

## Guideline

# “Corruption and Money Laundering: Challenges for Supreme Audit Institutions”

Draft Version for the 7<sup>th</sup> Meeting  
of the INTOSAI Working Group on  
Fight against Corruption and Money Laundering  
(WGFACML)

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## **1.Introduction.**

### **1.1.The concept of challenges for SAIs**

The problem of corruption and money laundering is becoming more and more urgent for Supreme Audit Institutions from year to year; the importance of their role and position in the process of combating these negative phenomena is difficult to overestimate. Nevertheless, despite all efforts both in the frame of national SAIs and at the international level, the scale of corrupt practices and, most important, the general trend of their development, unfortunately, continue giving rise to serious concern.

It should be noted that corruption and money laundering are the most serious threats for SAIs themselves. A Supreme Audit Institution is by no means something separate and isolated from the external world, protected against the problems of internal nature. A SAI, just as any other structural element of state system, is affected by the entire range of negative influence caused by corruption and money laundering.

Challenges for Supreme Audit Institutions mean external and internal threats caused by corrupt practices and money laundering activities and interfering or capable of interfering with the normal functioning of SAIs.

In addition to direct challenges for SAIs, this paper contains recommendations for taking measures to ensure the protection of SAIs against external and internal corruption threats, which allows:

- creating a mechanism for prevention or mitigation of possible hazard, and in the event if the damage has already been caused or is unavoidable, applying measures to compensate for the negative effects;
- analyzing threats and foreseeing consequences of new challenges, i.e. factors of danger for all components of internal and external activities of SAIs;

- supporting further development of the areas of SAI's safety provision.

1.2. Justification of the importance and necessity of these guidelines for SAIs.

The complexity of the problem under consideration is also exacerbated by the fact that a supreme audit institution is usually at the very edge of the anti-corruption activities of the state. Any flaw in the overall system of SAI operation, irrespective of whether it is of external or internal nature, may be a disastrous factor for the implementation of the entire national anti-corruption strategy (programme).

This gives rise to a problem, the importance of which is difficult to overestimate: to determine the range of threats for Supreme Audit Institutions from the viewpoint of corruption and money laundering, as well as the list of recommendations for countering these threats. Evidently, the compiled list of main challenges may become an essential support for SAIs. On the one hand, it will allow paying attention to those threats that, due to these or those reasons, remained out of eyeshot of Supreme Audit Institutions in the frame of anti-corruption activities. In other words, the list may help to create conditions for more complete coverage of corruptogenic fields and minimization of risks of emerging of facts of corruption and money laundering.

On the other hand, the list may become one of the supporting materials used in developing (improving) the system of measures aimed at combating corruption and money laundering. Evidently, the effectiveness of anti-corruption activities directly depends on the purposefulness of anti-corruption activities of Supreme Audit Institutions and other public institutions involved in the implementation of the national strategy (programme).

In this case, the compiled list may be a starting point in the development of the most rational system of measures, which would simultaneously provide for a

point impact on specific negative practices and assure the fullest coverage of corruptogenic areas. The guidelines have been developed, in the first place, to achieve these very goals.

Taking into account the complexity of the problem, as well as specific features of national legislations and systems for combating corruption and money laundering, we are not able to include in the list absolutely all challenges and recommendations. It contains the most common threats specific for most Supreme Audit Institutions, as well as measures to prevent them.

This provision gives rise to the following main conclusions:

- the list may and must be supplemented and improved. This process is caused by the fact that forms, methods and points of application of corruption and money laundering are not static. This fact forces Supreme Audit Institutions to constantly search for countermeasures and modernize the system of effective counteraction to these negative practices;
- the compiled list of threats and counteracting measures may be considered as a basic material and be adapted to national conditions with due account of the peculiarities of legislation, the acuteness of problems SAI faces, etc.

As for the structure of the list, it is divided into two groups: challenges and recommendations of external nature and internal threats and recommendations.

