

**Annex 1**

**1.1. HOW TO USE THE SELF-ASSESSMENT TOOL**

The tool covers three key processes under three sections:

- selection of applicants (worksheet 1 of the spread-sheet);
- implementation of the projects by the beneficiaries, focusing on public procurement and labour costs (worksheet 2);
- certification of costs by the MA and payments (worksheet 3).

**Each of these three sections, containing the specific risks, which have been numbered (e.g. SR1, SR2 etc) is preceded by a cover sheet, which lists all the specific risks relevant to the section.**

Moreover, the MA is recommended to assess fraud risks in relation to any public procurement it manages directly, e.g. in the context of technical assistance (section 4 on direct procurement). In case the MA does not carry out any public procurement for which a fraud risk assessment is necessitated, section 4 need not be filled in.

Note: only yellow cells should be filled in by the self-assessment team.

**RISK DESCRIPTION**

To help the team a certain number of risks have been pre-defined in the tool. These pre-defined risks should all be assessed by the team, but if additional risks are identified more rows can be added.

**The complete risk description can be found either in the cover sheet (as regards sections 2 and 4) or under the specific risk (sections 1 and 3).**

Column Heading	Guidance
<b>Risk Ref</b>	A unique risk reference. The letters refer to the section in which the risk has been identified (SR = Selection of beneficiaries, IR = Implementation and Monitoring, CR = Certification and Payment and PR = Direct Procurement by the MA) and the number is the sequential identification reference.  This cell only needs to be completed for new risks added.
<b>Risk Title</b>	This cell only needs to be completed for new risks added.
<b>Risk Description</b>	This cell only needs to be completed for new risks added.

<p><b>Who is involved in the risk?</b></p>	<p>Details of the bodies in which the individuals or actors involved in perpetrating any fraud are located are named here e.g. Managing Authority, Implementing bodies, Certifying Authority, Beneficiaries, Third Parties.</p> <p>This cell only needs to be completed for new risks added.</p>
<p><b>Is the risk internal (within the MA), external or the result of collusion?</b></p>	<p>Details of whether the fraud would be internal (only within the Managing Authority), external (only within one of the bodies external to the Managing Authority) or a result of collusion (involving one of more of the bodies) are given here.</p> <p>This cell only needs to be completed for new risks added.</p>

## 2. THE FIVE KEY STEPS IN THE SELF-ASSESSMENT

### 2.1. Gross risk

Gross risk refers to the level of risk **before taking into account** the effect of any **existing or planned** controls. The quantification of risk normally consists of a combination of the risk **‘likelihood’** – how likely is the event to happen and the risk **‘impact’** – what consequences will the event have, financially and non-financially. In order to ensure consistency of assessment, a **time horizon** should be set when determining the likelihood, which in this case should be the seven-year programming period.

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<p><b>Risk Impact (GROSS)</b></p>	<p>From the drop-down menu, the risk assessment team should select a risk impact score from 1 to 4, based on the impact that the risk would have if it occurred, according to the following criteria:</p> <table border="1" data-bbox="624 1332 1257 1861"> <thead> <tr> <th></th> <th>Reputation</th> <th>On Objectives</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Limited impact</td> <td>Additional work delaying other processes</td> </tr> <tr> <td>2</td> <td>Minor impact</td> <td>Achievement of operational objective delayed</td> </tr> <tr> <td>3</td> <td>Major impact, e.g. because nature of fraud is particularly serious or several beneficiaries are involved</td> <td>Achievement of operational objective endangered or strategic objective delayed</td> </tr> <tr> <td>4</td> <td>Formal enquiry from stakeholders, e.g. Parliament and/or negative press</td> <td>Strategic objective endangered</td> </tr> </tbody> </table>			Reputation	On Objectives	1	Limited impact	Additional work delaying other processes	2	Minor impact	Achievement of operational objective delayed	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	4	Formal enquiry from stakeholders, e.g. Parliament and/or negative press	Strategic objective endangered
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<b>Risk Likelihood (GROSS)</b>	<p>From the drop-down menu, the risk assessment team should select a risk likelihood score from 1 to 4, based on the likelihood that the risk will occur in the seven-year programming period, according to the following criteria:</p> <table border="1" data-bbox="624 360 1142 490"> <tr> <td>1</td> <td>Will almost never happen</td> </tr> <tr> <td>2</td> <td>Will rarely occur</td> </tr> <tr> <td>3</td> <td>Will sometimes occur</td> </tr> <tr> <td>4</td> <td>Will often occur</td> </tr> </table>	1	Will almost never happen	2	Will rarely occur	3	Will sometimes occur	4	Will often occur
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<b>Total Risk Score (GROSS)</b>	<p>This cell is automatically calculated from the inputs into Risk Impact and Likelihood. It is ranked according to the total score:</p> <ul style="list-style-type: none"> <li>• 1 – 3 – Tolerable (Green)</li> <li>• 4 – 6 – Significant (Orange)</li> <li>• 8 – 16 – Critical (Red)</li> </ul>								

