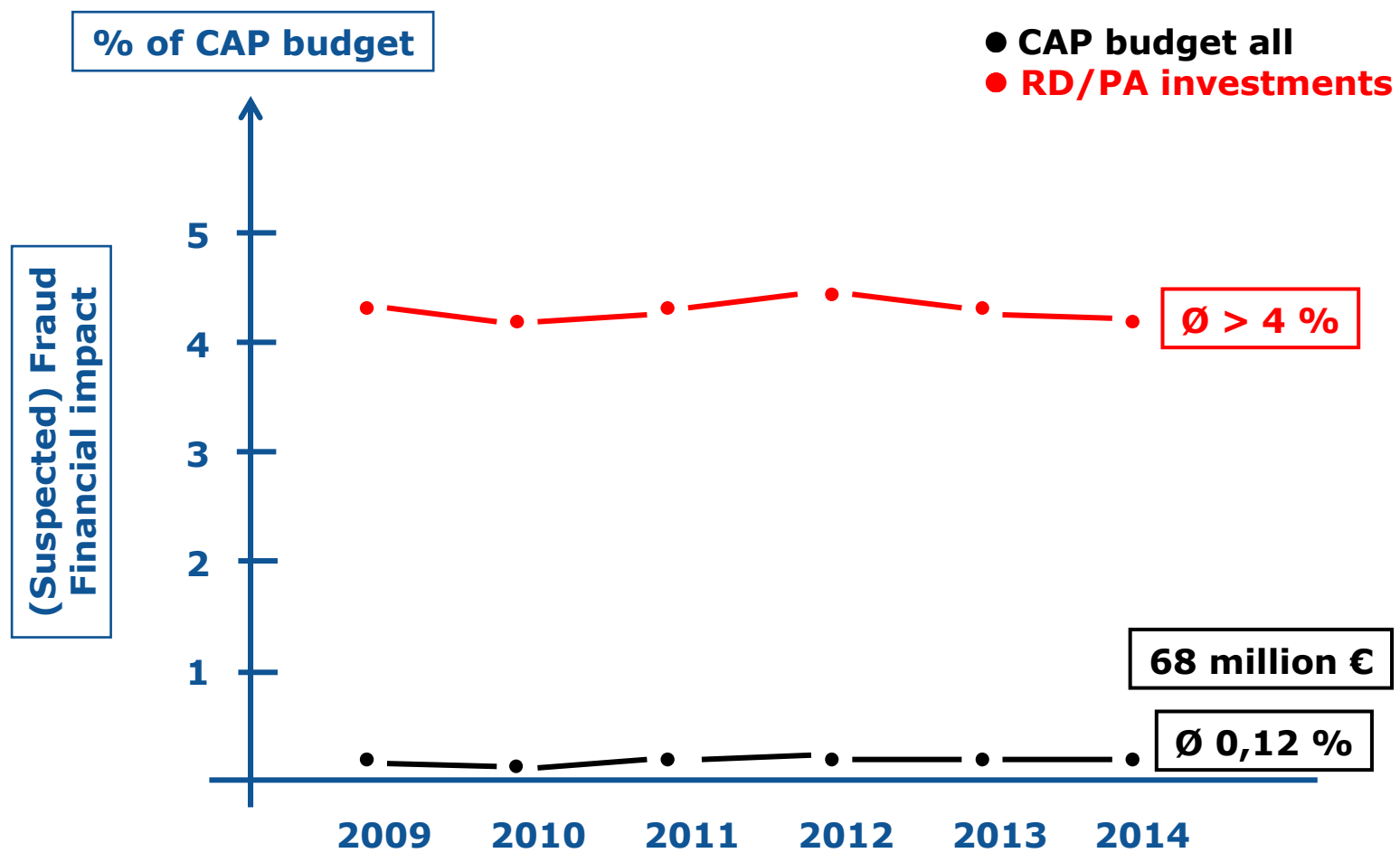
Is it all worth the trouble?

Anti-fraud

Anti-fraud

Anti-fraud

Anti-fraud





EU legislation:

**3 legal sources
for anti-fraud in the CAP
2014-2020**



Regulation (EU) No 1306/2013
on the financing, management and
monitoring of the common agricultural policy

Commission Delegated Regulation No 907/2014
concerning paying agencies and other bodies, etc.

Commission Implementing Regulation No 908/2014
concerning paying agencies and other bodies, etc.



No 1

At the centre of anti-fraud:

Art. 58 Regulation (EU) No 1306/2013

**Managing Authorities and
Paying Agencies shall:**

- **Ensure effective protection against fraud, especially in areas at risk**
- **Prevent, detect and correct irregularities and fraud**
- **Impose penalties which are effective, dissuasive and proportionate**
- **Recover undue payments plus interest**



No 2

Commission Delegated Regulation No 907/2014 concerning paying agencies and other bodies, etc.

New approach to fraud prevention and detection:

- **Before authorizing payment claim: Checks foreseen in Art. 58 Regulation (EU) No 1306/2013 must be in place** (Annex I – 2 (A)(iii))
- **Internal control activities shall also cover monitoring procedures to prevent and detect fraud** (Annex I – 4 (A)(iv))
- **Training for staff to raise fraud awareness** (Annex I – 1 (B)(iv))



No 3

**Commission Implementing Regulation No 908/2014
concerning paying agencies and other bodies, etc.**

**New Paying Agencies:
Accreditation (pre-accreditation review) (Art. 1 (3)(c))**

**shall cover the extent to which the procedures and systems put
in place are apt to safeguard the Union budget including risk-
based anti-fraud measures**

Management declaration of the Director of the PA (Annex 1)

***"Furthermore, I confirm that effective and proportionate anti-fraud
measures under Article 58 of Regulation (EU) No 1306/2013 are in
place and take account of the risks identified."***



Recommendations of the Commission

- 1. step: Fraud risk assessment with ranking**
- 2. step: Analysis of the existing administrative and control structures to increase fraud prevention and detection**
- 3. step: Register of fraud indicators**
- 4. step: Internal rules on dealing with suspicion of fraud**
- 5. step: Staff training for fraud awareness**



Input from DG AGRI

Written guidance

Dedicated seminars



EUROPEAN COMMISSION

DIRECTORATE-GENERAL FOR AGRICULTURE AND RURAL DEVELOPMENT

Adviser Anti-Fraud

Brussels, 26/02/2014

Guidance Note on Anti-fraud Measures as foreseen in the context of Accreditation Criteria

