

Typologies identified in our cases

A single investigation may target a variety of criminal offences. This section outlines the different types of offences investigated by the EPPO.

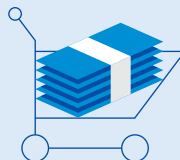
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Non-procurement expenditure fraud

33.92%

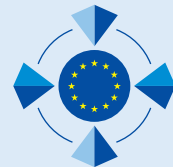
379



Procurement expenditure fraud

8.65%

209



PIF crime-focused criminal organisation

4.77%

405



Non-VAT revenue fraud

9.24%

873



VAT revenue fraud

19.93%

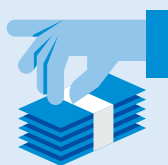
131



Corruption

2.99%

72



Misappropriation

1.64%

226



Money laundering

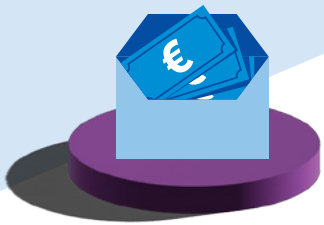
5.16%

599



Inextricably linked offence

13.67%



NON-PROCUREMENT EXPENDITURE FRAUD

By the end of 2023, around **34%** of the offences investigated by the EPPO concerned **alleged non-procurement expenditure fraud**. This type of fraud is committed via 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 EU budget or budgets managed by the EU, or on its behalf – such as financial aid and subsidies.

During the reporting period, the EPPO identified patterns of this type of EU funding fraud in sectors such as agriculture and fisheries, infrastructure and regional development, healthcare, social affairs, youth and labour, research and innovation, and support for SMEs. Recovery funds related to the consequences of the Covid-19 pandemic, particularly those covered by the European Commission's Recovery and Resilience Facility, were also targeted by fraudsters.

Common patterns of this type of fraud include:

- **Claiming EU subsidies with false declarations** regarding specific funding requirements (such as eligibility and exclusion criteria – e.g. by concealing a previous criminal conviction, which would disqualify the applicant from receiving EU funds), or by creating artificial circumstances in order to meet eligibility conditions (e.g. by over-declaring the size or quality of eligible agricultural land);
- **Submitting inflated additional costs, false statements** regarding the payment of experts or subcontractors, or false invoices to artificially increase the price of the purchased equipment, in order to claim higher EU subsidies;
- **Requesting reimbursement for services that were not in fact performed**, or were underperformed (e.g. grants provided for employment training or care services);
- **Manipulating financial statements** (e.g. by misrepresenting staff costs), to increase the amount of the payments received;
- **Claiming and receiving double funding**, where, through deceit, an activity is funded several times by different authorities (often in different Member States), who are unaware of the contributions the others have made.

Six convicted of €580 000 EU funding fraud related to Covid-19 protective material⁴⁴



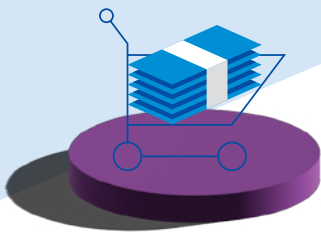
On 12 October 2023, following an investigation led by the EPPO in Vilnius (Lithuania), the District Court of Vilnius convicted six individuals and one company of document forgery, fraudulent account management and high value fraud.

One of the defendants, a business owner, had applied on behalf of his company for several EU-funded projects related to the promotion of SMEs, and received, with his business partners, EU funding to purchase machines and equipment for the production of Covid-19 protective filters and equipment.

The investigation revealed that the business owner had an agreement with his suppliers, who artificially inflated

the costs of the equipment by falsifying invoices and other documents. The business owner added these documents to the companies' accounting records, which led to the appearance of increased expenses on the company's balance sheet – thereby increasing the amount of funding received, and masking the fraudulent financial gain, causing a damage of €580 000 to the EU budget.

The court handed out suspended custodial sentences of between nine months and one year, as well as fines ranging from €19 000 to €150 000. As the defendants pleaded guilty and fully repaid the damage before the verdict became final, their sentences were reduced by one third.



