



Promotion of Good Governance and Fight against corruption

(SNAC Tunisia)

Activity T3.3: Providing tools and methodologies as well as capacity building in support to the design of three major Sector Analysis (i.e. customs, tax administration and Property administration) to be carried out by the respective good governance and Anti-corruption units (Cellules de Bonne Gouvernance et de Lutte Contre la Corruption)

Technical Paper Risk Assessment Tool and Guidance

Luís DE SOUSA and Paulo MORAIS,
Experts of the Council of Europe

5 May 2014

For more information on the subject of the publication, please contact:

Economic Crime Co-operation Unit
Action against Crime Department
Directorate General Human Rights and Rule of Law
Council of Europe
F-67075 Strasbourg Cedex
Tel: +33 390 21 56 73 / Fax: +33 388 41 27 05
Email : guillaume.parent@coe.int
Internet Website: www.coe.int/economiccrime

This document was produced with the financial support of the European Union. The opinions expressed in this work are the responsibility of the author and do not necessarily reflect the official policy of the European Union or the Council of Europe.

Table of contents

- 1. Why is it important to assess corruption risks? 1
 - Safeguard accountability* 1
 - Enhance transparency*..... 1
 - Limit decisional monopolies* 1
 - Reduce the risk of abuse of office* 1
- 2. What is the impact of corruption in the public sector? 1
 - All public sector bodies are exposed to corruption risks in one way or another*..... 1
 - These risks can exist at all levels of an agency, in relation to all functions and activities, and can potentially involve any internal or external stakeholder.* 1
 - Public bodies that manage public assets are more vulnerable to corruption risks and require special attention.* 1
 - If corruption does occur, the short and long-term consequences for the State include:*..... 1
- 3. Risk factors: dimensions..... 2
 - External factors* 2
 - Internal factors*..... 2
 - Individual factors* 2
- 4. What is the focus of the corruption risk assessment?..... 2
- 5. What sources should we use?..... 3
 - Performance reports (self-assessment), internal audit reports and complaints' assessment reports*... 3
 - External audit reports and criminal investigations (external assessment)* 3
 - Country assessment reviews (expert assessment)* 3
 - Score cards (users' assessment)* 3
 - Surveys (general assessment)* 3
 - Public officials surveys - to understand institution specific determinants of corruption (including bribery, nepotism, political interference, embezzlement etc.), discretion/informality, performance and governance* 3
 - Business surveys - to understand the sources of corruption linked to the management of State assets that limit market competition and weaken the possibilities for economic growth in the country.* 3
 - Specialised survey or focus groups - to study a special sector or target group where corruption is perceived as prevalent. This tool provides substantive information that cannot be easily captured in general surveys.*..... 3
- 6. Risk management: levels of intervention 3
 - Managing people:* 3
 - Managing external relationships:* 3
 - Managing Services and Products:*..... 3
 - Managing information:* 4
 - Managing State assets:*..... 4
- 7. Risk assessment process 4
 - Step 1. Identifying risk areas* 4
 - Step 2. Assessing risk frequency and impact* 4
 - A - PROBABILITY OF OCCURRENCE:* 5
 - B - LIKELY IMPACT:*..... 5
 - Step 3. Drafting a risk assessment report* 5
 - Step 4. Risk Management*..... 6
 - Step 5. Monitoring and Evaluating Integrity*..... 7
- 8. Guiding principles for a successful Risk Assessment Tool 7

1. Why is it important to assess corruption risks?

Safeguard accountability

The assessment of corruption risks provides additional information to enable public bodies and Ministers to be accountable to Parliament for how State assets are managed.

Enhance transparency

Evaluations of the risk of corruption aim to provide a clear, full and balanced picture of the real impact of corruption.

Limit decisional monopolies

Corruption risk assessments enable public bodies to detect de facto and de jure monopolies of decision and to act preventively to avoid abuse.

Reduce the risk of abuse of office

Public administration works on the basis of entrusted power. The delegation of authority should not be confused with the discretion to act unilaterally, lawfully or unlawfully, against the principal's consent.

