



EUROSAI

Working Group on  
Environmental Auditing

# **Report from Training Seminar on Addressing Fraud and Corruption Issues in Environmental and Natural Resource Management**

**EUROSAI WGEA Seminar**

Prague, Czech Republic

*14 October 2013*



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## SUMMARY

On Monday 14 October, a one-day training seminar on fraud and corruption in the environmental and natural resource sectors was organized by the EUROSAI WGEA Secretariat. 33 participants from 17 Supreme Audit Institutions (SAIs) attended the seminar. The seminar was conducted by the Office of the Auditor General of Norway (OAGN). Mr Kjell Kristian Dørum directed the seminar, together with Ms Camilla Constance Fredriksen, both from the OAGN.

The seminar was based on the INTOSAI WGEA Guidance Addressing Fraud and Corruption Issues when Auditing Environmental and Natural Resource Management, which was published in September 2013. The main purpose of the seminar was to introduce the participants to the new guideline through various group exercises. The exercises included fraud and corruption risk assessments, identification of internal controls, suggestions on possible audit procedures, as well as communication with other authorities and reporting of findings.

Fisheries management had been chosen as a special focal point. A keynote speech on fraud and corruption in the fisheries sector was given by Ms Eve de Coning, an independent researcher of transnational organized fisheries crime who among other things assists INTERPOL as an advisor and consultant in this field.

The basis for all group exercises was a fictitious fisheries management scenario constructed in advance. The scenario described three different levels of the fisheries administration: The Ministry of Fisheries, the National Fisheries Agency and the Regional Fisheries Offices. Participants were divided into six working groups in accordance with this structure, i.e. two working groups for each level of government. This report summarizes the main outcome of the seminar.

## **SESSION I: FRAUD AND CORRUPTION AND THE EUROPEAN ENVIRONMENTAL RESOURCES**

The guideline defines 'corruption' as "[...] the abuse of public funds and/or office for private or political gain" (the World Bank) and 'fraud' as "an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage" (ISSAI 1240).

The United Nations has characterized corruption as one of the world's greatest challenges, and the prevention and detection of fraud and corruption has been on the agenda of INTOSAI for the last fifteen years. Most recently, the fight against corruption has been reflected in INTOSAI's Strategic Plan for the period 2011-2016 as one of the five strategic priorities. The international focus on fraud and corruption in the environmental and natural resource sectors also has become increasingly stronger in later years. One of the most recent examples on the growing importance of this issue was the last conference of the parties to the UN Convention Against Corruption in Morocco in October 2011, where the impact of fraud and corruption on the environmental and natural resource sectors for the very first time was one of the special themes.

The environmental and natural resource sectors are not very unique when it comes to addressing fraud and corruption. Most of the relevant criteria, procedures, methods etc. relating to auditing and fraud and corruption are generic. And as generic themes, fraud and corruption in principle cut across all environmental and natural resource issues – although in different ways. The guideline combines the generic with the specific by using cases and other empirical references from the environmental and natural resource sectors to illustrate the practical use of the generic criteria, procedures and methods.

A 'multi-disciplinary' approach is often the most effective one when addressing such complex and cross-cutting issues as fraud and corruption. Hence, the guidance paper is intended for all types of auditors, that is, financial, compliance and performance auditors. The guidance paper is intended both for auditors who wish to integrate fraud and corruption issues as part of regular environmental audits, and for auditors who wish to carry out fraud and corruption audits within particular environmental or natural resource sectors, but the seminar was directed towards the latter audience. To illustrate how to address risks and choose approaches, fraud and corruption risks in the fisheries sector are used as an example.

In order to get an impression of what are perceived as risk sectors in Europe, the participants were asked to reflect on what they think are the most important natural resource sectors and/or environmental issues in their respective countries. The plenary discussion after the group exercise revealed that many of the sectors and topics which are being discussed at the global level within INTOSAI WGEA also are relevant in a European context, not least when it comes to natural resources. Topics which were highlighted in the discussion are listed in box 1.

