



EUROPEAN
PUBLIC
PROSECUTOR'S
OFFICE

EPPO's experience into the latest trends of expenditure fraud, misappropriation and corruption in the European Union

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Protecting EU
taxpayers' money
from criminals

www

Tackling expenditure fraud:

1. What can the EPPO see?
2. What can we expect from the future (2028-2034, AFA Architecture)?
3. Expenditure fraud – what's at stake?
4. **A key partnership:** Administrative authorities and the EPPO working together. Reporting of Irregularities and Reporting of Fraud.
5. **EPPO's Investigations into the “new type of spending”**– focus on the NextGenerationEU: the Recovery and Resilience Facility (RRF)
6. **Modus operandi:** Typologies and trends in the field of expenditure fraud: procurement fraud, non-procurement fraud, corruption and misappropriation



1

What can the EPPO see?



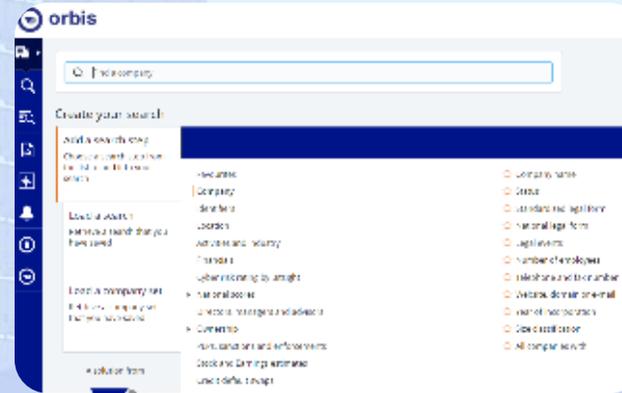
Single Office Approach



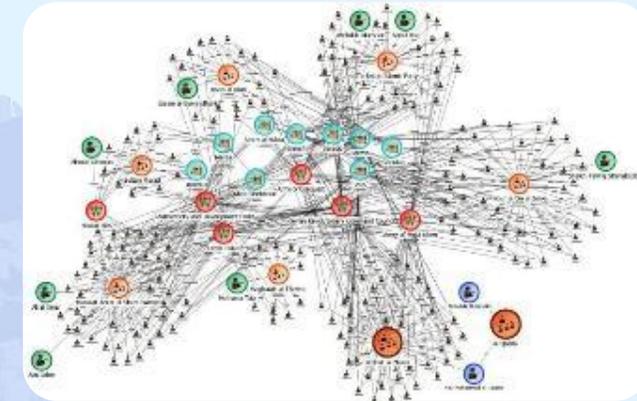
Analytical tools, EU and national DB, Commercial DB

Analytical tools. Commercial databases

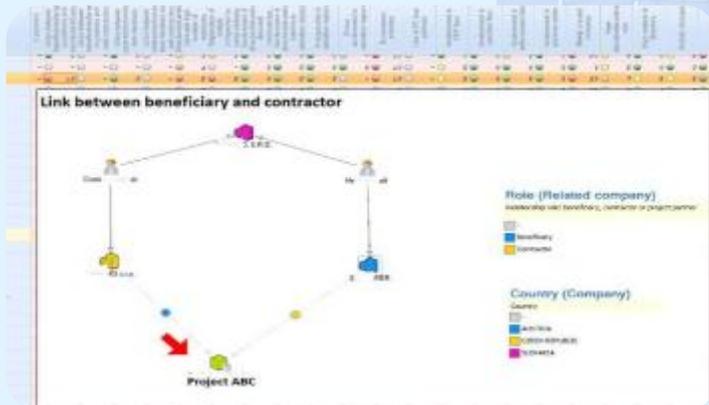
- NUIX Investigative and Analytical Software
- I2 Analyst Notebook
- Tableau
- ORBIS (Bel-first, Ruslana, Fame)
- ARACHNE
- National and EU DB
- Commercial tools



Orbis, Bel-first, Ruslana, Fame



I2 Analyst Notebook



Arachne



Tableau

A screenshot of the NUIX search results interface. It shows a list of search results with columns for "Name", "File Type", and "File Size". The results include various file types such as "Microsoft Excel Spreadsheet", "Microsoft Word Document", "Portable Document Format", "Image", and "Text". The interface also shows a "View by" dropdown set to "Results" and a "Deduplication" dropdown set to "None".

Nuix

The review of the Anti-Fraud Infrastructure (AFA) is *now*

The EU anti-fraud architecture (AFA) has evolved over time to address the **ever-changing threats** to the EU's financial interests. Such as:

- a) **Transnational fraud**, including VAT fraud, or the activity of organised crime networks
- b) the important role of fraud in financing **other forms of serious and organised crime**, including terrorism
- c) Fraudsters now make use of **advanced technologies** like artificial intelligence (AI), encrypted communication, and crypto currencies, to carry out and hide their criminal activities



AFA review will review:

- a) The new MFF
- b) Support and complementarity between EPPO, OLAF, Europol, Eurojust, the Anti-Money Laundering Authority (AMLA) and the proposed EU Customs Authority

How:

- Information collection;
- Data sharing
- Use of modern technologies
- Improved synergies/cooperation
- It is complemented by:
 - AC Directive
 - Conditionality regulation
 - Rule of law report

The outcome of the AFA review will be presented in a Commission Communication in 2026, which will be accompanied by possible legislative proposals, as appropriate

