Practical Guide for fraud risk prevention for applicants and beneficiaries Interreg-IPA CBC Programmes Bulgaria- FYRoM, Bulgaria – Turkey, Bulgaria - Serbia

Whistleblower:

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What is fraud?

Fraud is *any intentional act or omission* relating to:

* the *use or presentation of false, incorrect or incomplete statements or documents*, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by, or on behalf of the European Communities;
* *non-disclosure of information* in violation of a specific *obligation,* with the same effect;
* the misapplication of such funds for *purposes other than those for which they were originally granted*.

Who is susceptible to fraud?

Everyone related to the implementation of the Interreg-IPA CBC Programmes: staff of Managing Authority; staff of Joint Secretariats; staff of National Authorities; first level control; applicants for funding; beneficiaries; third parties (contractors, subcontractors etc.

The following processes are considered to be most exposed to fraud:

* Submission of application forms;
* Selection of applicants and contracting;
* Implementation and verification of the projects (including procurement procedures and the consequent contracts);
* Payments (including the certification process*)*

Submission of application forms

When submitting the application form the following principles should be observed:

* The information included into the application form is true!
* The documents attached to the application form are not false!

The members of the Assessment Working Group of the application forms will verify the correctness of all information and documents provided by the applicants.

If the above principles are not observed, the application form shall be rejected and the respective documentation will be forwarded to the competent bodies with purpose to be initiate investigation procedure for presence or lack of criminal act.

Selection of applicants and contracting

When evaluating the application forms, the evaluator:

* Shall respect the principle of equal treatment and fairness;
* Shall respect the principles of conflict of interest;
* Shall cross-check each information provided by the applicant;
* Shall use knowledge of previous fraudulent applications and other fraudulent practices of the applicant;
* Shall check that the applicant does not receive public funds for the same project from other sources!

Implementation and verification of the projects (including procurement procedures and the consequent contracts);

When implementing the project financed under Interreg \_IPA CBC Programmes, the following indications should be observed:

* All actions related to the project implementation must be ethical.
* The smooth implementation of the project outweighs any personal interest you may have.
* We recommend you to have an internal code of conduct and a conflict of interest policy relating to projects funded from European funds, which is known by all your employees involved in the project (e.g. you can make sure they receive and read the information we supply).
* Particular attention should be paid to procurement procedure (by all beneficiaries), as this is one of the most susceptible field to fraud.
* The guides and the documents provided by the managing structures on different issues (as Project Implementation Manual, Visual Identity, etc.).
* Particular attention should be given to the documents submitted to the first level control. Thus, all the invoices must be highlighting the name and number of the project as well as the Programme. Thereby, the risk to double finance an expenditure from more sources is eliminated.
* Presentation of forged documents may have consequences, including financial, on the whole project or on a part of it.

Implementation and verification of the projects - Procurement procedures

One of the most susceptible field to fraud is the procurement process, thus a special attention should be given to procurement procedures.

For reducing the risk of fraud within the procurement procedures, the following indications can help you prevent fraud:

* Do not divide the procurement contract into several separate contracts of lower value, or to use calculation methods that may lead to the underestimation of the estimated values of the procurement contract, with the purpose of avoiding the application of the provisions of public procurement rules/procurement rules.

*E.g. Two or more consecutive, related procurements from the same contractor just under competitive bidding.*

*E.g. Unjustified separation of purchases, e.g. separate contracts for labour and materials, each of which is below bidding thresholds.*

*E.g. Sequential purchases just under the thresholds.*

* Observe the four eyes principle for all the documents;
* The personal involved in the procurement procedure must observe the conflict of interest;

*E.g. The beneficiaries’ representative has personal interests in the winning bidder.*

* Observe the Community provisions regarding the procurement process.
* Try avoiding the bid rigging and the receiving kickbacks.

*E.g. The contract is ‘promised’ to one contractor, with or without the consent of responsible staff issuing the tender. Bid rigging takes the form of bid suppression, complementary offers, bid rotation and subcontracting.*

*E.g. The beneficiary demands, or is open to, a bribe which will be accounted for in the tendering process, including administrative processes.*

* Try avoiding deliberate mismanagement or ignorance within procurement procedure.

*E.g. The beneficiary staff has not properly carried out checks or followed procedures where this is*

* Observe the principle of transparency and competitiveness for all procurement procedures

*E.g. The procurement procedures are made public to all bidders (documents published on the Programme site, on the beneficiary site etc.).*

* Ensure the adequate security arrangements for unopened tenders and a transparent bid opening process

*E.g. Ensure a safe place for receiving and keeping the unopened tenders (for example: a safe cabinet).*

*E.g. All the members of evaluation committee should attend the opening process of tenders. The opening process can be opened to the bidders.*

* *Use the right expert on the* right job

*E.g. The beneficiary selects the members of the evaluation committe of the bids that have knowledge of the marketplace (princes, companies, alliances and understanding between them etc.) taking into consideration their experience, the field of the contract, etc.*

*E.g. The beneficiary selects the experts of the implementation team with relevant experience on the contract field.*

* Make best use of the evaluation committee of the bids

*E.g. When evaluating the bids, the members of evaluation committee should use all the available tools (e.g. internet verifications of bidders, IT databases, information from other institutions/organizations etc.).*

*E.g. The members of evaluation committee should check the bidders for identifying secret understandings between bidders, indications of prior knowledge of bid information, collusive bidding, etc.*

Some hints that can help the evaluation committee to identify collusive bidding!

*Apparent connections between bidders, e.g. common addresses, personnel, phone numbers etc.;*

*Contractor includes subcontractors in its bid which are competing for the same procurement procedure;*

*Qualified contractors fail to bid and become subcontractors or low bidder withdraws and becomes a subcontractor;*

*Certain companies always bid against each other, others never do;*

*Losing bidders cannot be located in the Internet, business directories, have no address etc. (in other words they are fictitious);*

*Correspondence or other indications that contractors exchange pricing information, divide territories, or otherwise enter informal agreements.*

Implementation and verification of the projects - Contract implementation

* Ensure the transparency of the contract information that is not publically sensitive

*E.g. The name of the provider, the contract value, the type of procurement procedure used, the contract object etc.*

* Ensure a proper implementation, monitoring and control of the contract. Therefore, use the right experts.

*E.g. Perform periodical reviews on the quality of the activities performed by the provider.*

*E.g. Review activity reports, if they were required within the contract.*

*E.g. Review outputs for evidence of costs and request additional evidence in support. All the reports shall be approved by you.*

*E.g. Perform a review of invoices submitted by the contractor for duplication (i.e. multiple invoices for the same amount, invoice number, same signature, same pan used for more invoices etc.) or falsification. Use your financial expert!*

* Ensure prior authorization to contractors for significant changes of personnel (if you have evaluated the personnel within evaluation and selection of tenders).
* Perform a rigorous check on the quality of the products/services/works purchased/performed against the specifications.
* Request works certificates or other form of verification certifies, awarded by an independent party, to be provided on the completion of the activities.

If you have any knowledge of a fraud suspicion related to the Programmes, it is your responsibility to announce the management structures, by using the whistleblower:

For Managing Authority:

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