

SPECIFIC EFF INDICATORS

Common and recurrent fraud schemes and the relevant fraud indicators (red flags)

This annex lists common and recurrent fraud schemes with a description of the scheme and the relevant fraud indicators specific to the implementation of the European Fisheries Fund. Three set of measures deserve specific attention: fleet measures, aquaculture and measures under Axis 4. It should be noted that in particular for fleet measures, fraudulent behaviour might very often be connected with bribery and corruption of the local administrations involved. The rest of the measures could be covered by the common indicators.

This is an indicative and non-exhaustive list of generally recognised schemes:

1. Failure to meet contractual/legal obligations:

Scheme description:

Without any external independent or physical verification, fleet measures are very vulnerable to manipulation. The critical issue is that the vessel owner receives a public aid but does not fulfil the obligation linked to the reception of this aid. This type of fraud could take place in particular while implementing one of the measures of axis one relating to adaptation of the fishing fleet, namely temporary cessation, reassignment of fishing vessel, scrapping in the framework of the permanent cessation.

Fraud indicators:

a. Absence of reliable documents:

- (i) For permanent cessation of fishing activities: absence of guarantee about the permanent withdrawal of the licence or fishing rights (article 11 § 3 of the CFP regulation (EC) 2371/2002), absence of the certificate and/or of dated photos of the scrapping,, certification done by only one person whose independence is not guaranteed;
- (ii) For temporary cessation of fishing activities: VMS records inexistent or incoherent with the measure at stake, unavailability of the proof that the vessel stayed in port during all the time of the temporary cessation and that the compensation was allocated only to crew members of the concerned vessels who were not employed onboard another fishing vessel in the same period of time;
- (iii) Reassignment for activities outside fishing: Incoherence of the documentation provided concerning the activities outside fishing; VMS records incoherent with the new activity, timesheets and invoices of the new activity incoherent, incomplete.

b. Deposition by third parties (even if anonymous).

2. Misuse of equipment

Scheme description:

Under Axis 2 – Aquaculture, an enterprise could have received co-financing for the acquisition of a vehicle necessary for aquaculture activities (e.g. transport of juveniles). The vehicle is used for other purposes

Fraud indicators:

- a. Mileage indicator indicates far too many miles;
- b. Invoices not justified;
- c. Timesheet of the driver;
- d. Identity of the clients which are not linked to aquaculture activities;
- e. Deposition by third parties.

3. Service substitution υποκατάσταση υπηρεσίας

Scheme description:

An aquaculture or a food processing enterprise, a fishing port or a fish auction has received financial support for a warehouse for fisheries products but it is used to store other products (e.g. agriculture products).

Fraud indicators:

- a. Documentation: invoices and contracts related to enterprises or private clients which do not have any link with commercial fisheries activities or aquaculture activities;
- b. Share of fisheries product in the total activity of the enterprise
- c. Incoherent timesheets for fisheries activities;
- d. Storage invoices indicating that other goods were stored in the warehouse;
- e. Deposition by third parties.

4. Specific fraud indicators for Axis 4:

The measures under Axis 4 are driven by a bottom up approach involving Fisheries Local Action Groups (FLAGs) active in designated fisheries areas. The bottom-up approach has a high potential for added value however through the different approach in the procedures, it could be subject to different risks of fraud and therefore some indicators specific to Axis 4 have been identified.

Scheme description:

The group involved (FLAG) may have no formal existence or may use public funds in a fraudulent way. FLAG's may favour its members or some applicants over others due to conflict of interests of their members (personal, political, professional or business interests in a given project). On the other hand the partnerships may be dominated by the local authorities in the selection process and local authorities may favour some projects over others.

Fraud indicators:

Absence of reliable documents: lack or incoherence of the documentation certifying the legal status of the FLAG, or documenting its annual accounting.

In order to tackle possible conflict of interest leading to fraudulent selection of projects, the supporting documentation to be checked are written declarations of the interest, lists of presence in meetings for the selection of projects; it could be also verified that regulatory standards are in place in order to exclude projects started before the grant decision, documentation proving the proper assessment of the projects, participation rules ensuring that the partnerships are not dominated by local authorities in the selection meetings.