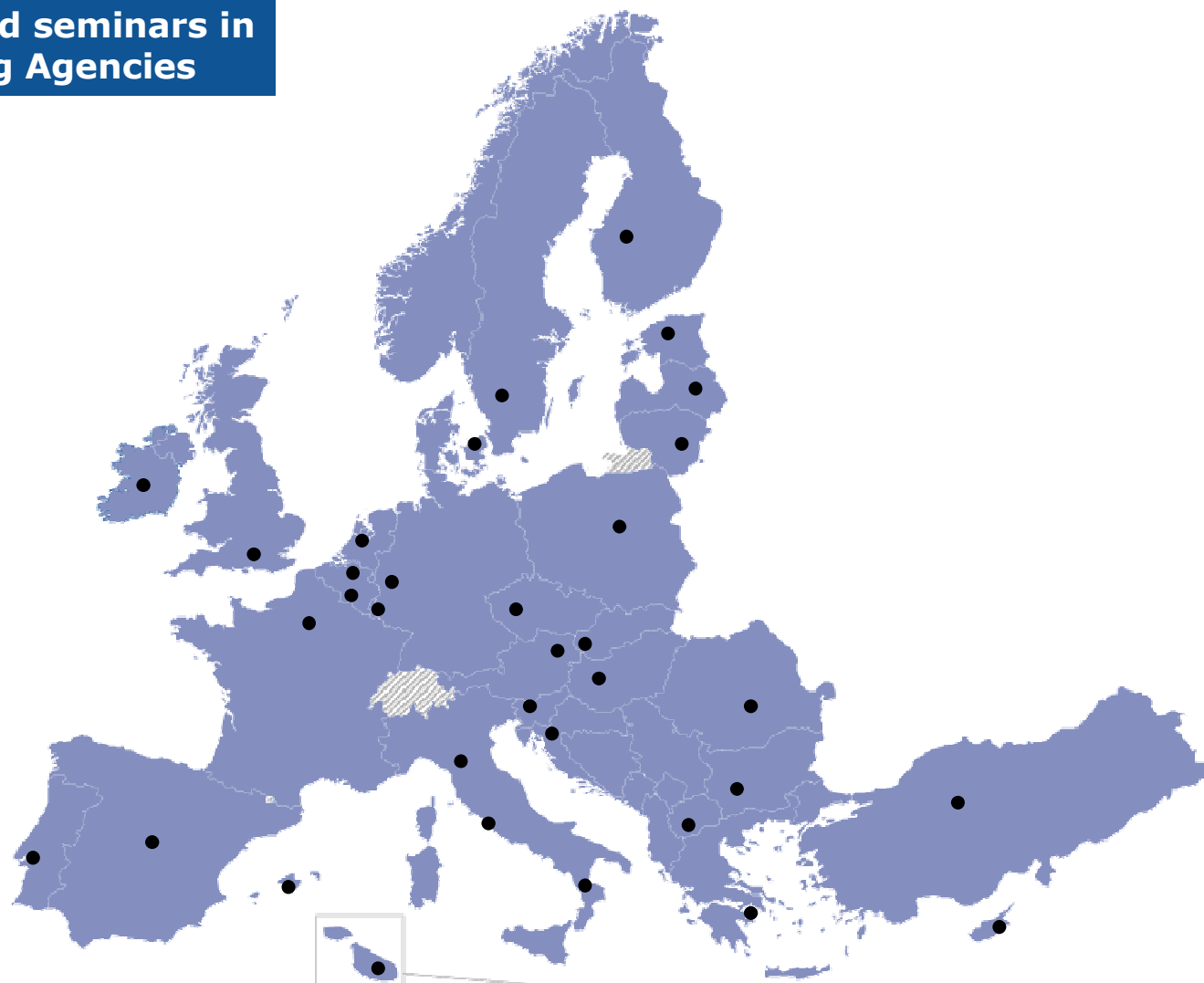
(Annex I to Commission Delegated Regulation (EU) [yet unnumbered] supplementing Regulation (EU) No 1306/2013 of the European Parliament and the Council with regard to paying agencies and other bodies, financial management, clearance of accounts, securities and use of euro)

I.

Annex I to Commission Delegated Regulation (EU) No .../.. addresses measures to prevent and detect fraud and irregularity in three areas of activity of paying agencies:

1. Before authorising a claim for payment, the paying agency shall inter alia carry out checks as required by Article 58 of Regulation (EU) No 1306/2013 to prevent and

Anti-fraud seminars in Paying Agencies





**> 3 500 participants
in 42 events!**



Seminar: 4 Chapters

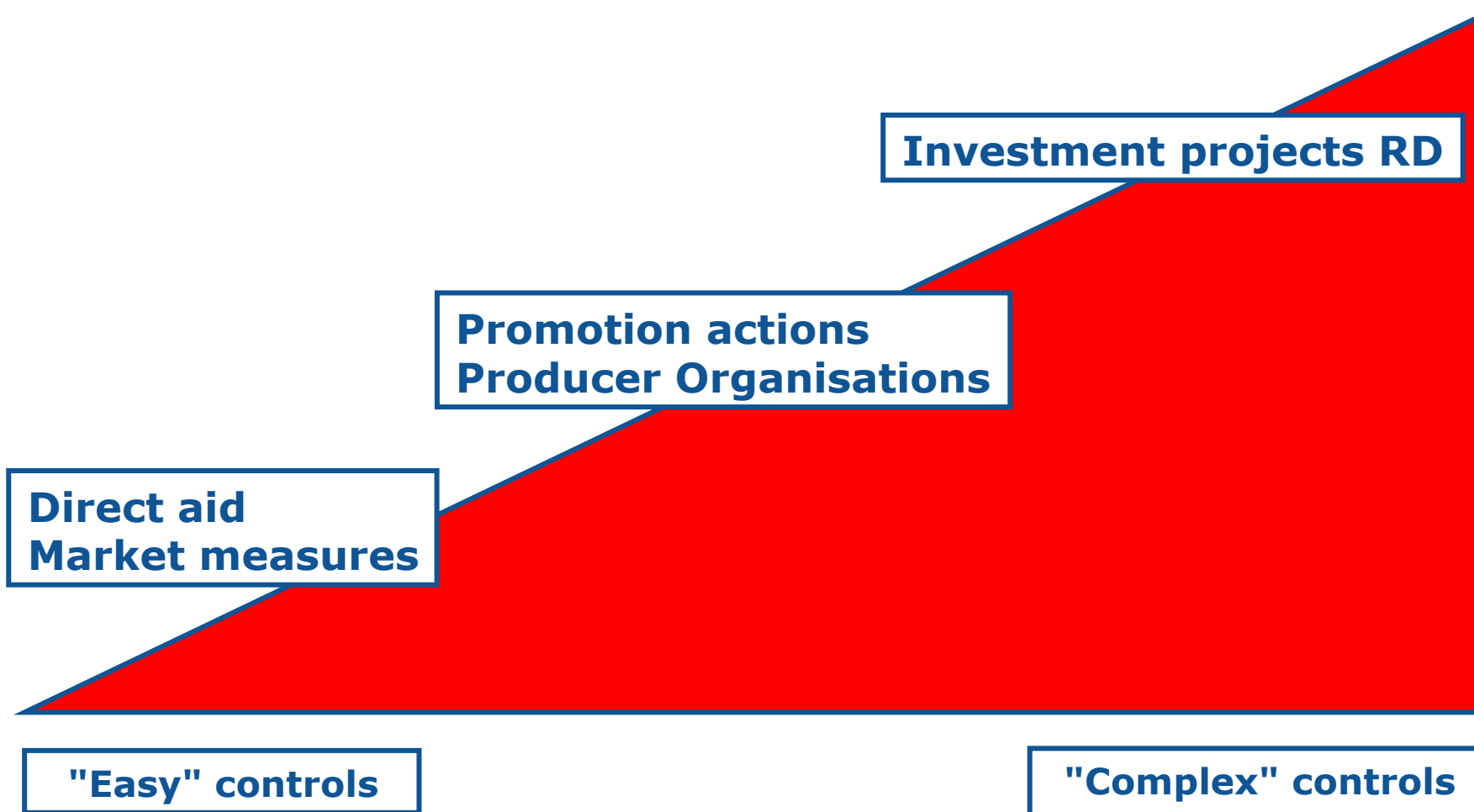
- 1. Fraud prevention and detection by Paying Agencies 2014-2020 incl. risk assessment**
- 2. Irregularities and fraud: Common features and differences**
- 3. Typology of fraud in the CAP**
- 4. Red flags for fraud/irregularities in the high-risk areas**



