

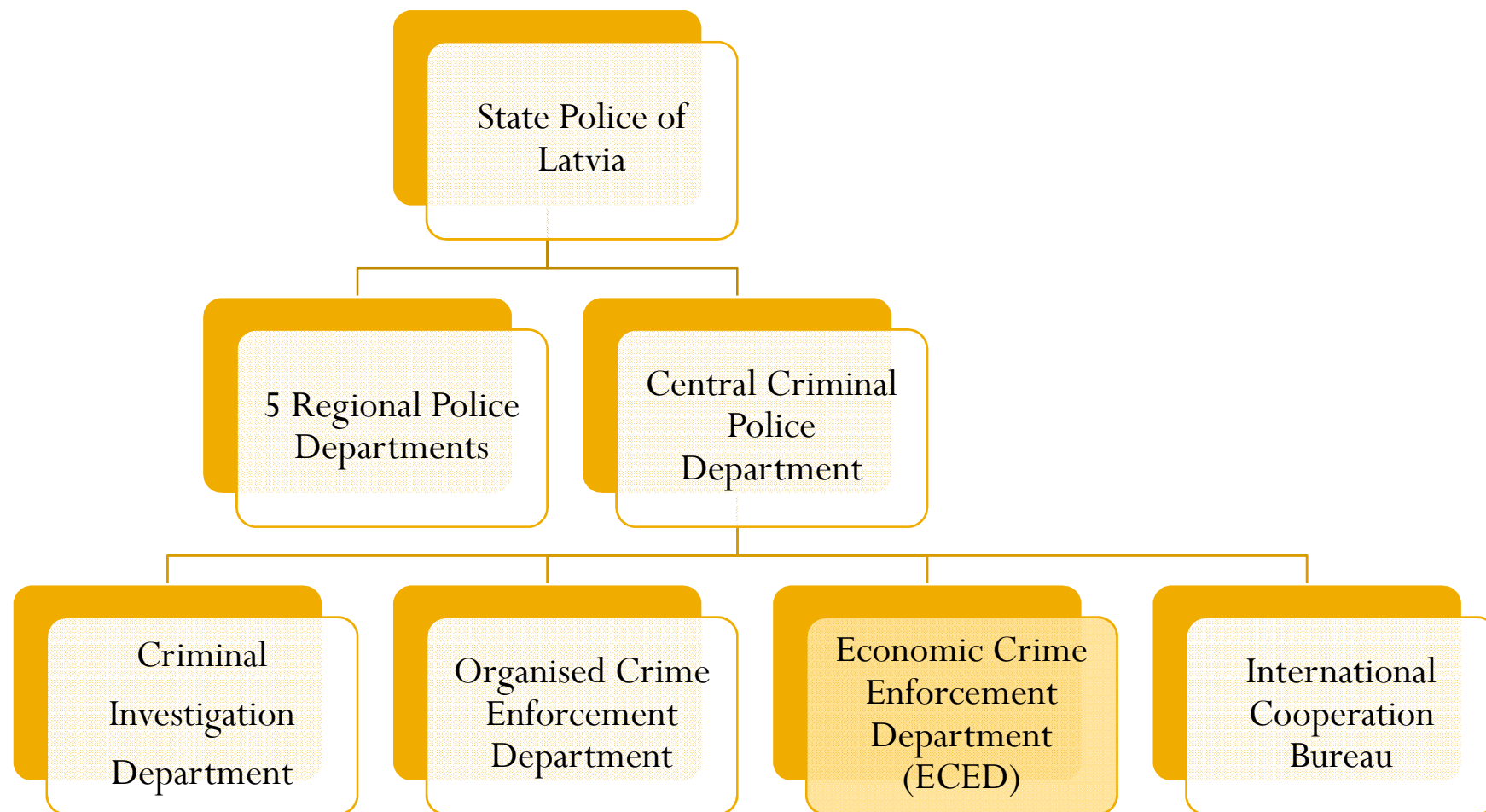
Ministry of the Interior of the Republic of Latvia

