

Corruption prevention through controls and transparency: external and internal audit

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Public administration acting with integrity is an essential foundation for its legitimisation. Citizens are justified in expecting that members of the administration act with integrity and that corruption is prevented and fought against. In addition to measures taken to prevent corruption, controls and transparent processes are key factors for ensuring the administration's integrity. Internal audit reviews whether these measures are functional and effective.



Why is corruption prevention important?

Corruption damages the image of the state and its employees while increasing the cost of (government) services. Public officials are prohibited from accepting rewards and gifts as a matter of principle. This rule must be observed. That is why it is subject to both, criminal and disciplinary law.

Corruption is to everyone's detriment, and it already starts with accepting small favours. Corruption is not a trivial offence. Once a person starts on this path without experiencing any negative consequences, they are at risk of becoming dependent on third parties, sinking deeper and deeper into the entanglements of corrupt action. When it is discovered, consequences under service or labour law must be expected – which may result in unemployment or the loss of livelihood. Offenders often play with their career for the sake of small gifts.

These points should highlight why it is important to combat and prevent corruption. Every individual in a public authority should act with integrity to avoid causing harm to the authority or the reputation of the public administration.

How can the occurrence of corruption be prevented?

A three-step approach is recommended to minimise the risk of corruption: **prevention, detection** and **reappraisal**.

Prevention should avert any corruption. All offices and agencies of the federal government determine which fields of activity are at a particularly high risk of corruption, and review the necessary controls. Such fields of activity include e.g. areas with regular contact to third parties. Employees should regularly be made aware of corruption risks, and informed of the consequences of corrupt conduct.

Incidents of corruption are mostly **detected** when corruption suspicions in an authority are investigated, e.g. by the internal audit department. The facts are clarified and reviewed for plausibility. If there are sufficient

indications for a reasonable suspicion, the authority involves the public prosecutor's office which then takes over the criminal prosecution.

Reappraisal aims to close any loopholes identified in the internal control system. Measures taken against the parties involved aim to draw attention to the consequences of corrupt conduct and act as a deterrent.

What measures can be taken to prevent corruption?

Well-known corruption prevention measures include the multiple-signature principle and transparency. Under the multiple-signature principle, several employees or organisational units are involved in a transaction or its review. These types of precautionary measures are absolutely crucial in fields of activity at high risk of corruption.

Fields of activity at high risk of corruption should be identified and analysed. Moreover, clear and explicit rules should be defined for accepting rewards and gifts. The internal audit department is an important instrument, performing objective audit and advisory activities while acting as a partner in corruption prevention.

While electronic award procedures exclude numerous possibilities for manipulation on account of the high level of transparency and encryption mechanisms, they should not be considered a panacea for corruption.

It is also crucial to sensitise and train the parties involved to ensure they are familiar with the issue of corruption. Training and professional development facilities of the administrations can support these activities. Strict administrative and technical supervision is imperative. Measures for corruption prevention should be coordinated and reviewed for effectiveness.

What function does the contact for corruption prevention have?

Every public authority should have a contact for corruption prevention who is available to answer management questions, and advises the management and employees. It also provides information on the subject of corruption prevention, and evaluates indications for corruption within the authority, e.g. employee behaviour towards visitors or signs of conduct that lacks integrity.

The contact for corruption prevention should also contribute to training. It should be involved in public briefings on penalties issued for corruption cases under service and criminal law.

What is the role of internal audit in this context?

The internal audit department performs an independent audit and control function on behalf of agency management, and creates transparency on the administrative action in the authority as part of its work.

It supports the agency management in the performance of its control and supervisory responsibilities, in ensuring quality, innovation, efficiency and effectiveness of administrative action, and in the compliance with rules and regulations.

The audit objectives are:

- lawfulness and regularity,
- proper functioning,
- appropriateness and
- efficiency of administrative action.

The support and advisory function of the internal audit department is based on findings from audits from all areas of the authority's administrative action. However, examinations and reviews carried out by the internal audit department should not be considered a substitute for ongoing audits by other offices, e.g. at part of regular administrative or technical supervision or financial controlling.

These audits can examine both ongoing and completed administrative processes. They can focus on individual circumstances or review regulations and processes as a whole (procedural and system audits).

Internal audits also deal with the performance of corruption prevention tasks.

They are conducted on the basis of risk-oriented audit planning. The internal audit department is issued an audit engagement for each audit. The individual examinations are then prepared, e.g. with question catalogues and check lists. The audit is then conducted on the basis of the above. The internal audit department holds a final meeting on the audit findings with the affected organisational unit, and prepares an audit report. While the report addresses the affected organisational unit, it is often also submitted to the agency management. It is crucial that decisions are made on the measures to be employed. An adequate follow-up procedure is a crucial component for the effectiveness of internal audits.

The German Institute for Internal Auditing (DIIR) and the Institute of Internal Auditors (IIA) published standards for the effective performance of internal audits which is also applied to audits in public administration.

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