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BRUSSELS

CONFERENCE ON **ANTI-CORRUPTION**
AND **ANTI-FRAUD** MEASURES
IN RELATION TO THE USE OF THE EUROPEAN
STRUCTURAL AND INVESTMENT FUNDS

in co-operation with





ASSESSING FRAUD RISKS AND PUTTING IN PLACE EFFECTIVE AND PROPORTIONATE ANTI-FRAUD MEASURES FOR THE 2014-2020 PROGRAMMING PERIOD

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Minimum anti-fraud requirements are set out in Article 114.4 c) of the 2014-2020 legislation:

"As regards the financial management and control of the operational programme, the managing authority shall put in place effective and proportionate anti-fraud measures taking into account the risks identified"



Commission's guidance provides a tool which can mitigate fraud risks

- 1) Assessing the degree of exposure to specific fraud risks using a self-assessment tool provided by the Commission
- 2) The type of additional anti-fraud measures to be put in place should take into account already existing mitigating controls
- 3) Proportional and effective: a higher fraud risk requires that anti-fraud measures are stepped up
- 4) During the programming period, the fraud risk assessment should be carried out annually or every second year



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The tool focuses on fraud risks in relation to three key processes

- selection of applicants
- implementation and verification of the operations (including public procurement-related fraud risks)
- certification and payments



Basic steps when using the tool

- 1) assess the 'gross' risk (= impact x likelihood) of specific pre-identified risks occurring under each of the three key processes (plus add any other identified risks)
- 2) identify and assess the effectiveness of controls already in place to mitigate against the identified specific fraud risks
- 3) assess the net risk
- 4) as necessary, put in place any further mitigating controls



Practical example from the tool

"Non-delivery or product substitution" (risk nr IR 7):

- 1) **Product substitution:** third parties may substitute inferior quality items for those which are specified in the contract or otherwise fail to meet contract specifications and then knowingly misrepresent that they have. Beneficiaries may be complicit in this fraud or
- 2) **Non-existence of products or operation not carried out in line with grant agreement:** some or all products or services to be supplied as part of a contract may not be provided, or the contract was knowingly not carried out in line with the grant agreement.



Practical example (cont.)

CALCULATE GROSS RISK OF EACH SPECIFIC FRAUD RISK

- the total risk score will be automatically calculated by the tool by multiplying the score given by the assessment team to **risk impact** and **risk likelihood**

ASSESS EXISTING CONTROLS IN PLACE FOR EACH SPECIFIC FRAUD RISK

- assess effect of existing controls on risk impact and risk likelihood (i.e. gross risk) by providing a score for each

ASSESS NET RISK AFTER CONTROLS

- the net risk score (i.e. the risk after current controls) is automatically calculated by the tool



Practical example (cont.)

ACTION PLAN

- when necessary, introduce a mitigating control against a specific net risk which is significant or critical
- E g suggested control to mitigate against product substitution: requirement by MA for beneficiaries to request works certificates or other forms of verification certificates, awarded by an independent third party, on the completion of the contract.

TARGET FRAUD RISK LEVEL

- target risk is automatically calculated by the tool



Thank you!