**Box 1****Important natural resource sectors and environmental issues in Europe:**

- Land use
- Water management
- Forestry
- Fisheries
- Oil and gas extraction
- Mining
- Biodiversity
- Climate change mitigation/adaptation

As to natural resources in particular, it was emphasized that scarcity of resources increases the value of the resources, and hence also the risk of fraud and corruption. Furthermore, in this connection, it was mentioned that there also could be risks associated with lack of appropriate legal frameworks for the issuance of licenses in some countries, as well as insufficient controls of the conditions set in permits and licenses. It was also pointed out that there are a lot of EU funds being used for financing various measures within the environmental and natural resource sectors in the member countries, and that this could be important to keep in mind when considering fraud and corruption risks in these sectors.

**SESSION II: THE FISHERIES SECTOR AND OTHER RISK SECTORS**

For the purpose of this course, a special emphasis was put on the fisheries sector. Like many other natural resources, fish is a commodity with a high commercial value, and the fisheries sector has developed into a global multi-billion dollar business during the last few decades. At the same time however, the proportion of overexploited, depleted or recovering stocks has also increased substantially in the same period - partly due to so-called 'illegal, unregulated and unreported' (IUU) fishing - and fish is becoming a more scarce resource in many places. Europe is no exception in this regard.

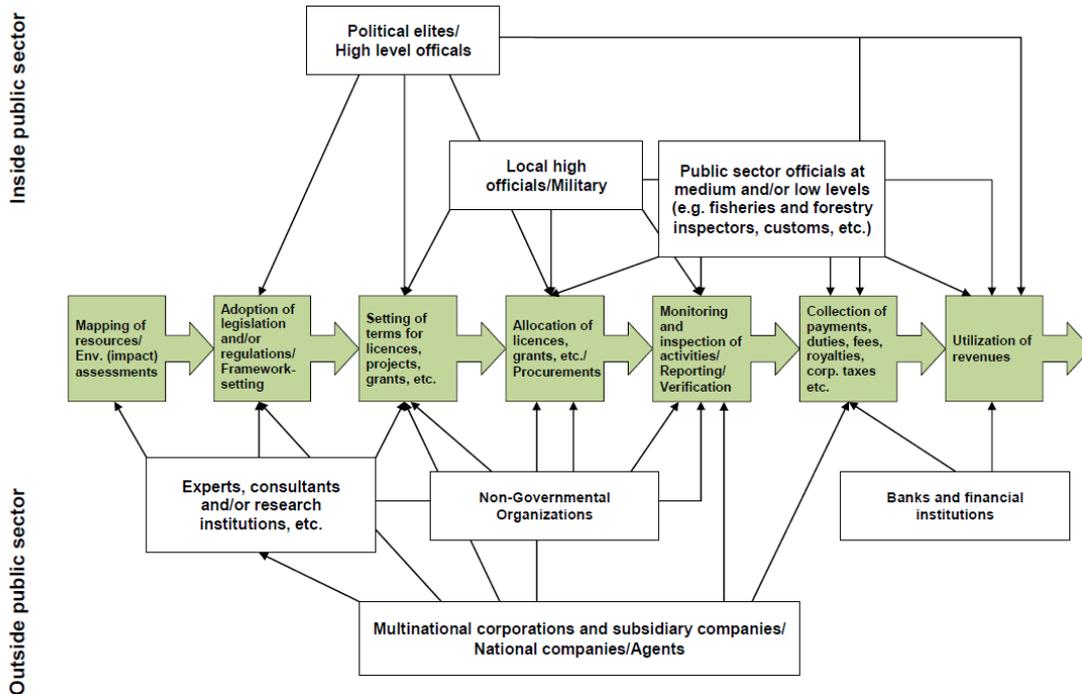
Moreover, as was also mentioned by participants, scarcity of resources - in this case declining fish stocks - can increase the incentives for fraud and corruption, as demand exceeds supply and the prices increase. Consequently, at least in theory, public authorities who manage these resources control many different 'assets' which may be very valuable for companies in this industry.

Such 'assets' may among other things include:

- fishing licenses and quotas
- the avoidance of particular standards and requirements relating to the conduct of fisheries
- grants and subsidies for decommissioning and fish processing, etc.
- the avoidance of fines, withdrawal of catches/equipment/licenses, criminal investigation, etc. when breaching laws, regulations and permits

At the same time, the relevance of the various assets may vary, depending on the stage or phase in the fisheries value chain. In this connection the generic environmental and natural resource value chain, presented in the guideline, was introduced (see figure).

