

process **Fraud Risk Assessment**

name Sophia Fotopoulou-Prigkipa

affiliation MA of the OP of Public Sector Reform

Fraud Risk Assessment is a proactive, structured and targeted approach implemented by the Managing Authority of the Operational Program of Public Sector Reform (MA OP PSR) to managing the risk of fraud related to the delivery of EU funds in the OP. The approach is recommended by the European Commission in order to protect EU financial interests and comply with relative regulations and is further differentiated by the National Coordinating Authority (NCA) within the Management and Control System (MCS) for EU structural funds and by the MA, in order to be targeted for the specific OP (PSR). The service involves the self-assessment by te MA of the impact and likelihood of specific fraud scenarios occurring, as well as the recommendation of mitigating controls. The goal is to implement effective and proportionate anti-fraud measures with cost-effective means.

- **Service Owner:** Managing Authority of the Operational Program of Public Sector Reform (MA OP PSR)
- **Consumed Services:**

data	service/ organization	direction	consumption
<i>legislation, regulations and case law</i>	<i>online legal database</i>	<i>in</i>	<i>manual</i>
<i>anonymized irregularities, fraud indications and fraud suspicions</i>	<i>coordination and anti-fraud authorities, NCA/ AFCOS/ OLAF, eg OLAF IMS</i>	<i>in</i>	<i>manual</i>
<i>red flags/ fraud indicators</i>	<i>anti-corruption authorities, eg. OLAF</i>	<i>in</i>	<i>n.a.</i>
<i>established fraudulent cases</i>	<i>investigative, anti-fraud authorities, eg. AFCOS/ OLAF</i>	<i>in</i>	<i>manual</i>
<i>risk assessment tools</i>	<i>anti-corruption authorities, eg OLAF ARACHNE risk scoring tool</i>	<i>in</i>	<i>n.a</i>
<i>audit reports/ findings</i>	<i>audit bodies, eg. Financial Audit Committe</i>	<i>in</i>	<i>manual</i>
<i>fraud assessment service process standardization</i>	<i>NCA national M&CS for EU structural funds, eg baseline, feedback</i>	<i>both</i>	<i>manual</i>
<i>other processes' standardization</i>	<i>NCA national M&CS for EU structural funds, eg baseline, feedback audit bodies, eg audit sampling methodology and criteria selection</i>	<i>out</i>	<i>manual</i>

Service Description:

An assessment team is defined including staff from different departments within the MA, so that the assessment involves the most relevant actors and can be performed in an efficient and smooth way. The process is completed in full on an annual basis, or every second year, according to the level of risks identified. However, more regular reviews may be necessary, i.e. due to the occurrence of any new fraud instance, or main changes in the MA procedures and/ or staff. The results are delivered to the National Coordinating Authority (NCA).

Fraud risk assessment is part of a structured approach that MAs need to have in place to tackle fraud, that involves four key elements: prevention, detection, correction and prosecution (based on the deming cycle). Compliance with risk assessment obligations is audited by the audit authority (Financial Audit Committee) and may be accompanied with an anti-fraud policy statement.

The legal framework governing the operation of the service includes:

- Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013, Article 125.4 c)
- National Law 4314/2014, Article 52

E-Fraud Risk Assessment targets the key processes in the implementation of the Operational Program:

- proposals' evaluation and selection
- implementation and verification
- certification and payments
- technical assistance (public procurement the MA manages directly)

The methodology of fraud risk assessment has five main steps:

- Quantify the likelihood and impact of the specific fraud risk (gross risk)
- Assess the effectiveness of the current controls in place to mitigate the gross risk
- Assess the net risk after taking into account the effect of current controls and their effectiveness, i.e. the situation as it is at the current time (residual risk)
- Assess the effect of the planned additional controls on the net (residual) risk
- Define the target risk, i.e. the risk level which the managing authority considers tolerable

To help the team a certain number of risks are pre-defined, but additional risks can be added. For each new risk, the team inserts a risk description including actors involved and risk characteristics (eg whether the risk is external or internal). For each of the specific risks, the overall objective is to assess the 'gross' risk of particular fraud scenarios occurring, and then to identify and assess the effectiveness of controls already in place to mitigate against these fraud risks either from occurring or ensuring that they do not remain undetected. A certain number of suggested preventive controls are pre-defined, but can be removed, and more can be added. The result is a 'net' current risk which should lead an action plan to be put in place to improve controls and further reduce the exposure to negative consequences (i.e. putting in place any additional effective and proportionate anti-fraud measures, as necessary). A planned additional control contains attributes like control description, responsible individual, deadline and effect on risk impact and likelihood. The level of risk after taking into account the effect of any current and planned controls is referred to as target risk and is automatically calculated.