

Supreme Audit Institutions Supporting the Fight Against Corruption

SAI, Singapore

Introduction

Corruption is a fact of life. Where not adequately curbed, it poses a serious challenge to the social and economic development of a country as it results in the diversion of public funds from the public programmes they are meant to support.

In the fight against corruption, Supreme Audit Institutions (SAIs) are not at the forefront except in the instances where the SAI is also the anti-corruption agency of a country. The role of an SAI is contributory in nature and this is via its functions of auditing accounts, checking compliance with financial rules and regulations, and promoting accountability, transparency and good governance. Effective execution of these functions has the effect of deterring and facilitating the detection of acts of corruption.

This contributory role of SAIs in corruption prevention is recognised by the International Organisation of Supreme Audit Institutions (INTOSAI). The 16th International Congress (INCOSAI) held in Montevideo in 1998 acknowledged that SAIs can and should make an effort to create an environment within their respective countries that is unfavourable to fraud and corruption.

National Framework

SAIs can contribute effectively to fighting corruption if there is, in the first place, a national framework that institutionalises public accountability in the proper management and use of public funds, and minimises the motivation and opportunity for corruption and other crimes involving public funds. Such a framework would comprise the following elements as its key pillars:

- Parliament
- Tone at the top
- Effective Government administration
- Judiciary
- Watchdog agencies
- Mass media

Role of Parliament

Parliament, serving with the mandate of the people, has a pivotal role by bringing about legislation to deal with corruption. Like many other countries, Singapore has strong anti-corruption laws that give its anti-corruption agency wide powers of investigation and prosecution. There is also a law that gives the courts the power to confiscate assets derived from corruption so as to ensure that corruption does not pay. Parliament also has the role of calling on government bodies to account for the proper execution of those laws.

Tone at the Top

The “Tone at the Top” is of paramount importance. It refers to the political will and commitment at the highest echelon of government in establishing public accountability and fighting corruption. It is manifested by the government leaders articulating this policy stance, driving the translation of policy into action and pushing for results. It is also essential that the top leadership sets the example of clean conduct and not flinch from bringing the full force of the law to bear on any acts of corruption regardless of who the perpetrator is.

Effective Government Administration

The risk of corruption is lower in a country if the machinery delivering public services is well managed and has effective systems of checks and balances. For example, for the handling of financial transactions, there should be controls such as segregation of duties, authorisation limits, proper record keeping, access controls and rotation of staff. Procedures relating to financial transactions should be clear and unambiguous, e.g. on the evaluation and award of tenders, making of payments, processing and approval of permit applications, and giving of grants and other financial assistance.

For high expenditure projects such as major public works or IT infrastructure projects, there should be in place a structured project management process which covers all stages of the project from planning and approval through to implementation and commissioning. The process should emphasise, inter alia, compliance with financial rules, proper accounting and record keeping, the principle of value-for-money and proper risk management. Ideally it should also incorporate a post-implementation review as a check on whether, and to what extent, the project objectives have been met and on the reasonableness of the final expenditure as compared to the original approved budget.

All public bodies should have, mandated by law, regular and independent audits of all accounts and transactions, and a well-publicised channel for feedback and complaints on matters relating to public expenditure. If well managed and anonymity is assured, a feedback channel is of immense help in identifying control weaknesses and financial irregularities including losses due to negligence or corruption. A significant portion of the Auditor-General's Office (AGO)'s audit findings every year arose from our investigations into public complaints and feedback.

Good financial procedures, a system of checks and balances and audits are just the basic measures. Also important is the integrity of public officers. The appointment and promotion of public officers should be based on meritocracy and performance. Staff training and development programmes should, inter alia, inculcate a value system that emphasises honesty, integrity, impartiality and service excellence. Public officers should be required to declare their financial assets and interests such as ownership of property and personal interests in private companies.

Role of Judiciary

The importance of a judiciary, comprising the public prosecution office and the courts, cannot be over-emphasised. Their effectiveness should also be in terms of promptness and efficiency in the prosecution and adjudication of cases.

Watchdog Agencies

The main watchdog agencies are the anti-corruption agency, the SAI and other law enforcement agencies such as the police and commercial crime bureau. These agencies need to be backed by effective laws that ensure their independence and give strong powers for the effective execution of their duties and responsibilities.

