

Protection of the EU financial interests

A 'FISHERIES POLICY' PERSPECTIVE

23TH MEETING OF THE EXPERT GROUP ON THE EMFF

26/11/2019

Unit D.2 – Fraud Prevention, Reporting and Analysis





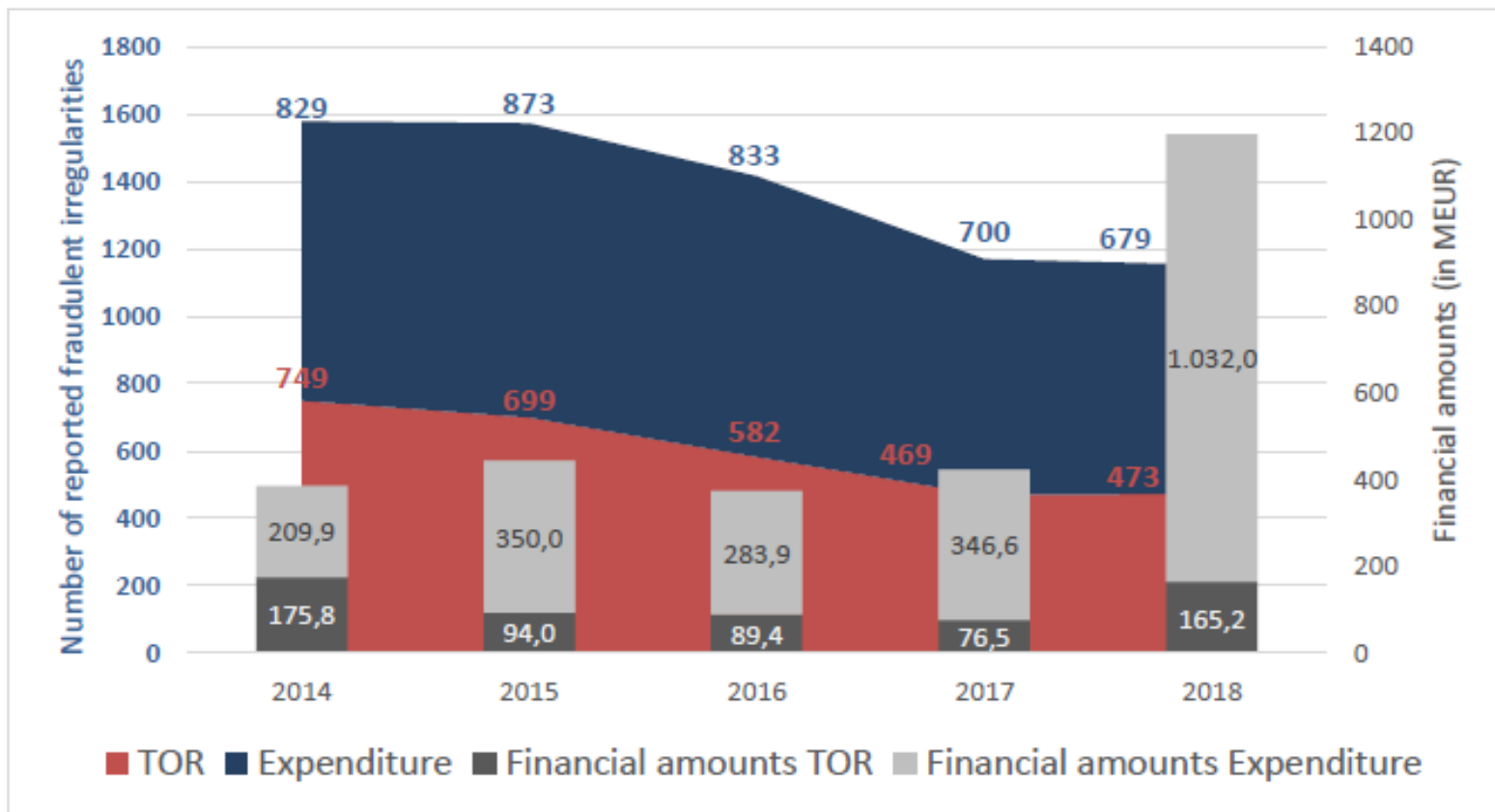
Content of the presentation

- Management of fraud risks: ECA Special Report
- PIF Report ...
- ... with a focus on the Fisheries policy
 - Frequency and financial amounts
 - Programming Priorities
 - Detections by Member State
 - Categories of irregularities

SR 06/2019: Tackling fraud in EU cohesion spending: managing authorities need to strengthen detection, response and coordination

- Recommendations
 - ▶ MS without a national anti-fraud strategy should formulate one
 - ▶ MA should make fraud risk assessment more robust by involving relevant external actors
 - ▶ Member States should improve fraud detection measures
 - ▶ Commission to monitor fraud response mechanisms
 - ▶ Commission to encourage Member States to expand the AFCOSs' functions to improve coordination
- (Some) Findings:
 - ▶ Not all potential fraud is reported as such in the IMS
 - ▶ The IMS contains some inaccuracies and obsolete data
 - ▶ Under-reporting has affected the reliability of fraud detection rates

Statistics on fraudulent irregularities (general)

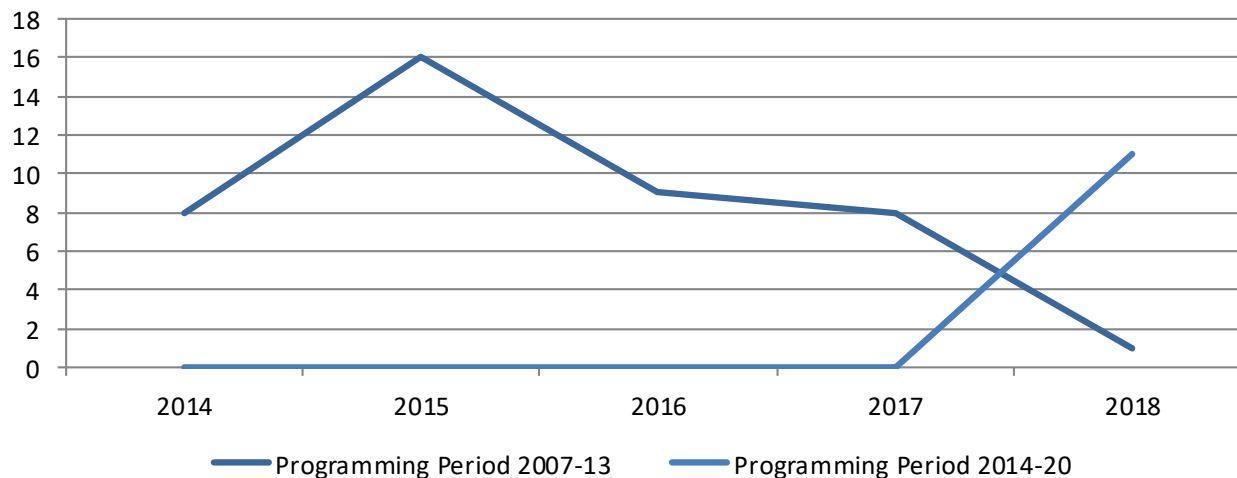


Statistics on fraudulent irregularities (1)

Number of irregularities reported as fraudulent between 2014 and 2018 by programming period - Cohesion and Fisheries Policies

FUND / PROGRAMMING PERIOD	REPORTING YEAR					TOTAL PERIOD
	2014	2015	2016	2017	2018	
	N	N	N	N	N	
Programming Period 2014-20	0	1	2	31	210	244
CF	0	0	0	1	24	25
ERDF	0	0	0	7	134	141
ESF	0	1	2	23	41	67
EMFF	0	0	0	0	11	11
Programming Period 2007-13	213	397	354	307	149	1,420
CF	6	9	10	17	7	49
ERDF	121	254	251	231	118	975
ESF	78	118	84	51	23	354
EFF	8	16	9	8	1	42

**Number of irregularities by programming period - 2014-2018
Fisheries policy**

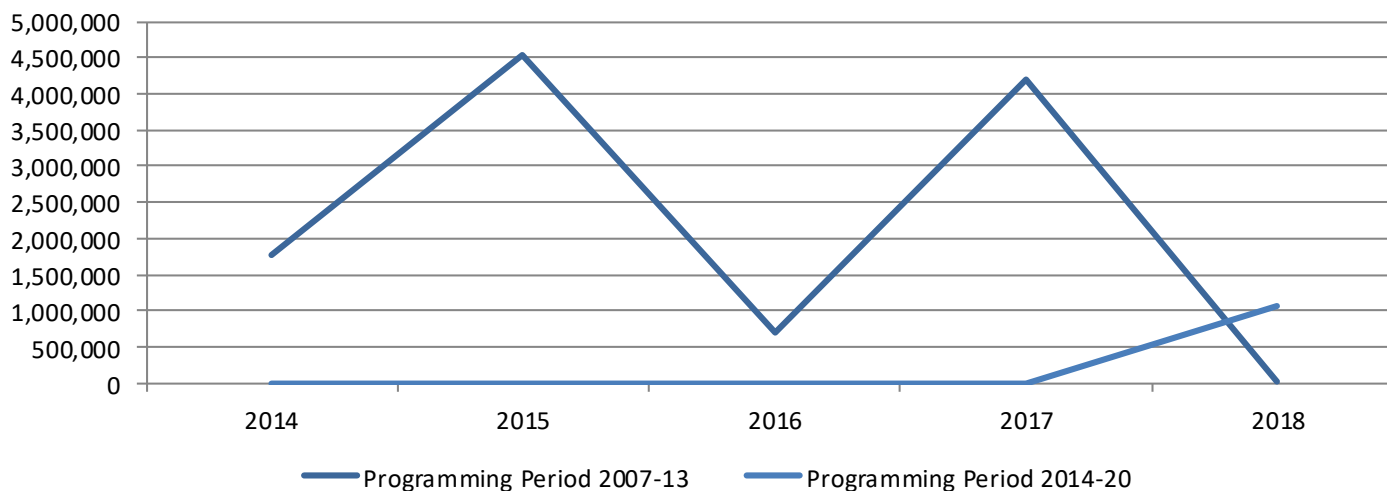


Statistics on fraudulent irregularities (1)

Financial amounts related to the irregularities reported as fraudulent between 2014-2018 by programming period - Cohesion and Fisheries Policies

