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## **OLAF and Guardia di Finanza unravel complex scam with EU funds for nautical devices**

**The European Anti-Fraud Office (OLAF) put an end to an intricate fraud scheme through which more than € 1.4 million euro-worth of European Union funds, meant for emergency response hovercraft prototypes, had been misappropriated. Operation Paper Castle stretched over several EU Member States, and relied on OLAF's close cooperation with Guardia di Finanza, in Italy.**

OLAF uncovered the complicated fraud scheme as part of its investigation into alleged irregularities in a Research and Innovation project granted to a European consortium. The Italian-led consortium, with partners in France, Romania and the United Kingdom (UK), was tasked with creating two hovercraft prototypes to be used as emergency nautical vehicles able to reach remote areas in case of environmental accidents.

During on-the-spot checks performed in Italy by OLAF and Guardia di Finanza, OLAF investigators discovered various disassembled components of one hovercraft, as well as another hovercraft which was completed after the deadline of the project. It became evident that, in order to obtain the EU funds, the Italian partners falsely attested to the existence of the required structural and economic conditions to carry out the project.

Investigative activities carried out by OLAF in the UK revealed that the British partner only existed on paper. The company was in fact created and owned by the same Italian partners. To simulate the actual development of the project and to divert funds, fictitious costs had also been recorded. In practice, once the EU funds were obtained, the Italian grantees used accounting artifices to syphon off money, forging documents denoting false expenses.

A thorough analysis of more than 12 000 financial transactions and payments made in the project showed that part of the EU funds received by the Italian and UK partners had been used to extinguish a mortgage on a castle facing foreclosure - today subject to seizure. OLAF ascertained that the castle officially belonged to a different British company, originally established by the same Italian couple, but now owned by a US company, from Delaware. Further enquiries uncovered that the Italian couple also created and owned the above mentioned US company.

OLAF concluded its investigation in November 2017 with two judicial recommendations - to the Public Prosecutor's Office of Genoa and to the City of London Police in the UK - and a financial recommendation to the Directorate-General for Research and Innovation of the European Commission. Guardia di Finanza is investigating the persons concerned for embezzlement and fraud against the EU, false accounting, fraudulent bankruptcy and fraudulent statements.

Operation Paper Castle is a testament to the pertinent results of the close and constant cooperation between OLAF, Guardia di Finanza and the police forces of Member States. The transnational nature of the investigation meant OLAF played a decisive role, from stem to stern, being able to map out and put an end to the complex fraudulent activity which stretched across several Member States.

**OLAF mission, mandate and competences:**

OLAF's mission is to detect, investigate and stop fraud with EU funds.

OLAF fulfils its mission by:

- carrying out independent investigations into fraud and corruption involving EU funds, so as to ensure that all EU taxpayers' money reaches projects that can create jobs and growth in Europe;
- contributing to strengthening citizens' trust in the EU Institutions by investigating serious misconduct by EU staff and members of the EU Institutions;
- developing a sound EU anti-fraud policy.

In its independent investigative function, OLAF can investigate matters relating to fraud, corruption and other offences affecting the EU financial interests concerning:

- all EU expenditure: the main spending categories are Structural Funds, agricultural policy and rural development funds, direct expenditure and external aid;
- some areas of EU revenue, mainly customs duties;
- suspicions of serious misconduct by EU staff and members of the EU institutions.

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