



PRESIDENCY OF THE COUNCIL OF MINISTERS
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FRAUD RISK INDICATORS IN THE NATIONAL RECOVERY AND RESILIENCE PLAN (NRRP)



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DEPARTMENTS

AFFAIRS The Anti-Fraud Coordination Service (COLAF, Italian AFCOS)

MINISTERS

- Economics and Finance
- Agriculture, food sovereignty and forests
- Infrastructure and transport
- University and research
- Interior
- Business and Made in Italy
- Labour and social policies
- Foreign Affairs and International Cooperation

REGIONS

- Managing Authority
- Certifying Authority
- Audit Authority

LAW ENFORCEMENT AND AGENCIES

- Guardia di Finanza
- Carabinieri
- Internal Revenue Service
- Customs and Monopolies Agency

"EXTERNAL" CONTROL BODIES

- Judicial Authority
- Judicial Police
- Court of Auditors

LAW N. 142/1992

PRESIDENTIAL
DECREE N. 91 OF 14

LAW N. 234 OF 24
DECEMBER 2012

REG. N. 883/2013 OF
THE EUROPEAN
PARLIAMENT AND

DECREE LAW N.

19



The Anti-Fraud Coordination Service (COLAF, Italian AFCOS)

Decree-Law N. 19 (2 March 2024) on 'Further Urgent Provisions for the Implementation of the National Recovery and Resilience Plan (NRRP)' offered significant **changes** to the Committee's tasks, duties and composition, in particular:

- **Art. 3, paragraph 1** (*in order to strengthen the unitary strategy of the activities to prevent and fight fraud and other illegal activities on the financing related to the NRRP, to the cohesion policies, referring to the 2021-2027 programming cycle, and to the national funds related to them*) extends also to the NRRP the functions already provided for by the Committee for the fight against fraud to the EU budget
- **Article 3 (paragraph 2)** sets out the activities to be carried out by COLAF for the purposes of DL 19/2024
- **Article 3 (paragraph 3)** enlarges the composition of the Committee



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NEW COLAF/AFCOS COMPOSITION

Pursuant to the aforementioned Article 3, Paragraph 3 of Decree-Law N. 19 of 2 March 2024, the composition of the Italian AFCOS was extended to



Guardia di Finanza



ANAC AUTORITÀ
NAZIONALE
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Struttura di Missione ZES UNICA
Presidenza del Consiglio dei Ministri



**Dipartimento per le
politiche di coesione**



ARMA DEI
CARABINIERI



CORTE DEI CONTI





MAIN FRAUD RISK INDICATORS IN THE NRRP



» OVERVIEW OF POSSIBLE FRAUD RISKS RELATED TO THE IMPLEMENTATION OF THE RECOVERY AND RESILIENCE FACILITY



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**OVERVIEW OF POSSIBLE FRAUD RISKS RELATED TO THE
IMPLEMENTATION OF THE RECOVERY AND RESILIENCE FACILITY**

THE THREE DIFFERENT PERSPECTIVES OF THE SUBJECT

**NATURE AND
COMPLEXITY
OF THE
INVESTMENT**

**EXPECTED
RESULTS
AND
RELATED
INDICATORS**

**TYPE OF
THREAT
AND
ENABLING
FACTORS**



OVERVIEW OF POSSIBLE FRAUD RISKS RELATED TO THE IMPLEMENTATION OF THE RECOVERY AND RESILIENCE FACILITY

NATURE AND COMPLEXITY OF THE INVESTMENT

PUBLIC TENDER FOR A MAJOR PROJECT

SELECTION AND IMPLEMENTATION OF MANY
PROJECTS

FRAMEWORK CONTRACT FOR MANY DECENTRALISED
PROJECTS

MANY DECENTRALISED PROJECTS THROUGH PUBLIC
PROCUREMENT

FINANCING THROUGH FINANCIAL INSTRUMENTS

GRANULAR FINANCING WITHOUT SELECTION

PRE-TENDER

AT THE TENDER STAGE

AFTER THE TENDER

IN THE SELECTION PHASE

UNDER CONSTRUCTION



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**OVERVIEW OF POSSIBLE FRAUD RISKS RELATED TO THE
IMPLEMENTATION OF THE RECOVERY AND RESILIENCE FACILITY**

**EXPECTED
RESULTS
AND
RELATED
INDICATORS**

A LARGE CENTRALISED REALISATION

AGGREGATION OF MANY DECENTRALISED REALISATIONS

AGGREGATION WITHOUT PREVIOUS SELECTION



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**OVERVIEW OF POSSIBLE FRAUD RISKS RELATED TO THE
IMPLEMENTATION OF THE RECOVERY AND RESILIENCE FACILITY**

**TYPE OF
THREAT
AND
ENABLING
FACTORS**

CORRUPTION

CONFLICT OF INTERESTS

**COLLUSION BETWEEN BENEFICIAL
OWNERS AND CONTRACTORS**



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OVERVIEW OF POSSIBLE FRAUD RISKS RELATED TO THE
IMPLEMENTATION OF THE RECOVERY AND RESILIENCE FACILITY

In the analysis of '**THREATS**', the document highlights risks related to:

NETWORKS OF ENTERPRISES

consisting in the use of specific links between companies, including fictitious and shell companies for:

- . **submitting multiple** (similar, if not identical) **funding applications** under the RRF, Cohesion Funds, etc., leading to risks of double funding, potential conflict of interest, replication of fraudulent schemes, etc;
- . **controlling the project supply chain**, with obvious consequences in terms of transaction reliability and potential cost inflation;
- . **hiding the actual ownership**, for example to allow public funding to benefit people who should not have access to it;
- . **building up artificially long supply chains**, to make the identification of the producer of fake or substandard products more difficult, or to hide the actual costs.



