



# Act on Prohibition of False Claims for Public Funds and Recovery of Illicit Profits



## Purpose

The Act on Prohibition of False Claims for Public Funds and Recovery of Illicit Profits was enacted on April 16, 2019, and enforced on January 1, 2020, with the aim of enhancing the soundness and transparency of the operation of public funds by prohibiting false claims, etc. for public funds and establishing a system for recovering and managing profits earned through such false claims, etc.



## Key Highlights

In cases where false claims were made for the payment from public funds, administrative authorities shall retrieve illicit profits, impose monetary sanctions up to five times the value of the illicit profits, and publicly disclose a list of persons who made a large amount of false claims in accordance with this Act.

Retrieve illicit profit +  
interest



Impose monetary  
sanctions  
(up to five times)



Publish a list of  
persons who made  
a large amount of  
false claims



## Scope of Application

- **Public institutions** : central administrative agencies, local governments, municipal and provincial offices of education, public institutions referred to in the Act on the Management of Public Institutions, public service-related organizations, national and public schools
- **Public funds** : money, goods, etc. either raised or acquired by public institutions, or managed, disposed of, or used by them
- **Payment from public funds** : a subsidy, compensation, or contribution provided from public funds, or other money, goods, etc. offered without any corresponding consideration, which are prescribed by Presidential Decree
- **False claim, etc.** : fraudulent claims, excessive claims, use for non-specified purposes, erroneous payments
- **Illicit profits** : money, goods, etc. obtained or used from public funds through a false claim, etc.



## Types of False Claims (Subparagraph 6, Article 2)

Fraudulent claim (item a)	An act of claiming a payment from public funds by fraud or other improper means, despite a lack of qualifications to do so	★ Being subject to monetary sanctions
Excessive claim (item b)	An act of claiming a payment from public funds in excess of the payment supposed to be received by fraud or other improper means	
Use for non-specified purposes(item c)	An act of using a payment from public funds for any purpose other than the specified purpose or use, without complying with the procedures prescribed by legislation or municipal rules and regulations, or standards	
Erroneous payment (item d)	Other cases where a payment from public funds is made erroneously	



## Imposition of Monetary Sanctions

In addition to the recovery of illicit profits, up to five times the value of the relevant illicit profits is imposed

- |                                  |   |                                                     |
|----------------------------------|---|-----------------------------------------------------|
| ➤ Fraudulent claim               | ⊕ | <b>five times</b> the value of the illicit profits  |
| ➤ Excessive claim                | ⊕ | <b>three times</b> the value of the illicit profits |
| ➤ Use for non-specified purposes | ⊕ | <b>two times</b> the value of the illicit profits   |



## Disclosure of a List

Annually publish a list of persons who made a large amount of false claims, etc. accumulated over the preceding three years

» Persons who made a large amount of false claims etc. are defined as follows:

- ① those who have been subject to monetary sanctions two or more times; and
- ② whose total amount of illicit profits reached thirty million won or more.



## Protection of Reporters and Rewards and Awards

Any person may file a report on false claims with the competent public institution or its supervisory agency, the Board of Audit and Inspection, investigation agency, and the Anti-Corruption and Civil Rights Commission. In cases where a report filed by a reporter contributes to the retrieval of illicit profits or the imposition of monetary sanctions leads to a recovery of revenues of public institutions, the reporter may receive a monetary award or apply for payment of monetary reward.

### Protection of reporter

- guarantee status
- secure personal safety

### Rewards and awards for reporter

- apply for payment of monetary reward
- provide monetary award