

Case study name	Misappropriation of EU funds for water and land management
Description	The project activities were meant to carry out 2 series of measures for limiting flood risks, buying fire-fighting equipment and mitigate landslides across the region. The project was delivered by an in-house agency of the Region and was supported within a Regional Operational Programme in the 2007-2013 period aimed at measures for remedying critical conditions along watercourses as well as mitigating the risks of landslides.
ESI Fund(s) concerned	European Regional Development Fund (ERDF)
Irregularity type	<ul style="list-style-type: none"> • Wrongful appropriation of EU funds through failing to deliver the projects • Diversion of EU funds to routine type activities
Reporting mechanism	The Local Public Prosecutor started the criminal proceedings and, as a consequence, the Financial Police provided the investigative support.
IMS reporting	Yes
Red flag(s)	<p>These are the fraud indicators and signals that triggered the suspicion of misuse of EU Funds:</p> <ul style="list-style-type: none"> • Projects were meant to address additional works of mitigating landslides risks but were submitted in a ready-made format/template descriptions looking similar to one another; • The projects were not delivered in areas of high landslide risks but were delivered in the same areas where the in-house agency was carrying out already planned normal activities
Description of fraud pattern	<p>The budget foreseen by the Regional MA for the implementation of such actions was more than EUR 100 million In 2015 and were allocated to an “in-house” specialized environmental agency, part of the Regional Authority.</p> <p>The Regional Authority approved the measures and agreed the budget with the specialized agency. Investigators found that the fraudulent action had started already at the time when funding had been requested through misleading project descriptions.</p> <p>Though the ERDF funding was meant for measures to address exceptional circumstances and emergencies – extraordinary measures – the agency used them for their day-to-day, normal routine activity work but declared that they would use the funding for exceptional activities. The ERDF funds were used to support salaries of staff and paying for overtime, and workers of the agency</p>

	<p>were assigned to do restructuring works in the house belonging to the agency's manager.</p> <p>Though proceedings are still ongoing, the agency's managers have been charged with misappropriation of around EUR 80 million from the abovementioned ERDF funds.</p>
<p>How the fraud was detected</p>	<p>The irregularity was detected thanks to information of an unknown source reaching the local Public Prosecutor. The anonymous whistleblower denounced that unlawful use of EU funds was being carried out and the Prosecutor started an investigation.</p> <p>At first, because the Prosecutor was not in possession of sufficient details, the Prosecutor initiated criminal proceedings against persons unknown. The investigation saw the involvement of the Financial Police for investigations who discovered the misappropriation of funds.</p> <p>A case of fraud was detected, which led to the conviction in 2016 of two of the agency's managers, who have been charged with having misappropriated around EUR 80 million from the abovementioned ERDF funds. The criminal proceedings are currently still ongoing. The measures taken included the house arrest of some of the agency's managers and employees who were investigated.</p>
<p>Difficulties encountered</p>	<p>The Financial Police did not encounter difficulties in investigating due to the special powers they are granted by law, and the access to a range of investigative methods and tools, including phone interceptions, interviews with informants and interrogations of suspected persons. The case therefore did not face any delays in the investigation.</p>
<p>Weakness identified</p>	<p>The case shows evident flaws and deficiencies in the management and control systems of the MA already at the stage of project selection. It also showed the lack of proper supervision towards the "inhouse" agency and "on the spot checks" were late and insufficient. The MA removed the agency from the list of potential beneficiaries of ERDF funds.</p>