PROCUREMENT EXPENDITURE FRAUD

Around **8.5%** of the offences investigated by the EPPO by the end of 2023 concerned **suspected procurement expenditure fraud**. This fraud often manifests itself in the **unlawful manipulation of tendering procedures for public works**, such as the renovation of government buildings and transport infrastructure. Procurement expenditure fraud is predominantly committed via the use or presentation of false, incorrect or incomplete statements or documents. Documentary forgery is sometimes committed as an inextricably linked offence. Several cases include the involvement of corrupt public officials.

During the reporting period, the EPPO identified patterns of this type of EU funding fraud in sectors such as agriculture, infrastructure and regional development, education, research and innovation, social affairs and human resources. In addition, fraud concerning funds related to the Covid-19 pandemic is under investigation.

Common patterns of this type of fraud include:

- **Submitting false declarations in tendering procedures**, falsely indicating that the suspect meets the requirements of the tender;
- **Submitting false documents** to conceal the quality of contractually agreed works or materials used (e.g. a violation of technical requirements, a lack of necessary environmental permits, the use of lower quality materials);
- **Collusive bidding, manipulation of tenders, or unlawful 'favouritism'** – such as influencing selection boards and disregarding conflicts of interest – linked to public contracts, devised to award the tender to a specific economic operator;
- **Intentional splitting of the tender by the managing authority into different procedures**, permitting the same beneficiaries to avoid evaluation by the European Commission.

Three charged with procurement fraud at National History Museum in Olomouc⁴⁵

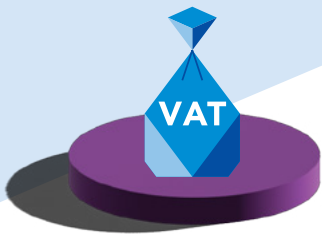


In June 2023, three people were charged with procurement fraud in an investigation led by the EPPO in Zlín (Czechia), into a suspected manipulation of a public contract at the National History Museum in Olomouc. The defendants were a public official who worked for the museum, and another two former employees.

The accusations related to the project 'Virtual museum in education – the use of new digital technologies in the connection of formal and informal education', financed by the EU's European Structural and Investment Funds under the 'Research, Development and Education' Operational Programme, granted by the Czech Ministry of Education, Youth and Sports. The estimated damage to the EU and national budgets is approximately €560 000.

According to the evidence, at least 14 members of the team ostensibly working on the project did not in fact carry out any of the activities allocated to them by the project. In addition, two of the defendants were accused of unduly favouring a specific supplier during the procedure to award the public contract of the project. The other defendant was also charged with the offence of abuse of authority by an official.

In order to recover the damage to the EU budget, the Czech police, on behalf of the EPPO, seized assets and real estate worth €600 000. The investigation of this case continues, and the suspects are entitled to the presumption of innocence.



VAT REVENUE FRAUD

By the end of 2023, approximately **20%** of the offences investigated by the EPPO concerned **the most serious forms of VAT fraud**, connected with the territory of two or more participating EU Member States, and causing total damage of at least €10 million.

This type of fraud is predominantly committed through the use or presentation of false, incorrect or incomplete VAT-related statements or documents. The involvement of 'missing trader' companies, and sophisticated criminal organisations acting across borders, are defining elements. The overall estimated damage in VAT fraud cases investigated by the EPPO during the reporting period amounts to around **€11.5 billion**.

The areas subject to this type of fraud included the automotive sector, tyres for motor vehicles and car dealing, electronic and textile merchandise, VoIP services, heavy machinery, energy and pharmaceutical products, IT hardware and software, platinum coins, e-bikes, and alcoholic and non-alcoholic beverages.

Common patterns of this type of fraud include:

- **Carousel fraud perpetrated by organised crime groups through 'missing trader' companies acting in several Member States.** This type of fraud is often linked to money laundering involving the property derived from the VAT fraud scheme;
- **False declaration of the origin of goods imported from a non-EU country**, to avoid payment of VAT and anti-dumping duties;
- **Abuse of Customs Procedure 42**, where the conditions for the VAT exemption are not fulfilled, and where no VAT is paid in the Member State where the goods are effectively sold to the final consumer.
- **VAT fraud committed by private persons by using the mechanism of filter companies and so-called 'paper mill' companies**, which issue invoices for non-existent operations, in connection with the operation of introducing into the EU goods produced in non-EU countries;
- **VAT fraud involving damage of less than €10 million**, investigated as offences inextricably linked to customs duty fraud schemes, given that the two types of criminal conduct are often carried out through the same acts.

