

# TESIM

*Prevention, detection  
and correction of  
irregularities and fraud.  
Recoveries*

Training for beneficiaries of Black Sea Basin  
Online, 17 September 2024

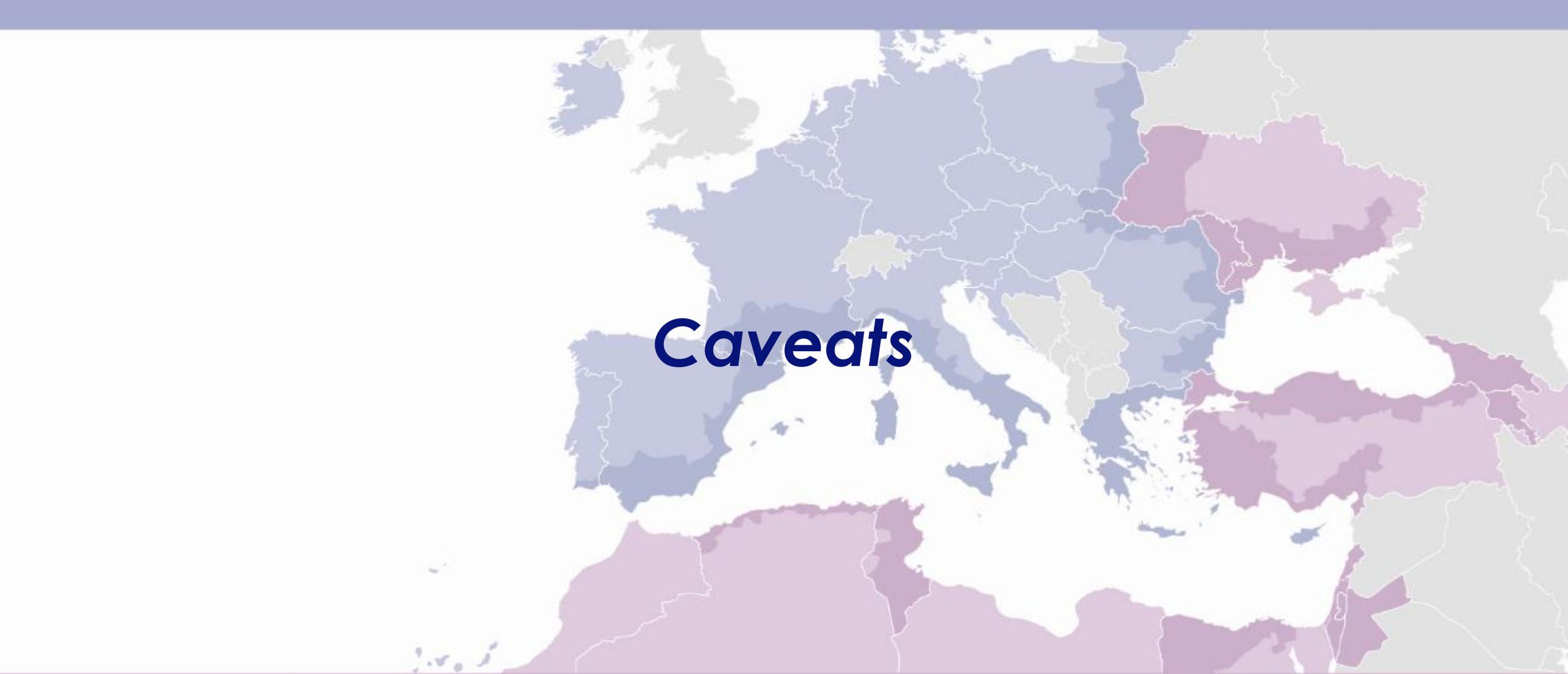
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# Caveats

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The events and characters described during this session are **NOT fictitious**. Any resemblance of the examples with actual persons and facts is **NOT purely coincidental**.



- An infringement of applicable rules affecting the EU budget



- An intentional irregularity



- A fraud with personal gain

Article 61 (Financial Regulation 2018/1046)