## **2. External challenges**

2.1. Lack at the national level of a nation-wide programme for combating corruption and money laundering:

- loss of importance of the problem of combating corruption and money laundering at the national level. The consequence is public distrust in state authorities and formation of favourable conditions for the development of corruption;

- lack of system approach in anti-corruption activities both at the governmental and departmental levels;
- the impossibility to assess the scale of corruption at the national level and, as a consequence, poor possibilities to develop a system of anti-corruption measures;
- lack of a list of priorities of the activities aimed at combating corruption and money laundering, as well as the emerging of “gray zones” not covered by preventive influence of the government;
- lack of possibility to appraise the level of involvement of a particular country into the international system of corruption and money laundering.

*Recommendations:*

The nation-wide programme for combating corruption is a constantly improved system of measures of organizational, economic, legal, informational, personnel and other nature, which is aimed at the elimination of the root causes of corruption in the society and is being consistently implemented by all public authorities, civil society institutions, organizations and individuals.

The nation-wide programme to combat corruption is to be developed:

- a) based on the analysis of the situation related to various corrupt practices in the given country;
- b) based on the overall assessment of the efficiency of the existing system for combating corruption in the given country;
- c) taking into account measures to prevent and combat corruption provided for in the United Nations Convention against Corruption, the Criminal Law Convention on Corruption and other international legal instruments for combating corruption, which the given state is a member to.

The measures to implement the nation-wide programme for combating corruption should be consistent with generally accepted principles and standards of

international law in the area of fundamental rights and freedoms of man and citizen provided for in the Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights.

The goal of the nation-wide programme for combating corruption is to root out the causes and conditions that give rise to corruption in society.

The objectives of the nation-wide programme for combating corruption are:

- a) to form legal and organizational framework for combating corruption consistent with the needs of the time;
- b) to organize the implementation of legal acts and managerial solutions in the area of combating corruption, to create conditions that would impede the possibility of corrupt behavior and bring down the level of corruption;
- c) to ensure that the members of the public comply with the standards of anti-corruption behaviour, including, if necessary, the application of enforcement measures in accordance with national legal acts.

2.2. Poor degree of involvement of Supreme Audit Institutions into the implementation of the national strategy (programme) to counteract corruption and money laundering.

The role and position of SAI in this process are not defined:

- disproportionate distribution of functional load among law enforcement agencies and SAI, which results in low efficiency of activities to identify the facts of corruption and money laundering;
- insufficient use of the possibilities of Supreme Audit Institutions in identifying the facts of corruption and money laundering, as well as the prevention of these negative practices;
- poor degree of involvement of SAIs in activities aimed at the prevention of practices of corruption and money laundering, first of all, at the objects of control of Supreme Audit Institutions.



*Recommendations:*

SAIs should submit to legislative authorities their proposals on broadening their powers if such powers are not sufficient for effective counteraction of corruption. SAIs should initiate and promote such changes in legislation that would ensure real guarantees of their legal, financial and administrative independence of the audited public authorities. This should allow SAIs to become a really effective element in the framework for combating corruption.

A SAI may carry out system monitoring of the implementation of the nation-wide programme for combating corruption. During the audit a SAI may assess the extent to which the planned activities have been implemented and whether the expected results have been achieved.

For these purposes, it is possible to develop methods of performance audit of implementation of programmes for counteracting corruption, as well as criteria and indicators to assess the efficiency of implementation of programmes for counteracting corruption.

Performance audit is especially important in counteracting corruption. For instance, depending on the purposes of the audit, the efficiency of the use of budget and extra-budgetary funds, public property, credit resources and borrowed funds, as well as intellectual property belonging to the state may be assessed.

The specific feature of the performance audit is that the objects of audits may be organizations, enterprises and institutions, as well as social groups of citizens whose activities or life support factors are affected by the results of the use of public funds.

2.3. The lack of delineation of powers, low efficiency of interaction of public authorities involved in the implementation of the nation-wide programme for combating corruption both with SAIs and between each other:

- the absence of regulatory and legal system, which results in dramatic degradation of efficiency of activities of all the public authorities involved in the process of combating corruption and money laundering;
- independent determination by public authorities involved in anti-corruption activities of their functions, which leads to groundless overestimation (underestimation) of powers;
- the occurrence of interagency competition and duplication of functions that result in low efficiency of activities as a whole;
- isolation and competition between government agencies that hinder rational solving of the problem of corruption;
- violations and failures in the system of inter-departmental information exchange in the field of combating corruption and money laundering;

*Recommendations:*

It is necessary to ensure appropriate coordination of SAIs' activities with other public authorities, unity of principles and standards of anti-corruption activities, as well as systematic exchange of required information, experience and knowledge through clear delineation of functions, powers and responsibilities of public authorities involved in anti-corruption activities. This will allow avoiding unnecessary duplication and contribute to more efficient use of budget funds allocated to the fight against corruption.