EPPO raids criminal organisation reaching to Latin America in probe into €25 million VAT fraud⁴⁶



In November 2023, at the request of the EPPO in Madrid (Spain), 13 searches were conducted and 24 people were arrested, in a probe into a €25 million VAT fraud involving the trade of IT equipment, orchestrated by an organised crime group with a reach extending to Latin America.

According to the investigation, the suspects used a maze of companies based in Spain, in other Member States and in Latin America to funnel intra-community acquisitions into the suspects' primary company, which acted as the distribution point. The fraudulent scheme took advantage of EU rules on cross-border transactions between its Member States – as these are exempt from VAT – by using a chain of missing traders, which would

vanish without fulfilling their tax obligations. Other companies in the fraudulent chain would subsequently claim undue VAT reimbursements from the national tax authorities.

The evidence also shows that the suspects used structures and security measures specific to organised crime groups, including electronic communication applications used to prevent detection by the police, and that they channelled large sums of illicit profits into the acquisition of real estate.

The investigation of this case continues, and the suspects are entitled to the presumption of innocence.



NON-VAT REVENUE FRAUD

By the end of 2023, around **9%** of the offences investigated by the EPPO concerned **non-VAT revenue fraud – in particular, customs and anti-dumping duties fraud** – most commonly committed through the use or presentation of false, incorrect or incomplete statements or documents.

This type of fraud notably concerned **smuggling and trade** in tobacco products, electronics, bicycles, industrial goods, spare parts or perishable goods (e.g. tomato paste), textiles, medical products (e.g. masks and gowns), cosmetics, fibreglass, solar panels, aluminium profiles produced for industrial uses, steel, screws, ceramic tiles and biodiesel.

Common patterns of this type of fraud include:

- **Submission of incorrect customs declarations and false invoices** to avoid customs duties and anti-dumping duties, by undervaluing the imported goods, declaring the wrong producer or declaring the wrong country of origin;
- **False customs import declarations** regarding the assembly operations performed upon the imported goods (assembled in an EU country or non-EU country from parts originating in China, e.g. bicycles), to evade customs duties;
- **Abuse of Customs Procedure 42**, where the conditions of the customs declaration are not fulfilled, and/or the content of the customs declaration is incorrectly stated (e.g. by undervaluing the transaction value).
- **Importation of e-bikes**, respectively assembled from bicycle parts, which were submitted to anti-dumping duties via the false declaration of the origin of the goods.

Three convicted of import smuggling of luxury cars and organised tax evasion⁴⁷



On 22 August 2023, the Osnabrück Regional Court convicted three individuals and three companies of import smuggling and organised tax evasion. This followed an investigation, code-named 'Cash', led by the EPPO in Hamburg (Germany), and carried out by the Hannover Customs Investigation Office since 2021.

The two main defendants, both from Germany, were suspected of transporting luxury cars from non-EU countries to the EU, on presentation of forged customs clearance documents. Consequently, no import duties were paid on these vehicles. Further investigations revealed that in the course of 2021, they had changed their modus operandi and were transporting the purchased luxury cars to the Netherlands by sea, air or land with the support of the third defendant.

The court found one of the main defendants guilty of organised and professional smuggling and of commercial smuggling, and imposed a custodial sentence of three years and six months in prison.

The other main defendant was sentenced to a suspended custodial sentence of one year and four months for smuggling.

The third defendant, an Estonian national, was sentenced to two years of imprisonment for organised and professional smuggling, and for the facilitation of organised and professional smuggling.

More than €1 million of the evaded import duties was secured through the confiscation of four luxury cars that were already seized in December 2021, and the financial compensation provided so far by two of the defendants.

In the judgment against one of the defendants, a confiscation order of almost €2.3 million was issued against the company he managed. The Hannover Customs Investigation Office then conducted another search of the company's premises in early September 2023, and a sports car worth €300 000 was secured.