## Conflict of interest

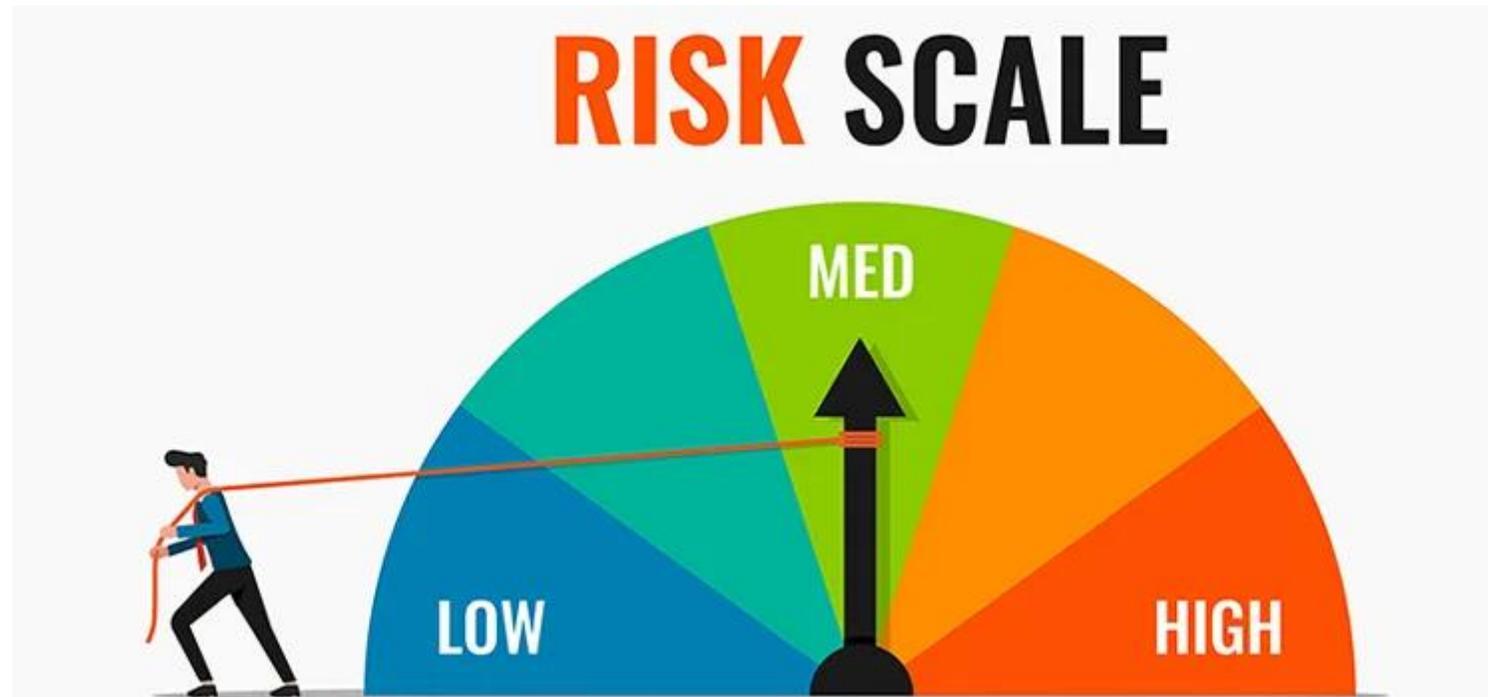
3. [...] a conflict of interests exists where the impartial and objective exercise of the functions of a financial actor or other person [...] is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other direct or indirect personal interest.

## Conflict of interest may be:

Potential

Apparent

Real





# *Why is there fraud and corruption*

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particip

# Who will commit fraud?

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Constructor



Hacker



Staff of financial unit

# Anyone can be tempted



Fraud triangle

# What it takes to commit fraud?

## Opportunity:

- Internal controls not in place, un-enforced, un-monitored or ineffective
- Too much trust
- Poor “tone at the top”
- Not adequate segregation of duties
- Access to sensitive information



## Rationalization:

- “I trust this provider; I am requesting him 3 offers just to accelerate the procurement procedure and ensure adequate quality for my project”
- “I don’t get paid what I worth”
- “I intended to pay it back”
- “Everyone is doing it and nobody is caught” (feeling of impunity)
- “If they don’t know I am doing it, they deserve to lose the money”

## Motivation (external pressure):

- Debts
- Life-style needs
- Illegal activities (gamble, drugs, etc.)
- Life pressure

## Motivation (internal pressure):

- Pressure to perform fast
- Too much work

# Some examples of fraud and corruption

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## Corruption

- Conflict of interest
- Bribery
- Illegal gratuities
- Economic or violent extortion

## Misappropriation

- Fraudulent procurement or disbursements
- Misuse of funds or assets

## Financial misstatement

- Expenditure over-valuation
- False supporting documents
- Overstated performance indicators
- False, incorrect or incomplete statements

## Manipulation of tenders

- Rigged specifications
- Leaking bid data
- Collusive bidding



# *An enhanced legal framework in the EU*

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# Main legal building blocks

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Regulation 2988/1995  
on the protection of  
the EU's financial  
interest

Regulation 2185/1996  
concerning on-the-  
spot checks and  
inspections

Regulation 2018/1046  
Financial Regulation

Regulation 883/2013  
concerning OLAF

Regulation 1939/2017  
on European Public  
Prosecutor's Office  
(EPPO)

Directive 1372/2017  
on fight against fraud

Directive 2019/1937  
on the protection of  
the persons who  
report

### Article 4 of Regulation 2988/1995

“As a general rule, **any irregularity** shall involve withdrawal of a wrongly obtained advantage (...) by an **obligation to repay the amounts due or wrongly received**.

(...) application of the measure (...) shall be limited to the withdrawal of the advantage **plus**, where so provided for, **interest** which may be determined on a flat rate basis.”

### Article 5 of Regulation 2988/1995

*“**Intentional irregularities** or those caused by negligence may lead to the following administrative penalties:*

- a) Payment of an administrative fine;*
- b) Payment of an amount greater than the amounts wrongly received or evaded, plus interest where appropriate (...);*
- c) Total or partial removal of an advantage granted (...)*
- d) Exclusion from, or withdrawal of, the advantage for a period subsequent to that of the irregularity;*
- e) Temporary withdrawal of the approval or recognition necessary for participation in a Community aid scheme; (...)”*



*Which are the tools*

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Antifraud strategy

Antifraud statement

Awareness-raising

Training

Fraud risk assessment

Red flags

Whistleblowing

Data mining

Checks and controls

# Three stages in detection of fraud and corruption



# Thanks!

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