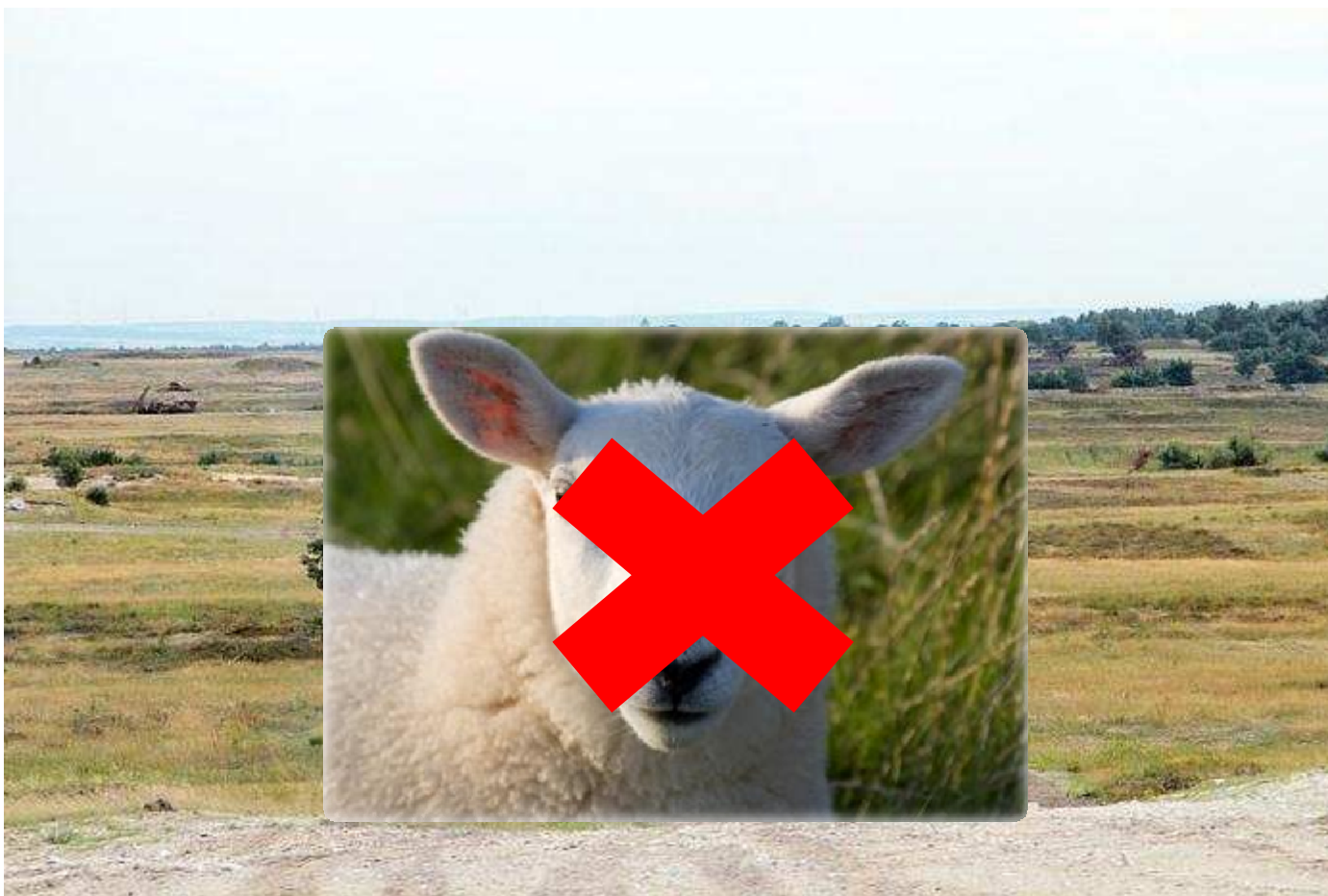
Typology of irregularities and fraud in the CAP