The judgment is not yet final, as the defence lawyers of some of the defendants have appealed; they are entitled to the presumption of innocence.



CORRUPTION

Around **3%** of the offences investigated by the EPPO by the end of 2023 concerned **active and passive corruption of public officials** (EU and national officials). **Public procurement procedures**, in particular, have been found to be at risk of corrupt activity by public officials, either in their capacity as members of evaluation panels or through illicit attempts to influence decision-making in such procedures.

Common patterns of this type of fraud include:

- **Bribery of public officials**, in exchange for the awarding of EU funds to specific projects or service proposals;
- **Bribery of public officials**, in exchange for the approval of ineligible and inflated additional costs, during the project execution phase.

The EPPO also investigated the bribery of a public official, in return for influencing an ongoing EPPO investigation.

56 people and two companies indicted for criminal association aimed at systemic agricultural funding fraud and corruption⁴⁸



In October 2023, the EPPO in Palermo (Italy) indicted 56 individuals and two companies, in an investigation into organised criminal association, corruption and fraud involving agricultural funds in Sicily.

In June 2022, the Italian Financial Police (Guardia di Finanza) in Palermo uncovered evidence of a web of organised criminal activities involving high-level public officials and industry professionals. This gave rise to serious suspicions of the existence of an organised crime group, capable of steering decisions in order to allow private companies operating in the surroundings of Palermo to receive agricultural funding from EU and national sources, within the context of the European Regional Development Fund (ERDF).

As part of the investigation, 12 suspects were placed under house arrest, and 10 additional suspects were obliged to appear before the judicial police. Money and assets worth approximately €2.5 million were preventively seized. Since then, the investigation has yielded crucial findings, indicating the existence of a criminal association involving a public official and members of a technical office in Marineo. It is understood that this group exerted undue influence over the decision-making process of public officials from the Provincial Agriculture Inspectorate (IPA) of the Sicilian region, ensuring that their clients were granted a disproportionately high percentage of funding

applications, resulting in significant financial gain for the members of the group.

According to the investigation, public officials from the IPA, which was responsible for evaluating the eligibility of funding requests, systematically favoured additional technical offices, including those of agronomists and engineers, during the processing and administrative phases of funding applications. This preference appears to have been cultivated through long-standing relationships. The investigative materials suggest over 20 unlawfully granted funding applications, and two instances of alleged corruption involving public officials and private entrepreneurs. In addition, a range of offences against public order – such as criminal association – and against public administration – including abuse of office, disclosure of official secrets, material/ideological forgery in public documents, suppression, concealment, and destruction of public records – are alleged to have been committed by the public officials of the IPA in Palermo, and by other members of the group in various roles. These allegations, supported by the decisions of the Palermo Court of Review, were accepted by the judge of the preliminary hearing in Termini Imerese, resulting in the indictment of all individuals suspected of involvement, in various capacities, in the illicit receipt of public contributions.

The investigation of this case continues, and the suspects are entitled to the presumption of innocence.



MISAPPROPRIATION

Around **1.5%** of the offences investigated by the EPPO by the end of 2023 concerned misappropriation.

Misappropriation occurs if a public official, who is entrusted with the management of funds or assets, commits, disburses, appropriates or uses them for a purpose other than the one they were originally intended for, and thereby damages the financial interests of the EU.

Misappropriation often manifests itself in the diversion of EU funds by suspects who submit false documents or invoices related to fictitious posts or undue reimbursement claims (for example, fake travel expenses), or transferring EU official remunerations to individuals who are not entitled to receive them. Several misappropriation cases involve the misuse of funds granted for European Parliamentary Assistants.

Embezzlement and misappropriation of EU funds by public school principal in Italy – pupils deprived of school lunches and computers⁴⁹



On 21 April 2023, the Carabinieri of Palermo (Italy) executed restrictive measures of house arrests against three suspects, based on the findings of an investigation into embezzlement and corruption led by the EPPO. Two of the suspects are public officials – a public school principal and her deputy – who are alleged to have embezzled both EU and national funds, related to various public school projects in a socially deprived area.