2. What is the impact of corruption in the public sector?

All public sector bodies are exposed to corruption risks in one way or another

These risks can exist at all levels of an agency, in relation to all functions and activities, and can potentially involve any internal or external stakeholder.

Public bodies that manage public assets are more vulnerable to corruption risks and require special attention.

If corruption does occur, the short and long-term consequences for the State include:

- direct financial loss and wasted resources;
- loss of reputation and public confidence in the way the State manages public assets;
- negative effects on agency's staff and its esprit de corps more generally; and
- additional auditing and investigative costs.

3. Risk factors: dimensions

External factors

These are factors outside the control of the agency, but to which the agency needs to pay attention. Example: housing bubble may lead to an uncontrolled increase in the search for new building licences and construction sites. This will put an enormous pressure upon public land managers and evaluators.

Internal factors

These are factors within the control of the agency and are the result of the way the agency is organized and operates. Example: unclear management procedures; poor work conditions and salaries of vulnerable high risk groups; inadequate staff supervision; permissive leadership; weak internal controls.

Individual factors

These factors have to do with individual motivations of staff members with direct implications in the agency's reputation and operation. Example: personal debt, gambling, sex and drug addiction may lead some staff members to abuse their prerogatives.

4. What is the focus of the corruption risk assessment?

The **risk mapping** should state the level of corruption risk based on assessment of the following key factors:

- How serious is the likelihood of occurrence of corruption in the public assets management agency? – Map all complaints, investigations, news about the agency's performance and organize regular multi-stakeholders meeting to identify and discuss opportunity structures for corruption in this sector.
- What are the legal, organizational, procedural and managerial strengths and weaknesses that facilitate or curtail corrupt practices within the agency?
- Assess the actual performance of these formal systems using a SWOT analysis
- How significant is the potential impact of corruption in the agency's resources and reputation?
- Measure the standard deviation from market prices in public land evaluations in order to make an estimation of potential losses.

5. What sources should we use?

Performance reports (self-assessment), internal audit reports and complaints' assessment reports

External audit reports and criminal investigations (external assessment)

Country assessment reviews (expert assessment)

Score cards (users' assessment)

Surveys (general assessment)

Public officials surveys - to understand institution specific determinants of corruption (including bribery, nepotism, political interference, embezzlement etc.), discretion/informality, performance and governance

Business surveys - to understand the sources of corruption linked to the management of State assets that limit market competition and weaken the possibilities for economic growth in the country.

Specialised survey or focus groups - to study a special sector or target group where corruption is perceived as prevalent. This tool provides substantive information that cannot be easily captured in general surveys.

6. Risk management: levels of intervention

Managing people:

Delegation of authority; employment in the private sector after leaving the public sector; recruitment and selection procedures (special focus on private interests); secondary employment; staff supervision.

Managing external relationships:

Business relationships with the private sector; gifts, hospitality and benefits; conflicts of interest; sponsorship of events

Managing Services and Products:

Client relationships; community affiliations; regulatory functions; resource allocation

Managing information:

Abuse of confidential information

Managing State assets:

Acquisition, sale, transfer, concession, exchange of State assets; maintenance of State patrimony

7. Risk assessment process

Step 1. Identifying risk areas

In the report previously presented, and in what regards the powers assigned to the various DGs of the Secretary of State for the Management of State Assets by Decree - Law 90-1070 and 99-1235 of 18/06/1990 and 31/05/1999 and its amendments, the areas of action that involve greater susceptibility were identified as the ones that may enhancing situations of infringement of the principles of the public interest, equal treatment, proportionality, transparency, fairness, impartiality, good faith and good administration.

Areas that may carry risks of corruption and related offenses are:

- the management of the property assets of the State, including purchase, sale, lease, barter and concession of public property as well as carrying out their estate appraisals;
- the assignment, in collaboration with the Ministry of Agriculture, of the right of usufruct land agricultural of the state;
- the monitoring of the State assets and related processes;
- advices on projects and launching of works relating to buildings used by public authorities;
- the recruitment of staff, especially the professionals engaged in the real estate assessment.