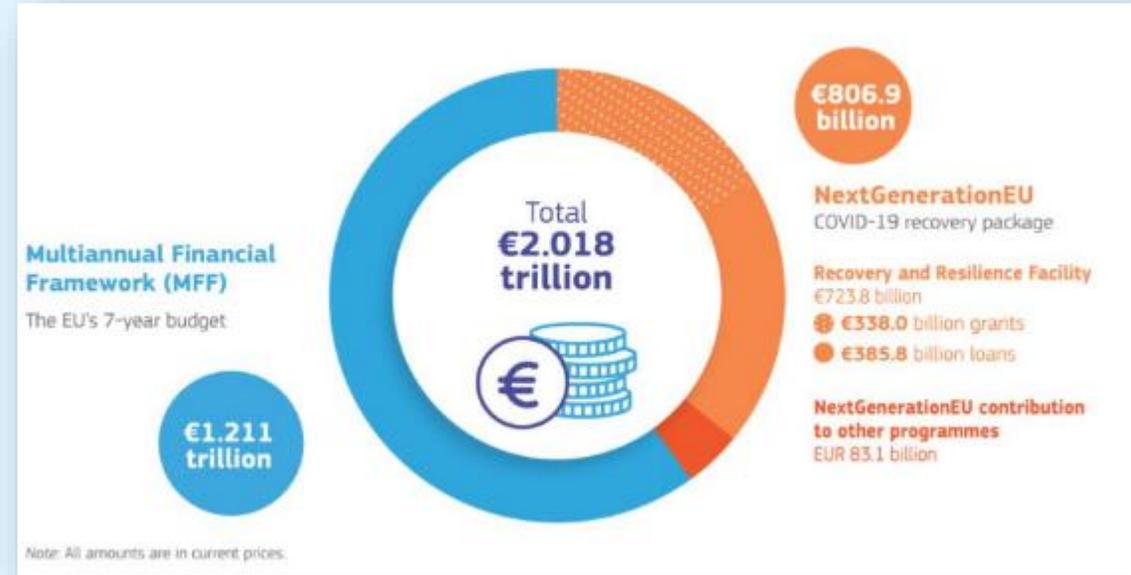
A nighttime photograph of a city street. In the foreground, several police cars with their red and blue emergency lights flashing are visible. In the background, a large, ornate building with arched windows and doorways is illuminated. The scene is captured with a slight motion blur, suggesting activity.

2

What's at stake?

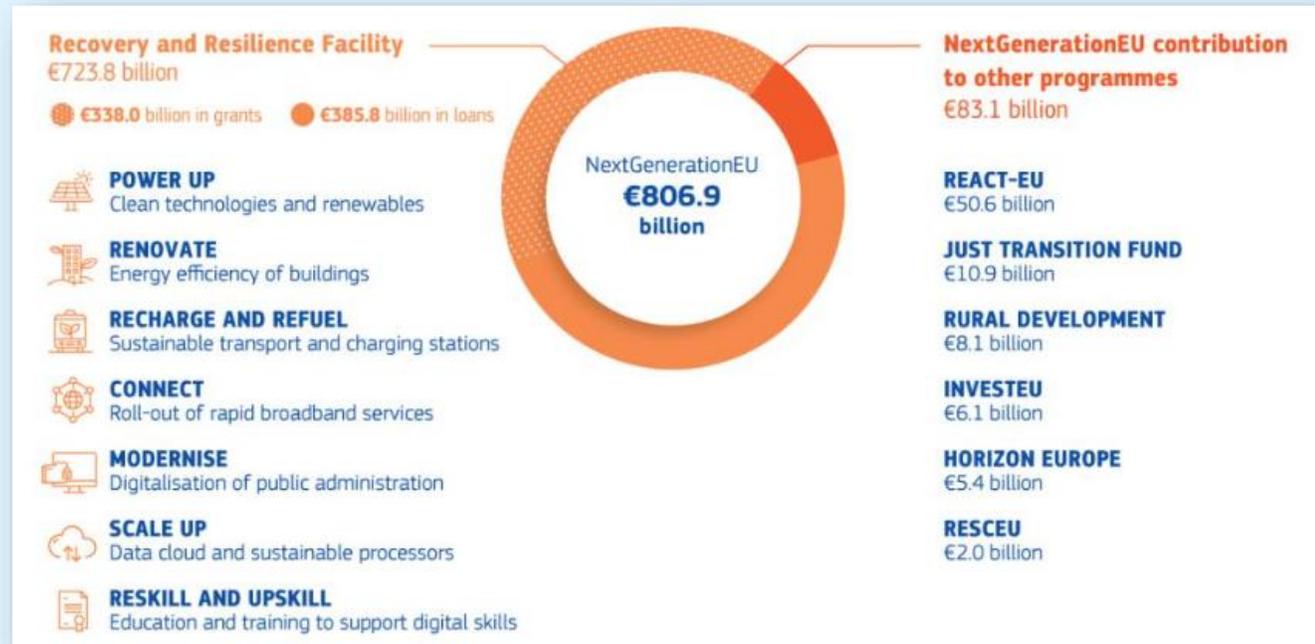
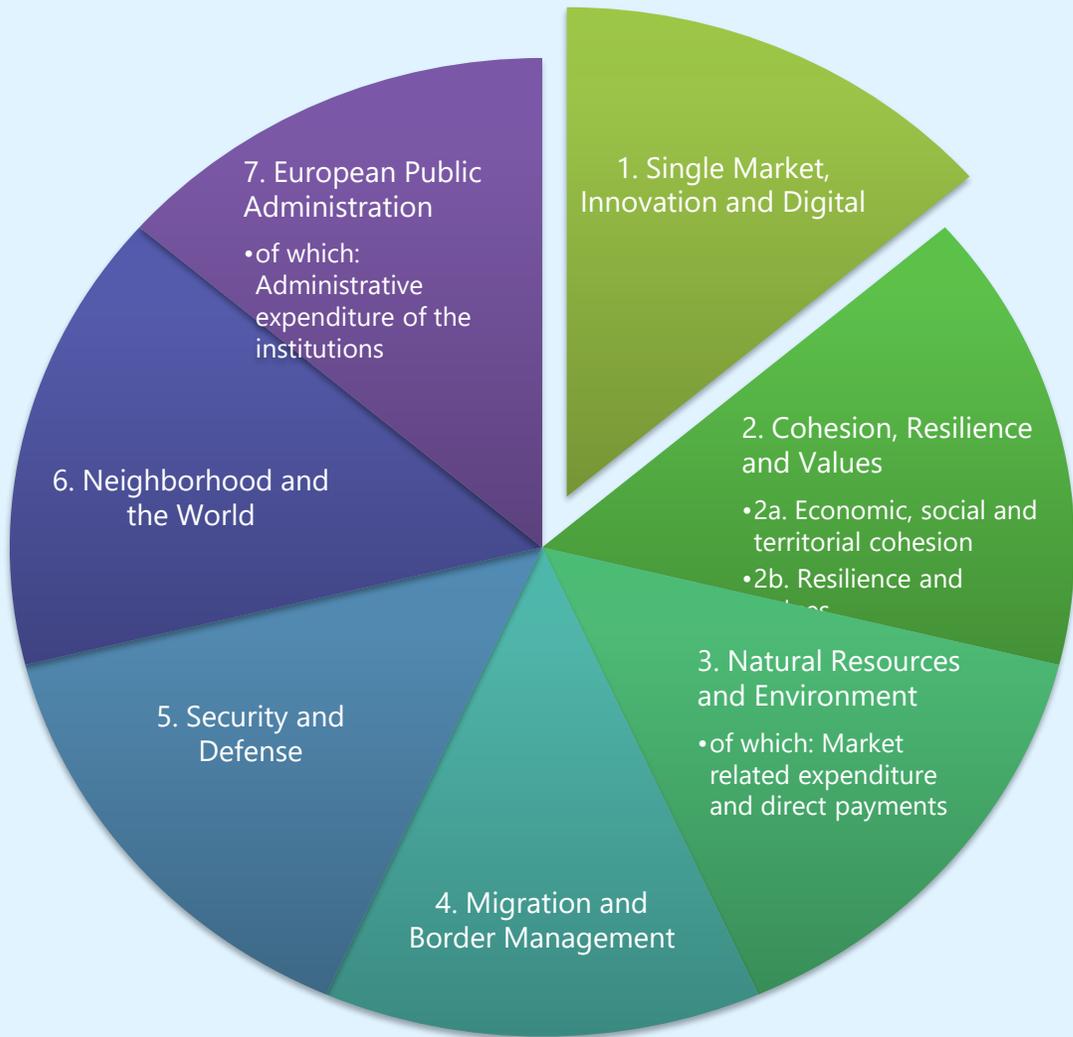
THE EU'S 2021-2027 LONG-TERM BUDGET

