

INTERACT and MA of ETC Programmes

WEBINAR

“ANTI – FRAUD MEETING”

21-22/10/2020

Fraud Risk Management



Fraud Risk Management

- * Two (2) distinct procedures:
 - ✓ **Fraud Assessment & Management (Annex 4.1) and**
 - ✓ **Risk Assessment (Annex 4.2)**
- * **A development of Programme Strategy for Fraud Treatment**
- * **Development of the “Fraud Assessment Tool”**

Fraud Risk Assessment Tool (General)

- * The Commission in the GUIDANCE NOTE ON FRAUD RISK ASSESSMENT AND EFFECTIVE AND PROPORTIONATE ANTI-FRAUD MEASURES (EGESIF 14-0021-00, 16/06/2014) has developed a specific methodology for assessing the risks associated with fraud.
- * The implementation of this methodology is supported by the Fraud Risk Assessment Tool, (excel file).
- * The main objective of the fraud risk assessment tool is the facilitation of a self-assessment by the MA of the impact and likelihood of specific fraud scenarios occurring.
- * The FRA Tool is completed / assessed by the FRA Team

Fraud Risk Assessment Tool (2)

Fraud Risk Assessment Team: COMPOSITION

- * Head of Unit A', B1 or B2', C' & D
- * The Coordinator of the JS
- * Representative of the FLC in the cooperating country
- * Representative of the National Authority

The team meets every year or every two years
according to the results of the tool

Adjustment of the tool (3)

- * Original version of the tool provided by the Commission but did not fit the requirements of Interreg Programmes
- * The tool was modified according to the rules and regulations that apply for Interreg Programmes
 - * Unit A' developed the first draft
 - * The FRA Teams met and discussed the tool.
 - * One unified tool for 6 Cooperation Programmes.
 - * The tool was finalized and sent to the members of each FRA Team.

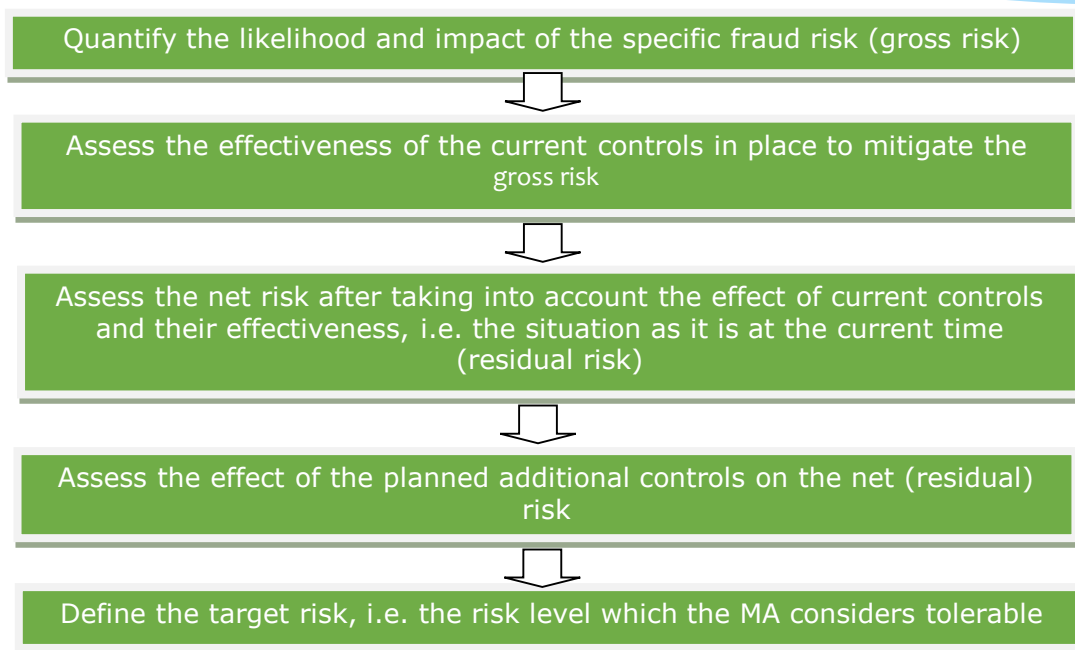
Fraud Risk Assessment Tool (4)

What does the tool cover:

- Four key processes under four sections:
- selection of applicants
- implementation of the projects by the beneficiaries, focusing on public procurement and labour costs
- certification of costs by the MA and payments
- any public procurement the MA manages directly under the TA budget

Fraud Risk Assessment Tool (5)

How does the tool work?





Gross & Net Risk

Impact or Likelihood

Rating	Impact on reputation	Impact on objectives	Possibility /Likelihood
1	Limited impact	Additional work delaying other processes	Will almost never happen
2	Minor impact	Achievement of operational objective delayed	Will rarely occur
3	Major impact, e.g. because nature of fraud is particularly serious or several beneficiaries are involved	Achievement of operational objective endangered or strategic objective delayed	Will sometimes occur
4	Formal enquiry from stakeholders, e g Parliament and/or negative press	Strategic objective endangered	Will often occur

Levels of Gross & Net Risk

Rating	Level of gross & Net risk
1 - 3	Tolerable
4 - 6	Significant
8- 16	Critical

Summary of Results (applicant selection)