Step 2. Assessing risk frequency and impact

Risk level		Probable frequency		
		High	Medium	Low
Foreseen impact	High	<i>Very high</i>	<i>High</i>	<i>Medium</i>
	Medium	<i>High</i>	<i>Medium</i>	<i>Low</i>
	Low	<i>Medium</i>	<i>Low</i>	<i>Very low</i>

A - Probability of occurrence:

- **High:** The risk stems from a structural or procedural failure, hence a recurrent problem inside the organization.
- **Average:** The risk is associated with a sporadic procedural failure.
- **Low:** The risk occurs only in exceptional circumstances.

B - Likely impact:

- **High:** The identified risk may lead to significant financial losses for the State and serious violation of the principles associated with the public interest, damaging the credibility of the agency.
- **Medium:** The risk can entail financial loss for the State and disrupt the normal functioning of the body.
- **Low:** The risk in question has no potential to cause financial loss for the State, not being an offense capable of causing significant damage to the image and performance of the institution.

Competences	Potential risks	Risk levels			Internal controls			Control measures to be adopted
		Frequency	Impact	Risk level	Resources	Accountability procedures	Levels of efficacy	

Step 3. Drafting a risk assessment report

- Understanding of business processes and operations support through workshops / interviews with key stakeholders to review processes, including supporting documentation thereto;

- Identification and assessment of fraud risks for each process of each DG and the application of appropriate determination of the probability of occurrence and impact of risk assessment criteria;
- Obtaining the results of risk assessments of fraud by designing and completing specific Risk Assessment Plans;
- Development of recommendations to reduce the risk of fraud.

Step 4. Risk Management

Appoint an integrity management ombudsman or unit. This body needs appropriate resources and statutory independence to exercise its mandate. Its competences should be stated clearly as well as to whom it should report and in what terms (avoid capture). This body should act on its own initiative, at the request of its superiors and in reaction to citizens' complaints. When inquiring on potential wrongdoing, it should be able to:

1. determine the main facts - truthfulness and credibility of the allegations;
2. consider the internal controls that may have been violated;
3. consider any violation of the policies and procedures of DG;
4. consider restricting access to information on potential suspects;
5. consider the initial evidence and its preservation;
6. consider protecting documents and records (process of gathering information);
7. identifying and securing digital evidence;
8. preparation of the risk assessment plan;
9. consider the most appropriate methods for collecting evidence;
10. consider continuous manipulation;
11. consider the company management and the necessary documentation;
12. consider the regulations and applicable laws;
13. consider the possibility of using an external expertise – lawyers, forensic auditors, etc.;
14. consider reporting to external entities – anticorruption agency, investigative police, attorney-general's office, etc.;
15. determine whether the offense was committed and the situations that led to their practice;
16. consider possible solutions and actions needed;
17. consider penalties; and
18. consider the agency's reputation and public interest issues.

The reports of the integrity management ombudsman or unit should be made available to the public.

Step 5. Monitoring and Evaluating Integrity

- Start with a clear objective;
- Choose indicators that are relevant, action-worthy, and complementary;
- Choose proper assessment methodology(ies);
- Appoint an integrity assessment team (in-house and external members; ensure high standards of objectivity and impartiality);
- Involve all departments in this regular integrity assessment;
- Hold regular consultation meetings with stakeholders; and
- Make the report available for public consultation in the agency's website.

8. Guiding principles for a successful Risk Assessment Tool

1. Sectoral risk assessment tools and prevention plans should be aligned with priorities set under the national anticorruption strategy;
2. Assessment tools should be country contextualized – ownership criteria;
3. Methodology must be rigorous: it must conform to international standards in terms of technical rigour – collect data from variety of sources (surveys, admin data, national stats, civil society);
4. Selection of indicators and assessment method must be transparent and participatory – it should form part of wider social dialogue (research team comprised of measurement experts from academia and NSO & steering committee – guidance throughout & responsible for presenting results – legitimacy / credibility of assess);
5. Assessment results are meant for internal policy advising, but must be publicly accessible via the DG's website – this is part of the participatory strategy;
6. Indicators should highlight risk areas and be sensitive to vulnerable groups;
7. Capacity of national stakeholders is developed;
8. Cost-effective and timely;
9. The results are widely communicated; and
10. The assessment is repeated.