- The EU sets the limits of its spending in the multiannual financial framework, the EU's long-term budget for the next 7 years. MFF (2021-2027)
- This MFF's budget consists of **EUR 1.211 trillion** (EUR 1.074 trillion in 2018 prices), topped up by EUR **806.9 billion** (EUR 750 billion in 2018 prices) through NextGenerationEU, a temporary instrument to power the recovery.



- *What does this mean?* In the 1980s, the bulk of the EU budget went to agriculture and, as of the 1990s, to cohesion. While their shares have gradually declined over time, for a long time these areas still received over 70 % of the total budget.
- Now: new criteria; new goals, new added value – research, trans-EU networks, external action.

THE EU'S 2021-2027 LONG-TERM BUDGET



Territorial competence of the EPPO

- ▶ Offences committed in whole or in part **within the territory** of the 24 participating Member States

An offence is considered as having been committed on the territory of BE/LU (where the EU institutions are located) if any constituent element of the offence has taken place on their territory, *for example*:

- ▶ **Damage** takes place in BE/LU (expenditure fraud) (EU funds disbursed from BE/LU)
 - ▶ **False documents** received in BE/LU by an EU body
- ▶ Offences committed **anywhere** outside the combined territories of the participating Member States:
 - ▶ by a national of a participating Member State
 - ▶ by an EU official



CENTRAL OFFICE - OPERATIONAL ACTIVITY

DATA VALID ON 31 DECEMBER 2024



Covering the three management types

- **Direct management:** EU funding is managed directly by the European Commission (20% for 2021-2027) – Commission, EU delegations or Agencies (no third parties). NextGen-> RRF, COSME
- **Shared management:** the European Commission and national authorities jointly manage the funding (70% for 2021-2027)
- **Indirect management:** funding is managed by partner organizations or other authorities inside or outside the EU (10% for 2021-2027), such as Erasmus+, MS development agencies, National promotional banks, EIB and EIF, humanitarian and international development.

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The “Fraudster’s interest” and the future shape

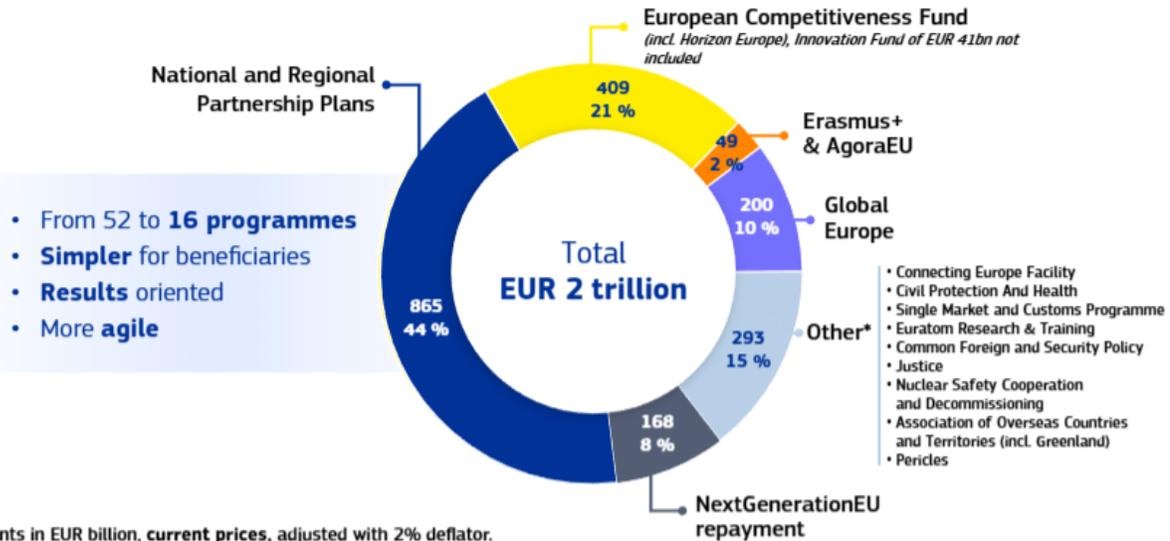
Cluster	Count of Cases
Agricultural and Rural Development programmes	428
Asylum, Migration and Integration programmes	11
Climate and Environment programmes	9
Education and Culture related programmes	36
Employment, Social Cohesion, Inclusion and Values programmes	158
Industry, Entrepreneurship and SMEs programmes	11
International cooperation programmes	19
Maritime and Fisheries programmes	48
Mobility and Transport, Energy and Digitalization programmes	13
Other programmes	91
Recovery and Resilience programmes	307
Regional and Urban Development programmes	478
Research and Innovation programmes	31
Security and Defence programmes	5
(Other)	261
Grand Total	1906



What can we expect from the future MFF 2028-2034?