FUND / PROGRAMMING PERIOD	REPORTING YEAR					TOTAL PERIOD
	2014	2015	2016	2017	2018	
	EUR	EUR	EUR	EUR	EUR	
Programming Period 2014-20	0	150,672	382,136	10,279,119	720,991,237	731,803,164
CF	0	0	0	761,082	16,755,873	17,516,955
ERDF	0	0	0	5,232,154	696,119,157	701,351,311
ESF	0	150,672	382,136	4,285,883	7,054,802	11,873,493
EMFF	0	0	0	0	1,061,405	1,061,405
Programming Period 2007-13	115,310,877	222,969,922	221,166,811	263,754,087	235,835,425	1,059,037,122
CF	38,962,780	16,411,304	12,375,609	29,458,717	14,414,775	111,623,185
ERDF	64,841,449	165,769,296	199,109,697	218,865,435	182,788,112	831,373,989
ESF	9,732,657	36,249,811	8,966,904	11,231,394	38,596,407	104,777,173
EFF	1.773.991	4.539.511	714.601	4.198.541	36.131	11.262.775

Financial amounts involved in irregularities reported as fraudulent, by programming period - 2014-2018 - Fisheries policy

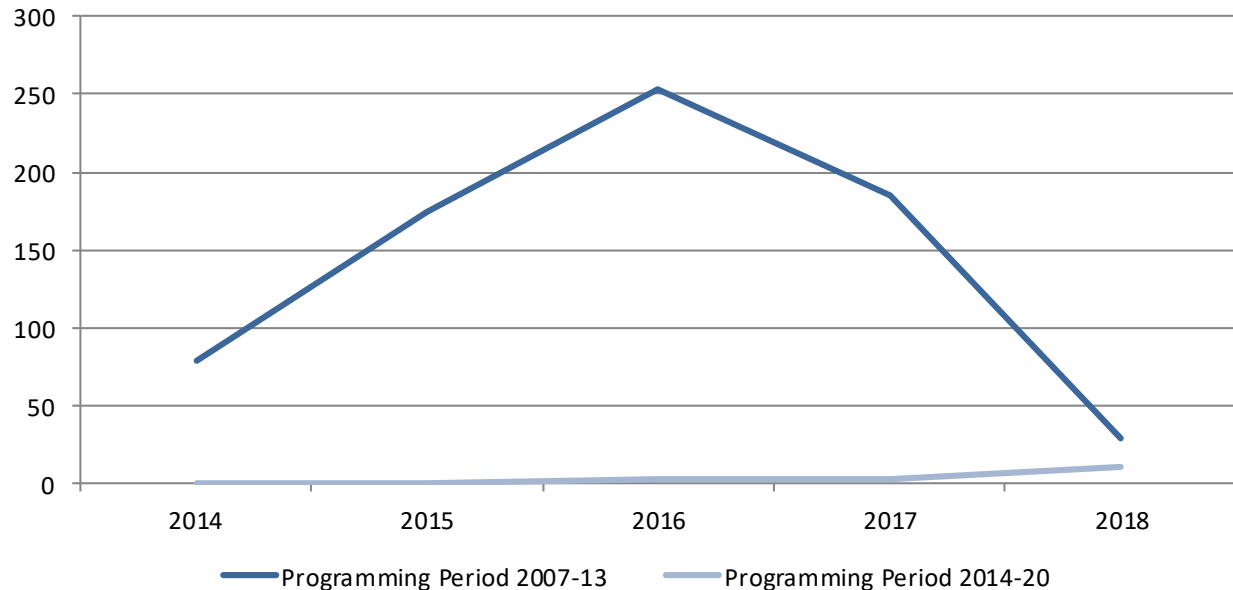


Statistics on non fraudulent irregularities (2)

Number of irregularities not reported as fraudulent between 2014 and 2018 by programming period - Cohesion and Fisheries Policies

FUND / PROGRAMMING PERIOD	REPORTING YEAR					TOTAL PERIOD
	2014	2015	2016	2017	2018	
	N	N	N	N	N	
Programming Period 2014-20	0	1	117	435	862	1,415
CF	0	0	2	37	91	130
ERDF	0	1	16	200	544	761
ESF	0	0	97	195	217	509
EMFF	0	0	2	3	10	15
Programming Period 2007-13	4,504	9,685	8,161	4,762	972	28,084
CF	272	455	428	397	83	1,635
ERDF	2897	7726	6155	3424	653	20,855
ESF	1256	1329	1325	756	207	4,873
EFF	79	175	253	185	29	721

Irregularities by programming period - 2014-2018
Fisheries policy

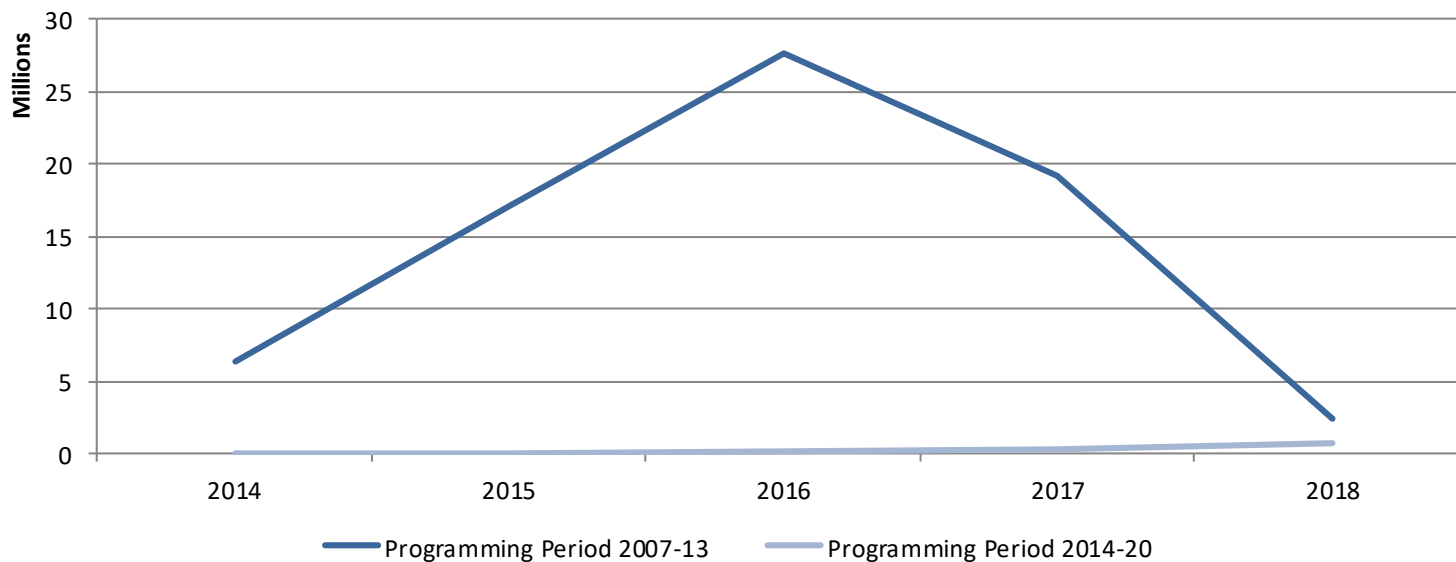


Statistics on non fraudulent irregularities (2)

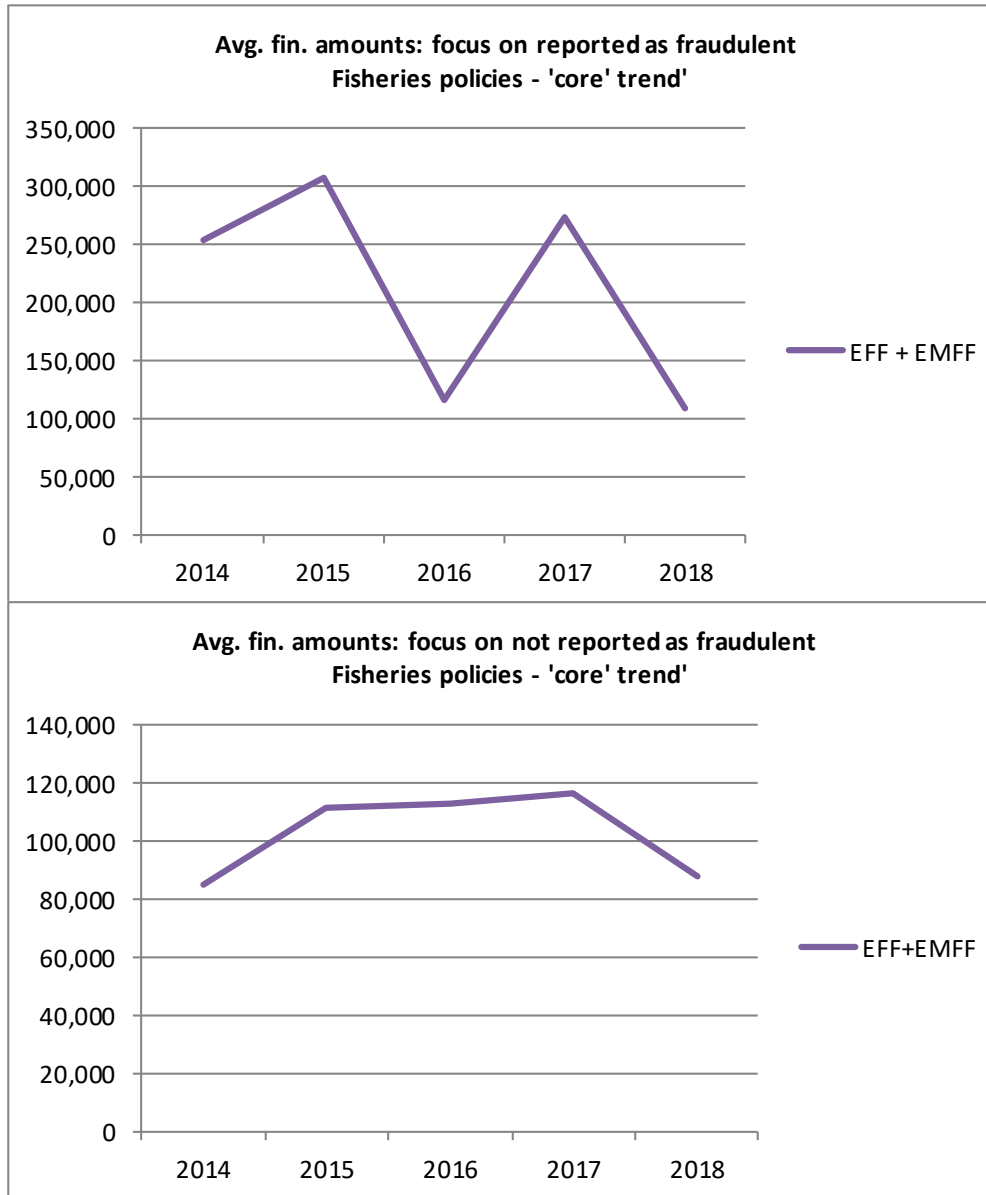
Financial amounts related to irregularities not reported as fraudulent between 2014 and 2018 by programme period - Cohesion and Fisheries Policies

