



# Model for assessing risk of fraud

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The training has been organised by EIPA and CPVA under the Framework Contract Nr 2023CE160AT004.

6 February 2024

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## Day 2

### Models for Assessing Risk of Fraud

- Model for Fraud Risk Assessment
- Mitigating Controls
- Guidance Note Fraud Risk Assessment and Annex II
- **Break out rooms on Fraud Risks**

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## Assessing risk of fraud



### EGESIF guidance note 14-0021-00 (2014)

- Assistance and recommendations to MA's
- How to implement Article 125(4)(c) of CPR – effective and proportionate anti-fraud measures
- Also includes guidance for AA as to how to verify MA compliance
- Approach of MA should be
  - Proactive
  - Structured
  - Targeted
- Adoption of right “tone from the top”



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## Fraud Risk Self-Assessment



EC recommend MA use the tools described in **4 Annexes**:

#### **Annex 1: Risk Assessment Tool**

To be carried out by a self-assessment team set up by MA

#### **Annex 2: Recommended mitigating controls**

Non-binding further controls in response to any remaining risks.

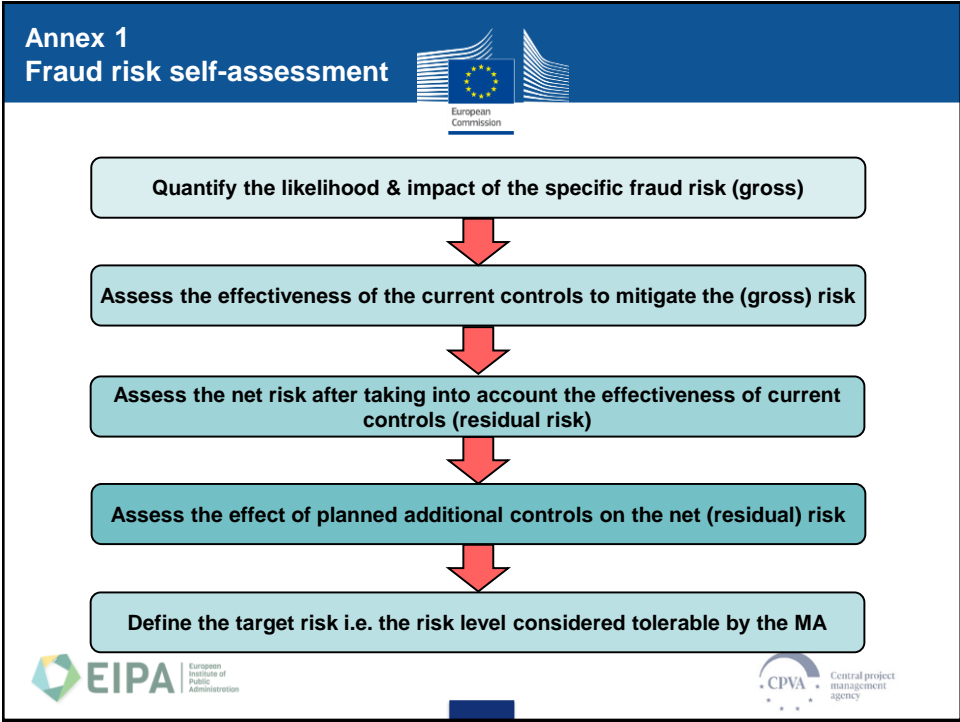
#### **Annex 3: Template for Anti-Fraud Policy Statement (tone at the top).**