Key Processes	Risk Title	Risk description	Risk Impact (GROSS)	Risk Likelihood (GROSS)	Net RISK (GROSS)	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
APPLICANT SELECTION	Conflicts of interest within the Joint Secretariat	The Joint Secretariat staff intentionally influence the evaluation and selection of applicants to favour a certain applicants by providing favourable treatment to the their application in the evaluation or by exerting pressure on other staff members	3	1	3	-2	-1	1	0	0
	False declarations by applicants	Applicants submit false declarations in the application, misleading the Joint Secretariat that they comply with the general and specific eligibility criteria to win an application procedure	2	3	6	-1	-1	1	2	2
	Double funding	An organisation applies for funding for the same project from several EU funds and/or Member States without declaring these applications	2	2	4	-1	-2	1	0	0

Summary of Results (implementation and verification)

Key Processes	Risk Title	Risk description	Risk Impact (GROSS)	Risk Likelihood (GROSS)	Net RISK (GROSS)	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
Implementation - public procurement risks for contracts tendered & managed by beneficiaries	Undisclosed conflict of interests or bribes and kickbacks	A member of staff of the beneficiary favours an applicant / tenderer because: - an undeclared conflict of interest occurred or - bribes or kickbacks were paid	2	3	6	-2	-2	0	1	0
	Avoidance of required competitive procedure	A beneficiary avoids the required competitive procedure in order to favour a particular applicant in either winning or maintaining a contract by: - split purchases or - unjustified single source award or - not organising a tendering process or - irregular extension of the contract.	2	2	4	-1	-1	1	1	1
	Manipulation of the competitive procedure process	A beneficiary favours a tenderer in a competitive procedure through: - rigged specifications or - leaking bid data or - manipulation of bids.	1	1	1	-1	-1	0	0	0
	Collusive bidding	Bidders manipulate the competitive procedure organised by a beneficiary to win a contract by colluding with other bidders or setting up fake bidders: - collusive bidding including bidding by interlinked companies or - phantom service provider	2	2	4	-1	-1	1	1	1
	Defective pricing	A bidder manipulates the competitive procedure by not specifying certain costs in its bid	1	1	1	-1	-1	0	0	0
	Manipulation of cost claims	A contractor manipulates cost claims or invoices to overcharge or recharge incurred costs. - Single contractor double claims costs or - False, inflated or duplicate invoices.	1	3	3	-1	-1	0	2	0
	Non-delivery or substitution of products	Contractors violate the contract conditions by non-delivery of agreed products or alterations and substitution with inferior quality- Product substitution or- Non-existence of products or operation not carried out in line with grant agreement	1	2	2	-1	-1	0	1	0

Summary of Results (certification and Payments)

Key Processes	Risk Title	Risk description	Risk Impact (GROSS)	Risk Likelihood (GROSS)	Net RISK (GROSS)	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
CERTIFICATION AND PAYMENTS	Incomplete / inadequate management verification process	Administration and on-spot verification procedure in Member States/Partner countries, may not give adequate assurance for absence of fraud, due to a lack of the necessary skills or resources at the MA or the FLC.	1	2	2	-1	-2	0	0	0
	Incomplete / inadequate expenditure certification process	Expenditure certifications may not give adequate assurance for absence of fraud, due to a lack of the necessary skills or resources at the CA.	3	2	6	-1	-2	2	0	0
	Conflicts of interest within the MA	Members of the MA may have conflicts of interest which have undue influence on the approval of payments for certain beneficiaries.	1	1	1	-1	-1	0	0	0
	Conflicts of interest within the Certifying Authority	Expenditure may be certified by a Certifying Authority that has a connection to the beneficiary.	2	1	2	-1	-1	1	0	0

Summary of Results

(Public Procurement directly managed by the MA)

Key Processes	Risk Title	Risk description	Risk Impact (GROSS)	Risk Likelihood (GROSS)	Net RISK (GROSS)	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
DIRECT PROCUREMENT BY MANAGING AUTHORITIES	Avoidance of required competitive procedure	A member of staff of the MA avoids the required competitive procedure in order to favour a particular tenderer in either winning or maintaining a contract by: - not organising a tender process or- split purchases or- unjustified single source award or- irregular extension of the contract.	1	1	1	-1	-1	0	0	0
	Manipulation of the competitive procedure process	A member of staff of an MA favours an tenderer in a competitive procedure through: - rigged specifications or - leaking bid data or - manipulation of bids.	3	2	6	-1	-1	2	1	2
	Undisclosed conflict of interests or bribes and kickbacks	A member of staff of an MA favours an applicant / tenderer because: - an undeclared conflict of interest occurred or - bribes or kickbacks were paid	1	1	1	-1	-1	0	0	0

Conclusions

- * The tool showed that there are adequate controls in place for the Cooperation Programmes we manage.
- * The results did not indicate a need for further action plans.
- * The team meets once in two years.
- * Experience has showed that irregularities or fraud maybe/are detected on the project level (mostly related with the procedures applied by the beneficiaries).
- * The FLC bodies through their well trained controllers and staff are in the position to detect fraudulent activity and report it.
- * The Management and Control Systems of the Programmes are being updated as appropriate in order to secure that adequate procedures are put in place.

Zero tolerance

Last but not least, we should always remember that:

“Fraud can manifest itself in many different ways. **The MA has opted for a zero tolerance policy to fraud and corruption**, and has in place a robust control system that is designed to prevent and detect, as far as is practicable, acts of fraud and correct their impact, should they occur”

Thank you

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