**Example on generic environmental and natural resource value chain<sup>1</sup>:**



Applied to the fisheries sector (from the left to the right), the stages may among other things refer to the following processes in the fisheries sector:

1. Marine research and exploratory fisheries;
2. Adoption or amendments of fisheries regulations;
3. Setting of the terms for fishing licenses, grants to decommissioning, subsidies to factories, etc.;
4. Allocation of licenses, quotas, grants, etc.;
5. Monitoring and inspection of fisheries activities;
6. Collection of control or license fees, taxes on the profits from the fisheries;
7. Further management of revenues from the fisheries sector by relevant public entities and government officials

In principle there may be fraud and corruption risks associated with every stage or phase in the fisheries value chain, and this is something which also should concern public sector auditors when auditing fisheries management.

<sup>1</sup> Figure 4.2 on page 38.

## Sectors with high risks of fraud and corruption in Europe

The participants were asked to discuss in what environmental and/or natural resource sectors they thought the greatest fraud and corruption challenges could be found in their respective countries.

In this discussion several of the same sectors/topics which were suggested in the first plenary discussion were mentioned again. In addition, waste management, in particular hazardous/nuclear waste was suggested as another risk area in respect of fraud and corruption. In the climate field, emission trading schemes were mentioned as a particular high risk area.

In addition to the more sector-specific risk areas, more generic risk areas such as possible abuse of EU environmental funds in various sectors, as well as the planning, licencing and procurement stages of the value chain were also emphasized by several participants.

## Main obstacles for SAIs

The participants were also asked to reflect on what they thought were the main obstacles for their own SAIs in respect of fighting fraud and corruption in the environmental and natural resource sectors. Topics which were highlighted in this discussion are listed in box 2.

### Box 2

#### Obstacles experienced by SAIs in auditing fraud and corruption Issues

- Resource demanding
- Lack of knowledge
- Reliability of available documents
- Access to necessary documentation
- Sufficiency of evidence
- Not sufficient with only one audit type because of cross-cutting risks
- Lack of cooperation with other government institutions
- Lack of, or unclear mandate

#### ***Lack of resources, knowledge, information and access***

Among the various obstacles which SAIs may face when it comes to addressing fraud and corruption in the environmental and natural resource sectors, the participants suggested, among other things, that there might be a lack of human resources and time to work particularly with identifying fraud and corruption, lack of knowledge about these issues and how to approach them in audits. Also, there might be a lack of reliable information, lack of access to relevant documents and lack of data bases. As a consequence, although some audits might indicate that there are fraud and corruption risks within a sector, it may be far more difficult to provide sufficient evidence for the courts that fraud and corruption actually is taking place.

#### ***Fraud and corruption cut across different audit types***

It was further emphasized that fraud and corruption is a theme which often cut across financial, compliance and performance auditing. This may entail a risk that fraud and

corruption in some instances are not detected because the different audit disciplines have different emphases. In this connection, it was pointed out that, traditionally, fraud and corruption has not been the main focus of performance audits, which often are the main audit method applied in environmental audits. At the same time, financial/regularity audits have traditionally not focused much on environmental issues.

***Insufficient collaboration between relevant authorities and lack of/unclear mandates***

Lack of external experts and insufficient collaboration between auditors and law enforcement bodies were also suggested as important challenges for auditors in this field. Finally, lack of a proper mandate to address fraud and corruption, or sometimes unclear mandates due to shared responsibilities with other authorities or between different levels of government, were also emphasized as major obstacles.

## **FRAUD AND CORRUPTION IN THE FISHERIES SECTOR – TYPOLOGIES FROM AN ORGANIZED CRIME PERSPECTIVE**

**By Eve de Coning**

In her presentation, Ms de Coning presented several cases from the fisheries sector which illustrated the risks of fraud and corruption in various stages of the fisheries value chain, among other things in the licencing and monitoring/inspection stages. The cases, involving countries in Africa, Europe, the Pacific and the Americas, demonstrated that organized fisheries crime may involve large amounts of money and also poses serious threats to fish stocks around the world. Hence, in those cases where fisheries crimes are made possible through collusion between government officials and actors in the fishing industry, fraud and corruption in the public sector may also seriously undermine sustainable fisheries management.