FUND / PROGRAMMING PERIOD	REPORTING YEAR					TOTAL PERIOD
	2014	2015	2016	2017	2018	
	EUR	EUR	EUR	EUR	EUR	
Programming Period 2014-20	0	15,872	4,798,286	63,628,018	221,584,988	290,027,165
CF	0	0	671,052	7,979,293	112,575,240	121,225,585
ERDF	0	15,872	3,152,621	52,246,624	73,758,331	129,173,449
ESF	0	0	806,685	3,124,218	34,536,709	38,467,612
EMFF	0	0	167,928	277,883	714,708	1,160,519
Programming Period 2007-13	1,254,066,711	1,589,204,596	1,717,747,332	1,287,102,291	377,450,429	6,225,571,359
CF	185,043,183	272,011,035	381,297,959	250,551,427	22,733,828	1,111,637,432
ERDF	966,496,303	1,207,179,349	1,177,934,950	930,400,314	333,738,682	4,615,749,598
ESF	96,214,371	92,993,461	130,912,747	87,027,565	18,524,398	425,672,542
EFF	6,312,854	17,020,751	27,601,676	19,122,985	2,453,521	72,511,787

Financial amounts involved in irregularities by programming period - 2014-18 - Fisheries policy



Average financial amounts (fisheries policy)



CAP detected irregularities



CAP components

- Direct payments and market support (~28 % of 2018 EU budget)
- Rural development (~10 % of 2018 EU budget)



Reported irregularities

- 249 detected and reported as fraudulent in 2018 (-6 %); EUR 63.3 million (+10%)
- 2,832 detected and reported as non-fraudulent in 2018 (-5 %); EUR 210.4 million (-21 %)
- **Main indicators (2014-2018):**
 - FDR: 0.11%; IDR: 0.37%;
 - FFL: 10%; FAL: 23%



Modus operandi

- **Fraudulent:** tampering with documentary proof (false or falsified) and ethics and integrity (artificially created conditions)
- **Non-fraudulent:** (non-) action by beneficiary, violations concerning claims/documentary proof



Detection rates by CAP component

Direct payments:	Market measures:	Rural Development:
FDR: 0.01%	FDR: 1.07%	FDR: 0.23%
IDR: 0.07%	IDR: 1.37%	IDR: 1.13%
Total: 0.1%	Total: 2.4%	Total: 1.4%

Cohesion & fisheries policy detected irregularities (1)



Cohesion policy and fisheries

- Multiannual framework
- About 34% of the 2018 EU budget
- Irregularities related to several programming periods, but mainly 2014-2020



Reported irregularities

- 363 detected and reported as fraudulent in 2018 (+5%); EUR 959.6 million (+199%)
- 1,939 detected and reported as non-fraudulent in 2018 (-64%); EUR 599.6 million (-57%)
- Main indicators:
 - FDR: 0.47% (PP 2007-2013); 0.86% (PP 2014-2020)
 - IDR: 2.52% (PP 2007-2013); 0.34% (PP 2014-2020)



Modus operandi

- Fraudulent: tampering with documentary proof (false or falsified)
- Non-fraudulent: infringement of public procurement rules, eligibility of expenditure

Cohesion and Fisheries policies detected irregularities (2)

Fraud Frequency Level (FFL), Fraud Amount Level (FAL), Fraud Detection Rate (FDR) and Irregularity Detection Rate (IRD) by Objective

Objective	Irregularities detected and			% IDR	% Total
	FFL	FAL	% FDR		
<i>Convergence</i> (1)	5.7	17.5	0.5	2.6	3.1
<i>Competitiveness and Employment</i> (1)	2.8	4.8	0.1	1.7	1.8
<i>Territorial cooperation</i> (1)	6.8	16.9	0.1	0.4	0.5
<i>Multiobjective</i> (1)	4.3	12.8	0.4	3.0	3.4
<i>Fisheries</i> (2)	6.8	18.7	0.5	2.4	2.9
Total	4.9	15.8	0.5	2.5	2.9

(1) Calculations based on the decided amounts

(2) Calculations based on payments made

Fisheries policy detected irregularities by priority (1)

<i>PP2007-13 - Fisheries policy - Irregularities reported as fraudulent by Priority</i>					
Programming period 2007-13		Irregularities reported as fraudulent			
Priority	Total	Amounts involved	Average amount	FFL	FAL
	N	EUR	EUR	%	%
Aquaculture, inland fishing, processing and marketing of fishery and aquaculture products	33	14,814,881	448,936	8.4%	24.6%
Technical assistance	4	2,962,500	740,625	13.8%	51.8%
Measures of common interest	10	1,592,262	159,226	4.0%	10.7%
Measures for the adaptation of the Community fishing fleet	15	741,778	49,452	9.6%	5.9%
Sustainable development of fishery areas	2	78,569	39,285	1.4%	1.0%
Null or other	5	684,540			
TOTAL	69	20,874,530	302,529	6.8%	18.5%

<i>PP2007-13 - Fisheries policy - Irregularities not reported as fraudulent by Priority</i>			
Programming period 2007-13		Irregularities not reported as fraudulent	
Priority	Total	Amounts involved	Average amount
	N	EUR	EUR
Aquaculture, inland fishing, processing and marketing of fishery and aquaculture products	360	45,469,681	126,305
Measures of common interest	237	13,328,774	56,240
Measures for the adaptation of the Community fishing fleet	142	11,842,688	83,399
Sustainable development of fishery areas	140	7,917,529	56,554
Technical assistance	25	2,761,475	110,459
Null or other	46	10,876,431	236,444
TOTAL	950	92,196,578	97,049

Fisheries policy detected irregularities by priority (2)

PP2014-20 - Fisheries policy - Irregularities reported as fraudulent by Priority

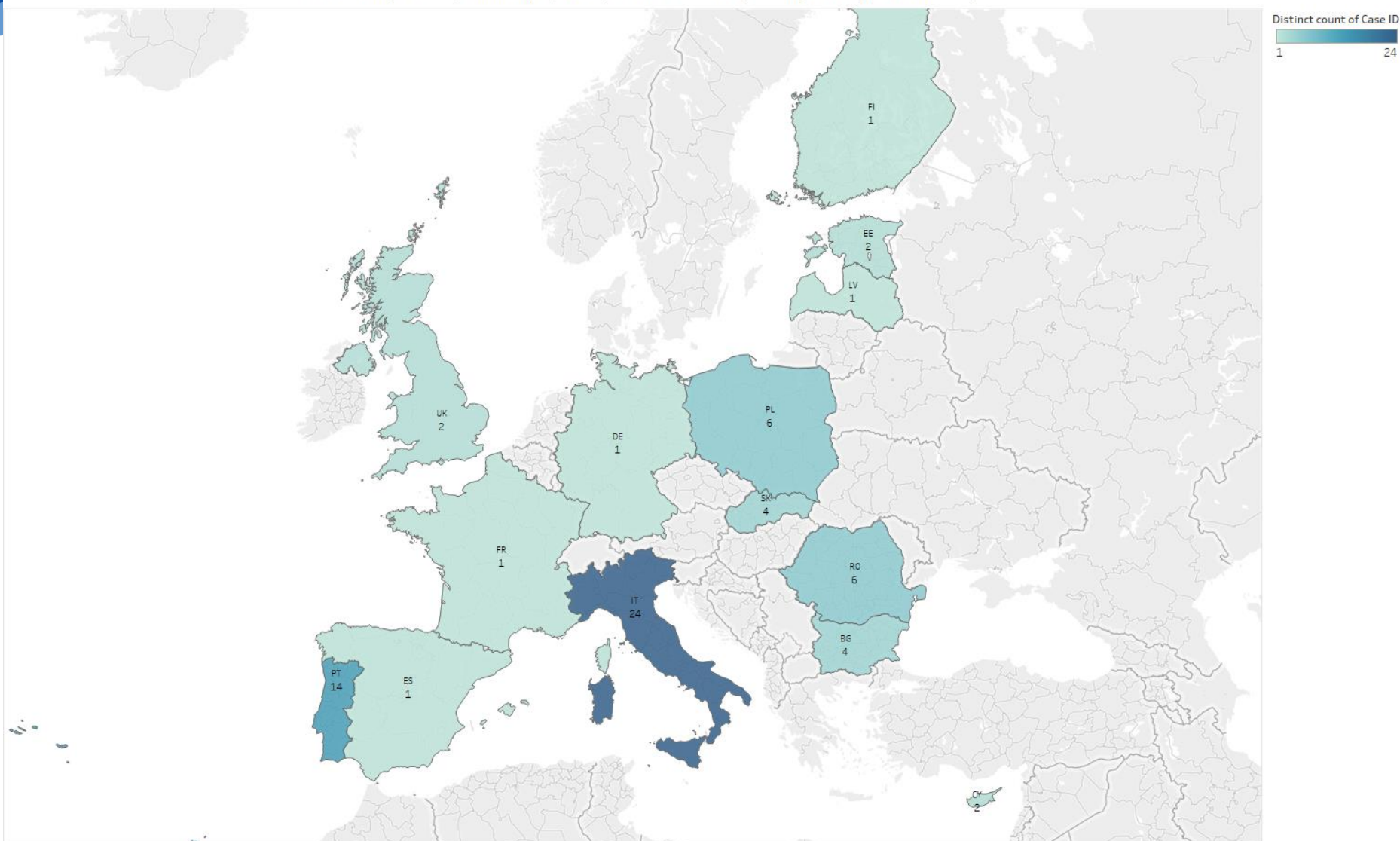
Priority	2014-2020			
	Total	Amounts involved	FFL	FAL
	N	EUR	%	%
Measures for the adaptation of the Community fishing fleet	10	704,873	100.0%	100.0%
Aquaculture, inland fishing, processing and marketing of fishery and aquaculture products	1	356,532	20.0%	73.9%
TOTAL	11	1,061,405	42.3%	47.8%

PP2014-20 - Fisheries policy - Irregularities not reported as fraudulent by Priority

Priority	2014-2020		
	Total	Amounts involved	Average amount
	N	EUR	EUR
Aquaculture, inland fishing, processing and marketing of fishery and aquaculture products	4	125,764	31,441
Null	11	1,034,754	94,069
TOTAL	15	1,160,518	77,368