SAI should interact with law enforcement agencies. SAIs in various countries have substantially different competencies. Many of them do not have the authority to take direct legal measures against violators.

It is advisable to introduce the practice of joint inspections with law enforcement and regulatory agencies since most successful forms of cooperation allowing for efficient and effective addressing the issues of combating corruption can be found and fixed in the course of such practical interaction.

Joint planning and carrying-out of audits allow for full and comprehensive analysis of the activities of audited entities from the viewpoint of prevention and identification of corruption risks and, if necessary, help carry out on a timely basis a full cycle of measures associated with termination, investigation of and punishment for identified facts of corruption since law enforcement agencies have relevant powers in this area.

Interaction with other supervisory bodies. A SAI need to interact as close as possible with other supervisory bodies having clearly divided their competencies in accordance with law and determined the spheres of responsibilities.

Joint activities of supervisory bodies help reduce the pressure on organizations under control, as well as consolidate knowledge and experience of public control bodies, which makes it possible to improve the quality of control activities and audits, which give the possibility not only to detect errors and weaknesses, but also to develop constructive recommendations for audited entities aimed at the improvement of the management of public resources.

The accomplishment of this task will make it possible, on the one hand, to exclude overlapping in audits, eliminate competition of authorities and unnecessary duplication of functions. On the other hand, it will give the opportunity to establish effective cooperation between various control agencies and will contribute to the improvement of effectiveness and consistency of the fight against corruption.

2.4. The lack and imperfection of available internal control systems in state institutions:

- it is impossible for a public institution to carry out regular and efficient activities to combat corruption;
- it is impossible to ensure the compliance of anti-corruption policy by each employee of a public institution.

*Recommendations:*

A SAI should carry out audits involving the appraisal of how efficient internal financial control systems of audited entities are in addressing the issue of minimization of corruption risks.

When analyzing internal control systems, it is extremely important to determine which of the instruments used are actually not necessary, and which ones of those that are definitely required are not available.

Evidently, both the lack and surplus of control negatively affect the activities of an organization. In case of excessive control, bureaucratic procedures become too complicated and awkward, which results in a situation when the staff finds ways to circumvent the prescribed procedures.

During their audits, SAIs evaluate the quality of existing internal control systems; the results of such evaluation are the basis for making a decision on the extent to which the internal reporting data can be used. If internal control systems of audited entities are found to be well-adjusted, external auditors use the results of internal auditors' reports in their work. At the same time, if the internal control is found to have drawbacks, the SAI should pay much more attention to valid tests.

2.5. The lack of the system of examination of regulatory legal acts at the state level for corruptogenic factors:

- creation of conditions for forming a corruptogenic legal system in the country;
- occurrence of favourable (from the legal point of view) conditions for the development of corruption and money laundering;
- reduction of capacities of public authorities in the field of preventing and combating corruption and money laundering caused by limitations of a legal nature;

- impossibility for public authorities involved in activities for combating corruption and money laundering to influence the adoption of regulatory legal acts containing corruptogenic provisions.

*Recommendations:*

As practice shows, applicable regulatory legal acts contain a significant number of provisions contributing to abuse of authority and, consequently, giving rise to corruption. Regulations that encourage corrupt practices, including corruption offenses, are called corruption regulations.

Corruption regulations contain corruptogenic factors, i.e. such defects of a regulation that contribute to or may assist in corrupt practices, including creation of conditions for their official legality.

Corruptogenic factors are the provisions of regulatory legal acts that establish unnecessarily wide discretion margin for an executor of law or the possibility of groundless application of exceptions to general rules, as well as provisions that contain indefinite, intractable, and (or) burdensome requirements for citizens and organizations and, thus, create conditions for corrupt practices.

