

**1st Workshop of the project “101101784 — 2022-IT-FRED2”  
Fraud Repression through EDucation2**

**The tool of fraud risk for NRRP M&T**

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100% control of all expenditures for milestones conducted in scope of NRPP projects in infeasible and impractical. Therefore, there is a need to allocate the financial auditing resources in a most effective manner. In this project a framework is provided attempts to determine the optimal method of detecting and identifying fraud bases on sampling of the expenditures.

The expenditures with the highest risk of fraudulent activity are determined based on a variety of factors which can be classified into inherent risk and control risk. Inherent risks are those that are risks susceptible due to the nature of implementing party such as its organizational structure, number of projects managed, number of milestones, financial volume of the project as well as the experience of the implementing party in relation to the project activities. On the other hand, control risks are born due to the inadequacy of internal control mechanism and results of previous audits.

The sampling of expenditure claimed by the implementing body is also determined based on the nature of the Target/Milestone itself i.e. Risk Level of The Measure. In addition, risks associated with the operations of the implementing body are also considered which can be referred as Project Level Risks. The Risk Level of The Measure can are factors can include the type of implementing authority, number of implementing authorities and type of final beneficiaries.

With the utilization of this approach the aim is to determine fraudulent activity more accurately for future NRPP projects with the resources at hand. The effectivity of this approach can be determined by following the projects closely and performing random 100% control on a limited number of projects and determine the effectivity of the accuracy of detection of fraudulent activity.