According to the ongoing investigation, the suspects falsely declared the number of pupils at a school to

justify receiving EU-funded scholarship programmes for public school students. These projects were never, or only partially, implemented. In addition, it is understood that significant amounts of food supplies and expensive computer and technological devices – which were intended for the students – had been stored inside the office of the principal, and were then misappropriated by the principal and by her deputy. The damage is currently estimated at over €100 000.

The investigation of this case continues, and the suspects are entitled to the presumption of innocence.



MONEY LAUNDERING

Around **5%** of the offences investigated by the EPPO by the end of 2023 involved **money laundering** derived from the aforementioned criminal offences that the EPPO is competent to investigate.

Money laundering is the process by which criminal proceeds are 'cleaned', so that their illegal origins are hidden. Criminals use underground financial systems to process transactions and payments away from surveillance mechanisms. **Money laundering in ongoing EPPO investigations mainly appears in VAT fraud cases.**

It may also be committed with property derived from the undervaluation of customs duties (non-VAT revenue fraud) or from the defrauding of (agricultural) subsidies (non-procurement expenditure fraud).

Suspects may launder the unduly obtained sums by transferring them to bank accounts of companies created abroad or managed by family members, potentially followed by withdrawing the money in cash. Money laundering is also committed by purchasing real estate or luxury goods and reselling them, making it more difficult to trace the funds, and by reinvesting the profits from criminal activities into economic activities in licit or illicit markets (such as drug trafficking).

Investigation Admiral uncovers massive VAT fraud and money laundering scheme, with estimated losses of up to €2.2 billion⁵⁰



In December 2023, the EPPO in Porto (Portugal) filed an indictment against 12 suspects and 15 companies in the context of an investigation into a massive VAT fraud scheme extending to over 30 countries, code-named 'Admiral'.

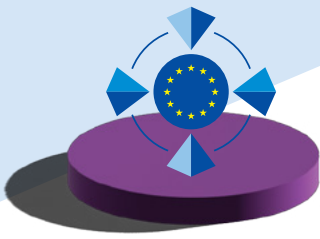
The defendants are alleged to have used a network of companies to evade the payment of VAT while trading in electronic devices, by using fraudulent invoices and tax declarations. The fraudulent scheme took advantage of EU rules on cross-border transactions between its Member States – as these are exempt from VAT – by using a chain of traders that did not fulfil their tax obligations.

The suspects are also accused of money laundering, by having channelled the illicit VAT profits to bank accounts

in non-EU countries. According to the evidence, in order to hide the criminal origin of the profits, the defendants invested in real estate and in the sale of luxury products in the EU, amassing fortunes in the process. A private banking manager is understood to have helped the group to avoid the rules in place against money laundering.

If found guilty, the defendants face up to 25 years in prison. The estimated damage in Portugal alone amounts to over €80 million. The estimated losses to the EU and to the national budgets under the Admiral investigation could amount to €2.2 billion.

The investigation of this case continues, and the suspects are entitled to the presumption of innocence.



PARTICIPATION IN A CRIMINAL ORGANISATION

Around **5%** of the offences investigated by the EPPO by the end of 2023 concerned **participation in a criminal organisation**, which focused its criminal activity on the commission of any of the aforementioned offences. In ongoing EPPO investigations, **participation in a criminal organisation is most often found in**

connection with VAT carousel fraud schemes or with customs fraud. However, criminal organisations also operate in the field of non-procurement fraud (for example, organised defrauding of agricultural funds) or procurement fraud (such as unlawful participation in multiple large-scale procurement procedures).

Three detained for fraud involving medical and IT research, €8.5 million seized⁵¹



In June 2023, the EPPO in Iași (Romania) detained three people and seized €8.5 million, in an investigation into a suspected criminal organisation that obtained millions in EU funds for medical and IT research.

The suspected ringleader of the group was apprehended on 28 June 2023, while attempting to go through passport control at Bucharest International Airport to board a flight to Athens. Two other suspects were also detained on that same day. They were placed under judicial control by the court; they were prohibited from leaving the country and contacting other parties in the process, and were also subjected to mandatory periodical presentation in the police station of their place of residence.