## 2.2. Current mitigating controls

A certain number of suggested preventative controls have been pre-defined in the tool. **These controls are examples only** can be removed by the assessment team, if the controls do not exist and more rows can be added if there are additional controls in place that counter the identified risk. **It may be that a control currently allocated to one particular risk is also relevant to other risks - in such cases the controls can be repeated several times. In particular, the exercise can be facilitated by making a simple cross-reference to current controls which are described and/or listed in e.g. the description of the management and control system, business processes and manuals.**

Column Heading	Guidance
<b>Control Ref</b>	<p>A unique control reference. The numbers have been sequentially allocated to each risk, e.g. controls for risk SR1 begin at SC 1.1, controls for risk IR2 begin at IC 2.1.</p> <p>This cell only needs to be completed for new controls added.</p>
<b>Control Description</b>	<p>This cell only needs to be completed for new controls added.</p>
<b>Do you evidence operation of this control?</b>	<p>From the drop-down menu, the risk assessment team should indicate ‘Yes’ or ‘No’ evidence for the operation of the control is documented. For example, evidence of approval is documented by a signature and the control is therefore visible.</p>
<b>Do you regularly test this control?</b>	<p>From the drop-down menu, the risk assessment team should indicate ‘Yes’ or ‘No’ as to whether the operation of the control is regularly tested. This could be tested by internal or external audit or any other monitoring system.</p>
<b>How confident are you in the effectiveness of this control?</b>	<p>Based partly on the responses to the previous two questions, the risk assessment team should indicate how confident they are in the effectiveness of the control in mitigating against the identified risk (High,</p>

	Medium or Low). If the control is not evidenced or not tested the confidence level will be low. If the control is not evidenced then it will clearly not be able to test it.
<b>Effect of combined controls on risk IMPACT taking into account confidence levels.</b>	From the drop-down menu, the risk assessment team should select a score from -1 to -4, indicating by how much they believe the risk impact has been reduced by the controls currently in place. Controls which detect fraud reduce the impact of fraud since they show that the internal control mechanisms work.
<b>Effect of combined controls on risk LIKELIHOOD taking into account confidence levels.</b>	From the drop-down menu, the risk assessment team should select a score from -1 to -4, indicating by how much they believe the risk likelihood has been reduced by the controls currently in place. Controls which detect fraud only indirectly reduce the likelihood of fraud.

### 2.3. Net risk

Net risk refers to the level of risk **after taking into account** the effect of any **existing** controls and their effectiveness i.e. the situation as it is at the current time.