What does it mean in financial terms?

An ambitious budget with a credible proposal for reforming the revenues to finance it.



- From 52 to **16 programmes**
- **Simpler** for beneficiaries
- **Results oriented**
- More **agile**

All amounts in EUR billion, current prices, adjusted with 2% deflator.
 *Also includes Administration and decentralised agencies.

- Shift Toward National Reform-Based Plans
- Less programmes, more flexible
- Continued decline of traditional spending (CAP, Cohesion)
- Focus on Green transition, Digital transition and climate action
- Emergence of new resources

What is the Commission proposing?

A LARGER, SMARTER, SHARPER EU BUDGET

Larger in scale

EUR 2 trillion (1.26% EU GNI) to match Europe's needs and ambition

- A **larger and more flexible** budget, so Europe can have the **capacity to act – and react – fast** when circumstances change.

Smarter in design

Results oriented, simpler for beneficiaries, more agile

- **Simpler, fewer, more streamlined and consistent** EU financial programmes, so that citizens and companies can easily **find and access funding** opportunities.

Sharper in priorities

Focus on European priorities

- **More strategic and focused on EU priorities** and projects with the highest **EU added value** such as cross-border infrastructures and innovation.

At least 35% of the EU budget will support projects related to climate and environment.

A nighttime photograph of a city street. In the foreground, a white car is partially visible, with its headlights on. In the background, several police cars with flashing blue and red lights are parked. A large, ornate building with arched windows is illuminated in the background. The scene is captured from a low angle, looking down the street.

3

A key partnership: Administrative authorities (MSC) and EPPO

United front – a function comparison

The Managing Authorities (administrative means):

- Create a sound management and control system
- Prevent, detect and correct irregularities and fraud
- Recover amounts unduly paid (incl. interest and late payments)
- When amounts unduly paid to a beneficiary cannot be recovered as a result of fault or negligence by the MS), MS reimburses the amounts to the budget of EU
- Report irregularities that exceed 10 000 euro in contribution to the funds
- Implement effective and proportionate anti-fraud measure

The European Public Prosecutor's Office (EPPO) (criminal means)

- Investigates, prosecutes, and brings to judgment crimes against the EU budget
- Focus on expenditure fraud, corruption, money laundering, OCGs and cross-border VAT fraud > €10 million
- carries out investigations across all participating Member States in a coordinated manner,
- rapidly exchanges information,
- ensure the fast freezing or seizure of assets and, where necessary, request arrests.

-
- **Protection of the EU budget**
 - **Recovery of sums unduly paid**
 - **Collaboration with national and EU institutions**
 - **Reporting obligations and commitment to transparency, accountability, and rule of law**



United front – Administrative check and Criminal investigations

Basis of investigation / check

The investigation/check always requires a formal gathering of evidence, which could be divided into several groups:

- Evidence of **material nature**;
- **Written evidence**;
- Evidence obtained as a result of the **application of technical means** and specific methods (special investigative appliances);
- Evidence established by **exposure to sensory perception** (testimony of a witness, explanations of the accused, etc.)

1. **What** has been done?
2. **When** was it done?
3. **Where** was it done?
4. **How** was it done?
5. **Who** did it? ...

...and **Why?**



Methods of obtaining evidence

Methods of obtaining evidence

Criminal investigation

- Search of premises, lands, means of transport, personal property or computer systems
- Obtaining objects or documents
- Freezing instrumentalities or proceeds of crime
- Interception of electronic communications to/from the suspect/accused person over any communication means (+covert operations)
- Tracking and tracing an object by technical means, incl controlled deliveries of goods
- Holding an investigative experiment
- Identification of persons and objects
- Special investigative means

■ Administrative investigation/check

- Conduct of On-the-spot-checks or documentary checks
- Requesting, collection and verification of information and documents ;
- Asking for explanations (additional information, interviews)
- Working with OLAF on administrative investigations
- (amongst many other)

A nighttime photograph of a city street with police cars and their flashing lights. A large white number '4' is overlaid on the image.

4

Reporting of irregularities and reporting of fraud – **The two processes and the differences between them**

The two distinct processes:

- a) Irregularity reporting via the IMS to the Commission (OLAF) – (for statistics and analysis)
- b) reporting to EPPO (to start investigation)

Reporting of Irregularities and Reporting of Fraud

- **Purpose of** the two processes
- **Legal basis:**
 - ▶ **Reporting to Commission:** 1303/2013, art. 122 and art. 69 (2), 12, and Annex XII of CPR 2021/1060; Delegated Regulations 2015/1970-1975 + others
 - ▶ **Reporting to the EPPO:** art. 24 of the EPPO regulation
- **Where and when to report fraud?**
- 1. The institutions, bodies, offices and agencies of the Union and **the authorities of the Member States** competent under applicable national law **shall without undue delay report to the EPPO** any criminal conduct in respect of which it could exercise its competence in accordance with Article 22, Article 25(2) and (3).
- 2. When a judicial or law enforcement authority of a Member State initiates an investigation in respect of a criminal offence for which the EPPO could exercise its competence in accordance with Article 22, Article 25(2) and (3), or where, at any time after the initiation of an investigation, it appears to the competent judicial or law enforcement authority of a Member State that an investigation concerns such an offence, **that authority shall without undue delay inform the EPPO** so that the latter can decide whether to exercise its right of evocation in accordance with Article 27.



How do authorities across the EPPO Zone report?