**Economic Crime Enforcement Department
Central Criminal Police Department of State Police**

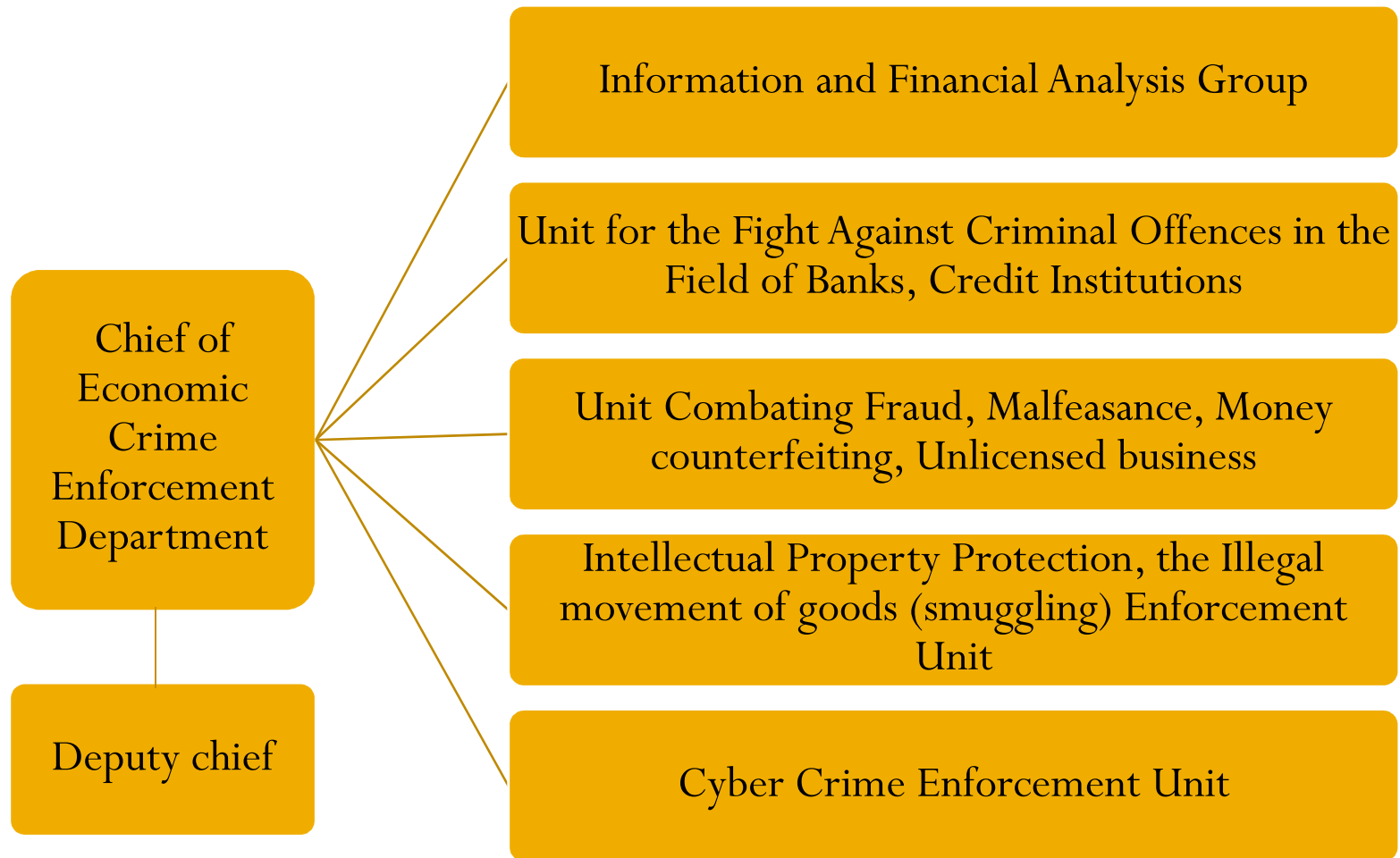


Latvian Ministry of the Interior

Structure of State Police



Structure of Economic Crime Enforcement Department



ECED plans, organizes, coordinates and takes measures in prevention, detection and combating of:

- Money laundering
- Illegal actions in financial instruments and means of payment
- Crimes in credit institutions
- Counterfeiting of money or securities
- Fraud and unlawful appropriation
- Corruption in the private sector
- Illegal movement of goods in internal market
- Cyber crimes
- Intellectual property fraud

Crimes falling under Unit 2 of ECED competence

- Counterfeiting of money
- Fraud and unlawful appropriation
- EU funds
- Corruption in the private sector

Statistics - Criminal Investigations related to the illegal receipt and use of the EU support funds

Claims received: 2015 – 21

2016 – 9

Cases started: 2015 - 27 (ECED – 15)

2016 – 10 (ECED – 7)

Amounts of projects involved:

2015 ~ 14 million EUR

2016 ~ 17 million EUR

Forwarded to criminal prosecution:

2015 – 4

2016 – 6

Concept of fraud when receiving EU funds

The disposition of Article 177 «**Fraud**» of the Criminal Law of the Republic of Latvia assumes criminal responsibility «for a person who commits acquiring property of another, or rights to such property, by the use, in bad faith, of trust, or by deceit (fraud)».

Receiving property (in our criminal cases – money (object of a criminal offence)) acquired by criminal means consists in this, that offender deceives the victim (institution dealing with management and control of EU Funds), which is in possession of the property and the victim, being deceived, property or the right to property gives voluntarily, believing, that the criminal is entitled.

Crimes related to EU funds

- Usually performed by criminal groups
- The investigation is often significantly impeded by careful masking of the crime using various documents (agreements, sale and purchase contracts, loan agreements, etc.)
- A lot of funds are distributed between various banks and accounts
- Most often foreign companies (from Poland, Estonia, England, Germany, Canada) and offshore companies are involved in fraud schemes

Most common fraud methods

- Fictitiously increasing the price of machinery when receiving EU funds, and paying the difference to the buyer
- Increasing the cost (by 100 or even 1000 times) of the project, construction estimates, using circuit payment schemes in order to deceive the institutions about the real cost of the project
- Fake information on the project, like, for example, passing off cheap machinery for more expensive machinery by creating false certificates
- Asking EU funds for unfulfilled projects by presenting false documents

Purpose and mechanisms of fraud

Purpose:

- Increase the price of the project item/object in order to defraud the money - to earn
- Increase the price of the project item – receive the item/object for free (without co-financing)

Mechanisms:

- Project subject/service provider is owned by the project applicant or is their accomplice

Example from investigation practice:

Criminal case No.XX was started in 2014 by ECED, classified under Article 177 clause 3 of the Criminal Law (for fraud, if it has been committed on a large scale, or has been committed in an organised group), by examining the submission of the Latvian Rural Support Service (RSS) regarding possible fraudulent activities of the Latvian company (Ltd.) responsible officials during project implementation, in order to embezzle the EU structural funds on a large scale.

In 2016 the criminal proceeding were transferred to the Riga District Court Prosecutor's Office for criminal prosecution according to the Article 15 clause 4 (for an attempted crime), Article 177 clause 3 and Article 275 clause 2 (falsification of documents for the purpose of acquiring property by an organized group) of the Criminal Law against two suspect. Loss was prevented (**EUR 140 000** was to be paid in funding).

Conditions of the case:

In 2012 Ltd. X officials submitted a project for the purchase of metal processing equipment to the RSS to receive financial support amounting to EUR 140 000.

Evaluating the submitted project documentation RSS employees had suspicion about the veracity of the documents submitted.

RSS sent the obtained documentation for further inspection to ECED.

Police investigation showed and proved that Ltd. X officials had provided false information about the company's financial condition – forged bank documentation were submitted for the project (including from a bank which is located in Russia) on the company's financial resources in order to acquire necessary equipment and receive co-financing from EU structural funds.

Thank you for your attention!

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