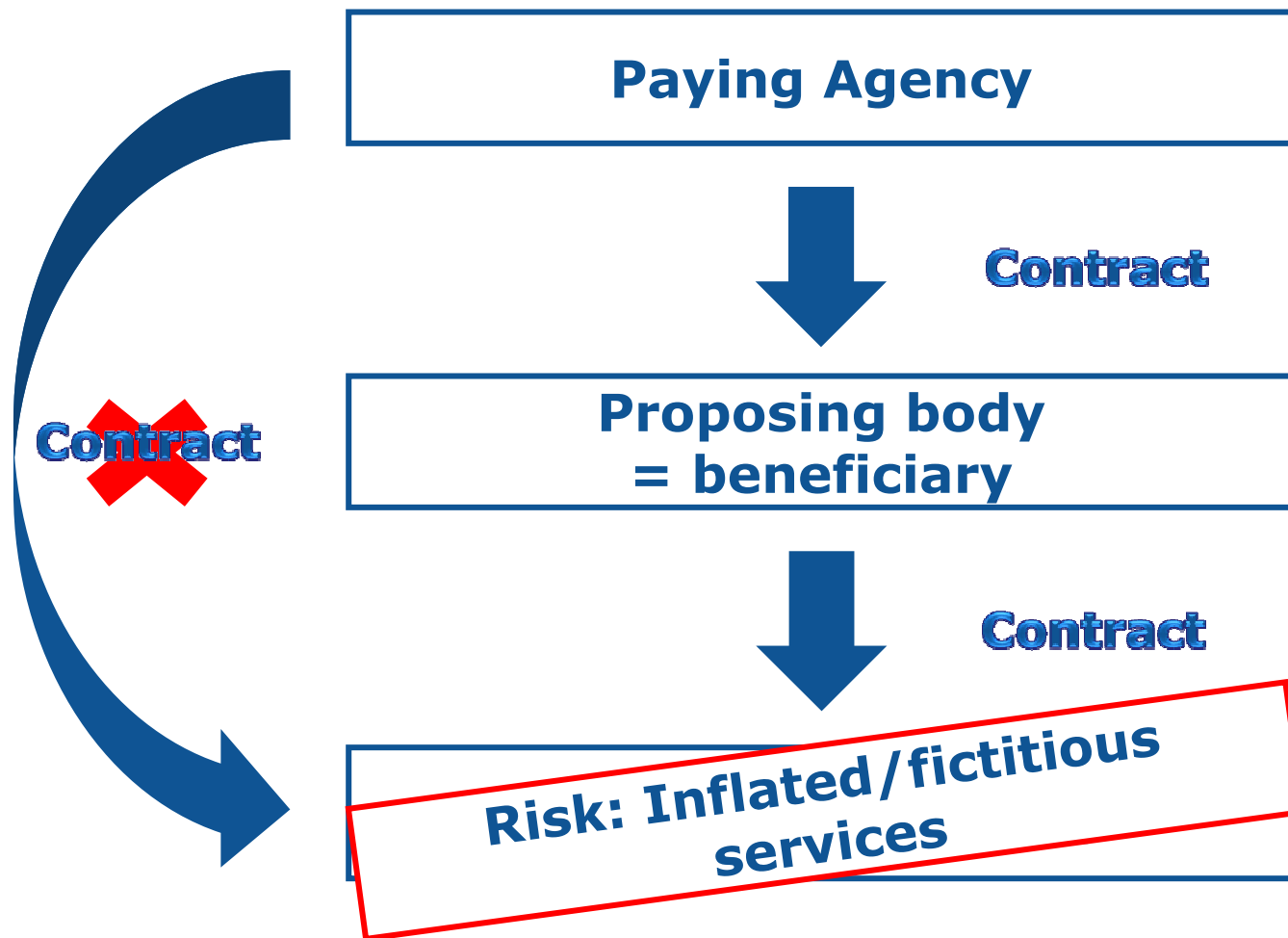
Fraud likelihood

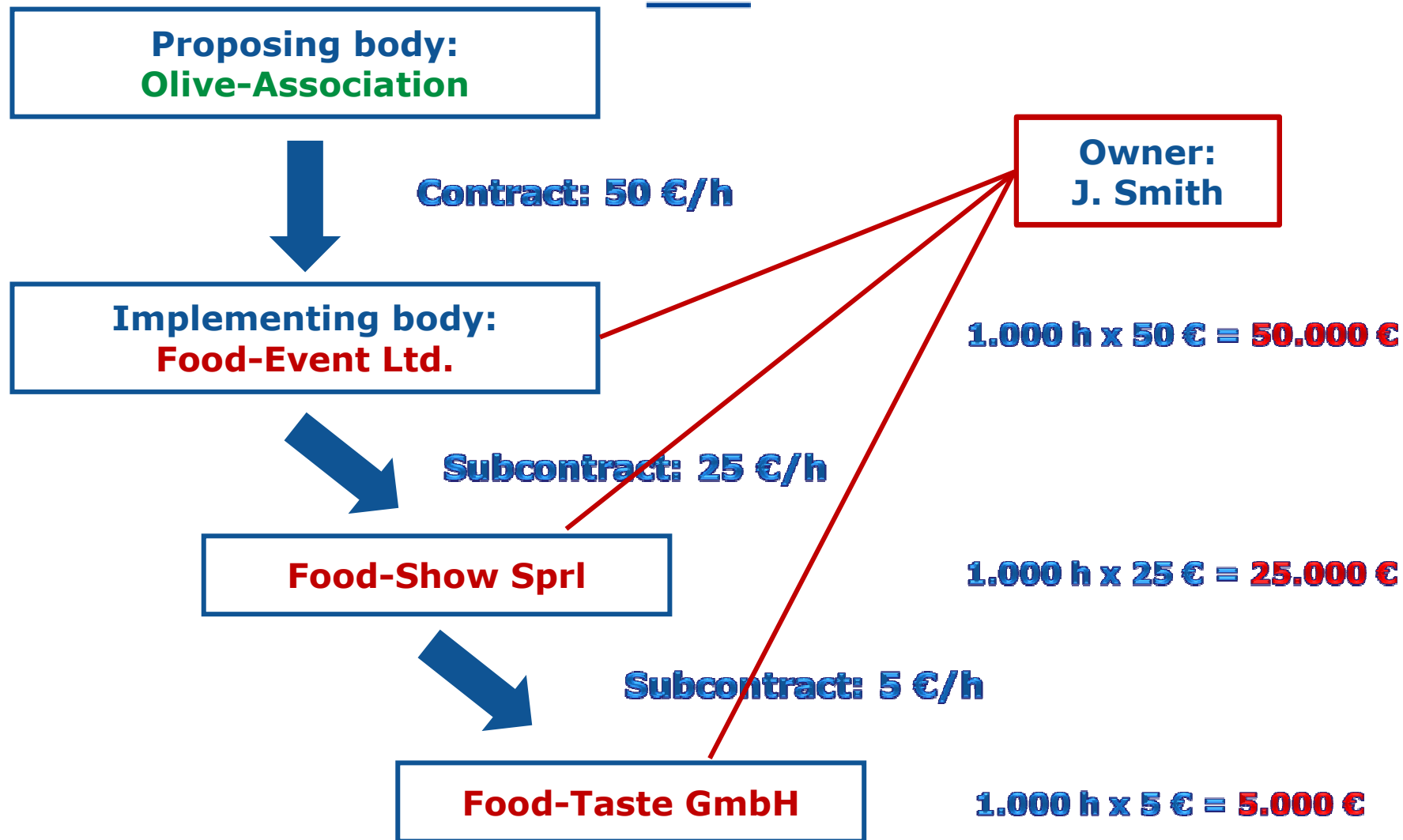


Direct aid



Promotion actions







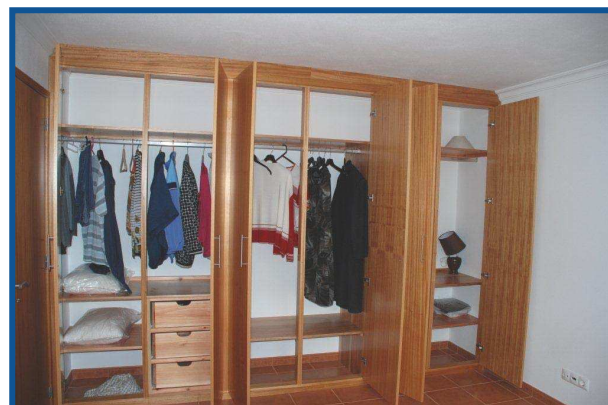
Fraud hotspot:

Rural Development

Investment projects

- ***Ordinary fraud***
- ***Manipulated private procurement***
- ***Artificial creation of funding conditions***

Ordinary fraud - Misuse of funding





Private procurement

- Investment projects must comply with the **"Three-offer-rule"**, i.e.:
- **"Three authentic and independent** offers from **qualified suppliers** to ensure **competition** and best **value for money** to **attain the purpose** of the project"
- Consultants!

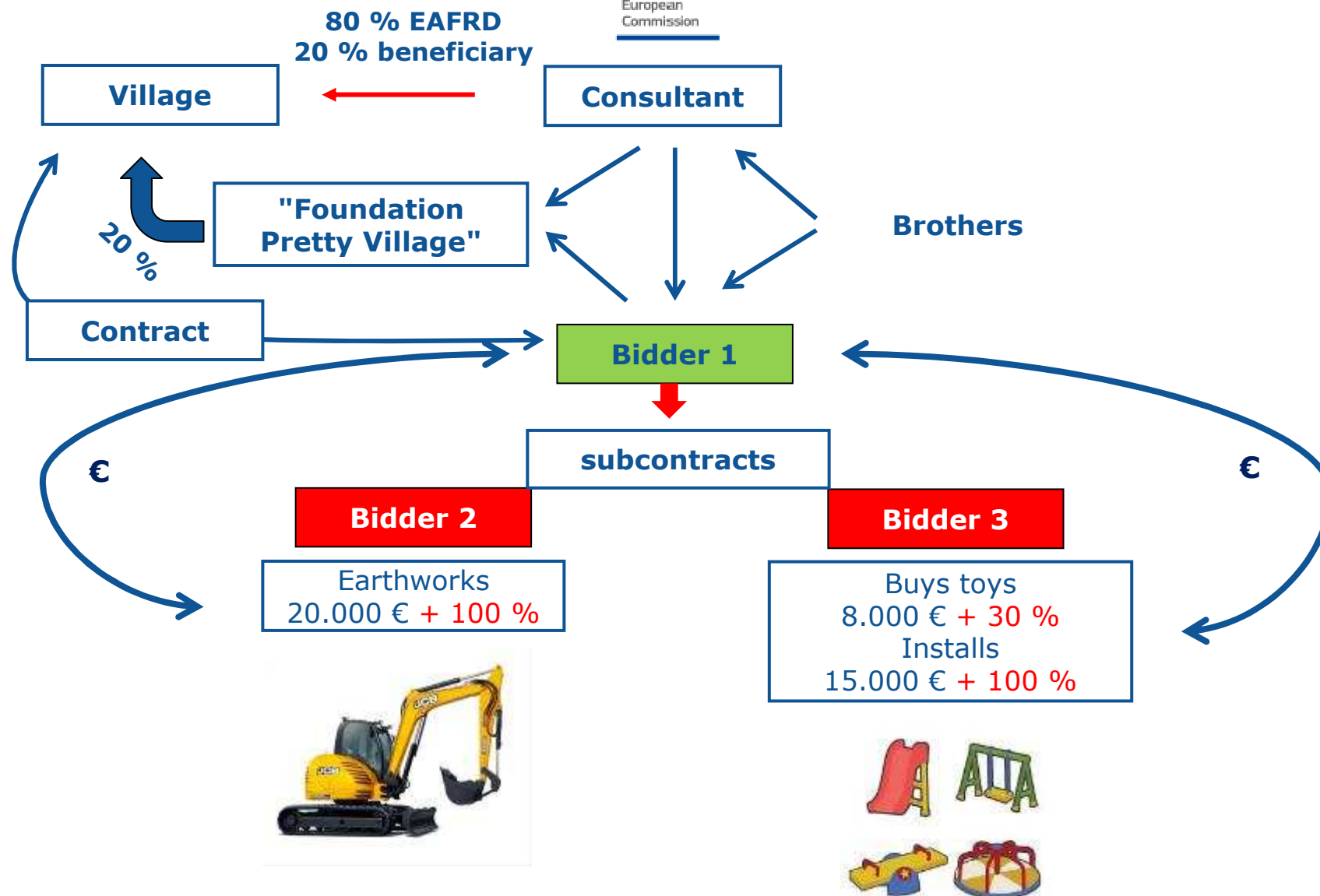


Fraud schemes under the "Three-offer-rule"

- **Second-hand equipment instead of new**
- **Complacency offers**
- **Manufactured/falsified and inflated offers**
- **Other manipulations**

M322 – Village renewal







Once?