Furthermore, by showing examples on fishing vessels which are registered in so-called 'flag of convenience' states<sup>2</sup> and which are repeatedly re-flagged to the flags of such states, as well as examples on transshipments of and trade in illegally caught fish, Ms de Coning also demonstrated the transnational character of organized fisheries crime. This means that, in addition to fisheries management officials, there are also other authorities which may have an important role to play in respect of the fishing industry, such as customs and tax authorities and authorities operating national ship registries, and which also may be exposed to fraud and corruption risks.

In response to a question regarding collection of evidence in cases like those presented in her speech, Ms de Coning made it clear that the transnational character of many of the cases often makes this a fundamental challenge. As it can be very difficult, if not impossible, for one country to see the whole pattern of operations by the companies involved, it is necessary to see patterns across national jurisdictions. Consequently, joint efforts and good intelligence networks between countries and between state agencies and civil society organizations, as well as good analyses of movement patterns are often required.

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<sup>2</sup> States which are unable or unwilling to exercise their enforcement jurisdiction or provide ship owners with intractable ownership structures.

As to the possible role for public sector auditors in this field, Ms de Coning pointed to the high level of secrecy which is apparent in many fisheries ministries and administrations around the world. Secrecy is a general risk factor when it comes to fraud and corruption, but it becomes even more serious in sectors where there are major assets involved and a lot of industry influence, such as in the fisheries sector. Hence, among other things, she believed that public sector auditors could play an important role by increasing transparency in government on this issue.

## **SESSION III: FRAUD AND CORRUPTION RISK ASSESSMENTS**

In principle, the purposes of fraud and corruption risk assessments are:

- a) To suggest and/or to identify possible fraud and corruption risks and 'red flags';
- b) Survey and assess what has been done to deal with the risks (internal controls);
- c) Assess residual risks and their materiality;<sup>3</sup>
- d) Suggest possible audit procedures to follow up identified risks.

### **Item a): Identify possible fraud and corruption risks and 'red flags'**

There are four questions that can be asked when identifying possible risks and 'red flags' (chapter 4.3 in the guidance paper):

- i. Where should auditors look for fraud and corruption risks?
- ii. What types of fraud and corruption could be envisaged?
- iii. How could the act of fraud and corruption be carried out?
- iv. What could be possible red flags?

The first question refers to the relevant stage and process in the value chain (chapter 4.2.1 in the guidance paper). Initially, auditors need to map stages and the processes in the value chain which could be most exposed to fraud and corruption risks.

Secondly, auditors need to identify the type of fraud and corruption, e.g. bribery, trading in influence, embezzlement, intentional misrepresentation, conflict of interests, etc., which could be envisaged for the level of government in question (chapter 4.2.2 and appendix A in the guideline).

Thirdly, auditors are supposed to develop a scenario related to the type of fraud and corruption identified which maps more thoroughly who could be involved and how the act of fraud and corruption could be carried out (chapters 4.2.3 and 5 in the guideline).

Finally, in response to question 4, red flags related to the particular scenario under scrutiny should be identified. In short, the five general categories of red flags presented in the guidance paper (chapter 4.2.4) are:

1. General 'tell-tale' signs;
2. Red flags of particular relevance for financial auditing;

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<sup>3</sup> However, as assessments and prioritization of risks would be very difficult to arrange as a practical exercise, this item was not dealt with in the seminar.

3. Red flags of particular relevance for compliance auditing;
4. Red flags of particular relevance for performance auditing;
5. Sector-specific red flags

In addition to the general presentation in subchapter 4.2.4 and the examples in chapter 5 in the guideline, the participants were informed that quite a few red flags – both generic and more specific ones – had also been included in the background document. Furthermore, it was made clear that, in practice, different red flags can often be present at the same time in the same case. Consequently, the groups were advised to consider all types of red flags when making suggestions relating to their respective levels of government.