#### **Annex 4: Guidance for Audit Authority verification work**

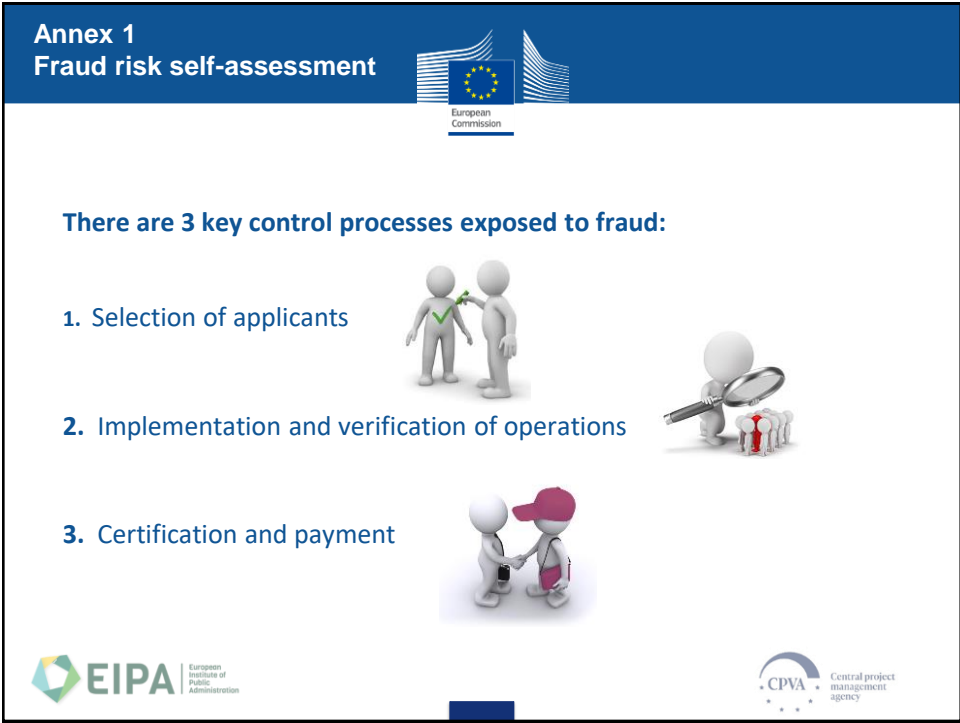
Checklists to be used in systems audits of AFM's



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Annex 1  
Self Assessment Tool





### Risk Likelihood

From a drop down menu the risk assessment team should select a risk likelihood score from 1 – 4 based on likelihood of risk occurring in the seven year programming period.


See Criteria below:

Score	Likelihood
1	Will almost never happen
2	Will rarely occur
3	Will sometimes occur
4	Will often occur





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Annex 1  
Self Assessment Tool