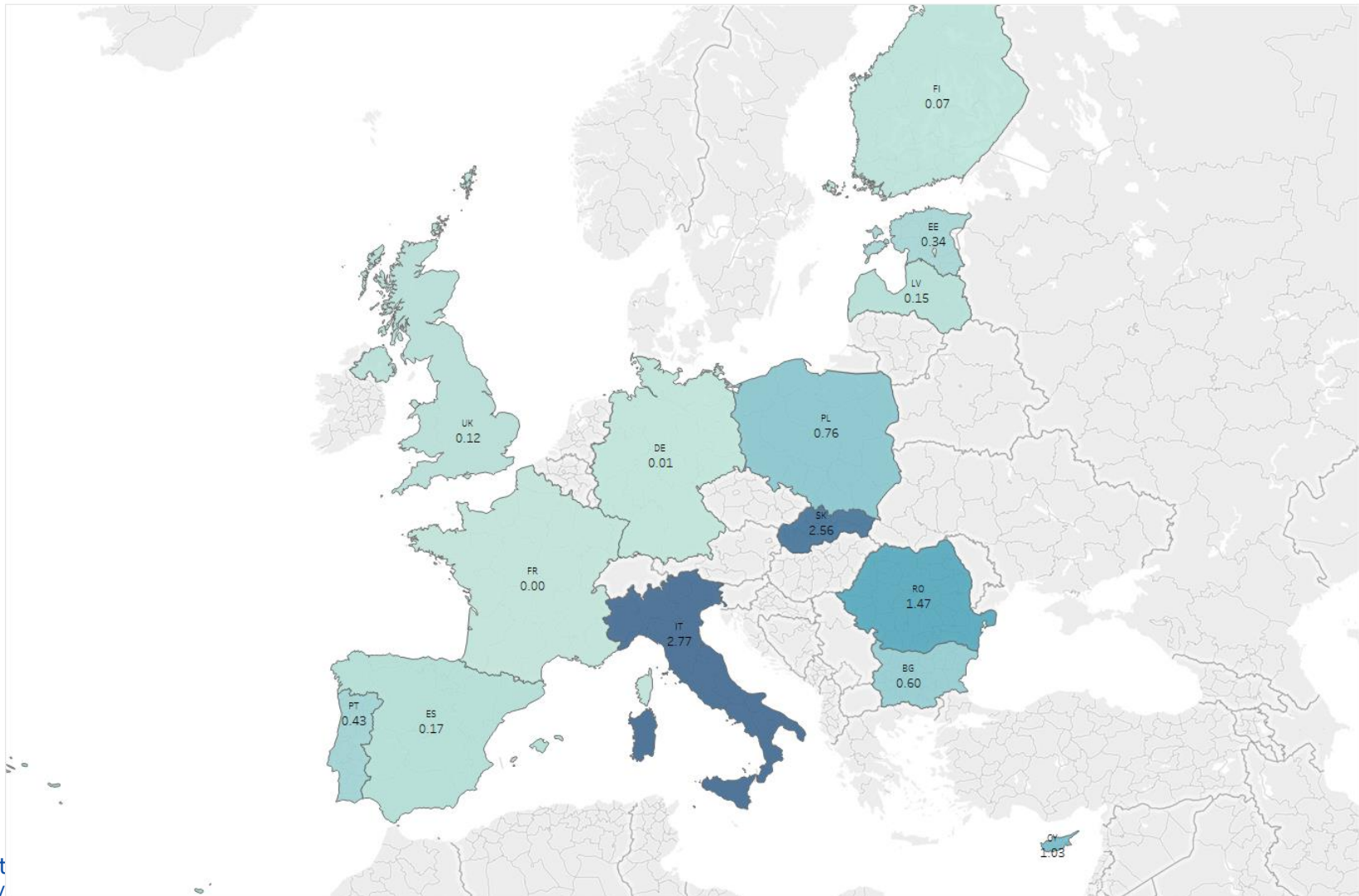
Fisheries policy detected irregularities by Member State (1)

Number of irregularities (fraudulent) reported by the Member States (EFF, Programming period 2007-13)



Fisheries policy detected irregularities by Member State (2)

Fraud Detection Rates - Fisheries policy, Programming Period 2007-2013 (EFF)



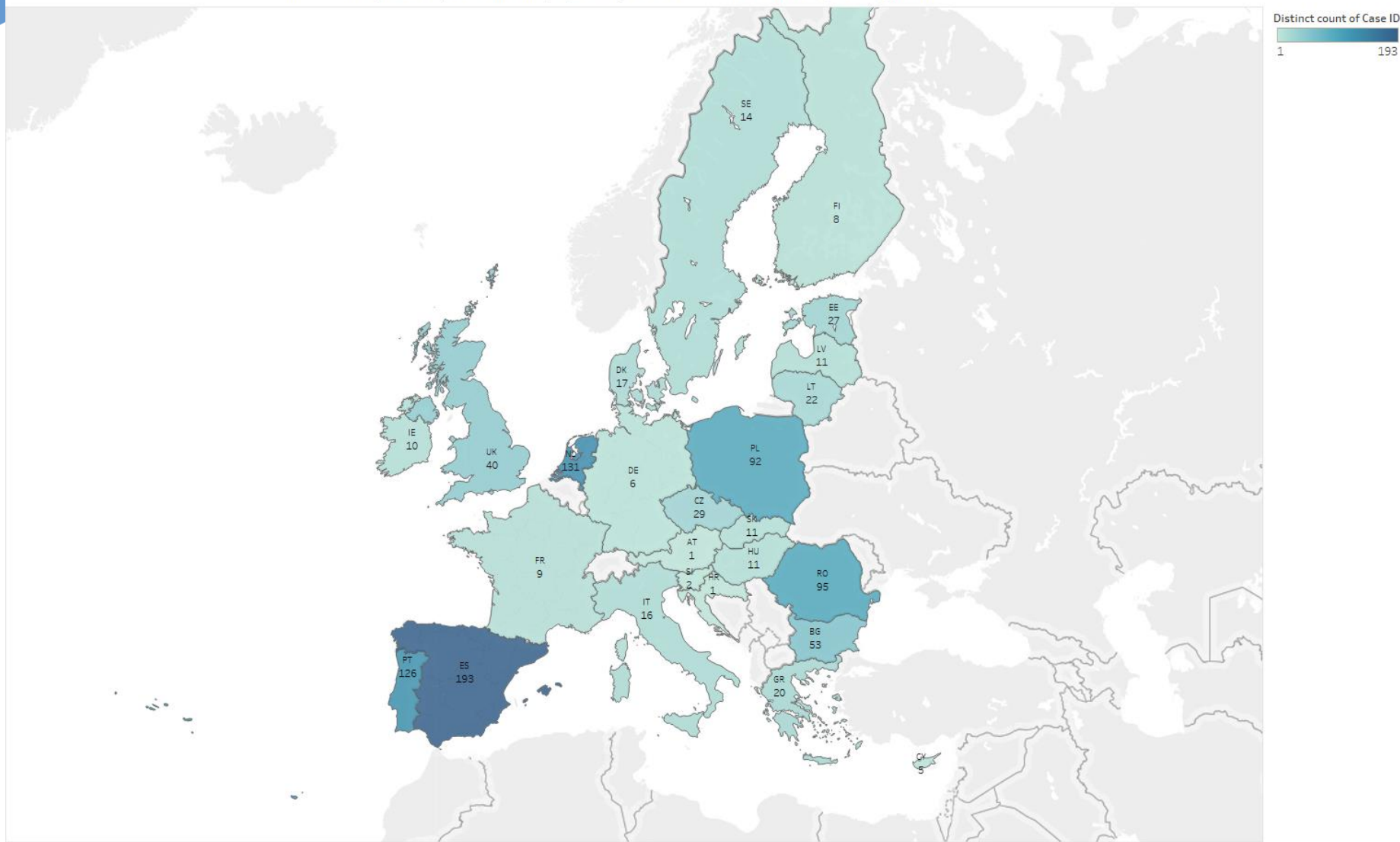
Fisheries policy detected irregularities by Member State (3)

EFF: Number of irregularities reported as fraudulent, amounts involved and fraud detection rate by Member State - Programming period 2007-13

Member State	Irregularities reported as fraudulent PP 2007-13		Payments PP 2007-2013 (1)	Fraud detection rate
	Reported N	Involved amounts EUR		
BG	4	357915	59,644,011	0.60
CY	2	203450	19,724,418	1.03
DE	1	14120	125,640,785	0.01
EE	2	273296	80,339,637	0.34
ES	1	1735107	1,002,488,420	0.17
FI	1	26786	36,566,780	0.07
FR	1	0	196,337,037	0.00
IT	24	8891009	321,480,830	2.77
LV	1	183796	124,619,982	0.15
PL	6	5302801	697,387,945	0.76
PT	14	934864	216,290,165	0.43
RO	6	2492157	169,359,459	1.47
SK	4	312430	12,225,357	2.56
UK	2	146798	123,139,881	0.12
TOTAL	69	20,874,529	3,811,811,514	0.55
(1) Net payments until April 2019 from EFF				

