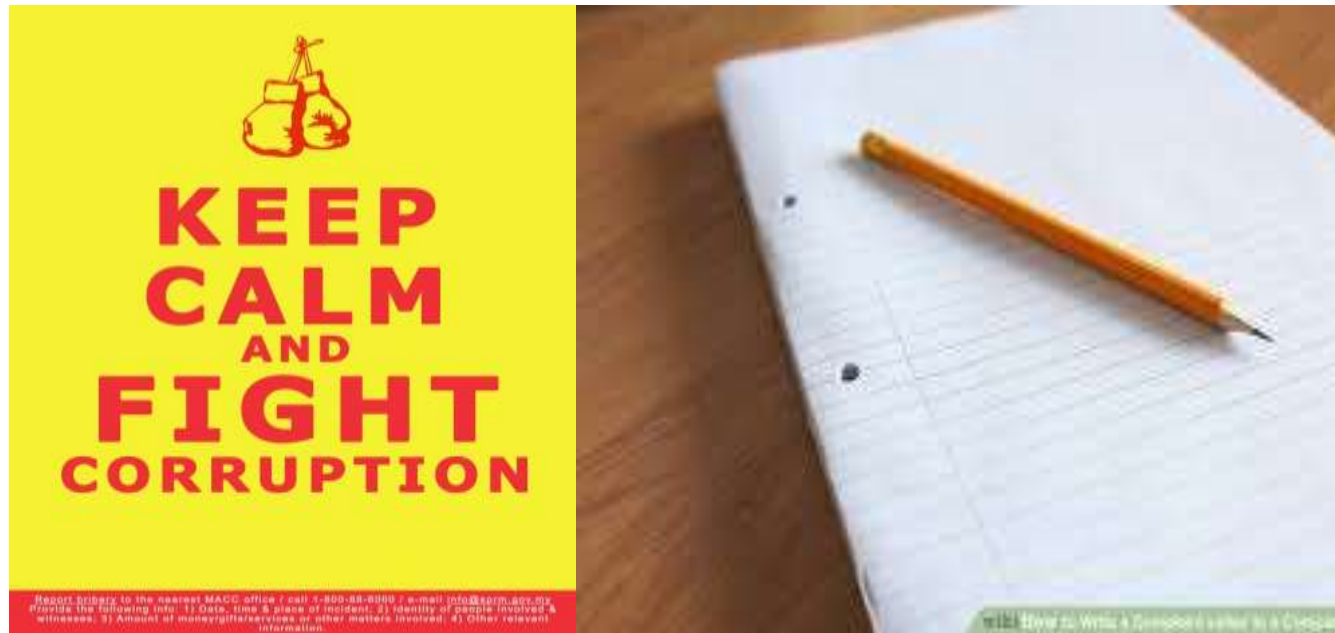


Lesson learned from literature review about SAI fighting against corruption



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Literature Review about SAI and fighting against corruption

- Vinod Sahgal (1996)
- Uruguay Accords (1998)
- Dye and Stapenhurst (1998)
- Magnus Borge (1999)
- Carlos Ceasar Modena (2005)
- Kenneth M. Dye (2007)
- Alastair Evans (2008)
- Musa Kayrak (2008)
- Schelker and Eichenberger (2010)
- Wei Qin, & Tang (2010) Li, Miao, & Liang (2011) Liu and Lin (2012)
- Blume and Voigt (2011)
- Darija Fabijanic (2014)
- ASOSAI (2015)
- Reichborn-Kjennerud et al.(2015)
- Gustavson and Sundstrom (2016)
- Gherai et al. (2016)
- Ioan Gheorghe Tara et al. (2016)
- Assakaf and Samsudin (2018)
- Marie Chene (2018)

Interesting findings from literature review

- The paper of Vinod Sahgal (1996) from World Bank which seemed to be the first paper to discuss the role of SAI and control corruption.
- However, the awareness of SAI in fighting corruption was appeared firstly in **the 16th INCOSAI meeting** which held in Montevideo, Uruguay in 1998.

