



# Red flags in the implementation FMs 2009-2014

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## Outline

- What are the red flags?
- Examples of patterns - checklists for identifying red flags
- Prevention

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**Starting point: zero-tolerance  
towards corruption and  
mismanagement of funds**



Joint effort – however, the overall responsibility of  
the programme implementation lays with the NFP

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## Fraud awareness/ red flags

- Indicators of potential issues regarding governance failure, collusion or corruption
- Different categories
- How to recognize these common indicators of possible fraud and corruption?

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## Implementation

### Irregularity/Fraud

### Red flags

Embezzlement, theft

Essential documents missing  
Problems in project progress  
Lack of sufficient separation of functions

False activity reports,  
False financial reports;  
- Forged invoices  
- False time sheets  
False audit certifications

Objectives are not achieved  
Involvement in many other projects  
Too many payments in cash

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Implementation	
Irregularity/Fraud	Red flags
Double claims, project recycling	Incoherencies in financial documents, accounting, originals are not available
Bribery, kickbacks	Unrelated and unplanned expenses
Inflation of costs: overpriced goods, works, services	High share of subcontracting, use of intermediaries

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## Public procurement

	Irregularity/Fraud	Red flags
Preparatory phase: tender documents	Favoritism Manipulation of tenders	Very detailed or vague technical specifications Suggest/ identifies a specific supplier, product Absence of declarations on conflict of interest, complaints from non-winning bidders
Call publication	Leak of information before publication	Very short deadlines – unusual limited time for submission of bids Restricted publication Restricted procurement procedures

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## Public procurement

	Irregularity/Fraud	Red flags
Submission of bids	Collusion	Low number of bids, very similar prices, unusual price distribution, “perfect proposals”
Evaluation & selection	False declarations Forged documents	Non-application of standard procedures, abnormal differences in marks awarded to bids, missing justifications, conflict of interest for members of evaluation team
Contracting	Conflict of interest Corruption	Final contract substantially different from the winning bid, no negotiation meeting notes, major amendments to contract, “typos” in the financial offers, use of consultants as middlemen



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- What should be done once red flags are identified?
- Identification of red flags not enough
- Substantial resources, specific tools and competences are needed to investigate



Preventive measures are very important!

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## Prevention in focus – different tools

- Awareness raising about red flags in all phases of the implementation, not only procurement
- Training, job-rotation of the staff
- Performing risk assessments and implementing risk mitigation measures
- Monitoring, evaluation, auditing & consistent follow-up
- Proper and sufficient control mechanisms in place

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## Prevention in focus – different tools

- Increasing transparency of public procurement (access to the documents etc.)
- E-procurement platforms
- Possibility to have professional and centralised procurement organisations
- Functional complaint mechanism in place & whistleblower protection (incl. anonymity)
- Specialised institutions to fight against procurement corruption

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**THANK YOU FOR YOUR ATTENTION!**

**QUESTIONS/COMMENTS?**

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