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<b>Risk Impact (NET)</b>	<p>This cell will be automatically calculated from deducting the effect of combined existing mitigating controls from the GROSS risk impact. The result should be reviewed against the following criteria to confirm that the assessment is still reasonable:</p> <table border="1" data-bbox="624 618 1256 1144"> <thead> <tr> <th></th> <th>Reputation</th> <th>On Objectives</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Limited impact</td> <td>Additional work delaying other processes</td> </tr> <tr> <td>2</td> <td>Minor impact</td> <td>Achievement of operational objective delayed</td> </tr> <tr> <td>3</td> <td>Major impact , e.g. because nature of fraud is particularly serious or several beneficiaries are involved</td> <td>Achievement of operational objective endangered or strategic objective delayed</td> </tr> <tr> <td>4</td> <td>Formal enquiry from stakeholders, e g Parliament and/or negative press</td> <td>Strategic objective endangered</td> </tr> </tbody> </table>		Reputation	On Objectives	1	Limited impact	Additional work delaying other processes	2	Minor impact	Achievement of operational objective delayed	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	4	Formal enquiry from stakeholders, e g Parliament and/or negative press	Strategic objective endangered
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<b>Risk Likelihood (NET)</b>	<p>This cell will be automatically calculated from deducting the effect of combined existing mitigating controls from the GROSS risk likelihood. The result should be reviewed against the following criteria to confirm that the assessment is still reasonable:</p> <table border="1" data-bbox="624 1330 1142 1458"> <tbody> <tr> <td>1</td> <td>Will almost never happen</td> </tr> <tr> <td>2</td> <td>Will rarely occur</td> </tr> <tr> <td>3</td> <td>Will sometimes occur</td> </tr> <tr> <td>4</td> <td>Will often occur</td> </tr> </tbody> </table>	1	Will almost never happen	2	Will rarely occur	3	Will sometimes occur	4	Will often occur							
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<b>Total Risk Score (NET)</b>	<p>This cell is automatically calculated from the values Risk Impact and Likelihood. It is ranked according to the total score:</p> <ul style="list-style-type: none"> <li>• 1 – 3 – Tolerable (Green)</li> <li>• 4 – 6 – Significant (Orange)</li> <li>• 8 – 16 – Critical (Red)</li> </ul>															

## 2.4. Action plan for putting in place effective and proportionate anti-fraud measures

Column Heading	Guidance
<b>Planned Additional Control</b>	A full description of the planned control/effective and proportionate anti-fraud measures should be given here. <b>Whereas section 5 of the guidance note sets out general principles and methods to combat fraud, Annex 2 provides for each identified risk, the recommended mitigating controls.</b>
<b>Responsible Individual</b>	A responsible individual (or role) for any planned controls should be given here. This individual should agree to taking responsibility for the control and be accountable for the introduction and its effective functioning.
<b>Deadline for Implementation</b>	A deadline for the implementation of the new control should be given here. The responsible individual should agree to this deadline and be accountable for the introduction of the new control by this date.
<b>Effect of combined planned additional controls on risk IMPACT</b>	From the drop-down menu, the risk assessment team should select a score from -1 to -4, indicating by how much they believe the risk impact will be reduced by the planned controls.
<b>Effect of combined planned additional controls on risk LIKELIHOOD.</b>	From the drop-down menu, the risk assessment team should select a score from -1 to -4, indicating by how much they believe the risk likelihood will be reduced by the planned controls.

## 2.5. Target risk

Target risk refers to the level of risk **after taking into account** the effect of any **current and planned** controls.

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<p><b>Risk Impact (TARGET)</b></p>	<p>This cell will be automatically calculated from deducting the effect of combined planned mitigating controls from the NET risk impact. The result should be reviewed against the following criteria to confirm that the assessment is still reasonable:</p> <table border="1" data-bbox="624 618 1256 1144"> <thead> <tr> <th></th> <th>Reputation</th> <th>On Objectives</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Limited impact</td> <td>Additional work delaying other processes</td> </tr> <tr> <td>2</td> <td>Minor impact</td> <td>Achievement of operational objective delayed</td> </tr> <tr> <td>3</td> <td>Major impact , e.g. because nature of fraud is particularly serious or several beneficiaries are involved</td> <td>Achievement of operational objective endangered or strategic objective delayed</td> </tr> <tr> <td>4</td> <td>Formal enquiry from stakeholders, e g Parliament and/or negative press</td> <td>Strategic objective endangered</td> </tr> </tbody> </table>		Reputation	On Objectives	1	Limited impact	Additional work delaying other processes	2	Minor impact	Achievement of operational objective delayed	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	4	Formal enquiry from stakeholders, e g Parliament and/or negative press	Strategic objective endangered
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