Credit: Danilo Cedrone (United Nations Food and Agriculture Organization); source: Wikimedia Commons [[http://commons.wikimedia.org/wiki/File:Group\\_of\\_tuna.jpg?uselang=nb](http://commons.wikimedia.org/wiki/File:Group_of_tuna.jpg?uselang=nb)]

Based on this introductory information and the four questions presented, the participants were supposed to carry out a fraud and corruption risk assessment relating to 'their' level of government, e.g. the Ministry of Fisheries, the National Fisheries Agency and the Regional Fisheries Offices respectively. Below, the inputs from the participants in respect of relevant stages/processes, types of fraud and corruption, actors involved as well as possible red flags are presented.

### ***Risk assessments relating to the Ministry-level***

At the Ministry-level, it was among other things the *stages and processes* related to budget allocations, amendment/adoption of regulations and changes in the quota allocation key which were suggested as possible risk areas. Possible *types* of fraud and corruption in these processes included improper political contributions, abuse of power, favouritism and bribery. Among the *actors and/or units* who might be involved, the groups suggested the Minister herself, the Secretary General, the Managers for

the department and sections responsible for the management of the fisheries and the fisheries industry, as well as those fishing/processing companies which may benefit from the changes in budgets, regulations and/or allocation keys.

Possible *red flags* suggested by the participants in relation to fraud and corruption in these processes are listed in box 3.

### **Box 3**

#### **Red flags related to fraud and corruption at the Ministry-level:**

- Adoption/amendments of regulations which are contrary to scientific advice and/or in breach of international agreements;
- Changes in the allocation key which are not based on objective criteria;
- Budget allocations, amendments of technical regulations and/or introduction of delivery obligations which seem to favour a certain fleet group, and even certain companies.

#### ***Risk assessments relating to the Agency-level***

At the Agency-level, it was among other things the *stages and processes* related to allocation of grants to decommissioning of fishing vessels and other grants, awarding of licenses and reallocation of quotas, and operation of the national registers relating to vessels and quotas/catches which were suggested as possible risk areas.

Possible *types* of fraud and corruption in these processes included bribery, embezzlement, abuse of information and/or discretion, and intentional misrepresentation and deception. Among the *actors and/or units* who might be involved, the groups suggested the department for fisheries management and the sections for fisheries licenses, regulation of fisheries and land-based fishing industry in the Agency, as well as those fishing companies which may benefit from new licenses or reallocation of quotas, including blacklisted companies, and processing factories receiving grants.

Possible *red flags* suggested by the participants in relation to fraud and corruption in these processes are listed in box 4.

### **Box 4**

#### **Red flags related to fraud and corruption at the Agency-level:**

- License terms not based on objective criteria;
- Certain companies which seem to win the 'quota lottery' suspiciously often;
- Reports that vessels which are 'blacklisted' for IUU-fishing and which are supposed to have their license permanently withdrawn appear to have received new fishing licenses;
- Suspicious transactions in connection with allocation of grants, including round sums and payment date before application date.

### ***Risk assessments relating to the regional government (RFO)-level***

At the RFO-level, it was among other things the *stages and processes* related to monitoring and inspection of fishing activities, verification of licenses and catch reports, and collection of payments for control fees, fines imposed, etc. which were suggested as possible risk areas. Possible *types* of fraud and corruption in these processes included bribery, offering and receiving improper gifts/gratuities, embezzlement and extortion. Among the *actors and/or units* who might be involved, the groups suggested the fisheries inspectors in the RFOs and fishing companies in a difficult economic situation and/or blacklisted vessels.

Possible *red flags* suggested by the participants in relation to fraud and corruption in these processes are listed in box 5.

#### **Box 5**

##### **Red flags related to fraud and corruption at the RFO-level:**

- Sudden decreases in the prices for certain species and/or fish products which cannot be explained by corresponding increases in the quotas and/or laxer regulations for these species, nor by the general decrease in the citizens' purchasing power;
- Official catch records have not corresponded with the estimates presented by the scientists, indicating that catches have been (far) above the legal quotas;
- VMS-data reveal suspicious landing patterns for vessels from certain companies, considering time, weather conditions, fuel economy and the location of the fishing areas;
- Signs of illicit enrichment/lavish lifestyle.