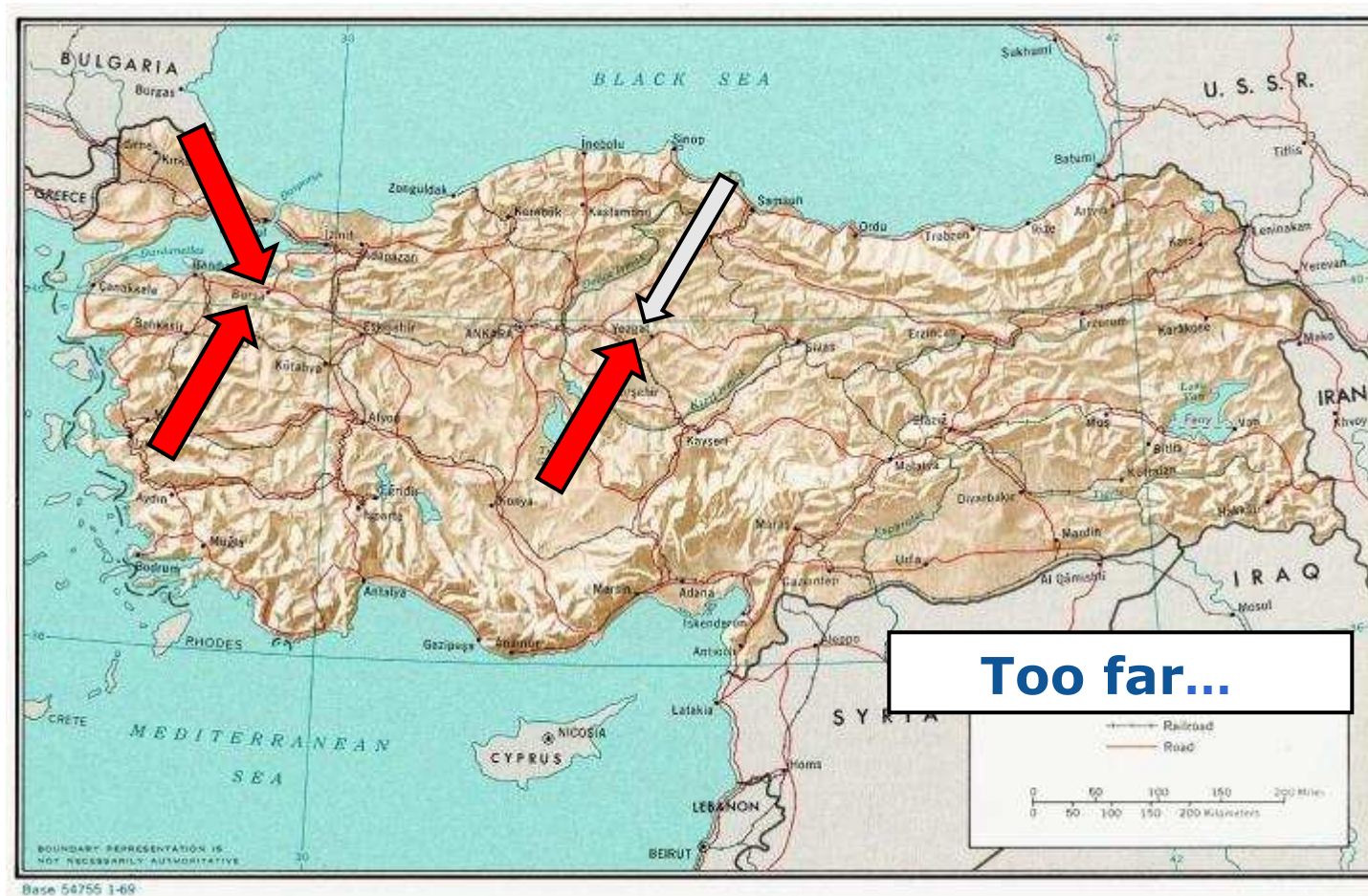
Twice?

10 times?