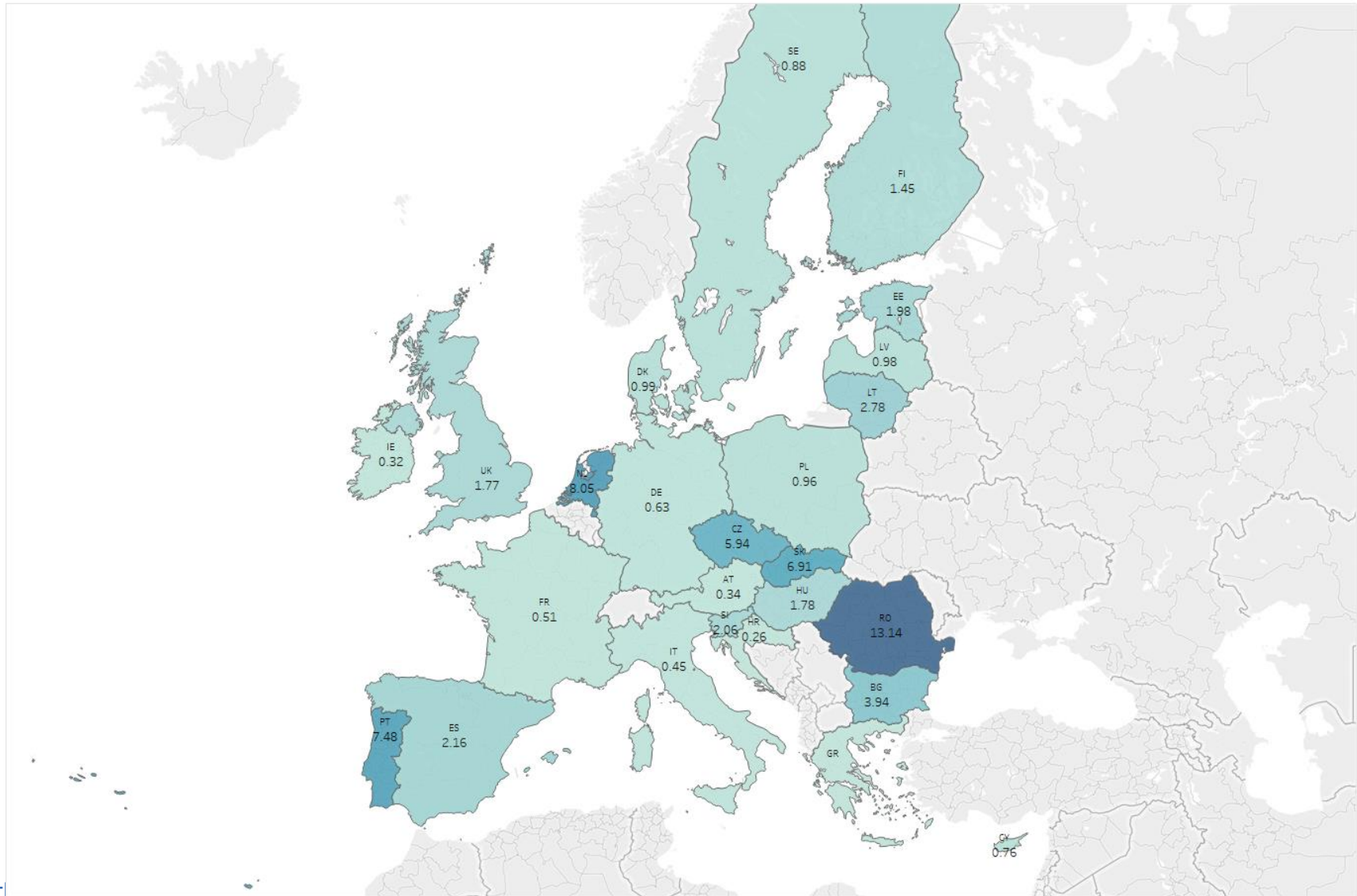
Fisheries policy detected irregularities by Member State (4)

Number of irregularities (non-fraudulent) reported by the Member States - EFF, Programming period 2007-13



Fisheries policy detected irregularities by Member State (5)

Irregularity Detection Rates - Fisheries policy, Programming Period 2007-2013 (EFF)



Fisheries policy detected irregularities by Member State (6)

EFF: Number of irregularities not reported as fraudulent, amounts involved and fraud detection rate by Member State - Programming period 2007-13

Member State	Irregularities reported as fraudulent PP 2007-13		Payments PP 2007-2013 (1)	Irregularity detection rate
	Reported N	Involved amounts EUR		
			EUR	%
AT	1	17,645	5,186,450	0.34
BG	53	2,347,972	59,644,011	3.94
CY	5	150,508	19,724,418	0.76
CZ	29	1,529,156	25,751,341	5.94
DE	6	791,009	125,640,785	0.63
DK	17	1,258,757	126,991,411	0.99
EE	27	1,592,419	80,339,637	1.98
ES	193	21,698,714	1,002,488,420	2.16
FI	8	529,996	36,566,780	1.45
FR	9	991,634	196,337,037	0.51
GR	20	4,577,837	192,426,639	2.38
HR	1	21,599	8,265,000	0.26
HU	11	588,090	33,006,297	1.78
IE	10	136,460	42,198,786	0.32
IT	16	1,430,623	321,480,830	0.45
LT	22	1,443,847	51,977,738	2.78
LV	11	1,222,677	124,619,982	0.98
NL	131	2,850,395	35,393,171	8.05
PL	92	6,694,341	697,387,945	0.96
PT	126	16,180,264	216,290,165	7.48
RO	95	22,245,878	169,359,459	13.14
SE	14	456,954	51,793,081	0.88
SI	2	411,986	19,982,696	2.06
SK	11	844,784	12,225,357	6.91
UK	40	2,183,035	123,139,881	1.77
TOTAL	950	92,196,580	3,811,811,514	2.42

(1) Net payments until April 2019 from EFF

(General) PIF conclusions and recommendations

- 2 recommendations
 - Revenue
 - Enhance and enforce customs control strategies for cross-border e-commerce trade (LVCR)
 - Risk profiles or random checks on LVCR
 - Expenditure
 - Adoption of NAFS
 - Incorporate in their risk analysis, the findings of the PIF Report
 - Coordination between administrative and criminal investigations
 - Incorporate tips from media and whistleblowers into the control system
 - Strengthen risk analysis based approach to detection, including the use of IT tools

Comparison of reporting patterns

How?

- Collect and visualise IMS data of the 2014-2020 Programming Period (PP) and compare state-of-play of the previous PP until 2011 (included)

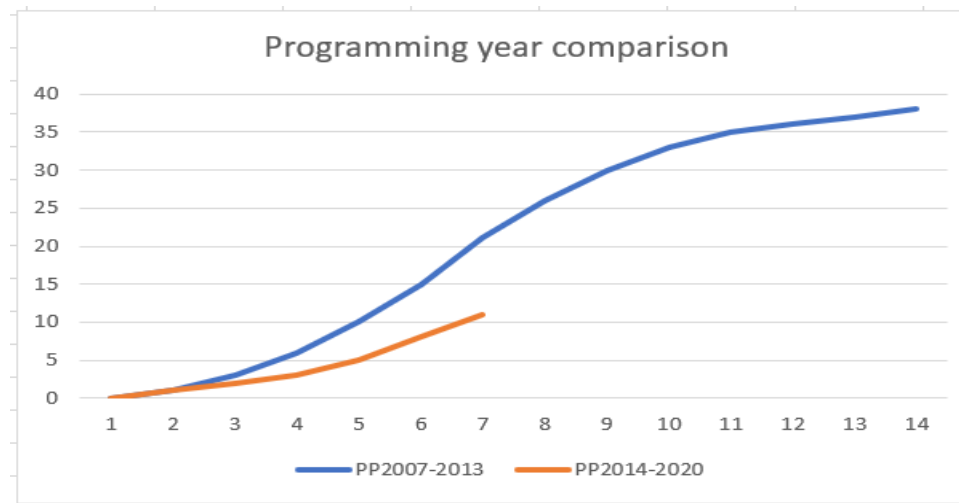
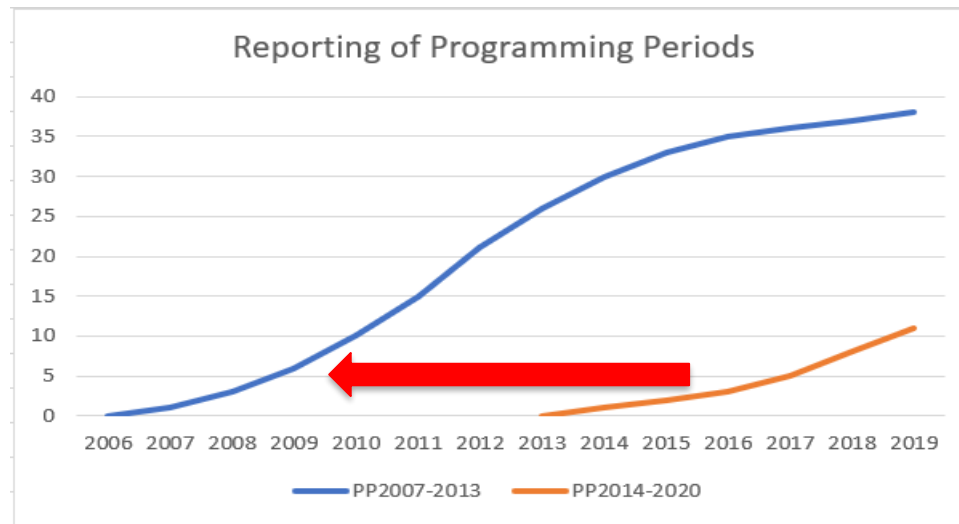
What?

- Cohesion and Fishery Funds

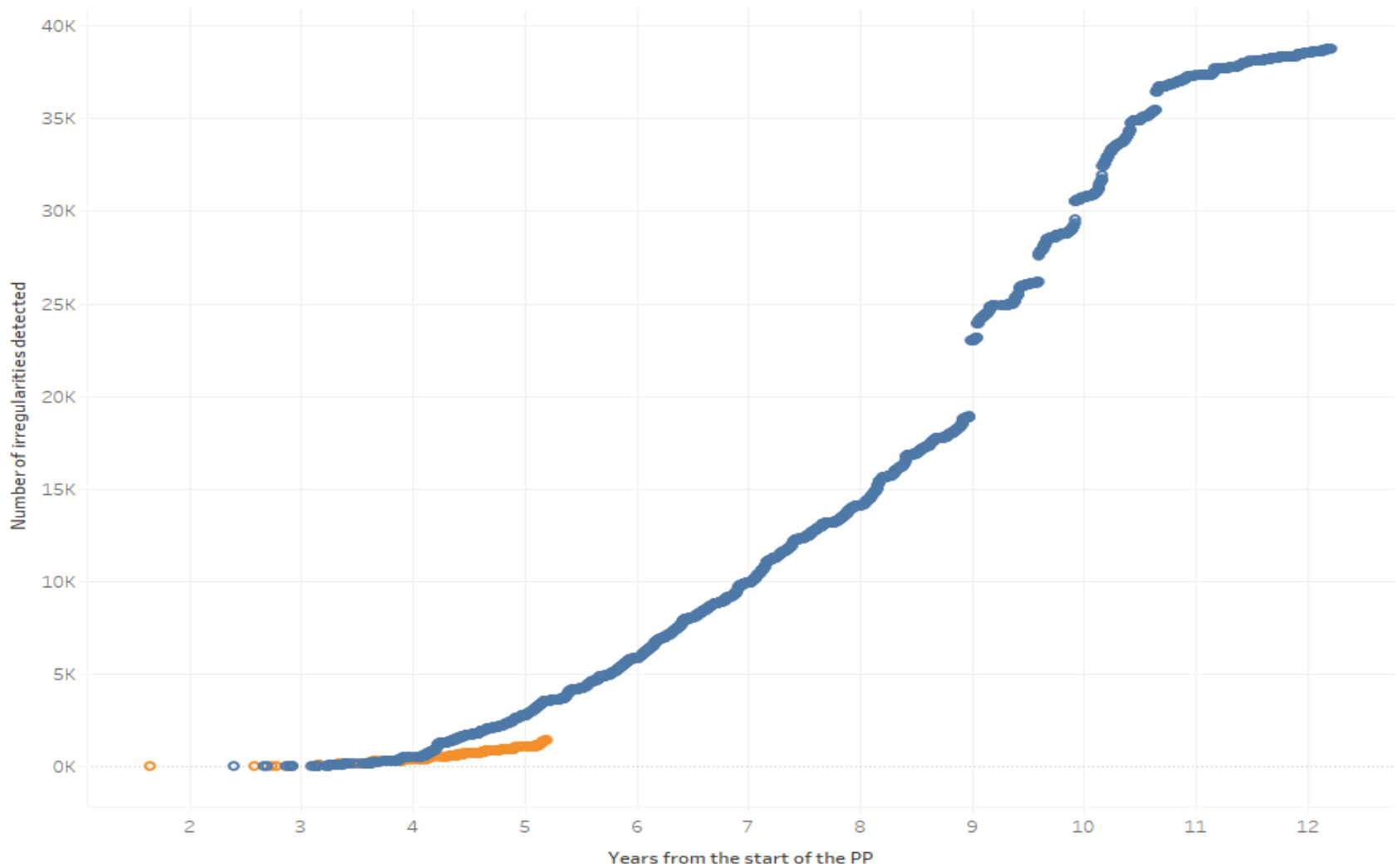
Why is it important to analyse the differences?