Improving the quality of legal regulation through the elimination of corruption regulations, and providing legal regime are important objectives of all state authorities. In order to ensure the unity of understanding, substantiation, objectivity and verifiability of the results of anti-corruption examination, a unified methodology of anti-corruption examination of regulatory legal acts and draft regulatory legal acts need to be approved at the national level.

Anti-corruption examination, first of all, facilitates the identification of the regulatory flaws; their elimination is largely connected either with voluntary efforts of the body that had adopted the act (rule-making body), or with enforcement activities of authorized state bodies.

A SAI is to be involved in anti-corruption examination of both applicable and newly adopted legislation. Moreover, it is extremely important to carry out early identification of corruptogenic factors creating a potential possibility for corruption decisions and actions of officials, public servants, authorities and heads of commercial and non-commercial organizations.

2.6. The results of the SAI's activities are too invisible for the society, including the results in the frame of the implementation of the nation-wide programme to counteract corruption:

- lack of a system of communicating to the public the results of measures taken in the frame of the implementation of the nation-wide programme to counteract corruption;
- incompleteness of information on the results of the SAI's activities available for citizens and organizations, which results in groundless speculations and, as a consequence, to the erosion of credibility to the Supreme Audit Institution.

*Recommendations:*

The most important prerequisite of public control is information transparency of the government activities. One of the main areas of anti-corruption activities of the state should be the introduction of information transparency of the functioning of government bodies.

Exchange of information in modern society contributes to the formation of a new environment, new social and moral values, new lifestyle and new principles of management. Systems with isolated information are not competitive today.

The countries where comprehensive information of the government activities is available for people are free from corruption, and their governments observe laws and work responsibly and efficiently for the common benefit. On the other hand, this is secrecy, concealment of the truth, a monopoly on information that is

the main weapon of bureaucracy, which it uses in attempt to impose its will on society, while remaining uncontrolled. The consequence is its irresponsibility, incompetence, corruption and incapability in the service of people.

Information transparency is the driving force of society and government. Not only does it influence the changes in the rules of conduct of power, enhancing its responsibility and efficiency of its work for the public good, but it also contributes to qualitative changes in the society itself.

SAIs should strive for information openness, transparency, accessibility of results of control activities for absolutely all citizens and organizations, as well as the mass media. To this end, it is necessary to provide citizens and organizations with access to the information about SAIs' fight against corruption.

It is necessary to ensure efficient functioning of a SAI's official site, which may include:

- placement of main findings of the SAI's control and expert-analytical activities to be studied by everyone who would like to;
- placement of speeches and interviews of the SAI's management, press-conferences and reports of the SAI's activities;
- coverage of official visits and working trips of the SAI's management.

SAIs may also arrange for consideration and analysis of citizens' complaints and appeals with respect to the availability of information about the facts of corruption and the check of such facts. Internal regulations regarding the procedures for consideration of and taking measures on citizen's appeals and complaints. It is advisable to establish a constant hot line to receive information of the facts of corruption.



2.7. Lack of mechanisms of public control over the activities of governmental authorities on management of state budget funds:

- nihilism, indifference and socio-political apathy from the part of society in respect of the issues of combating corruption and money laundering;
- the civil society is unprepared for specific measures taken by the government to combat corruption and money laundering;
- public indifference, a low level of confidence in the system of state power as a whole, including the SAI.

*Recommendations:*

A SAI should support public initiatives aimed at:

- independent examination of the efficiency of spending national budget funds and communicating the results thereof to the public and governmental authorities;
- independent studies of legal and economic issues in the area of the audit of national budget;
- analysis of efficiency of the national budget management and assessment of its relevance to the socio-economic situation in the country;
- participation in examination of legislative initiatives in the area of the management of national budget funds;
- development of proposals to improve financial, tax and budget legislation;
- holding of conferences, seminars, lectures, courses, round tables on the issues of spending national budget funds;



2.8. Poor involvement of the Supreme Audit Institution in creating public intolerance towards any manifestations of corruption and money laundering:

- insufficient understanding by citizens of the role and position of the Supreme Audit Institution in the overall process of combating corruption and money laundering;
- biased assessment of the results of the SAI's activities from the part of the society.

