

Combating fraud in the projects financed by the EU Structural Funds

Professor Dimitrios Skiadas
Jean Monnet Chair
University of Macedonia



JEAN MONNET CHAIR
EU BUDGETARY GOVERNANCE
AND AUDIT

Co-funded by the
Erasmus+ Programme
of the European Union



- ▶ House of Lords, 1989
- ▶ *“... the huge sums which are being lost due to fraud and irregularity against the Community are losses borne by all the taxpayers and traders of Europe. This strikes at the roots of democratic societies, based as they are on the rule of law and its enforcement, and it is a public scandal”.*

OVER EUR **390**
MILLION

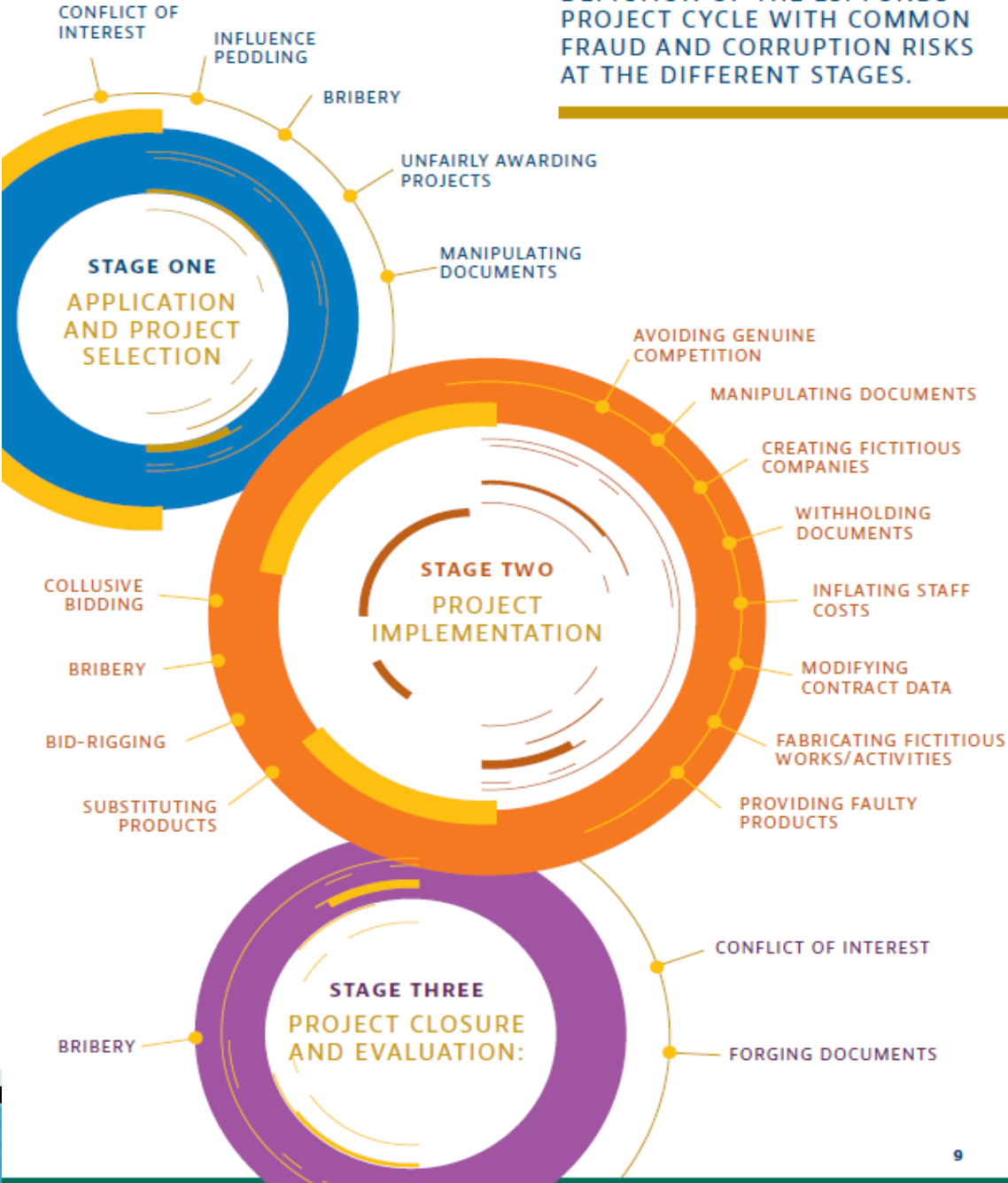
EVERY YEAR ARE
MISAPPROPRIATED

Based on estimates from detected cases alone.
European Court of Auditors, 2019

The European Structural and Investment (ESI) Funds comprise

- the European Regional Development Fund (ERDF),
- Cohesion Fund (CF),
- European Agricultural Fund for Rural Development (EAFRD),
- European Social Fund (ESF),
and;
- the European Maritime and Fisheries Fund (EMFF).