- To foresee future tendencies in PP 2014-2020
- To fine tune IMS management, control and reporting
- To help the Commission to prepare for the next PP

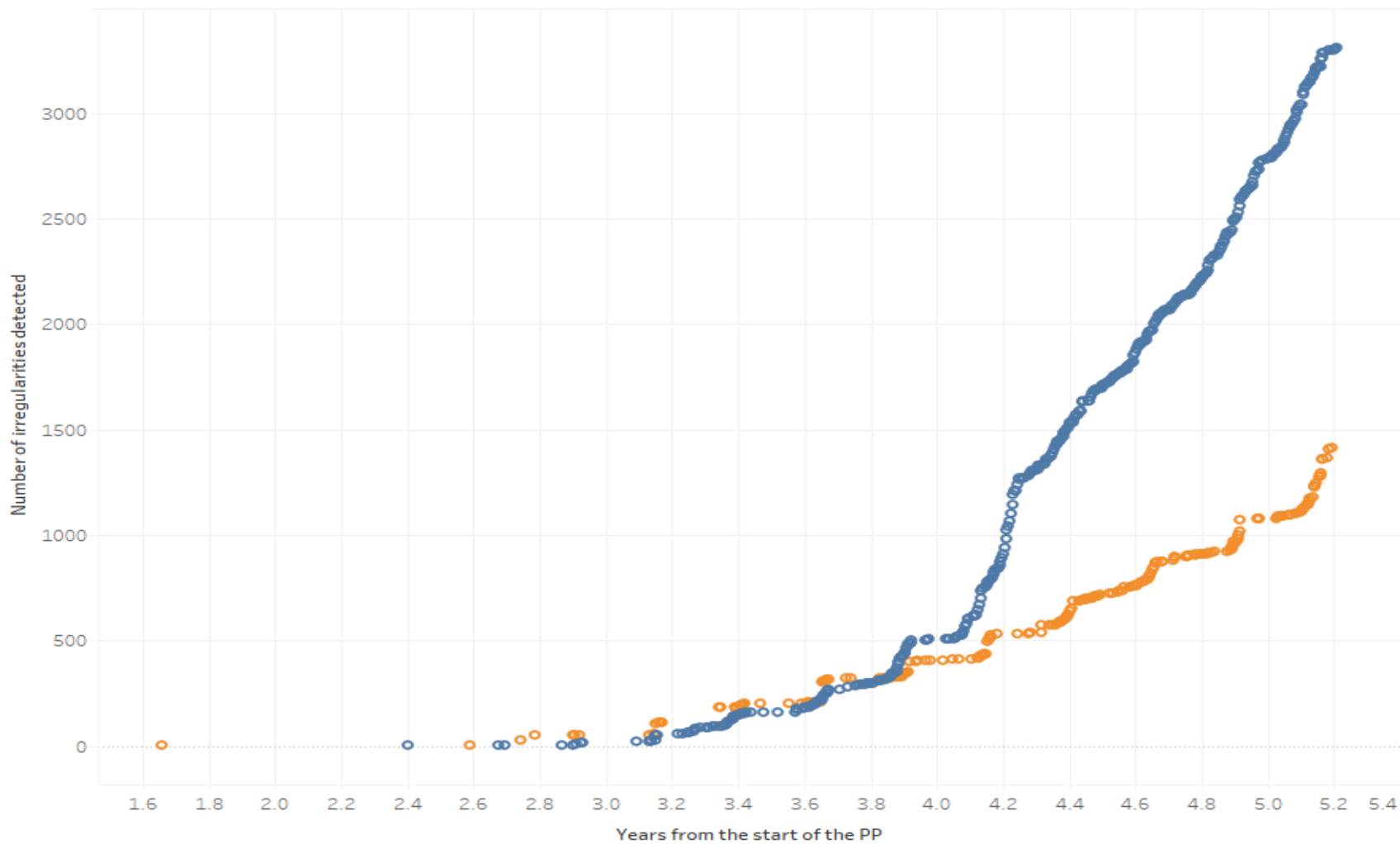
Comparison of reporting patterns



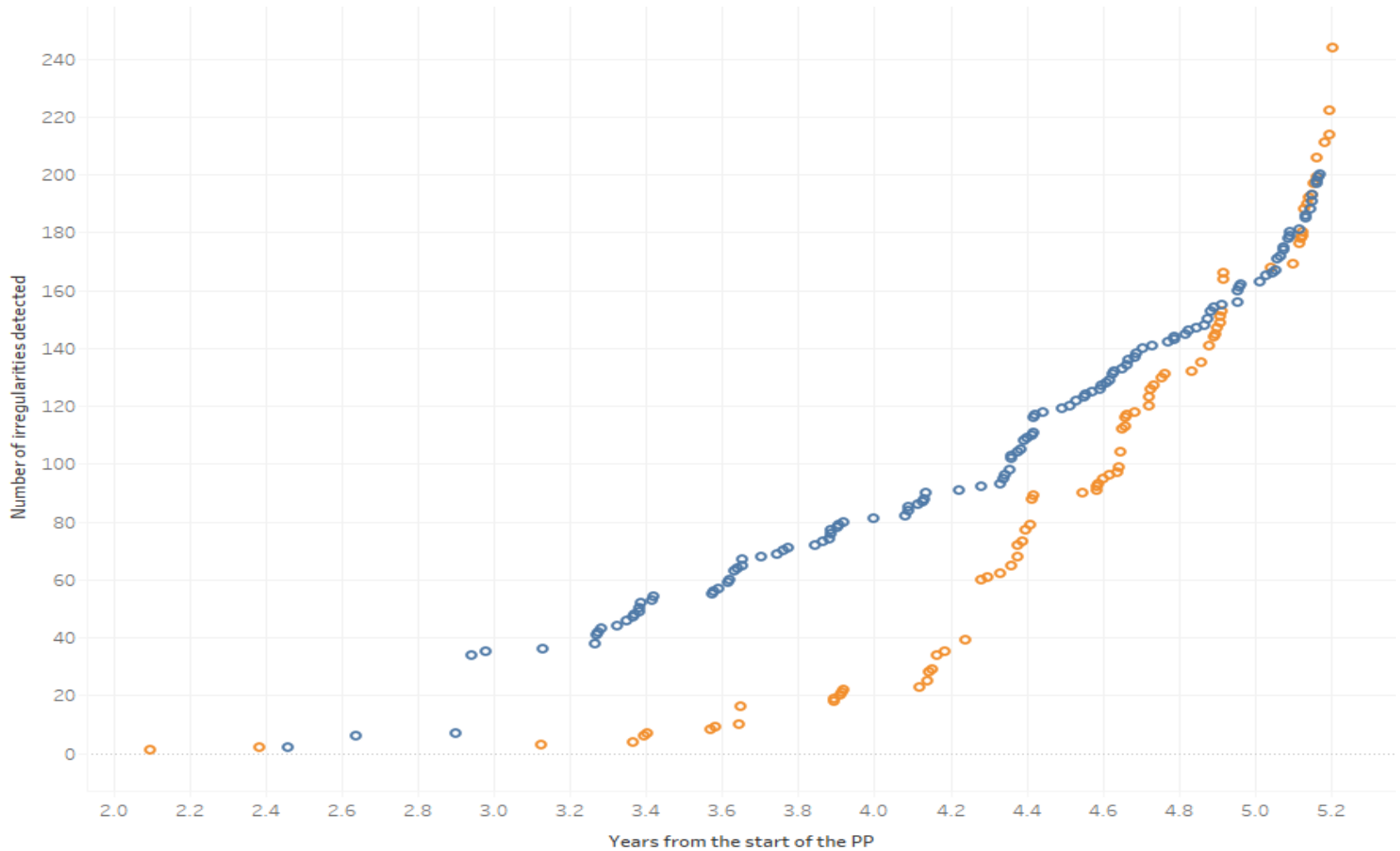
Number of non-fraudulent irregularities EU



Number of non-fraudulent irregularities EU (zoom)

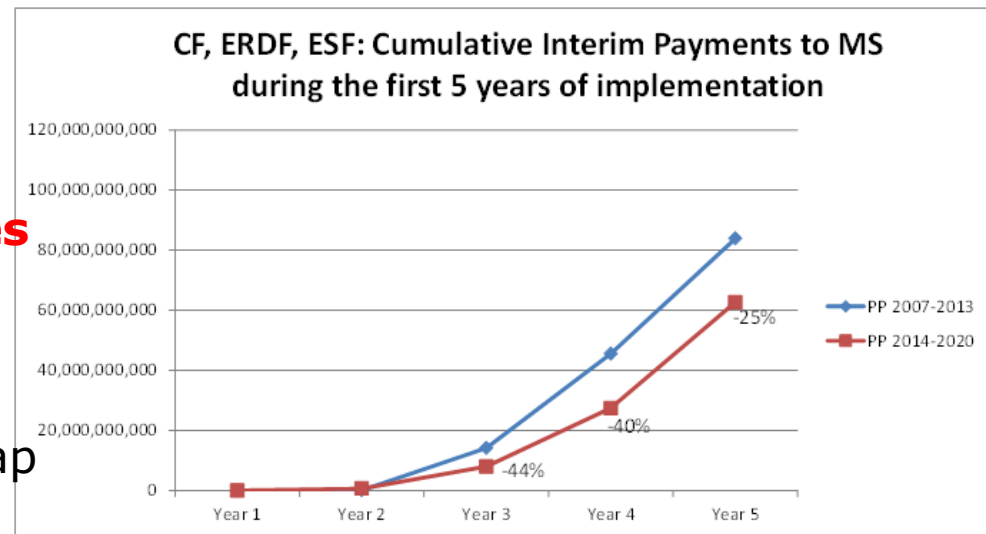


Number of **fraudulent** irregularities EU (zoom)