*Recommendations:*

Active involvement of the SAI in the formation of anti-corruption culture in the society. The formation of anti-corruption culture of citizens should begin at the earliest age. In order to achieve positive changes in this area, special enlightenment activities should be carried out in schools and higher education institutions. Therefore, SAIs could help schools and higher education institutions pay more attention to the issues of anti-corruption enlightenment. For example, taking into account available resources, SAIs could undertake to provide lecturers who would tell schoolchildren and students about the role of SAIs in the fight against corruption or take part in preparation of special textbooks.

It would be advisable to create and actively promote under the aegis of SAIs special video commercials and films satirizing corrupt officials and forming negative image of corruption activity as a whole.

2.9. Insufficient scientific development of the issues of the fight against corruption:

- inability to use scientifically-based methods of combating corruption and the results of scientific research.

*Recommendations:*

The SAI should interact with research and development institutions and organizations that constantly focus on the issues of combating corruption and make

great scientific and expert contribution to the development of practical mechanisms and techniques to combat this evil.

SAIs may initiate open discussions with participation of scientific organizations in order to achieve a consensus based on various viewpoints regarding scientifically-based strategy and tactics for combating corruption, as well as to contribute to accelerated adoption of necessary legal acts and introduction of most efficient methods of prevention, identification, investigation and punishment of corruption into everyday audit practice.

### **3. Internal challenges**

3.1. Inadequacy of recruitment system in terms of prevention of corruption: future employees of the SAI lack knowledge of anti-corruption activities; the issues of preventing corruption threats are studied inadequately at the stage of selection of specialists.

#### *Recommendations:*

Unified and clear criteria of recruitment, which allow for preventing corruption conduct of future auditors, should be established for the employment procedures. It is recommended to study thoroughly professional, personal and moral qualities of candidates for positions associated with control activities (inspectors, auditors, etc.);

The service in the national SAI should be the professional duty for future auditors, and the interests of the state, respect for citizens' rights and the rules of law – should be their professional values.

3.2. Poor training of the SAI's employees in the issues of combating corruption and money laundering:

- poor knowledge by the SAI's employees of the specifics of professional activities aimed at combating corruption and money laundering

and, as a consequence, their inability to identify situations of criminal nature;

- lack of curricula for training and retraining of employees in the field of combating corruption and money laundering;
- employees' lack of clear understanding of their rights, responsibilities, extent of liability and algorithms of actions, which leads, on the one hand, to a sense of vulnerability to external corruptive influence and, on the other hand, creates an erroneous idea of the possibility of impunity for criminal acts.

*Recommendations:*

It is necessary to organize systematic training of the SAI's employees on the issues of anti-corruption activities.

Operational reception by the SAI's employees of information on methods and ways to counter corruption, as well as activities on enhancing legal awareness of the SAI's civil servants help improve their professional level.

SAIs should constantly improve the audit methodology and introduce innovative approaches in order to continually improve their performance in the interests of society and the state.

In particular, during its audits the SAI may apply the INTOSAI International Standard of Audit 1240 "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements". According to this Standard, during the audits auditors should constantly take into account the risk of fraud - this contributes to professional skepticism when interpreting data provided by the management of the audited entity.

3.3. Insufficient efficiency of the system of preventing corrupt practices from the part of the SAI's employees:

- lack of prohibitions and restrictions established for the SAI's employees, which prevent corrupt practices;
- lack of structural units (officials) responsible for control over compliance with the restrictions and prohibitions applied to the SAI's employees;
- the sense of impunity for corrupt practices developed by employees;
- poorly developed system of forming conditions to avoid corrupt practices from the part of employees in the course of performing their functional duties (lack of rotation in the membership of groups carrying out audit activities; static nature of the relevance of the list of audited entities and employees involved in their audit, etc.).

*Recommendations:*

Due to holding a post in a SAI, a number of prohibitions and restrictions may be imposed on employees, for instance the prohibition to:

- participate on a paid basis in the activities of the governing board of a commercial organization;
- carry out a business activity;
- purchase securities that can generate income;
- receive remuneration from individuals and legal entities in connection with performance of their duties (gifts, money reward, loans, services, payment for entertainment, recreation, transportation costs and other rewards);
- use means of logistical and other support and other state property for purposes not related to the performance of their official duties, as well as transfer the same to third parties;

- disclose or use for purposes not related to their service confidential or proprietary information, which has become aware to him/her in connection with the performance of official duties.

