

CONTROLLERS TRAINING SESSION

Notes on risk of fraud and double financing: early detection and mitigation



Expenditure Control and Fraud Prevention

The Interreg AA Programme applies the principles of **sound financial management** and **zero tolerance towards fraud**.

Controllers (or FLCs) are the **first line of defence** against:

- Fraud
- Double financing
- Systemic irregularities

The document "*Methodology for risk-based management verifications in 2021-2027*" (June 2023) + "*ANTI FRAUD STRATEGY*" (December 2023) are a **key supporting tools** for the performance of controls.

Objective: to strengthen early detection and risk mitigation **before the certification of expenditure**.

Concept of Fraud Risk

Fraud risk: the possibility that declared expenditure:

- Is not genuine
- Is not eligible
- Conceals an intention to obtain funds improperly

It does not imply that fraud has occurred, but that it **may occur if not adequately controlled.**

In Interreg projects:

Higher **risk** areas include:

- Staff costs
- Public procurement
- External services
- Projects with multiple sources of funding

Concept of Fraud (in the context of Interreg funds)

Fraud: an intentional act aimed at obtaining an undue financial advantage to the detriment of the EU budget.

It involves:

- Intentionality
- Concealment or misrepresentation
- Financial damage

Important:

- The controller does **not** investigate or legally qualify fraud;
- The controller **identifies indicators** and prevents the certification of suspicious expenditure;
- Such indicators must be **properly documented and reported**.

Concept of Double Financing

Double financing **occurs** when the same expenditure is:

- Financed by more than one fund or programme
- Declared under two different projects
- Charged more than once, in full or in part

Controllers should pay particular attention to:

- Shared staff costs
- Generic invoices
- Interreg projects combined with national / regional programmes or other EU funds

Role of the FLC

The document “ANTI FRAUD STRATEGY for 2021-2027” (December 2023) as a key supporting tool

First level control: a preventive approach

The controller must verify:

- The reality of the expenditure
- Audit trail and traceability
- Consistency with project activities
- Absence of double financing

Key responsibilities of the controller:

- Identifying red flags
- Requesting clarifications
- Not certifying doubtful expenditure
- Contributing to fraud prevention

Relevant Red Flags for Controllers

Most frequent risk indicators:

Staff costs

- High allocation across several projects
- Repetitive or unrealistic timesheets
- Inconsistencies between job functions and project tasks

Procurement and external services

- Artificial splitting of contracts
- Recurrent use of the same suppliers
- Insufficiently competitive procedures

Double financing

- Invoices without a clear project reference
- The same expenditure declared in different periods or projects
- Lack of specific accounting coding

Early Detection & Mitigation

- Identifying risks **before certification**
- Avoiding subsequent financial corrections and reputational risks

✓ **Good practices for controllers:**

- Analysing the overall coherence of declared expenditure
- Comparing with previous reporting periods
- Verifying declarations of absence of double financing
- Properly documenting all checks performed

Risk Mitigation: Practical Measures for controllers

a) Before certification

- Review the Programme's anti-fraud checklist or documents or strategy
- Confirm declarations of absence of conflict of interest
- Verify the existence of separate accounting for the project

b) During the control

- Request clarifications when something “does not add up”, even if it appears formally correct
- Document all checks performed
- Escalate doubts to the national level / Managing Authority, where appropriate

c) After the control

- Recommend improvements to the beneficiary (enhanced traceability, stronger internal controls)
- Highlight systemic risks (not only individual errors)

Conclusion

The controller as a guardian of the EU's financial interests

The Interreg AA Programme 2021-2027 provides specific supporting tools:
“*Methodology for risk-based management verifications in 2021-2027*” (June 2023) +
“*ANTI FRAUD STRATEGY*” (December 2023) + “*Code of Ethics and Conduct*” (May 2023),
which should:

- Be considered a **reference documents**
- Be integrated into control procedures

The added value of the controllers lies in:

- **Prevention**
- **Early detection**
- **Protection of the European budget**



Thank you. Gracias. Merci. Obrigado.