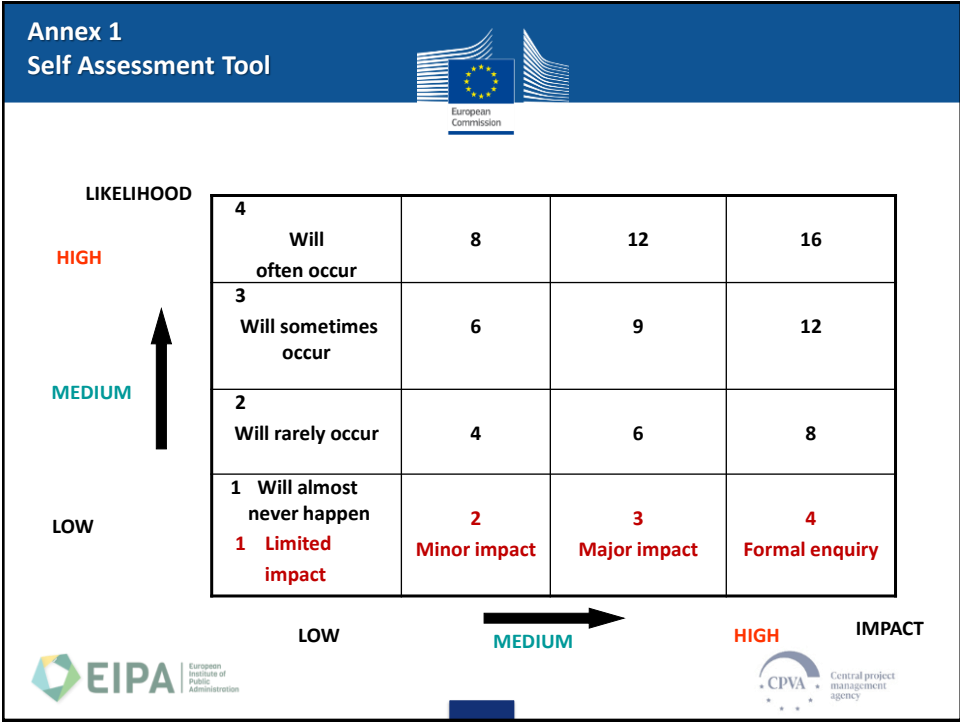


### Risk Impact

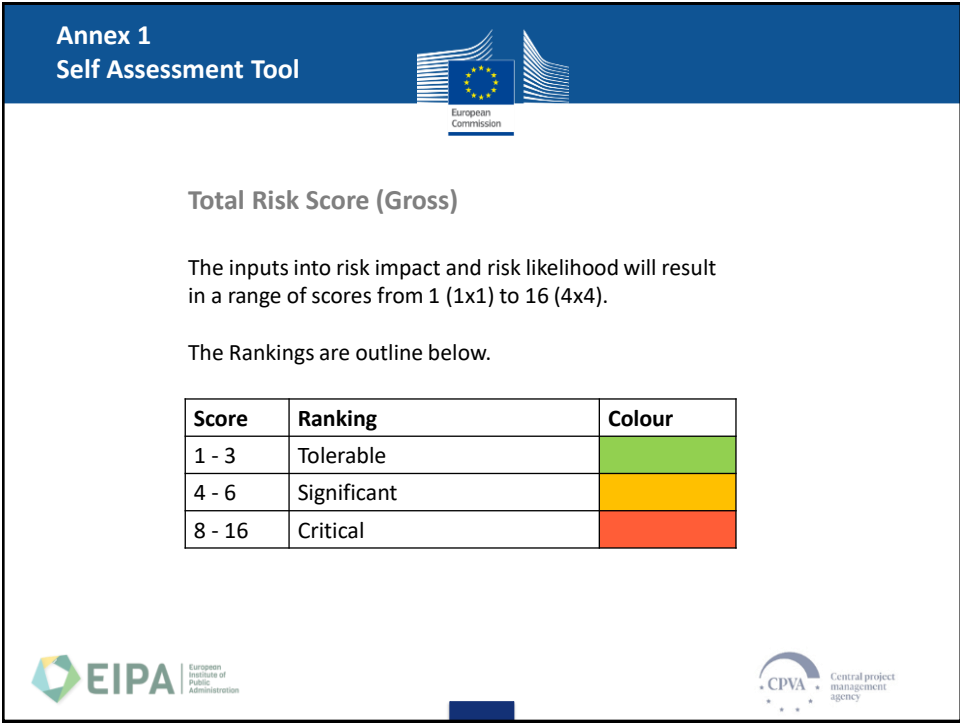
	Reputation	On Objectives
1	Limited impact	Additional work delayed other processes
2	Minor impact	Achievement of operational objective delayed
3	Major impact e.g. nature of fraud is particularly serious or several beneficiaries are involved.	Achievement of operational objective endangered or strategic objective delayed
4	Formal enquiry from stakeholders, e.g. Parliament and/0 negative press	Strategic objective endangered



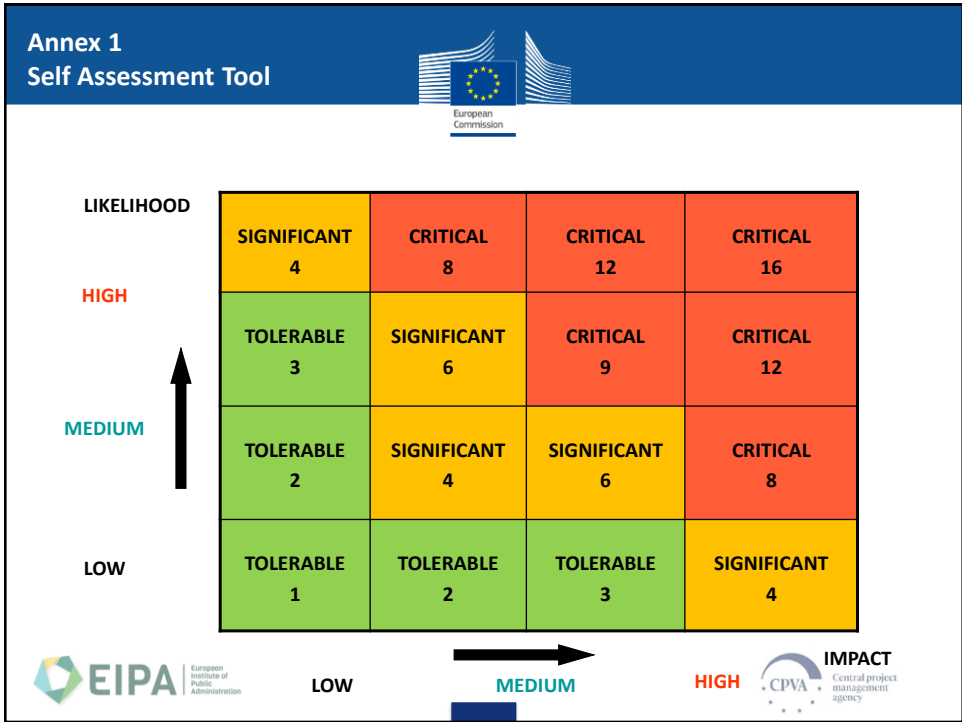
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**Annex 2 - mitigating controls**  
**Fraud prevention**



**Annex 2**

**Annex 2 to Guidance suggest controls under the following headings:**

- Selection of applicants
- Implementation and verification of operations
- Certification and payments
- Direct procurement by MA (if applicable)

**FRAUD PREVENTION**

If MA ...