Reporting to
EPPO's
decentralized
office

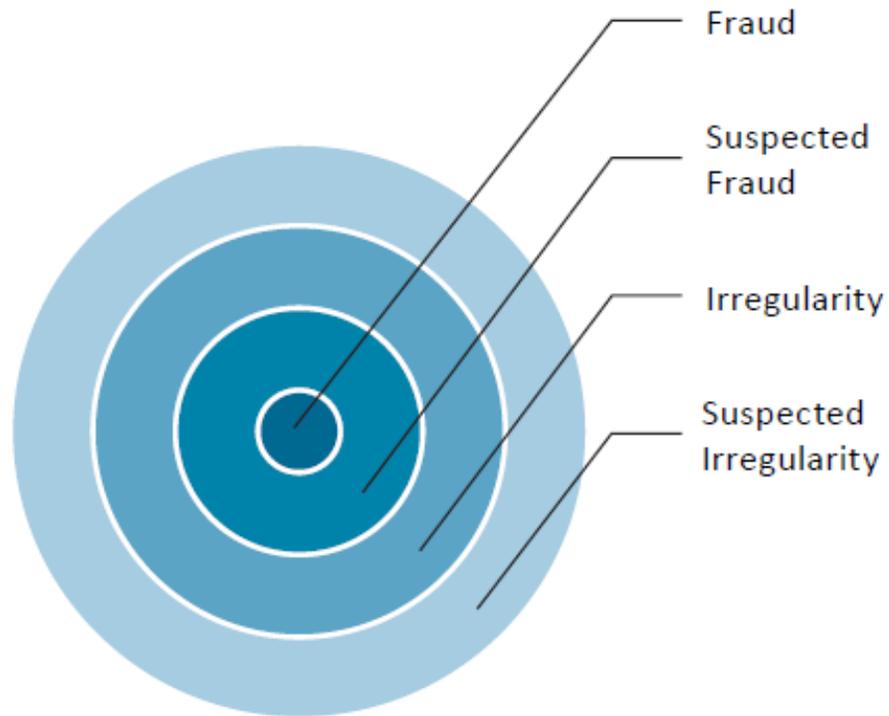
Reporting to
Law
Enforcement or
Judicial
authorities

Direct electronic
reporting to
EPPO's Central
office

**In some MS the direct electronic reporting to the Central office is available also for administrative authorities*



Definitions: Irregularity and Fraud. **Suspicious.**



Irregularity: Regulation 2988/95, CPR 2021/1060 and Sectoral Regulations

Suspected fraud: DR for Reporting, 2015/1970-1973 for previous period; Annex 12, art. 69 of Regulation 2021/1060

Fraud: PIF Convention, PIF Directive (+*national legislation*)



Unintentional behavior

- **Suspicion of Irregularity** – any information, including from anonymous source, that an irregularity has been committed. This information must contain at least reference to concrete project, financing Programme, managing authority and description of the case. **Handbook of Irregularities: “any information received from any source about the existence of an irregularity before the assessment of this information”**
- **Irregularity** shall mean any **infringement** of a provision of Community law resulting from an **act or omission** by an **economic operator, which has, or would have**, the effect of prejudicing the general budget of the Communities or budgets managed by them, either by reducing or losing revenue accruing from own resources collected directly on behalf of the Communities, or by an unjustified item of expenditure. **(Regulation 2988/95, 1303/2013, 2021/1060 + Sector Regulations)**



Possible Intentional behavior

- **'suspected fraud'** – Regulation 2015/1970
- means an **irregularity that gives rise to the initiation of administrative or judicial proceedings** at national level in order to establish the presence of intentional behavior, in particular fraud, as referred to in Article 1(1)(a) of the Convention drawn up on the basis of Article K.3 of the Treaty on European Union, on the protection of the European Communities' financial interests;



Intentional behavior

- Fraud in public procurement

Art. 3 DIRECTIVE (EU) 2017/1371

- For the purposes of this Directive, the following shall be regarded as fraud affecting the Union's financial interests: **in respect of procurement-related expenditure**, at least when committed in order to make an unlawful gain for the perpetrator or another by causing a loss to the Union's financial interests, any act or omission relating to:
 - (i) **the use or presentation of false, incorrect or incomplete statements or documents**, which has as its effect the misappropriation or wrongful retention of funds or assets from the Union budget or budgets managed by the Union, or on its behalf;
 - (ii) **non-disclosure of information in violation of a specific obligation**, with the same effect; or
 - (iii) **the misapplication of such funds or assets for purposes other than those for which they were originally granted**, which damages the Union's financial interests



Intentional behavior

- Non-public procurement fraud

Art. 3 DIRECTIVE (EU) 2017/1371

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

Intentional behavior

■ Corruption and misappropriation

Art. 4 DIRECTIVE (EU) 2017/1371

- For the purposes of this Directive, the following shall be regarded as fraud affecting the Union's financial interests:
- (a) **'passive corruption'** means the action of a **public official** who, directly or through an intermediary, requests or receives advantages of any kind, for himself or for a third party, or accepts a promise of such an advantage, to act or to refrain from acting in accordance with his duty or in the exercise of his functions in a way which damages or is likely to damage the Union's financial interests.
- (b) **'active corruption'** means the action of a **person who promises**, offers or gives, directly or through an intermediary, an advantage of any kind to a public official for himself or for a third party for him to act or to refrain from acting in accordance with his duty or in the exercise of his functions in a way which damages or is likely to damage the Union's financial interests.
- **'misappropriation'** means the action of a **public official** who is directly or indirectly entrusted with the management of funds or assets to commit or disburse funds or appropriate or use assets contrary to the purpose for which they were intended in any way which damages the Union's financial interests.