Contributory Role of SAIs

SAIs contribute to the fight against corruption by fostering a preventive environment through strengthening financial management systems, fostering prudent administration, and enhancing the governance structure. This is achieved through the conduct of audits of public spending and the publishing of audit findings.

SAIs carry out financial and compliance audits which evaluate the adequacy of internal controls and identify areas for improvement. These audits, which strengthen financial management systems, contribute to the proper administration of a government.

Audit techniques such as analysis of accounts could detect anomalies resulting from abnormal payments or other irregularities. Further investigation into the anomalies may point to corruption or other forms of wrongdoing.

Most SAIs today also carry out performance audits in addition to financial and compliance audits. Such audits cover, *inter alia*, procurement and contracts management. The findings would typically be wasteful spending, non-compliance with procurement rules, expenditure objectives not met, excessive payments made out, weak grounds for waiver of competition, etc. Such findings could be the result of corrupt practices.

In its audits, an SAI could also review corporate governance practices of a public sector agency, comparing them with a well-established code of corporate governance. Such audits would include checks on the existence or adequacy of internal control, risk management and conflict of interests policy. Observations like the absence of an internal audit function and policies on conflict of interests, for example, would point to poor corporate governance which in turn increases the opportunity for corruption.

Where possible, SAIs should go beyond a reporting role to greater involvement in enhancing accountability, improving operations of government, and promoting good corporate governance. This includes making recommendations for improvements in financial administration based on audit findings, encouraging the setting up of an internal audit function and raising awareness amongst public officers on corporate governance and accountability issues. In financial year 2009/10, AGO prepared and submitted two sets of guidelines for the government's use, one on good governance and the other on effective internal audit function, following a public sector-wide survey of practices in these two areas.

Collaboration with Anti-corruption Agency

Corruption involves collusion. Fighting it must involve collaboration. There is a strong case for SAIs and anti-corruption agencies to work collaboratively, for example in information sharing and cross referral of cases. If necessary, such collaboration can be strengthened by having a law that facilitates the sharing of information and the use of shared information for investigation and prosecution purposes.

Another area of cooperation is the sharing of expertise through training exchanges and the attachment of officers in investigative work. The areas of expertise include analysis of accounting statements, interview techniques and forensic investigation techniques.

In Singapore, the Corrupt Practices Investigation Bureau (CPIB) and the AGO have a tradition of such cooperation in sharing of expertise going back to the 1960s. The cooperation includes cross-referral of cases. For example, AGO would refer cases to CPIB where corruption is suspected, and CPIB would refer to AGO cases which point to only administrative lapses relating to use or management of public funds.

Role of the Mass Media

The contributory role of SAIs in the fight against corruption is strengthened if the mass media, especially the daily newspapers, plays a part too. The mass media can help “educate” the public on corruption and raise awareness on the importance of public accountability. When the findings of an SAI are well reported to the public, Parliamentarians are also likely to pay more attention to the findings.

It will be ideal if media journalists can also provide analyses and commentaries on the trends of audit findings and what they say about the state of governance in the public agencies concerned. This will encourage the agencies to do fundamental reviews of their governance and management practices where necessary.

Since 2008, AGO has included in its annual report an overview which highlights its main areas of concern based on its audit findings. These concerns were invariably picked up by the mass media as main themes for the media reports on AGO's annual report, hence boosting the message to agencies to strengthen their systems and processes.

Summary

Fighting corruption is an ongoing effort in many countries. It requires a concerted approach involving the Parliament, government administration, judiciary, watchdog agencies and the mass media. Effective administrative policies based on accountability, transparency and performance will help enhance the integrity and quality of public service, thereby minimising the motivation and opportunity for corruption. SAIs working collaboratively with anti-corruption agencies can maximise the effect of their work.

The SAI provides the “bark” by reporting on lapses due to mismanagement, or criminal wrongdoing including corruption while the anti-corruption agency provides the “bite” of law enforcement. SAIs can, and should, strive to be more effective partners of the anti-corruption agencies in their countries to effectively curb corruption. This should be part of the overall effort to ensure that every dollar of public funds is properly managed and used for the public good.