Box 10: The SAI and the Control of Corruption

Vinod Sahgal (1996) has identified the following steps that an SAI can take to improve its capacity to curb corruption:

- Clarify its mandate and mission statement regarding its role as a catalyst for combating corruption
- Proactively promote policies that encourage ethical behavior in the public service
- Actively promote improvements in the quality of the public service
- Strengthen their Reporting and communication strategies
- Raise the public's awareness about ethics and corruption
- Work with educators to enhance communications in schools and homes on the subject of corruption

Dye and Stapenhurst (1998)

- This paper discussed the role of SAIs in promoting accountability and transparency within government, considers some of the factors making for effective SAIs and highlights the linkages between the audit institutions and other **"pillars of integrity,"** notably the media and Parliament.
- Two areas where auditors have been quite successful in identifying corrupt practices is **detecting situations** for, example, when managers are drawing pay for ghost workers, and identifying substandard construction through inspection.
- Auditors are developing better methodologies to detect corruption and bring to light corrupt practices.

Magnus Borge (1999)

- Magnus Borge (1999) mentioned to preventive and detective roles of SAIs in anti-corruption. Under preventive role, SAI should evaluate **internal control structure** to identify and correct weakness in order to maintain a preventive environment. Meanwhile, the detective role should be relevant **to identify fraud indicators**.

- **Kenneth Dye (2007)** pointed that the 16th INCOSAI meeting was concentrated on the role of SAIs to fight against corruption especially the sharing SAIs experiences in preventing and detecting fraud and corruption also sharing methods and techniques for preventing and detecting fraud and corruption.
- Dye mentioned that SAI should **strengthen investigative power** as well as **establishing forensic audit**.
- Moreover, he suggested that SAI should support and encourage with Anti-Corruption Agencies (ACAs) and civil society organization (CSOs) as Transparency International.

- **Modena (2005) and Evan (2008)** supported that SAI should create **a specialized unit for detecting fraud and corruption.**
- Similarly, **Musa Kayrak (2008)** indicated that the investigating corruption and focusing audit on high areas were main strategy to detect corruption. Furthermore, he introduced that SAI should **utilize IT audit** as a tool for preventing corruption.
- **Schelker and Eichenberger (2010)** proved the fact that external public audit in Switzerland can improve policy transparency and reduce wasteful spending.

Wei Qin and Tang (2010) Li, Miao, and Liang (2011) Liu and Lin (2012)

- Interestingly, there are three studies have explored the effectiveness and efficiency of government audit in China.
- The study of **Wei Qin, and Tang (2010)** discussed how the sanctions and penalties transfer of cases, **presentation of audit reports within news affect the operational security of public financial funds.**
- **Li, Miao and Liang (2011)** examined the extent to which public external audit by **economic accountability can prevent acts of corruption.**

Liu and Lin (2012)

- Liu and Lin (2012) show empirically how public external audit can help reduce corruption, using data from the provinces in China from 1999-2008. This paper analyzed the role of government audit in controlling corruption in China.
- The results indicated that the number of irregularities found in a province by the external auditing activity is positively associated with the level of corruption in the province, which means that **the more severe corruption in a province, much many irregularities were found by the local audit institutions.**
- Also, post-audit adaptation effort is negatively associated with the corruption in a province, fact that indicates that a greater effort of rectification is associated with lower corruption.

Blume and Voigt (2011)

- It conducted the first study **assessing the economic effects of differences in the organization of Supreme Audit Institutions across country borders.** The effects are grouped into three groups of estimated economic variables, namely: *tax policy, government's effectiveness and corruption and productivity.*
- Analyzing in more than 40 countries issues concerning: independence, mandate, implementation of audit recommendations and the organizational model of the Supreme Audit Institution, the authors have shown that they do not have a clear effect on the three groups of dependent variables.
- There is, however, one exception: **the perceived level of corruption is significantly higher if the institution is structured on the model of a Court of Audit.**

Darija Fabijanac (2014)

- This study focused on the important connections between **introducing independent audits and anti-corruption mechanisms**. Audits prove to be an important tool in preventing as well as in detecting corruption. However, not every type of auditing is suitable as an anti-corruption measure.
- Financial auditing is the classic type of audit and not really adequate for detecting corruption. Compliance and performance audits turn out to be more adequate for finding irregularities and detecting corruption.
- Therefore, **Supreme Audit Institution (SAI) should therefore conduct a multi-audit- approach and apply different types of audits to make auditing a tool for anti-corruption.**