THE FOLLOWING ILLUSTRATION SHOWS A MORE DETAILED DEPICTION OF THE ESI FUNDS PROJECT CYCLE WITH COMMON FRAUD AND CORRUPTION RISKS AT THE DIFFERENT STAGES.



Stage 1

PERPETRATORS



BENEFICIARY



PUBLIC OFFICIALS



LOCAL POLITICIANS

TACTICS



LEAKING BID
INFORMATION



INFLUENCE
PEDDLING



MANIPULATING
DOCUMENTS



BRIBERY



INTIMIDATION

Stage 2

PERPETRATORS



BENEFICIARY



**OFFICIAL
(THIRD PARTY)**



**PROCUREMENT CONSULTANTS
IN A LOCAL COUNCIL
(MANAGING AUTHORITY)**



**CONTRACTORS
(THIRD PARTY)**

TACTICS



**MANIPULATING
DOCUMENTS**



BRIBERY



**FABRICATING
FICTITIOUS WORKS**



**INFLATING
STAFF COSTS**



**MODIFYING
CONTRACT DATA**



**COLLUSIVE
BIDDING**



BID-RIGGING



**LEAKING BID
INFORMATION**



**SUBSTITUTING
PRODUCTS**



**PROVIDING FAULTY
PRODUCTS**

Stage 3

PERPETRATORS



BENEFICIARY



**CONSULTANCY FIRMS
(THIRD PARTIES)**



PUBLIC OFFICIALS

TACTICS



**MANIPULATING
DOCUMENTS**



**GETTING TRUSTED PERSONS
ONTO EVALUATION
COMMITTEES**



BRIBERY

Preventive & Corrective Actions

Use clear guidelines, procedures, and criteria to evaluate applications.

Involve expert groups/individuals in the design of tender documents. Ensure that designs are complete and that a technical team undertakes site surveys.

Ensure rotation of evaluation committee members and confirm that members hold sufficient qualifications and technical expertise.

Co-ordinate with other public sector procurers to improve understanding of the market and similar products to those being procured, including technical specifications and costs.

Examine a sample of awarded contracts to ensure that technical specifications are not too narrow in comparison to goods and services required.

Establish a conflict of interest policy and register with annual declarations.

Require members of Evaluation Committees to submit periodic asset declarations.

Include due diligence checks and conflict of interest declarations when selecting members of the Evaluation Committee.

Review evaluation reports for inconsistencies in scoring criteria and verify minutes of Evaluation Committee meetings.

Check the final price of products/services against generally accepted prices for similar contracts.

Compare project outputs against costs for any evidence of non-eligible expenditure or that works were not completed.

Use a comprehensive e-procurement system for the complete dissemination of procurement information and to enhance detection of collusive patterns.

Guarantee a high level of transparency during the award of contracts, i.e. publication of all contract information not considered publicly or commercially sensitive, as required by the MA.

Preventive & Corrective Actions

Review bid data to detect a high concentration of non-open or alternative contract procedures, or calls dominated by single or very few bidders.

Engage independent experts to verify that the claims made in the company's bid are accurate.

Introduce a pre-qualification requirement for bidders to comply with certain standards to participate in the bidding process. ▲

Use a pre-qualification system with adequate technical, financial and qualitative criteria – this can include background checks on previous corruption/fraud offences. ▲

Use award criteria not only relating to price, but also to quality.

Use a two-envelope approach whereby the envelope containing the price is only considered following a technical evaluation.

Conduct risk assessments and use data analytics to detect collusive patterns by examining historical bid data.

Carry out background checks on all third parties hired by beneficiaries. This can include checking company names, locations and contact information.

Undertake quality and quantity checks on information provided by beneficiaries. Check on-time delivery of products and services.

Carry out on-site visits to make sure that works are properly carried out and are in line with contract specifications.

Regular fraud risk assessments and use of ARACHNE and other data mining tools to detect fraud and corruption risks.

Maintain an audit trail for independent audits and keep accounting records that provide detailed information on expenditure actually incurred in each co-financed operation by the beneficiary.

Carry out parallel independent procurement evaluations of the tender process

Thank you for your attention!!!

Σας ευχαριστώ για την προσοχή σας!!!