145 times

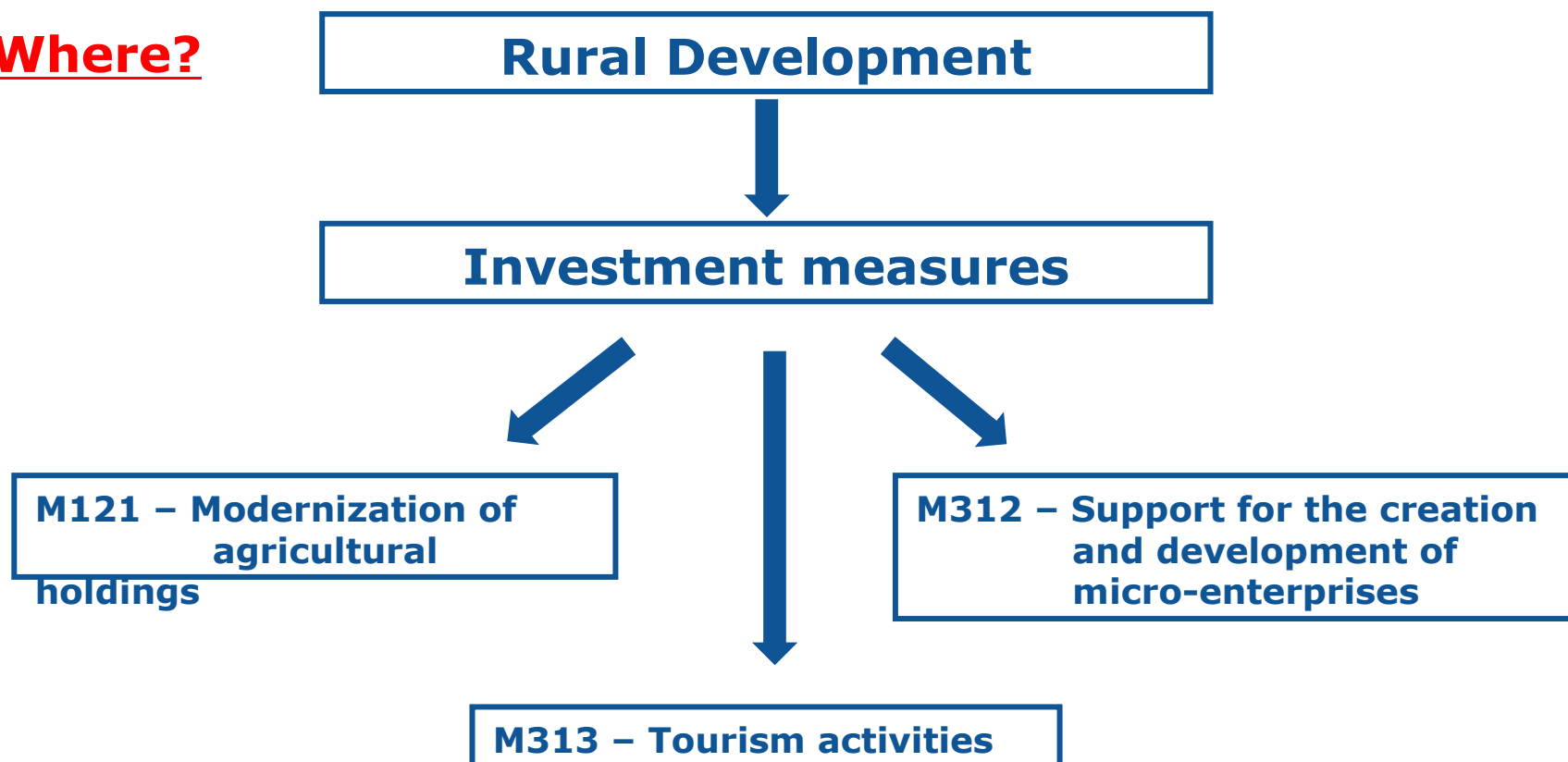


Other manipulations

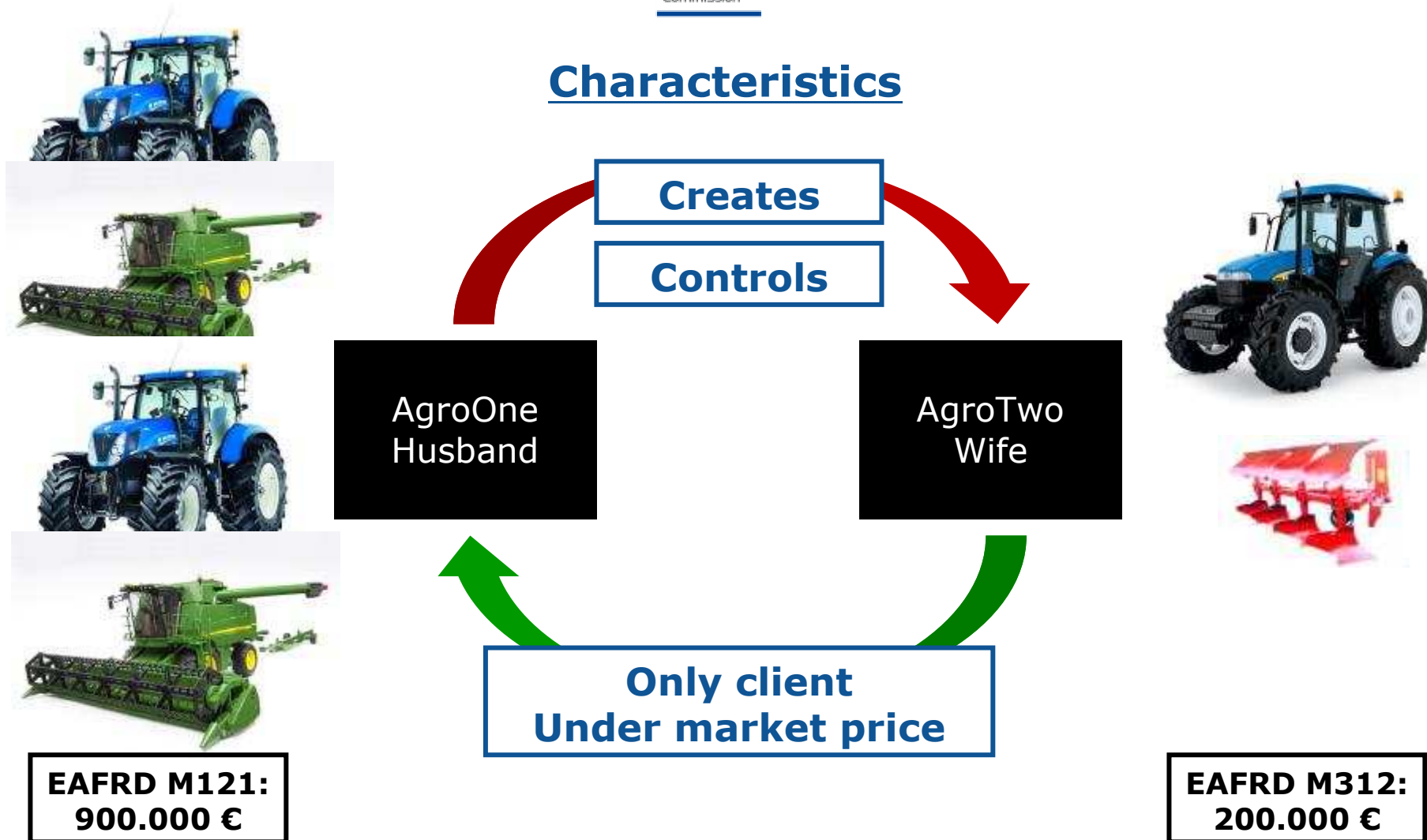


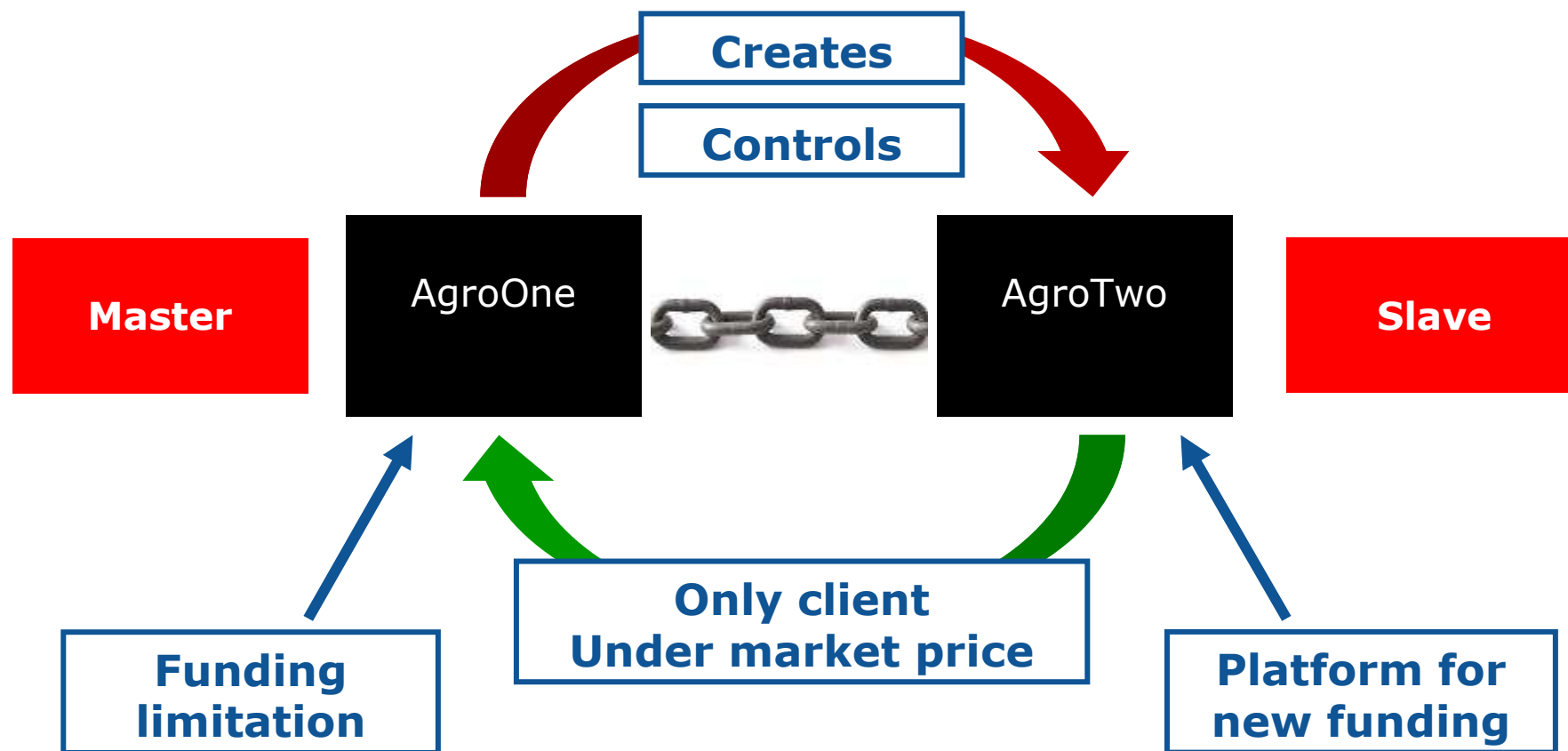
Artificial creation of funding conditions

