



European Union



SZÉCHENYI
PROGRAMIRODA

ANTI-FRAUD MEASURES AT FIRST LEVEL CONTROL HUNGARY

ROHU INTERREG V-A PROGRAMME

22.10.2020

INTERACT ONLINE MEETING

FLC BODY IN HUNGARY

**First level control of Interreg V-A Romania-Hungary
Cross-Border Cooperation Programme**

**SZÉCHENYI PROGRAMME OFFICE NONPROFIT LLC
(SZPO)**

- International Programmes Directorate, Control Department (Budapest)
 - Coordination: Central Control Unit
 - Verification: East-Hungarian Control Unit
 - Békéscsaba (9 controllers)
 - Mátészalka (8 controllers)

RESPONSIBILITIES OF CONTROLLERS

- Validation of expenditure
 - Desk-based verification
 - On-the-spot check
- Concluding National Co-financing contract
 - 10-15% of total partner budget
- Concluding contract for ERDF advance payments
 - 50-100% of ERDF pre-financed from national sources

ROLE OF FLC IN THE ANTI-FRAUD CYCLE

„Three selected key processes considered to be most exposed to specific fraud risks are targeted:

- selection of applicants;
- implementation and verification of the operations;
- certification and payments.”

Anti-fraud cycle:

- Prevention
- Detection
- Investigation, correction and prosecution
- Follow-up

PREVENTION

- **RISK ASSESSMENT**
- **PROCEDURES**
- **HANDBOOKS, MANUALS, CHECKLISTS, ETC**
- **TRAINING AND AWARENESS RAISING ACTIVITIES**

POTENTIAL FRAUD RISKS

- **STAFF COSTS:**

- double financing – overlap between staff costs financed from EU projects and other sources
- false labour costs
- incorrect time rates claimed
- uncompensated overtime
- staff costs claimed for personnel that do not exist or
- staff costs claimed for activities that took place outside the implementation period.

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POTENTIAL FRAUD RISKS

- **PROCUREMENTS:**

- Conflict of interest/bribes
- Artificial splitting: avoidance of required competitive procedure
- Manipulation of the competitive procedure process
- Collusive bidding (bidding by interlinked companies)
- Phantom service providers
- Overpricing
- Manipulation by not specifying the costs in the bids
- Violation of contract conditions: non-delivery, substitution
- Ineligible amendment of a contract

TOOLS FOR PREVENTION

- **PROCEDURES**

- Government Decree 126/2016. on the implementation of cross-border cooperation programmes financed from ERDF and IPA in 2014-2020 programming period
- Common procedures manual for all CBC programmes – centralized FLC system
- 100% of costs are verified (apart from admin flat rate)
- 4-eye principle
- on-the-spot checks – regulated by government decree

TOOLS FOR PREVENTION

ON-THE-SPOT CHECKS:

In case the amount of ERDF+national subsidy in the partner budget is

- below EUR 200 000, one site visit is compulsory
- equal or higher than EUR 200 000, but lower than EUR1million, 2 site visits are necessary
- Equal or higher than EUR 1 million, site visit is necessary at each partner report except
 - If the report contains only staff or administrative costs
 - If on-the-spot check was performed in one year's time
- Risk analisys is performed at each partner report

TOOLS FOR PREVENTION

- **DOCUMENTS, MANUALS, CHECKLISTS**
 - Eligibility guide
 - programme level (PIM),
 - national level – special eligibility rules
 - procurement manual
 - Checklists
 - FLC checklist –at programme level
 - Public procurement checklists
 - Online data bases (checking independence of bidders)
 - Price catalogues (checking market price)
 - Declarations by the Beneficiary on procurements

TOOLS FOR PREVENTION

- **THE HUMAN FACTOR: TRAINING AND AWARENESS RAISING ACTIVITIES**
 - Controllers:
 - training for Controllers
 - case studies at meetings
 - consultation with the Irregularity Officers within SZPO
 - Beneficiaries:
 - workshop for Beneficiaries on the most common problems

DETECTION AND REPORTING

- **DETECTION**

- 100% of costs are checked by the Controllers, who are aware of the specific signs of fraudulent activity- special attention is paid to the red flags
- Special focus on public procurements and other procurements – conflict of interest, market prices

- **REPORTING**

- Suspicion of irregularity and fraud is reported to the Irregularity Department within SZPO



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