Possible explanation: delayed implementation

- Spending under 2014-2020 PP delayed because of longer designation procedures
- Consequences:
 - ▶ The gap of the **non-fraudulent irregularities** decrease is partially explained
 - ▶ For **fraudulent irregularities** positive gap results even higher



Possible explanations for non-fraudulent irregularities **decrease**

- System of annual accounting more stringent
- Differences in payment methods (flat rate financing, lump sums, other simplified cost options)
- Enhanced fraud-prevention measures may have also had an impact on the decrease of non-fraudulent irregularities
- Differences in detection and reporting practices (resources, internal procedures, thresholds, categorisation of fraud vs irregularity)
- Under-reporting



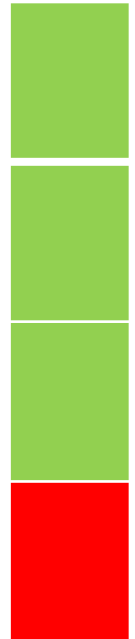
Number of irregularities			
Decreasing	Better Prevention	or	Worse Detection
Increasing	Worse Prevention	or	Better Detection

Possible explanations for fraudulent irregularities increase

- CPR 125(4)c: Anti-fraud measures in the operational programmes
- NAFS
- Fraud awareness
- Fraud has increased, therefore we detect more

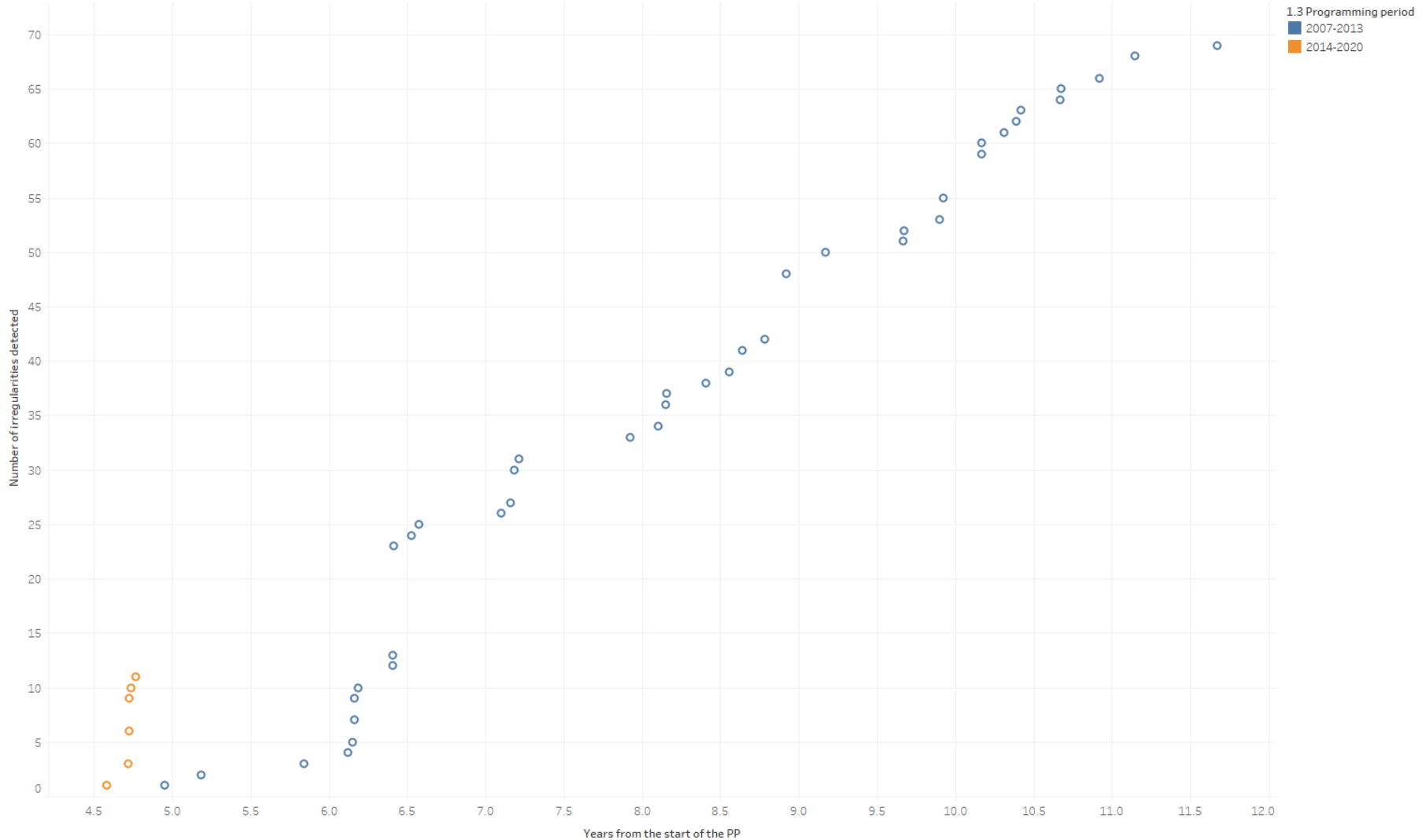
Number of irregularities

Decreasing	Better Prevention	or	Worse Detection
Increasing	Worse Prevention	or	Better Detection



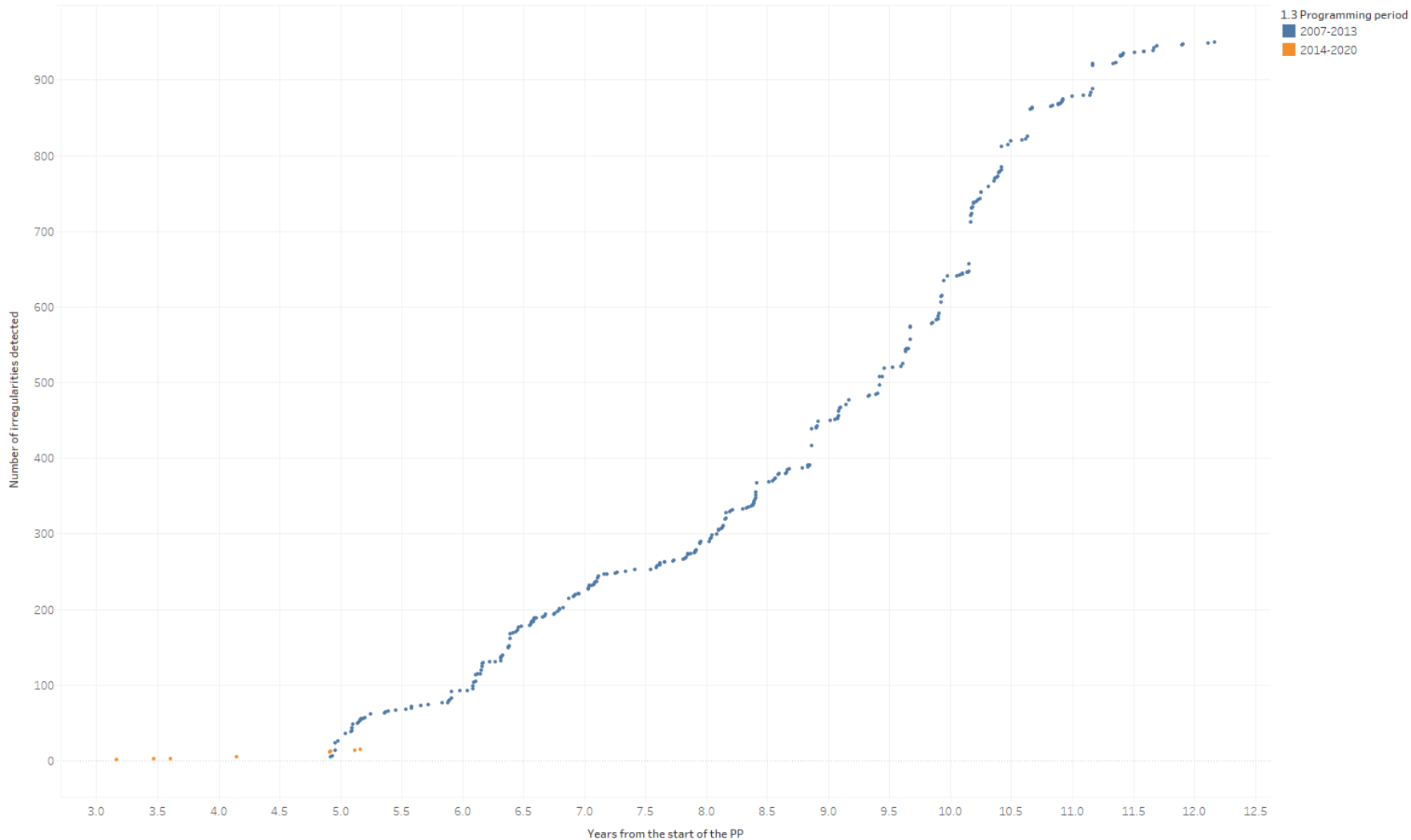
Fisheries: number of fraudulent irregularities

Comparison between detection for PP 2007-2013 and PP 2014-2020 -Number of irregularities reported as fraudulent - Fisheries Policy