Some findings from ASOSAI (2015)

Audit to Detect Fraud and Corruption :

Evaluation of the Fight against Corruption and Money Laundering



Figure 2

Five roles of SAI to anti-corruption and anti-money laundering under SAI mandates



Audit to Detect Fraud and Corruption
Evaluation of the Fight against Corruption and Money Laundering

The 10th ASOSAI Research Project Report

2015

Reichborn-Kjennerud et al.(2015)

- The purpose of this paper is to explore this paradox by documenting SAIs' understanding of their role in relation to detection and prevention of corruption, and analyze the rationale behind their understanding.
- The research method involved case study analysis of documents and interviews of SAI staff.

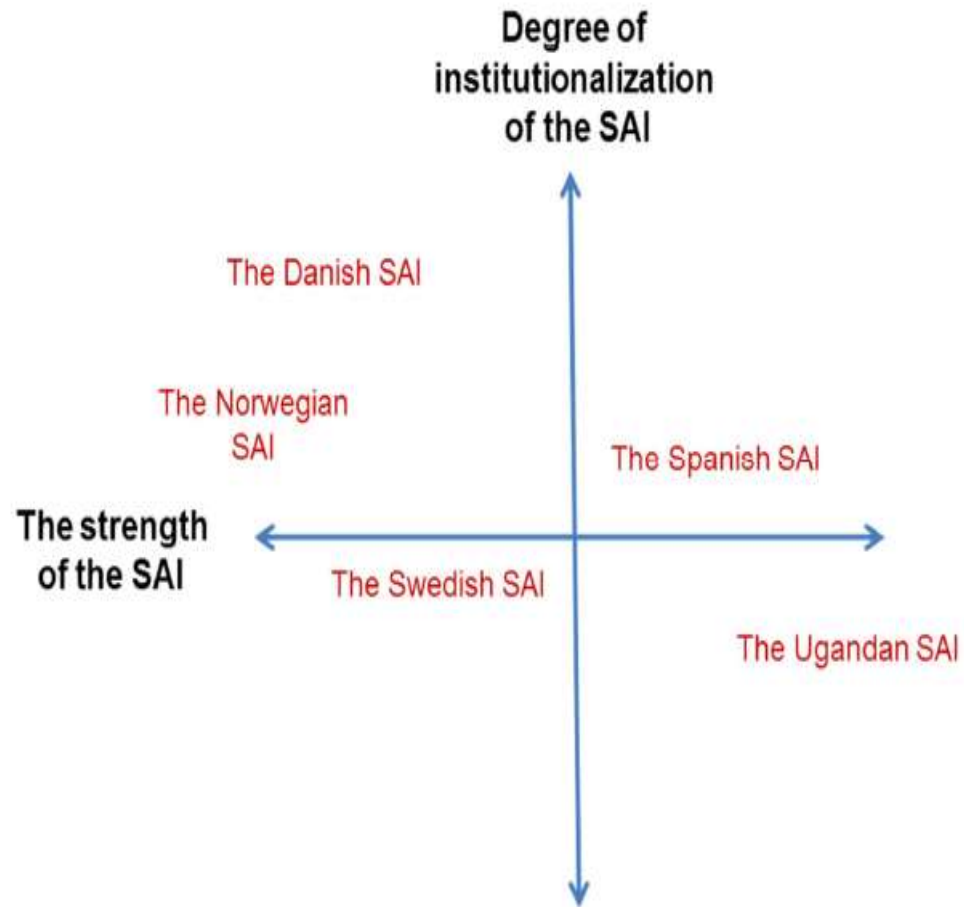
Table 2. SAIs role in fighting corruption

		Degree of institutionalization of the SAIs audit work	
		Low	High
The Strength of the SAI	Strong	1. The SAI may work to prevent and/or detect corruption if this is considered relevant in the context	2. The SAI is likely to work to prevent corruption, but may also neglect it
	Weak	3. The SAI do not fight corruption	4. The SAI is most likely to neglect corruption

Source. Own elaboration

Reichborn-Kjennerud et al.(2015)