Where?



Characteristics





- **Separate projects**
- **organically one!**





Red Flags for Irregularities and Fraud in the areas of high risk

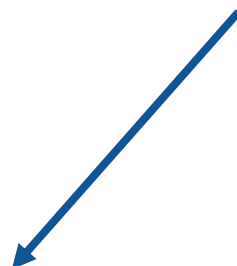
Red Flags



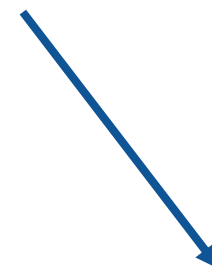
- Indicators for fraud/irregularities
- Not: Evidence
- = "Element that something is unusual"
- Where Red Flag detected: Further verifications
- Red Flags: Dynamic – from indication to suspicion (the more Red Flags, the more suspicion)

Fraud Hotspots

**EAFRD
Investments**



**Manipulated
offers**



**Artificial creation
of conditions for funding**



Formal indicators

All offers or two out of three offers:

Identical contents

Tractor Deutz-Fahr

Series 5G – 5105.4
75/102 kW/CV
Air-conditioning
Pneumatic seat
Hydraulic 60ECO

Price: 49.000 €

Tractor Deutz-Fahr

Series 5G – 5105.4
75/102 kW/CV
Air-conditioning
Pneumatic seat
Hydraulic 60ECO

Price: 49.500 €

Tractor Deutz-Fahr

Series 5G – 5105.4
75/102 kW/CV
Air-conditioning
Pneumatic seat
Hydraulic 60ECO

Price: 49.900 €



Formal indicators

All offers or two out of three offers:

Identical contents

or

Identical errors

Identical errors

- **Typographic errors**
- **Errors in name/address of beneficiary**
- **Wrong brand or model names**



John Deere Tractor 6MC

John Dear Tractor 6MC

John Dear Tractor 6MC





Structural indicators

- **Multitude of identical/highly similar projects**
- **Same consultant(s) in a large number of these projects**
- **Same (sub)contractor(s) in a large number of these projects**



Pricing anomalies

- **Offers show unusual price patterns**



	Bidder A	Bidder B	Bidder C
Item 1	700,00	725,50	815,00
Item 2	1.256,23	1.355,77	1.389,84
Item 3	552,25	560,64	570,00
Item 4	488,23	578,36	612,41
Item 5	4.588,26	4.642,87	4.684,99
Item 6	556,23	572,99	579,56

Always
lowest

Always
in between

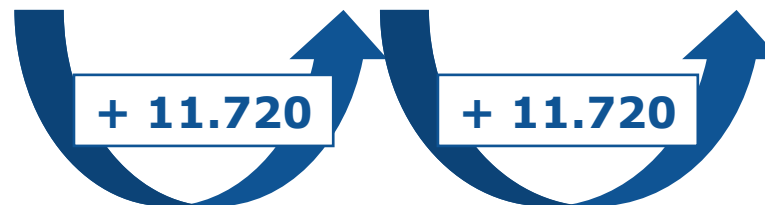
Always
highest



Pricing anomalies

- **Offers show unusual price patterns**
- **Price differences are identical amounts**

	Bidder A	Bidder B	Bidder C
Lot 1	12.542,26	12.793,11	17.793,11
Lot 2	17.278,41	22.623,98	25.123,98
Lot 3	22.958,55	23.417,72	23.417,72
Lot 4	9.261,30	11.946,53	14.446,53
Lot 5	117.289,35	119.635,14	119.635,14
Lot 6	7.412,36	10.060,61	11.780,61
Lot 7	89.577,00	93.088,54	85.750,33
Lot 8	13.244,20	13.509,08	13.509,08
Lot 9	31.557,33	32.188,48	32.188,48
Lot 10	45.789,22	39.366,79	46.705,00
	366.909,98	378.629,98	390.349,98





Pricing anomalies

- **Offers show unusual price patterns**
- **Price differences are identical amounts**
- **Price quotations for individual items differ by even amounts in numerous cases**

	Bidder A	Bidder B	Bidder C	
Item 1	700	800	900	Δ 100
Item 2	1.000	1.200	1.400	Δ 200
Item 3	550	560	570	Δ 10
Item 4	5.500	5.400	5.300	Δ 100



Anomalies in the identity of the bidder

- **Fictitious/invented company**



General appearance of offers: Simplicity!

- **Simplistic layout of stationery, no logo**
- **Standard font/simplistic stamp**
- **Name of contact person not mentioned**
- **Email account generic (yahoo, gmail, etc.)**
- **Only mobile telephone number given**
- **Telephone number not in country of establishment**
- **No physical address, only P.O. box**
- **Inexistent post-code or mismatch post-code/city**

06770

Gothaer

Mail jagd-nrw@gothaer.de
www.gothaer.de

Gothaer Versicherungsbank VVaG 50
Dr
V

Herrn
[REDACTED]
47533 Kleye

Wird die Jagd

Sehr geehrt

als Jagd
Tradition
geändert
Scha
Jagd

Er
d

SIBAGRO S.R.L.
Viale Condotti, 34
IT 45336 Roma
Tel. 0039 145.224.329

To
SC Agropupu SRL
Alba Iulia (RO)

Offer

1 Double-clipper Hungaro Carrera SX-3000

18/09/2013

44.000 €

VAT 8.800 €

52.800 €

SIBAGRO S.R.L.
Viale Condotti, 34
IT 45336 Roma

Gesellschaft
Sitz
Aufsichtsrat
Vorstand
Gothaer
Arnoldplatz 1, 50-
Dr. Roland Schulz (Vorsitzender),
Dr. Werner Görg (Vorsitzender),
Dr. Matthias Bühring-Uhlir, Dr. Helmut Hom-
Thomas Leicht, Jürgen Meisch, Dr. Hermut Nicken-