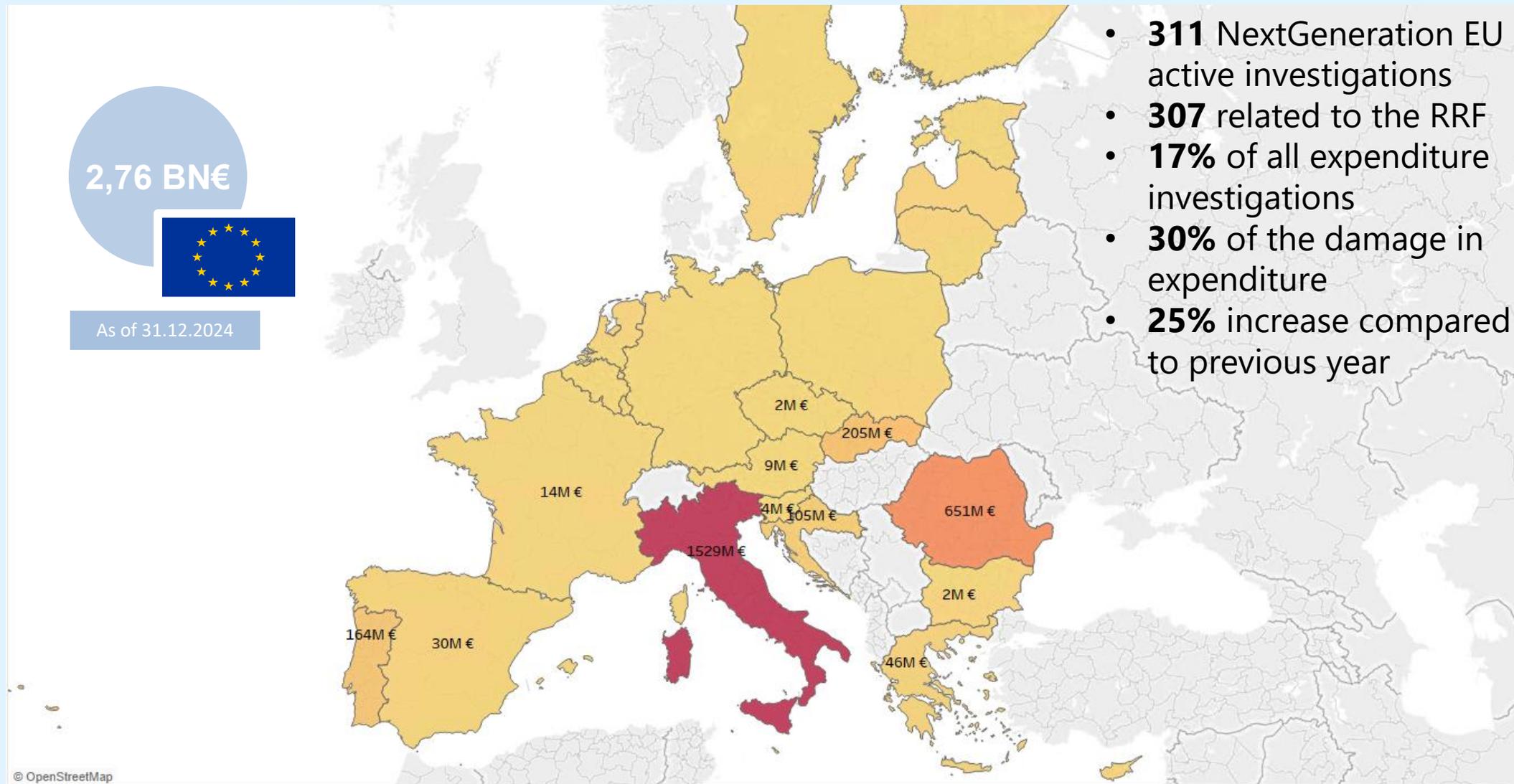


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EPPO's Investigations into Expenditure fraud – focus on the NextGenerationEU: the Recovery and Resilience Facility (RRF)

Recovery and Resilience Facility – RRF – Annual report 2024

Estimated damages



Investigations insights into the NextGenerationEU



- The EPPO has opened **311** cases concerning the NextGenEU fraud with exclusive focus of the Recovery and Resilience Facility (RRF) since January 2022 until Dec 2024. The estimated **economic 2.8 billion**
 - **226** of the **311** cases were still in active investigation phase at the end of 2024
 - **Green transition** and **Digital Transformation** are the main affected sectors of the RRF. The largest economic damages occur in the **procurement fraud cases (33), which is triple than the amount in non-procurement cases (257)**
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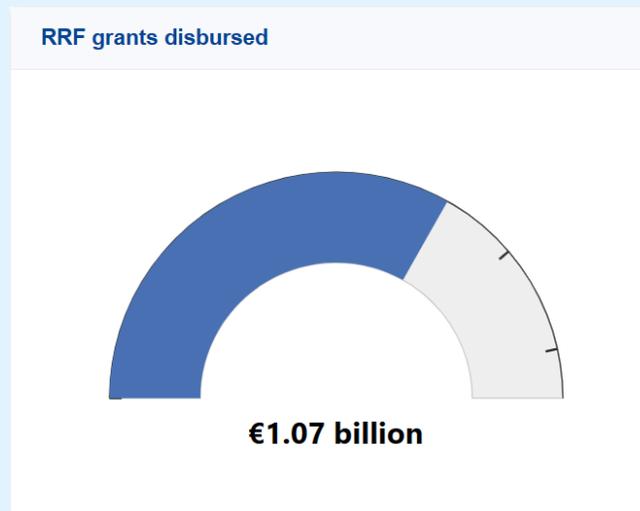
Source: Annual report 2024



Investigations per Member State: NextGenerationEU



Case_Status	Count
AT	29
BG	6
CZ	2
ES	4
FR	6
GR	3
HR	3
IT	229
PT	9
RO	14
SI	4 NextGen (3 of which RRF)
SK	2
Grand Total	311



*Source: Annual report EPPO 2024

*Funds disbursed to Slovenia – 03.02.2026



Investigations



- A total of **805 different offences** are investigated in the NextGenEU fraud area by the EPPO. Complexity of some cases can be observed due to the accumulation of several offences, some of them with more than **54 offences in only one case**.
- A total of **1265 suspects** are being investigated for the commission of the frauds. Public officials are also involved. **Criminal organizations** as well.
- The use of **legal entities** in the execution on fraud is notable.
- Given the short period of funds distribution and the fact that not all payments have been made, NextGenEU has attracted a significant number of criminal perpetrators

Source: Annual report 2024



Investigations



- The most heavily influenced sector by investigations is the **digital transformation, affecting 82% of the cases.**
 - Sectors concerned: public transport, public infrastructures, green economy and technology, support to company competitiveness, innovation and digital transformation, training and formation, education and research, health, public administration
-



Who are the fraudsters?