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**ENTITIES PROVIDING
EXPERTISE**

identifiable in fraudulent companies providing «illegal» assistance to applicants for public funding or to final recipients to implement their projects, abusing tendering or selection procedures, setting up hidden networks or involving the same actors in multiple projects



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**COLLUSIVE AGREEMENTS
BETWEEN COMPETITORS**

In this regard, the document points out that the NRRP push for accelerated investment in specific sectors and this may help to increase demand as opposed to a more rigid supply, which could result in a stronger position for companies participating in tendering procedures, especially in markets with few players



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**FAKE DOCUMENTS AND
FICTITIOUS DECLARATIONS**

Fictitious documents and declarations, or in any case marked by errors or inaccuracies, are common tools in illegal schemes, as they can be used, for example, to prove compliance with the eligibility/selection/assessment criteria set out in the tender (including operational and financial capacity), overestimate costs, conceal implementation shortcomings, simulate competition in procurement procedures, etc



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ORGANISED CRIME

On this point, the document recalls, in a very general way, the tendency of organised crime groups to obtain public funds by submitting applications for subsidies or bids in tenders, including through bribery, especially in these fields: energy, construction, Information Technologies and waste management sectors



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MAIN FRAUD RISK INDICATORS IN THE NRRP





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Additional risk indicators developed by F.I.U. specifically for the NRRP

*RISK BEHAVIOURAL PROFILES TO BE TAKEN INTO ACCOUNT FOR THE PURPOSES OF IDENTIFYING AND CREATING SUSPICIOUS TRANSACTION REPORTS FOR THE ITALIAN **FINANCIAL INTELLIGENCE UNIT***

- a. ownership, management and control structures of the company;
- b. characteristics, or information available on exponents, significant shareholders or beneficial owners of the company;
- c. how to deal with the administration and the documentation submitted by the company;
- d. economic and financial situation and activities of the company.



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OWNERSHIP, MANAGEMENT AND CONTROL STRUCTURES OF THE COMPANY

- (1) an enterprise characterised by opaque corporate structures;
- (2) presence of complex «anomalous» control structures;
- (3) an undertaking characterised by repeated or sudden changes in its ownership, management or control structure or registered office;
- (4) undertaking controlled or administered by persons who appear to be mere front men;
- (5) submission of several applications by companies with the same legal representative, partners or directors;
- (6) enterprise administered or whose relevant participations are held by particularly young or elderly persons.



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CHARACTERISTICS, OR INFORMATION AVAILABLE ON EXPONENTS, SIGNIFICANT SHAREHOLDERS OR BENEFICIAL OWNERS OF THE COMPANY

- (1) legal representative lacking the expected competence for the field of activity;
- (2) absence of the necessary professional skills;
- (3) involvement in criminal or prevention proceedings;
- (4) contiguity with persons subject to criminal or prevention proceedings;
- (5) presence of requests by law enforcement agencies or presence of prejudicial information;
- (6) presence of prejudicial events against company representatives.



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WAYS OF DEALING WITH THE ADMINISTRATION AND DOCUMENTATION SUBMITTED BY THE COMPANY

- (1) company that avoids direct contact with the administration;
- (2) company issuing procedures in favour of apparently unrelated persons;
- (3) use of professionals looking after the interests of a large number of companies;
- (4) undertaking refusing to provide information or documents;
- (5) company that shows little knowledge of the operation;
- (6) company with no telephone or electronic contacts;
- (7) submission of documentation that appears to be forged or falsified;
- (8) presence of real or personal guarantees issued by persons resident in risky countries;
- (9) presentation of a guarantee policy issued by an unauthorised party.



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ECONOMIC AND FINANCIAL SITUATION AND ASSETS OF THE COMPANY

- (1) minimum share capital or negative equity;
- (2) a company in the form of a sole ownership or with a very limited turnover;
- (3) company set up close to the application for the facilitation measure;
- (4) abnormal changes in net assets;
- (5) abnormal increase in revenue and profit;
- (6) presence, in the tax periods prior to the measure, of operating losses;
- (7) absence of employees;
- (8) absence of regularly filed balance sheets;
- (9) scope of operations in sectors that are not congruent with funding requests;
- (10) changes in the type of economic activity when applying for the measure;
- (11) business dealings with persons directly related to the beneficial owner;
- (12) misuse of funding obtained.



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15 March 2024