Anomalies in the identity of the bidder

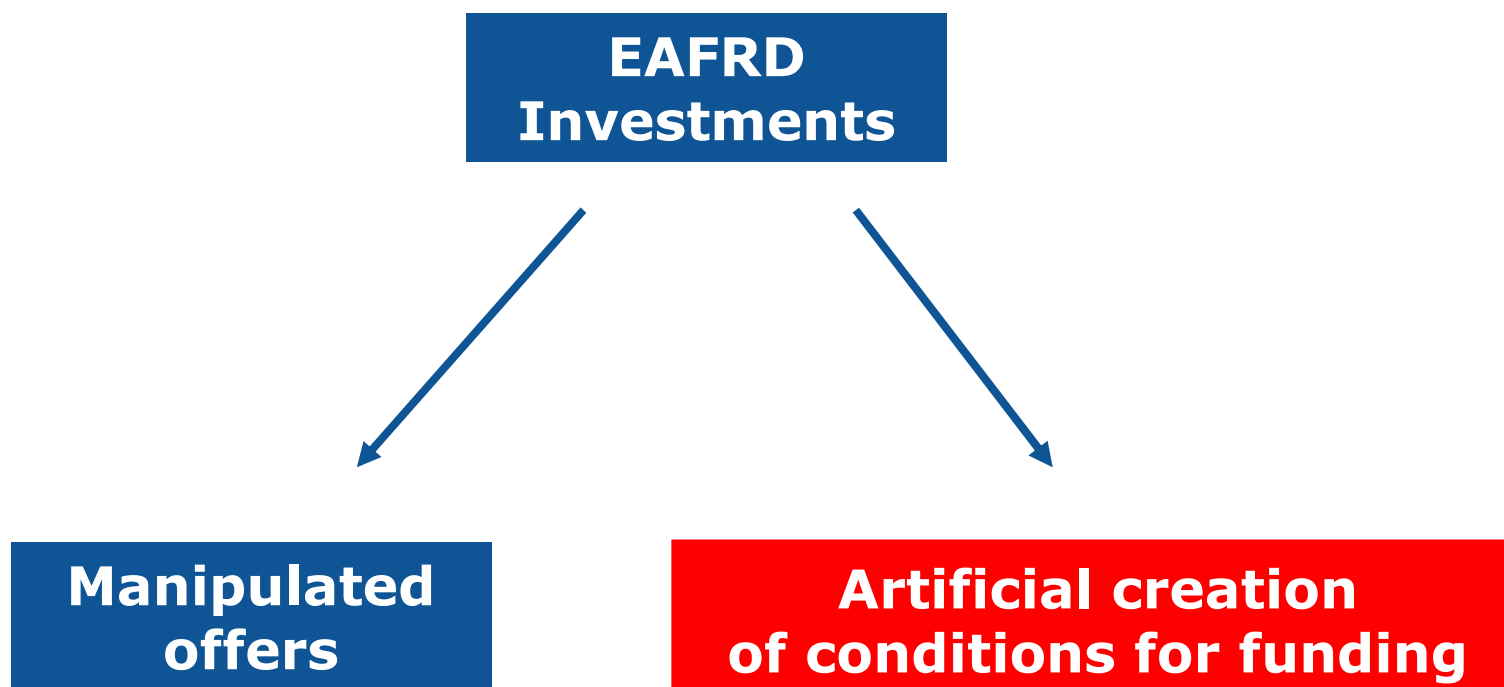
- **Fictitious/invented company**
- **Company exists but does not trade in the area required**

Industrial cooling equipment?





Fraud Hotspots





Categories of Red Flags for the artificial creation of funding conditions

Three groups:

Physical indicators

Legal indicators

Business indicators

**NB! All indicators are about unusual
proximity!**

Physical indicators

- **2 or more beneficiaries at same address**
- **Identical or door-to-door offices**
- **Shared facilities (e.g. same tel/fax/production)**
- **Common storage of machinery/equipment**
- **Shared commodities (water/electricity/heating)**



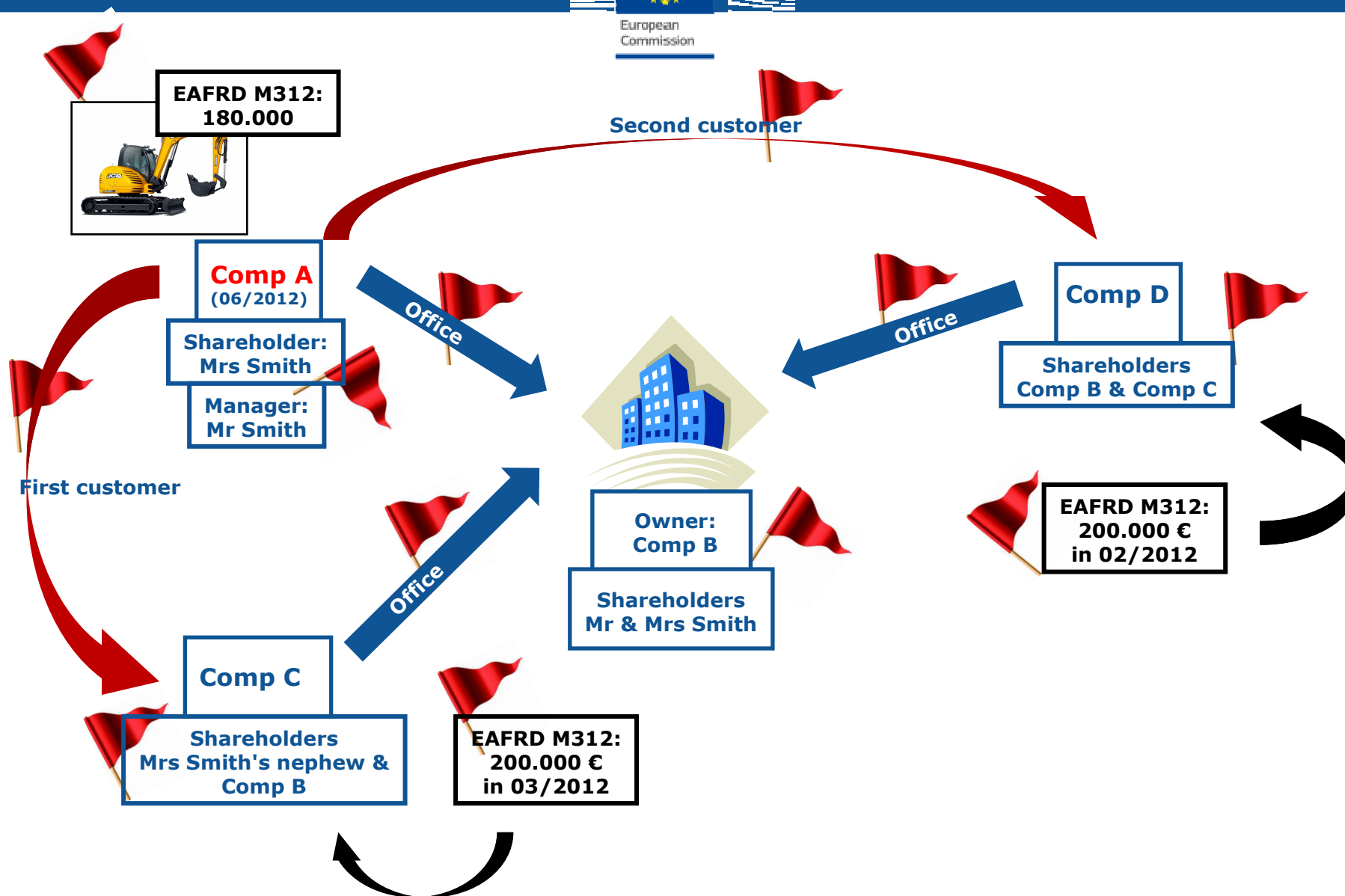
Legal indicators

- **One (or more) of interlinked companies has already received EAFRD investment funding**
- **Equipment purchased under project only makes sense to complement equipment of another**
- **Same person is manager of several interlinked companies**
- **Owners/managers of several companies are spouses or family**
- **Employees of one company are owners/ managers of another company**



Business indicators

- **Beneficiary company works exclusively for companies to whom it is linked (invoice trail)**
- **Prices below market standards**
- **No full evidence for cash-flow to pay invoices**
- **Linked companies have identical or complementary business purposes**
- **Single company has been split into two and both continue similar/complementary operations**





Thank you for your interest!

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