It would be advisable to create the following specialized units in the structure of the SAI:

- for counteracting corrupt practices inside the SAI itself; its main tasks will be the identification and prevention of corruption and other offenses, as well as activities to ensure compliance by the employees with prohibitions, restrictions, obligations and rules of conduct at work;
- for settling the conflict of interest - a situation when personal interest of a SAI's employee affects or might affect the objective performance of his/her official duties. Such commissions may include persons who are not the SAI's employees: representatives of the Public Council of the SAI, a trade union, honorary employees (veterans) of the SAI.

The practice of job rotation proved to be successful, including the rotation of SAIs' management, since this measure protects both audited organizations and the body that carries out the audit, as well as particular auditor or inspector, against the risks of corruption.

The transition to a regular rotation of inspectors is possible, which requires analyzing how much time it takes to each inspector to carry out audit in a particular sphere. If any of inspectors will be found to audit the same organizations too often or too long without reasonable grounds, it is necessary to develop plans according to which such employees will be transferred from one audit group to another or change the nature of activity within the same group.

#### 3.4. High level of latency of corruption offenses among SAIs' employees:

- sense of false “corporativity” providing for concealing wrongdoings committed by colleagues;

- concealment of shadowy corruption revenues (life “beyond one’s means”);
- lack of transparency in the activities of the Supreme Audit Institution aimed at combating corruption and money laundering;
- bureaucratic, moral and psychological barriers in the interaction of the staff with representatives of a structural unit (officials) responsible for combating corruption and money laundering.

*Recommendations:*

To enshrine in national legislation provisions requiring that any employee of the SAI (as well as any state servant), who has become aware of the corruption events that are being prepared or have been committed, should communicate this information to his/her manager and to the agencies authorized to take appropriate measures.

In order to ensure implementation of such regulations it is necessary to establish an effective mechanism of responsibility for omissions in specified cases. At the same time, it is necessary to provide incentives for communicating the information on the facts of corruption and violations of requirements to official conduct, first of all, through informing employees on existing communication mechanisms and protection thereof, in particular:

- to provide mechanisms of protection of whistleblowers in a local regulatory legal act that establishes the procedure of communicating the facts when employees are approached with purpose to induce them to corruption offenses;
- to explain the procedure of communicating the facts when employees are approached with the purpose to induce them to corruption offenses, paying special attention to mechanisms of protection of whistleblowers;

- to notify employees that they have the opportunity to communicate all facts of corruption offenses that have come to their knowledge, irrespective of whether they were approached personally or not.

Another effective measure will be to enshrine in the said act an incentive for a person assisting in the exposure of a corruption offense (letter of gratitude, adding his/her name to the book of honour with issuing a relevant certificate, etc.).

It is necessary to oblige persons holding posts with high corruption risk to provide information on their and their spouses' and children's income, property and property obligations.

Moreover, it is possible to introduce at the legislative level control over the conformity of expenditures and incomes of the SAI's public servants.

### 3.5. Insufficient level of moral and ethical education of the SAI's employees:

- poor formalization of requirements to the SAI's employees in the frame of combating corruption;
- insufficient or distorted information on the nature of consequences for those caught in corruption or assisting in money laundering, which results in misinterpretation of the results of the SAI's activities in preventing these negative practices;
- impossibility to disseminate best practices of particular employees in the event of occurrence of corruptive situations.

#### Recommendations:

To develop and adopt at the national level the code of ethical rules of conduct (code of ethics) of the SAI's employees; each of them should express his/her voluntary consent to observe such rules.

The conduct of employees of control and accounting agencies should always and in any circumstance be irreproachable, comply with high standards of



professionalism and moral and ethical principles. Nothing should discredit the goodwill and authority of a SAI's employee.

The development of internal culture of the organization and the sense of responsibility of each SAI's employee for the maintenance of high reputation of the SAI will contribute to auditor's compliance with requirements of the code of professional ethics, ensure favourable moral and psychological climate in working groups, enhance public confidence and respect for the professional activity of the SAI's personnel, eradicate the very idea of corruption behaviour.