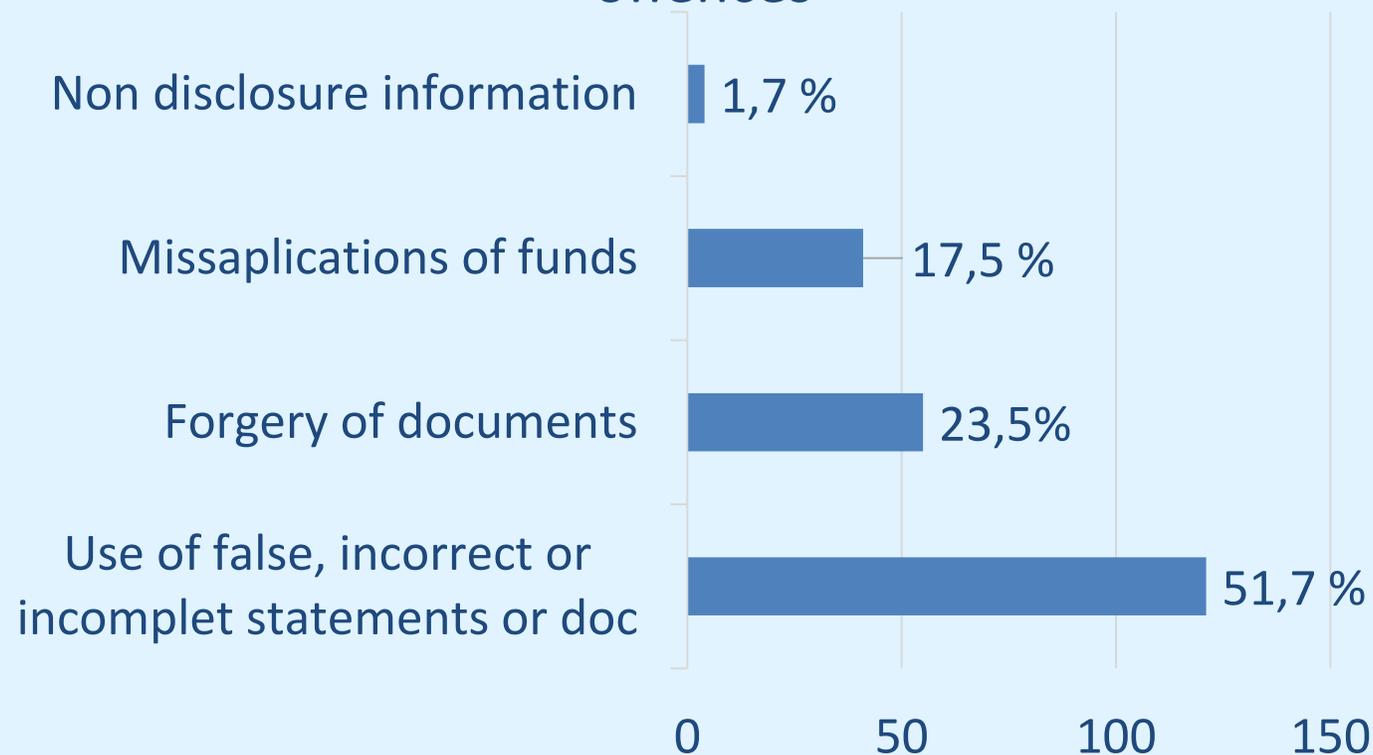
- **Organised crime** involvement is apparent every time the fraudulent scheme is set up on a large-scale and ensures high-value illicit profit
- **Set up and use networks of sham entities**, professional enablers, and sophisticated money laundering strategies, often routing funds through third countries.
- The most common method is **providing false, incomplete, or misleading information** to illegally obtain funds.
- This includes **forged invoices and contracts, false declarations to conceal disqualifying conditions**, and bribery, even at high levels. Bid rigging is also used to win inflated contracts.
- Exploitation of **upfront disbursements**.
- Creation of companies or taking over inactive ones.
- Some of the companies did not have physical offices and had not submitted the required tax returns, some for more than **20 years**.
- Suspects created, **with the help of an accountant**, a paper trail showing revenues in millions, allowing them to submit series of requests for funding.
- The funding in many of the cases was immediately diverted from the companies' bank accounts, through **systematic cash withdrawals from ATMs**, or bank transfers to the accounts of other individuals or companies.



Typologies in non-public procurement fraud



Non public procurement cases subtype offences



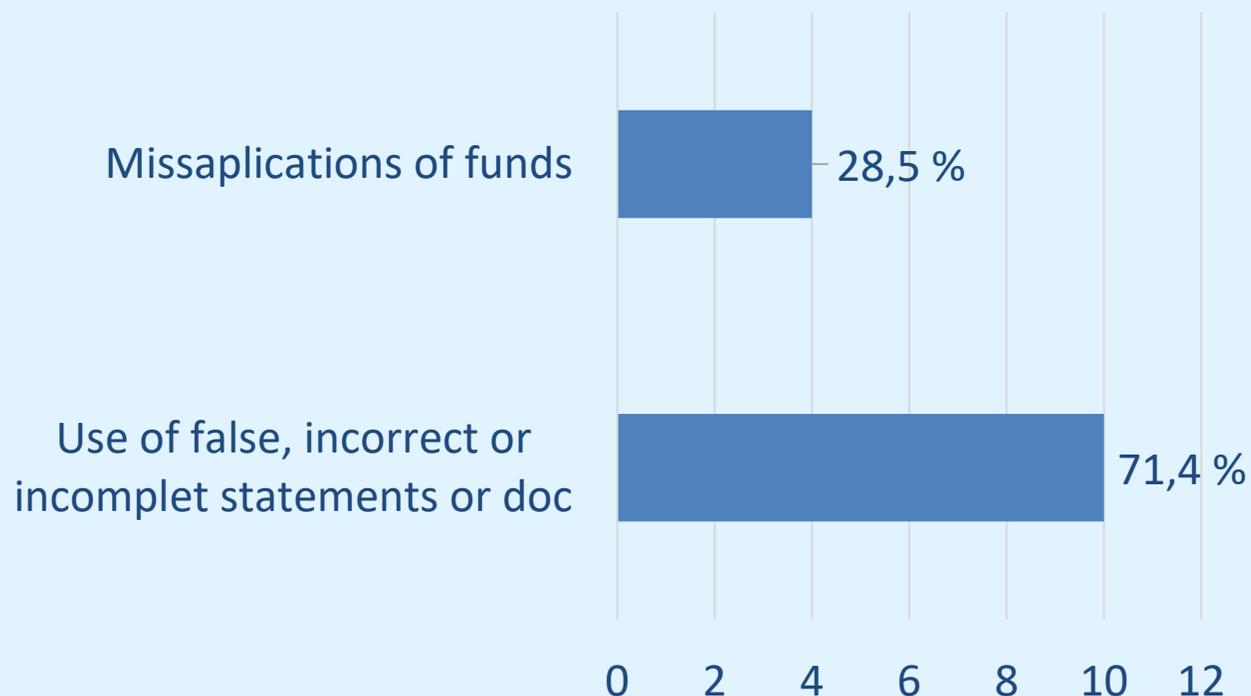
- 90% of the offences are related to non-procurement fraud
- **RepairBonus** and **EnergyBonus**
- Tampering financial statements in programmes to meet eligibility
- **Electronic commerce platform** (without experience) 2 years of activity in the sector
- Beneficiaries as sham companies or fictitious economic operators
- Upfront payment and disappearance
- One control center