The crimes under investigation include expenditure fraud, money laundering, setting up a criminal organisation and forgery of documents. The case concerns two projects to purchase medical and IT equipment and software licences, which were financed up to 70% by the EU. One of the projects aimed at establishing a research department for the treatment of neuro-motor diseases, and the other, to develop innovative software programs for combating the illegal trafficking of goods. The total value of the contracts amounts to approximately €9 million.

According to the projects' EU financing contracts, the beneficiaries had to pay and provide proof of payment of their private contribution, amounting to 30% of the value of each invoice issued by the suppliers of the equipment, and only afterwards were they entitled to obtain the payment of the remaining 70%.

However, according to the investigation, the suspects simulated the procedure for awarding the acquisition contracts for the necessary equipment, in order to

grant both supplier contracts to a company under their control, which did not in fact have the capacity or resources to purchase it. In addition, the suspects are understood to have used another company under their control to produce invoices with significantly inflated prices (approximately three times the real price).

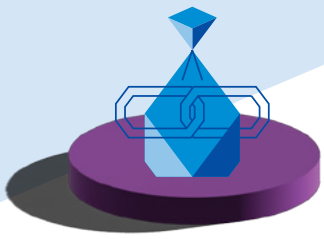
It is also suspected that the members of the group forged documents to certify that the equipment had been purchased and was functioning properly. In most cases, according to the evidence, the equipment was purchased at a much later date, after the suspects had unduly received the payments from the managing authority of the EU funds.

It is alleged that the suspects, in order to certify the payment of their private contribution, set up simulated circuits of payment for each invoice, depositing cash into the accounts of the beneficiaries, transferring the payment of the equipment to the accounts of the supplier under their control, and later withdrawing it in cash for their own benefit. According to the evidence, a portion of the illicit profits was used on leisure activities and international travel of the suspected ringleader to several Member States, as well as the maintenance of a power-yacht.

The suspected criminal organisation is understood to have fraudulently obtained approximately €4 million in EU funds.

In order to recover the damage to the EU budget, real estate of the suspects was seized, amounting to €8.5 million. The law establishes that, for each suspect, seizures have to be applied up to the probable total amount of the damage caused.

The investigation of this case continues, and the suspects are entitled to the presumption of innocence.



INEXTRICABLY LINKED OFFENCE

Around **14%** of the offences investigated by the EPPO by the end of 2023 were other criminal offences, which are **inextricably linked to a PIF offence**.

The efficient investigation of offences affecting the financial interests of the EU and the principle of **ne bis in idem**⁵² may require, in certain cases, an extension of the investigation to other offences under national law, where the underlying facts are substantially the same.

The most common inextricably linked offence is that of **forgery**, and it usually accompanies non-procurement or procurement expenditure fraud offences committed via the use or presentation of false, incorrect or incomplete statements or documents. Forgery is also found in VAT and non-VAT revenue fraud cases. In some cases, VAT fraud involving damage of less than €10 million is investigated as an offence inextricably linked to customs fraud, given that the two types of conduct are often carried out through the same acts.

Business owner convicted of subsidy fraud and forgery⁵³



On 18 July 2023, the County Court of Zagreb (Croatia) convicted a business owner of subsidy fraud and the inextricably linked offence of the forgery of documents, following an indictment by the EPPO. He was sentenced to 11 months' imprisonment, exchanged for community service and a fine of €26 512. The verdict was the result of a plea bargain, as the defendant pleaded guilty to all charges and paid the damage caused by committing the criminal offences.

Between March 2015 and November 2021, the Croatian citizen, the owner of a family farm, obtained large-scale non-reimbursable grants for agricultural projects, co-funded by the European Agricultural Fund for Rural Development (EAFRD) and the state budget of the Republic of Croatia. In his applications, he

falsely claimed to have the financial means necessary to implement the proposed projects. In addition, he subsequently claimed to have made payments to suppliers, which was never done. He also falsely declared that he had no debts to the state budget of the Republic of Croatia.

In total, the small business owner sent three requests for approval and payment of non-reimbursable support for his business projects. For one of the requests, the paying agency transferred €221 873.84 to the bank account of his business. As for the remaining two requests, the payments were not made, as the agency had discovered that the suspect had debts to the state budget of the Republic of Croatia.