3.6. Lack of system of assessment of internal regulatory legal acts adopted by the Supreme Audit Institution for the availability of corruptogenic factors:

- availability of job descriptions and other regulatory documents containing corruptogenic provisions;
- lack of a structural unit (official) responsible for expert examination of internal regulatory legal acts for the availability of corruptogenic provisions in them;
- unnecessarily formal attitude to documents regulating employees' activities, in particular, in the field of preventing and combating corruption and money laundering;
- presence of employees' sense of legitimacy of criminal acts and, as a consequence, impunity for their commitment, caused by the availability of corruptogenic provisions in regulatory legal acts and other governing documents;
- lack of a system of multidimensional assessment (from the part of developers, structural units responsible for legal examination of documents, employees, etc.) of internal regulatory legal acts;



- lack of mechanisms for amending developed and adopted internal regulatory legal acts for the purpose of their improvement from the viewpoint of eliminating corruptogenic provisions.

*Recommendations:*

The SAI may carry out examination of regulatory legal acts, other documents, as well as the drafts thereof, for corruptogenic factors in order to identify their provisions assisting in creating conditions for corrupt practices (corruptogenic factors) and to prevent the inclusion of specified provisions into its documents.

The main objectives of examination for corruptogenic factors are:

- to prepare opinions on the results of examination of regulatory legal acts, other documents, as well as the drafts thereof;
- to prepare recommendations for elimination of corruptogenic factors detected in the documents;
- to prepare proposals for improving the documents in the area of legal support of the fight against corruption;
- to carry out activities, within its powers, aimed at preventing corruption in the SAI;
- to prepare proposals for improving the legislation in the area of financial audit for the purpose of promoting legal support of the fight against corruption;

3.7. Lack of incentives for anti-corruption behavior:

- imperfect system of incentives for excellent performance discipline and execution of office duties in strict compliance with anti-corruption requirements;
- lack of employees' motivation for honest and altruistic approach to their work.

*Recommendations:*

Material and moral incentives for diligent, honest and incorruptible behaviour of the SAI's employees.

In order to stimulate anti-corruption behaviour, it is necessary to develop a system of incentives for the SAI's employees for faithful execution of their duties.

It is necessary to pay attention to career growth of the SAI's employees through improving the system of appraisal and individual plans of employees' development.

The system of human resource management should ensure such conditions that guarantee that those who achieve high results will definitely receive recognition, material incentives, and, in due course, promotion, while those whose performance does not comply with established requirements will be trained and supported, and if their performance does not improve as a result of the measures taken, they will be dismissed.

3.8. Personnel favouritism:

inclusion of people whose moral and professional qualities do not comply with high requirements to the SAI's employees into the ranks of auditors; undeserved career growth.

*Recommendations:*

To make efforts to improve the procedure of service career of the SAI's employees.

In order to prevent personnel favouritism as a form of corruption, the SAI may introduce and improve the procedure of competitive selection for vacant position; conditions for personnel appointment transparency should be created.

It is advisable to appraise the efficiency of professional activities of the SAI's employees. Such appraisal may be carried out based on the results of a certain period of work (six months, year) of each employee.

A qualification examination may be used as an individual form of preventive work with civil servants to counteract corruption. Such examination may include the assessment of theoretical and practical knowledge and skills of an employee, as well as take into consideration the assessment of the employee's professional efficiency.

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#### **4. Final provisions**

According to the preliminary assessment, the presented list of challenges and recommendations may be used effectively enough by Supreme Audit Institutions both in their everyday activities aimed at combating corruption and money laundering and at the stage of developing conceptual provisions to create (improve) a system of anti-corruption measures.

Evidently, the capacities of Supreme Audit Institutions to counteract external challenges may be significantly limited due to the special features of national legislation. However, their consideration in everyday anti-corruption activities will contribute to improving the efficiency of the system of measures to combat corruption and money laundering in general.

According to initial estimate, the success in countering threats of internal nature largely depends directly on a Supreme Audit Institution, i.e. on how purposefully and consistently the SAI deals with the problem of combating corruption and money laundering.