Typologies in public procurement fraud



Public procurement cases subtype offences



- Submission of false declarations or false financial statements in order to create artificial circumstances to meet the eligibility criteria are the main *modus operandi*.
- **Childhood Education and Kindergardens:** Debt concealment is another detected pattern of criminal behaviour
- **Railway construction** and a fake bank guarantee

Red Flags

- Link of business relationship between awarding authority and tenderers
- Conflicts of interests
- Bids accepted after deadlines
- Financial records discrepancies



Typologies in corruption and misappropriation investigations



- **Active corruption** is the most common subtype offence in the field.
- Prevalent method involves **bribery** or undue advantages to influence decisions.
- Other *modus operandi* individuals and officials **misappropriate** funds for personal gains.
- **Nepotism and favouritism** also play a role in this field, with officials or managing authorities granting undue advantages to family or acquaintances.

Investigation 'Resilient Crime': 22 arrests in raid against criminal organisation suspected of €600 million fraud involving NextGenerationEU funds

Published on 4 April 2024



- Organized crime.
- Officials acted illegally in favour of private beneficiaries, or in situations of conflict of interests, **abusing official authority or power**
- Both in procurement and in non-procurement-related frauds.





5

Latest trends in the field of expenditure fraud and corruption

A) Procurement fraud – typologies

1. **Contract modifications** during the implementation phase.
2. **Misrepresentation of eligibility criteria** through falsified documents.
3. **Collusive practices among bidders** remain prevalent particularly in industries with limited competition or specialized expertise.
4. Requests for payment to the Managing Authority about **a public procurement procedure, which did not take place in reality**;
5. While **digital tools** like e-procurement platforms are designed to enhance transparency, **they are underutilized or manipulated**.
6. **Similar projects under one EU-funded programme implemented by the same contractor**, who also participated **in the project planning phase**. Contract is awarded to a company linked directly or indirectly to the beneficiary;
7. **The Contracting authority not requesting justification** because of an abnormally low tender, not applying the exclusion ground against a bidder; **in order to award the contract to a specific company**



Source: Annual report 2024

B) Non-procurement fraud – typologies



1. Misrepresentation of property ownership or usage rights to claim agricultural subsidies (CAP)
2. **Fraud in the NextGenerationEU** (RepairBonus)
3. **ERASMUS+** grants have been exploited through falsified attendance records for workshops or training programs
4. **Claiming and receiving double funding**, where, through deceit, an activity or its parts have already been funded by the same or different authority under different funding scheme (also in different Member States).
5. **Upfront payment disappearance**



1. Manipulation and forgery of documents
 1. Submission of duplicate invoices and falsified contracts, particularly in construction or regional development projects.
 2. Claiming of additional costs through false statements regarding the payment of experts or subcontractors, false invoices to artificially increase the price of the purchased equipment
 3. Forgery diplomas

Erasmus+

Programme Guide



Source: Annual report 2024



C) Corruption and misappropriation – case examples



1. **Bribery of project officials**, in **exchange** for the **awarding of EU funds** to specific projects or service proposals;
2. **Bribery of project officials**, in **exchange** for the **approval of ineligible and inflated additional costs**, during the project execution phase.
3. The increase in EU funding for the digitalization of administrative and financial systems has introduced new vulnerabilities, **with corruption increasingly involving digital manipulation**, such as altering databases or electronic invoices.
4. **Diversion of EU funds by public officials** who submit false or inexact documents or invoices in order to **claim reimbursement for daily allowances** and duty travel expenses unrelated to their duties;
5. **Misuse by public officials of funds granted for their assistants** and the diversion of the funds for personal financial gain.
6. Several misappropriation cases involve the facilitation by employees of the Managing Authority or of the responsible National Agency, at various levels, **in the award of undue points to applicants submitting incorrect information** or the certification or obviously inexact information in the exercise of their responsibilities.



191
3.01%

Corruption



115
1.81%

Misappropriation

- Involvement of public officials
- Corruption in public procurement
- Criminal syndicates/OCGs
- Interconnectivity with other criminal activities
- Digital and systemic abuse

Source: Annual report 2024



D) Extended criminal activity



1. **Organised crime** involvement is apparent every time the fraudulent scheme is set up on a large-scale and ensures high-value illicit profit.
2. **Organized crime** appears also almost every time when corruption and revenue offences intertwine.
3. **Money Laundering** is involved in most of the times OCGs are involved.
4. **Corruption** is not limited at the low levels, includes high public officials on national and EU level.
5. **Interconnectivity with other criminal activities - Inextricably linked offences** – the extended competence of the EPPO



191
3.01%

Corruption



115
1.81%

Misappropriation

Source: Annual report 2024





Najlepša hvala za vašo pozornost.

Dr Andon TASHUKOV

**Expenditure Fraud and Corruption Team,
Investigations and Analysis Support Sector
Operations Unit**