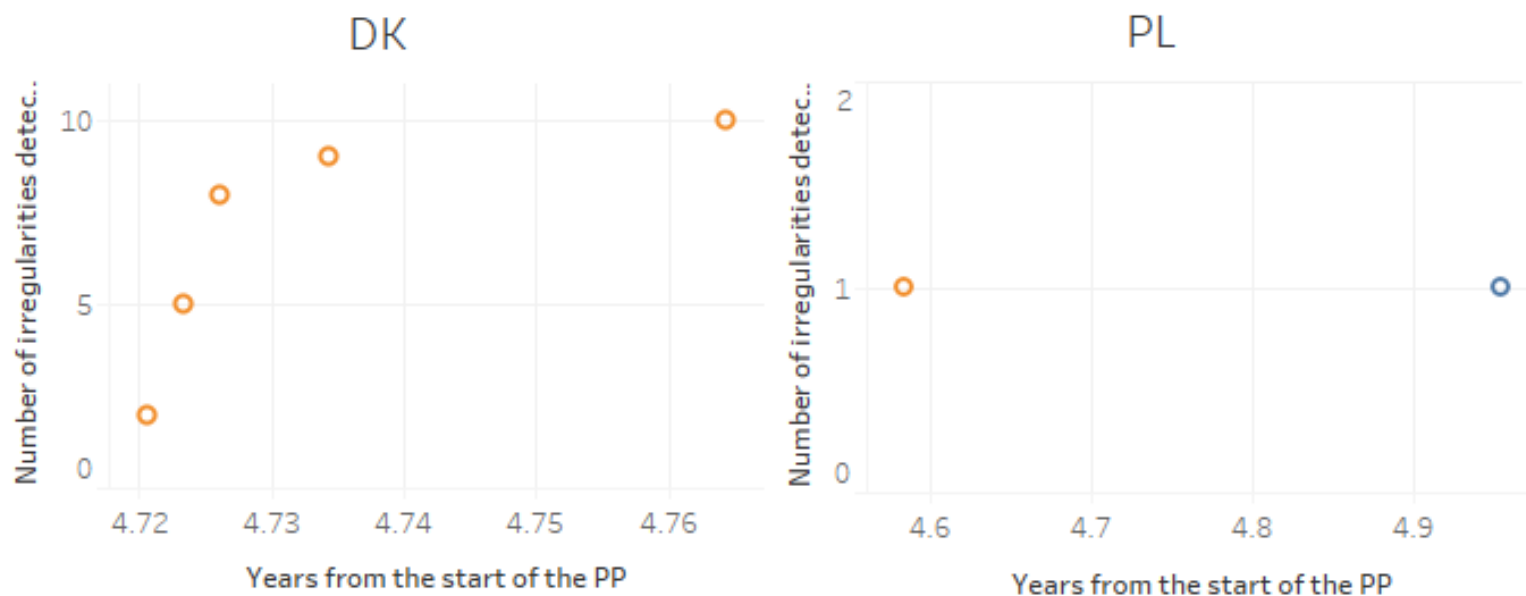


Fisheries: number of non fraudulent irregularities

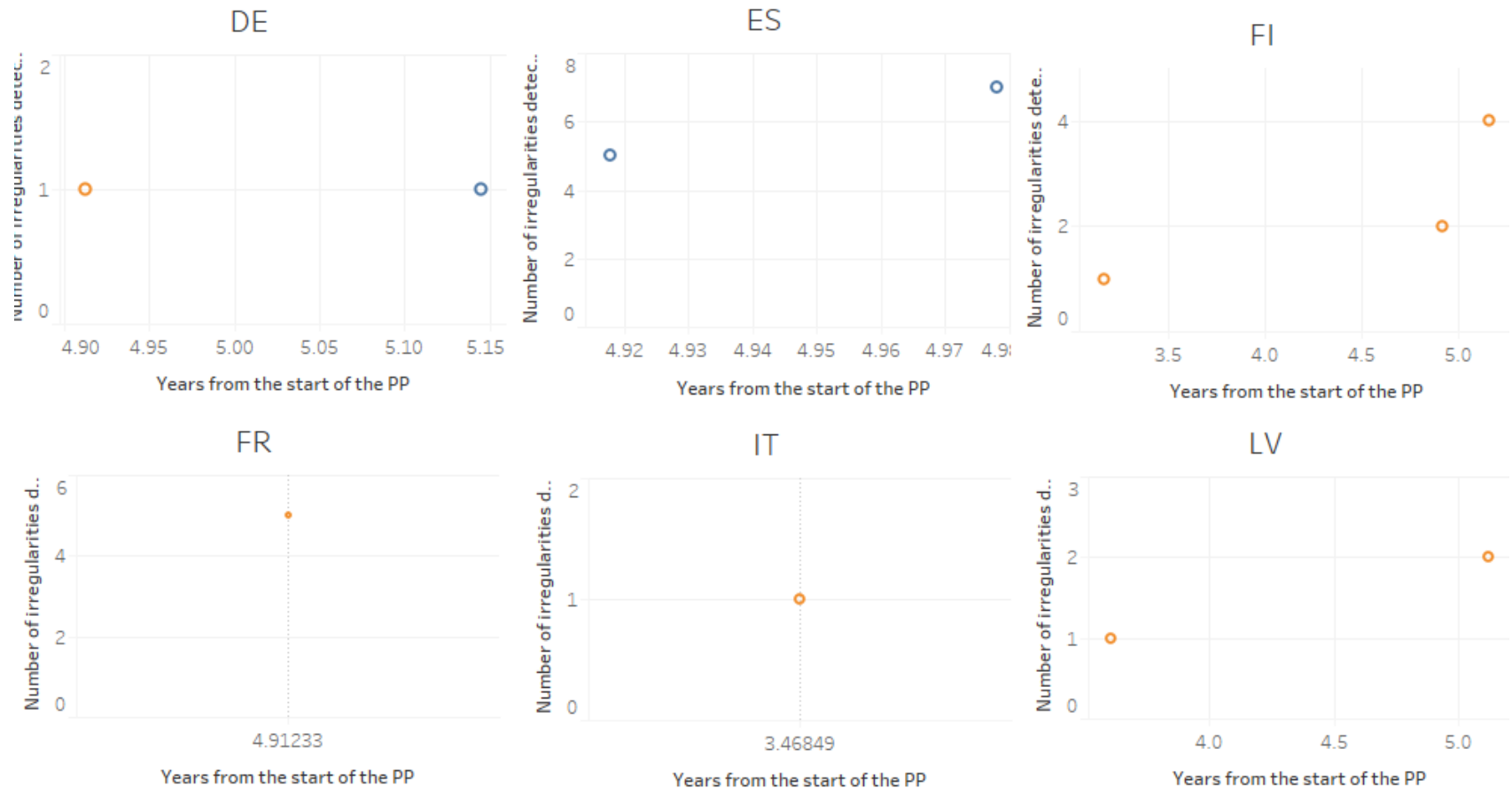
Comparison between detection for PP 2007-2013 and PP 2014-2020 -Number of irregularities not reported as fraudulent - Fisheries Policy



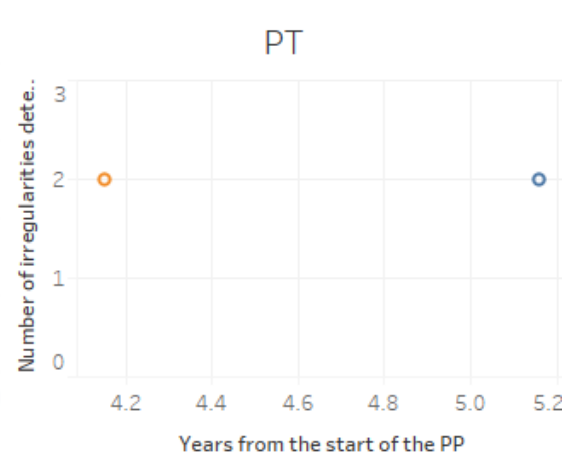
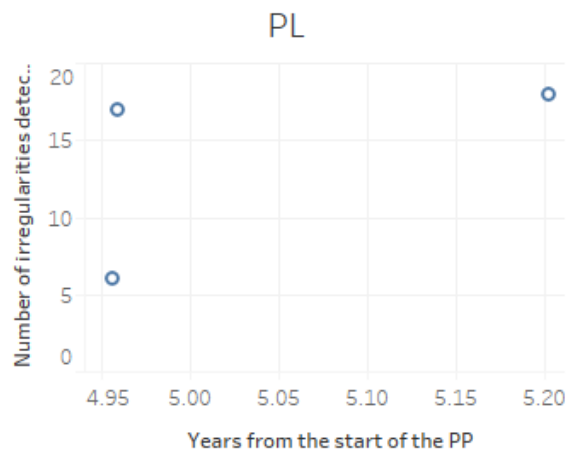
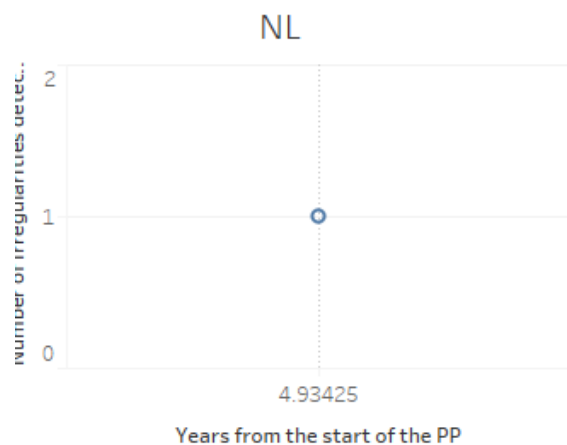
Fisheries: number of fraudulent irregularities



Fisheries: number of non fraudulent irregularities (1)



Fisheries: number of non fraudulent irregularities (2)



None

None

Fisheries: Type of irregularities

EFF, EMFF: Programming periods 2007-13 and 2014-2020 - Categories of irregularity/Modus operandi detected

Categories of irregularities	Irregularities reported as fraudulent			Irregularities not reported as fraudulent		
	N	EUR	EUR/avg	N	EUR	EUR/avg
Infringement of contract provisions/rules	12	2,790,349	232,529	272	23,409,703	86,065
Infringements concerning the request	12	1,454,825	121,235	26	3,313,198	127,431
Incorrect, missing, false or falsified supporting documents	11	2,422,688	220,244	96	8,827,302	91,951
Violations/breaches by the operator	9	1,620,464	180,052	38	2,288,468	60,223
Eligibility / Legitimacy of expenditure/measure	7	1,886,339	269,477	209	12,692,314	60,729
Infringement of public procurement rules	6	796,876	132,813	110	7,254,957	65,954
Incorrect, absent, falsified accounts	4	2,593,984	648,496	12	1,770,125	147,510
Ethics and integrity	3	4,131,534	1,377,178	4	92,814	23,204
Product, species and/or land	1	166,482	166,482	3	335,656	111,885
Bankruptcy				7	2,578,697	368,385
Multiple financing				7	490,481	70,069
Movement				3	136,931	45,644
Other	1	1,735,107	1,735,107	140	21,057,317	150,409
blank	27	8,710,151	322,598	126	17,921,048	142,231



**THANK YOU
FOR YOUR ATTENTION**