## **SESSION IV: INTERNAL CONTROLS**

The internal controls concept are characterised by the five basic components of the 'COSO-cube' (see figure). There are fourteen internal control elements associated with these five components which are considered to be most important in respect of addressing fraud and corruption risks (chapter 3 in the guideline). These fourteen elements are:

#### *Control environment:*

1. Code of conduct
2. Tone at the top
3. Human resource policies and practices
4. Organizational structure

#### *Risk assessments:*

5. Fraud and corruption risk assessments

#### *Control activities:*

6. Authorization and approval procedures
7. Segregation of duties/rotation of personnel
8. Controls over access to resources and records
9. Verification and reconciliation procedures

10. Reviews of operative performance
11. Compliance reviews
12. Supervision of the internal controls

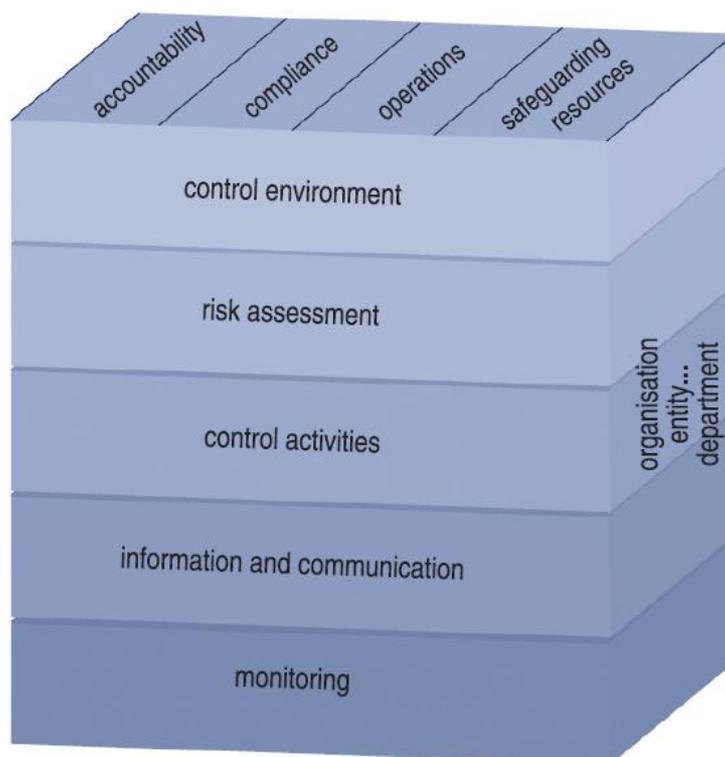
*Information and communication:*

13. Records management system

*Monitoring:*

14. Reporting of possible fraud and corruption

***The 'COSO-cube'<sup>4</sup>:***



The fourteen elements can be approached *either* separately and proactively by auditors, *or* as an integral part of fraud and corruption risk assessments and reactively. As to the former, much can be done by auditors to prevent fraud and corruption in the environmental and natural resource sectors - and in other sectors - by addressing weak internal controls. Depending on their mandate, many SAIs may consider it sufficient only to report on weaknesses in internal controls, and end their audit at this point. At this seminar, however, internal controls would be approached after the fraud and corruption risk assessment had been carried out, and as a response to the risks which had been identified.

**Internal controls in the fisheries sector**

Following the same scenarios, the following describes the participants' input on what internal controls could be most important in respect of addressing the fraud and corruption risks identified in these scenarios.

<sup>4</sup> Source: INTOSAI GOV 9100, p. 15.

**Ministry of Fisheries**

Relevant internal controls suggested by the participants in relation to the fraud and corruption risk scenarios suggested for the Ministry-level are listed in box 6.

**Box 6****Internal controls relating to fraud and corruption risks at the Ministry-level:**

- A code of conduct which applies to all members of the staff, including the political leadership should be adopted and properly implemented. Among other things, this should include requirements for disclosing private interests and personal benefits which may raise conflicts of interests, and systems for verifying such disclosures;
- There should be a clear assignment of authority and responsibility in the organization, as well as appropriate lines of reporting, so that it is clear who has decided/decides what - and is accountable;
- A well-functioning records management system should be in place, to ensure that all important decisions are properly documented;
- An adequate system for the reporting of possible fraud and corruption should be established.