- Demonstrates a clear commitment to combat fraud and corruption
- Raises awareness about its preventative and detective controls
- Is determined to transmit cases to competent authorities for investigation and sanctions

It will send a clear message to potential perpetrators

May change behaviours and attitudes towards fraud

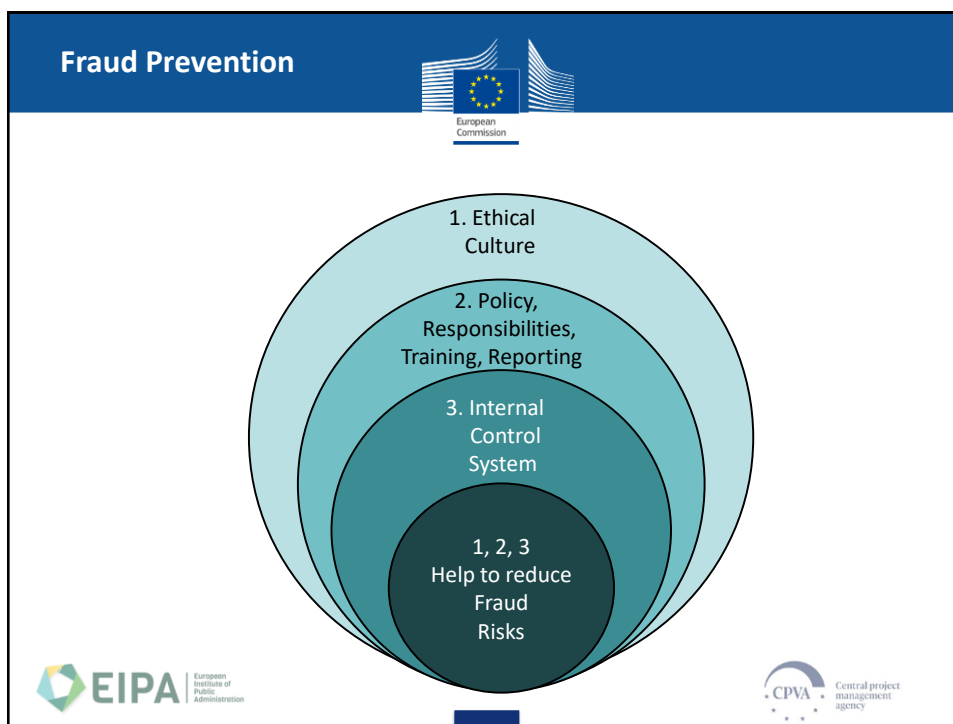


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## Annex 4 – Audit Authority Audit - compliance of MA (with Art. 125 (4))

1. Ethical Culture

2. Policy, Responsibilities, Training, Reporting

3. Internal Control System

1, 2, 3  
Help to reduce  
Fraud  
Risks

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- 1. Review the process for fraud risk assessment**
  - Composition of assessment team
  - Time and resources spent on exercise
  - Sources of information were adequate (audit reports, fraud reports, other self assessments)
  - Exercised clearly documented
  - Adequate oversight by senior management
- 2. Gross risks**
  - Review selection of the scores for IMPACT (explanations & supporting evidence)
  - Review selection of the scores for LIKELIHOOD (explanations & supporting evidence)
  - Has the GROSS risk been calculated and graded (T,S,C) correctly?
- 3. Existing controls and Net Risk**
  - Select a sample of controls and verify
  - Do the controls actually exist?
  - Are they adequately documented?
  - Review scores for effect of controls on the Gross Risk (Impact & Likelihood)
  - Has net risk been calculated and graded (T, S, C) correctly?
- 4. Action Plan and Target Risk**
  - Select a sample of risks from fraud risk assessment (cover all processes)
  - Review score given for effect of new controls (on Impact and Likelihood)
  - Is score consistent with AA knowledge of effectiveness of control?
  - Has Target Risk be calculated and graded correctly?
  - Do additional controls appear to be optimal and well-considered?

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# QUESTIONS?

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