Figure 1. SAIs strength and degree of institutionalization



- **Norway and Denmark** were proven to be strongly institutionalized and powerful SAIs, but still not particularly oriented to fighting corruption.
- **The Swedish SAI** on the other hand was rather weak with a history of serving the government as an evaluative institution. Still it demonstrated a clear commitment to fighting corruption.
- **The Ugandan Courts of Audit** exemplified a weak organization that was weakly institutionalized. The Ugandan SAI still actively fought corruption. Meanwhile, **the Spanish SAI**, that is a weak SAI, but strongly institutionalized, did not see this as part of its mandate.
- **The Swedish and the Ugandan SAIs** active role in fighting corruption was surprising and not fully in line with expectations.
- Even though **the Norwegian SAI** had made some efforts, **the Danish and the Spanish SAI** did not see fighting corruption as part of their mandate.

Gherai et al. (2016)

- This study considered relevant to analyze **the influence of institutions in reducing/control corruption in the state of EU**. Using an statistical method we built the **econometric model** is of simultaneous equations to examine interactions between **the existence and the activity of the Supreme Audit Institutions and the control of corruption**.
- The result indicated that after controlling other factors, **the more extensive the work of the Supreme Audit Institutions, the more it contributes to reduce corruption**.
- **The activity of the Supreme Audit Institutions is positively influenced to control corruption by the independence** held in each country and finally, the work of the Supreme Audit Institutions and the control of corruption affect the quality of the life of taxpayers.

Ioan Gheorghe Tara et al.(2016)

- The main objective of this study is to identify the role of the Supreme Audit Institutions in fighting corruption which focused on European Union.
- The results of the study indicated that **the Supreme Audit Institutions of the European Union contribute significantly to the improved efficiency of government's activity and have a significant influence on the perceived level of corruption in the region.**
- The results show that the Supreme Audit Institutions' effort to reduce the perceived level of corruption and to take control over them is visible, but it can be most effective where the remedies are carried out properly and correctly perceived by the persons responsible.

Gustavson and Sundstrom (2016)

- The authors presented a definition of **good auditing consisting of three principles: independence, professionalism, and recognizing the people** as the principal.
- Few cross-country studies examine the effects of auditing quality on public sector corruption. Using original data from an original expert survey covering more than 100 countries, the concept is then operationalized and tested empirically.
- The results demonstrated that **good auditing has a positive effect on national levels of public sector corruption**. Good auditing which is organized according to certain principles has potential to contribute to well-functioning public administrations with a low degree of corruption.

Assakaf and Samsudin (2018)

- The purpose of this study is **to explore the latest trends and gaps in the literature that investigate the link between corruption and public sector auditing.**
- It is based on reviews of the academic literature and draws general conclusions on the status of the latest findings. The authors reviewed several literature on corruption focused on economic and political perspectives.
- Although evidence suggests that public sector auditing helps to combat corruption, **there is still a huge gap in the knowledge of this area, especially concerning the functional role of public sector auditing in corruption detection and deterrence in developing countries.** Moreover, there is a scarcity of literature that explains in depth **how audit types conducted by the Supreme Audit Institution (SAI) may contribute to a reduction in corruption, and which types of audit are more effective.**

Marie Chene (2018)

- Recent studies illustrate that where auditing is conducted **professionally and independently** of outside influences, the level of corruption can be reduced as public officials are less able to hide malfeasance behind financial misrepresentation.
- There is a growing awareness of the potential of involving SAIs in the fight against corruption. **Successful approaches include focusing audit planning on areas at high risk of corruption, cooperation and coordination with other anticorruption bodies, and engaging civil society in audit processes.** Training and capacity building activities are also important means of developing the anti-corruption expertise of public auditors as well as promoting knowledge sharing and cooperation between SAIs.

Conclusion from literature review about SAI and fighting corruption

The role of SAI and fighting corruption

- National Integrity System and Pillar of Integrity
- Preventive and Detective role
- Model and mandate of SAIs and fighting corruption

Case studies and Evidence based about SAIs and fighting corruption

- The role of SAI China
- The role of SAIs in EU
- SAIs and Comparative studies

Key success factors of SAIs for fighting corruption

- SAI Independence and good auditing system
- Types of audit



No research without action, no
action without research.

— Kurt Lewin —

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