**National Fisheries Agency**

Relevant internal controls suggested by the participants in relation to the fraud and corruption risk scenarios suggested for the Agency-level are listed in box 7.

**Box 7****Internal controls relating to fraud and corruption risks at the Agency-level:**

- The authorisation and approval procedures for allocation of grants for decommissioning, support to fish factories etc. should be improved to reduce the high level of discretion currently enjoyed by the government officials in question. Among other things, there should be clear and objective criteria in place for selecting those vessels, factories etc. which are eligible for support, and the criteria must be transparent;
- There should be appropriate segregation of duties when grants are approved and disbursed. Moreover, regular sample checks to verify that disbursements are made to eligible candidates, and that the grants are transferred to the right bank accounts should also be carried out. Ideally, there should also be IT systems in place to detect suspicious transactions according to preset criteria;
- The operative performance, i.e. the efficiency and effectiveness of the grant system should also be assessed at regular intervals;
- The national quota- and vessel-registers should be updated at regular intervals and reconciled against relevant documentation;
- The catch data collected through the regional fisheries offices should be cross-checked against data collected through the ERS-system at regular intervals, and the data base containing all such data should be sufficiently secured against unauthorized access.

**Regional Fisheries Offices (RFOs)**

Relevant internal controls suggested by the participants in relation to the fraud and corruption risk scenarios suggested for the RFO-level are listed in box 8.

**Box 8****Internal controls relating to fraud and corruption risks at the RFO-level:**

- There should be appropriate segregation of duties, in order to ensure validity of tasks and controls performed. Moreover, inspectors should be rotated at regular intervals both between ports and within offices to prevent that the same person always is inspecting the same vessels;
- The standards, procedures and practices for verifying and reconciling/cross-checking landings and catch reports should be standardized, and a system for recording inspections should be established. The operational performance of the fisheries inspections and controls should also be reviewed regularly;
- The collection of control fees should be regularly reviewed to ensure that all receipt books are registered, cashbooks are properly maintained, and bank reconciliations are carried out as they should;
- A hotline for the reporting of possible fraud and corruption should be established.

## **SESSION V: THREE SPECIFIC FRAUD AND CORRUPTION SCENARIOS**

This presentation gave a more elaborate description of the three fraud and corruption scenarios which were embedded in the background document.

### ***Ministry of Fisheries***

In this scenario, the Minister of Fisheries favoured a particular mackerel processing factory by making two amendments in the regulations relating to the mackerel fisheries which were especially beneficial for this factory. The Minister was in a conflict of interests-situation when she made these amendments, as her husband at the same time had strong owner's interests in the processing factory through a holding company. Consequently, the Minister had also violated the Code of Conduct of the Ministry as this document, among other things, included conflict of interests-provisions.

### ***National Fisheries Agency***

In this scenario, a private individual is abusing funds from a fisheries fund by constructing a fictitious fish processing factory and by unduly influencing the head of the section in the Agency responsible for the allocation of grants from the fund to approve the application and authorize the payment of the grant. Instead of being transferred to what the latter believes is a genuine processing factory, however, the money is transferred to an offshore bank account in a tax haven, which is controlled by the former.

### ***The Regional Fisheries Offices (RFOs)***

In this scenario, the fisheries inspector at the RFO which has only one inspector in operative duty is accepting bribes from several fishing companies for turning the blind eye to black landings of fish. There are clear signs of illicit enrichment in this scenario, as the inspector and his wife are in the possession of several assets which are clearly disproportionate to their known official income.

Participants were asked to consider the following for the three scenarios:

- Suggest how to confirm/document the fraudulent and corrupt acts described in the scenarios;
- Suggest how and to whom they should communicate their findings;
- Suggest how the case could be dealt with in their own report.

### ***Ministry of Fisheries***

Appropriate responses suggested by the participants to the fraud and corruption scenario described for the Ministry-level are listed in box 9.

#### **Box 9**

##### **Appropriate responses to the fraud and corruption scenario at the Ministry-level:**

- Check the family connections of the Minister through searches in the national population register or the national directory of residents;
- Check the Minister's asset declaration if she has submitted such a document;
- Examine the background documents for the decisions to amend the regulations and interview relevant stakeholders such as NGOs to get their opinions on these decisions;
- Check ownership of the holding company and the processing factory through searches in business registers and examination of financial statements/annual reports;
- Consult the legal department and management in their office before sending the relevant documents to the public prosecutors or the national anti-corruption body;
- Report the matter to the responsible public body - parliament or other - when the investigations are finalized.

### ***National Fisheries Agency***

Appropriate responses suggested by the participants to the fraud and corruption scenario described for the Agency-level are listed in box 10.

#### **Box 10**

##### **Appropriate responses to the fraud and corruption scenario at the Agency-level:**

- Study the authorization and approval procedures for allocation of grants in the NFA;
- Examine relevant documentation to check whether these procedures had been followed as they should in the particular case;
- Obtain documentation on the money transfer, if possible, also on the ownership of the account;
- Collect relevant information about the company, including interactive map searches to check whether it is genuine or not;
- If necessary, also carry out on-site inspections to check the genuineness of the company;
- Communicate findings to the head of the Agency and to the Ministry. If necessary, also report the matter to the police;
- After the criminal case is finalized, use the case - anonymized - in the audit report to illustrate the consequences of weak internal controls in NFA.

**Regional Fisheries Offices (RFOs)**

Appropriate responses suggested by the participants to the fraud and corruption scenario described for the RFO-level are listed in box 11.

**Box 11****Appropriate responses to the fraud and corruption scenario at the RFO-level:**

- Check all relevant documentation relating to control of landings in the port in question, and cross-check this documentation with all other available documentation, for instance data collected through the ERS-system, market information, etc.;
- Check ownership of the various assets through searches in national registries of property/land, cars, boats, etc.;
- Carry out on-site inspections of the RFO in question to check whether there are internal controls in place, and if so, whether these are functioning as they should;
- Communicate findings to the Attorney General for further consideration and, possibly, for the forwarding of the matter to the police for further investigations;
- Perhaps also communicate the matter to the management in the RFO in question. However, under any circumstance, auditors should exercise great caution and confidentiality when doing this, so that ongoing investigations are not compromised.

# Appendix I:

## Programme

### Seminar on Addressing Fraud and Corruption Issues when Auditing Environmental and Natural Resource Management

Prague, Czech Republic, 14 October 2013

	<i>Trainer and main presenter: Mr. Kjell Kristian Dørum, Office of the Auditor General of Norway</i>
09:00	<b>Opening by the EUROSAI WGEA secretariat</b>
09:05	<b>Introduction to the new guideline and overview of the seminar</b> Presentation by Mr. Kjell Kristian Dørum
09:30	<b>Group session I: 'Ice-breaker' exercise part one</b> Group discussion
09:45	<b>Introduction to fish as an object for fraud and corruption and the application of the value chain in the fisheries sector</b> Presentation by Mr. Kjell Kristian Dørum
10:00	<b>Group session II: 'Ice-breaker' exercise part two</b> Group discussion
10:30	<i>Coffee break</i>
10:45	<b>Key note speech: 'Fraud and corruption in the fisheries sector: Typologies from an organized crime perspective'</b> Presentation by Ms. Eve de Coning
11:20	<b>Introduction to Group session III: Fraud and corruption risk assessments and their application in the fisheries sector</b> Lecture by Mr. Kjell Kristian Dørum
11:35	<b>Group session III</b>

	Group exercise
12:00	<i>Lunch</i>
13:00	<b>Group session III continues</b>
13:50	<b>Introduction to Group session IV: The Internal Controls concept and its application in the fisheries sector</b> Lecture by Mr. Kjell Kristian Dørum
14:00	<b>Group session IV</b> Group exercise
14:30	<b>Introduction to Group session V: Presentation of three specific fraud and corruption scenarios</b> Presentation by Mr. Kjell Kristian Dørum
14:40	<i>Coffee break</i>
15:00	<b>Group session V: Audit procedures, documentation, communication and reporting</b> Group exercise
15:50	<b>Wrapping up and conclusions</b>
16:15	<i>Closing of seminar</i>