



# REPORTING CORRUPTION THROUGH LOCAL INTEGRITY SYSTEMS: STRENGTHS AND WEAKNESSES

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# LOCAL GOVERNANCE VULNERABILITIES

# Costs of corruption

- **Limited anticorruption effectiveness**
  - Prevention policies more formal than substantive (control façade)
  - Limited local law enforcement capacity
- **Limited oversight and institutional checks & balances**
  - Limited political oversight (of the local executive by the local deliberative body)
  - Limited oversight from audit institutions and inspectorates
  - Limited internal audits and checks & balances
- **Political accountability**
  - Low political alternation and tendency towards (single party) majorities
  - Weak opposition parties
- **Civic accountability**
  - Resource-dependent local media and associations complacent towards the incumbent
  - Poor electoral accountability (voters' gratitude and party bias)

# Opportunities for corruption

- **Legal inconsistency and discretionary power**
  - Inconsistent and complex regulations/legislation, particularly in sectors of high economic value (e.g., public procurement, PPPs and concessions, urban planning and land use regulation)
  - Degree of autonomy in decision-making
- **Financial opacity**
  - Lack of budget transparency
  - Unclear financial reporting
- **Public sector patronage & clientelism**
  - Hiring, promotions, and contracts allocated based on political loyalty, family ties rather than merit
- **Centripetal development & low fiscal accountability**
  - Economic agents overly dependent on public decisions/markets
  - High reliance on state transfers
  - Low fiscal accountability

# INTEGRITY RISKS

# Key integrity risks linked to local government functions (I)

- **Financial management & economic activities**

- Cash transactions – risk of embezzlement and money laundering
- Payroll sheets – ghost employees (fraud), overpaid employees and/or unjustified/arbitrary bonuses (fraud), fraudulent overtime claims or allowances, unqualified recruitment (nepotism/cronyism), accumulation lenience (conflicts of interest and absenteeism)
- PPPs, support measures for startups, financial assistance programmes/grants to specific economic sectors, etc. – risk of fraud, favouritism, and misallocation of funds

- **Public procurement & infrastructure**

- Public works and procurement – risk of bid-rigging, overpricing, and kickbacks
- Regular business contacts with private agents (e.g., suppliers and contractors) - risk of conflict of interest and undue influence

# Key integrity risks linked to local government functions (II)

- **Regulatory oversight & enforcement**
  - Inspection/supervision of standards for facilities, services, companies, equipment, and products, including approval/certification - risk of bribery and regulatory capture
  - Imposition or cancellation of fines and other sanctions - risk of extortion, selective enforcement, or leniency in exchange for favours
- **Asset management**
  - Inventory and management of resources/equipment – theft or misallocation of public-owned equipment and resources (e.g. computers, cell phones, art works, etc.), falsification of inventory records to cover up asset embezzlement and misuse of public resources for private or political purposes
  - Use/concession for the exploitation of local equipment – bid-rigging, favouritism, rents below market price (conflict of interest, financial loss, illegal taking of interests)
  - Disposal of assets and real estate – selling land or buildings below market value (conflict of interest, financial loss, illegal taking of interests), insider deals and favouritism

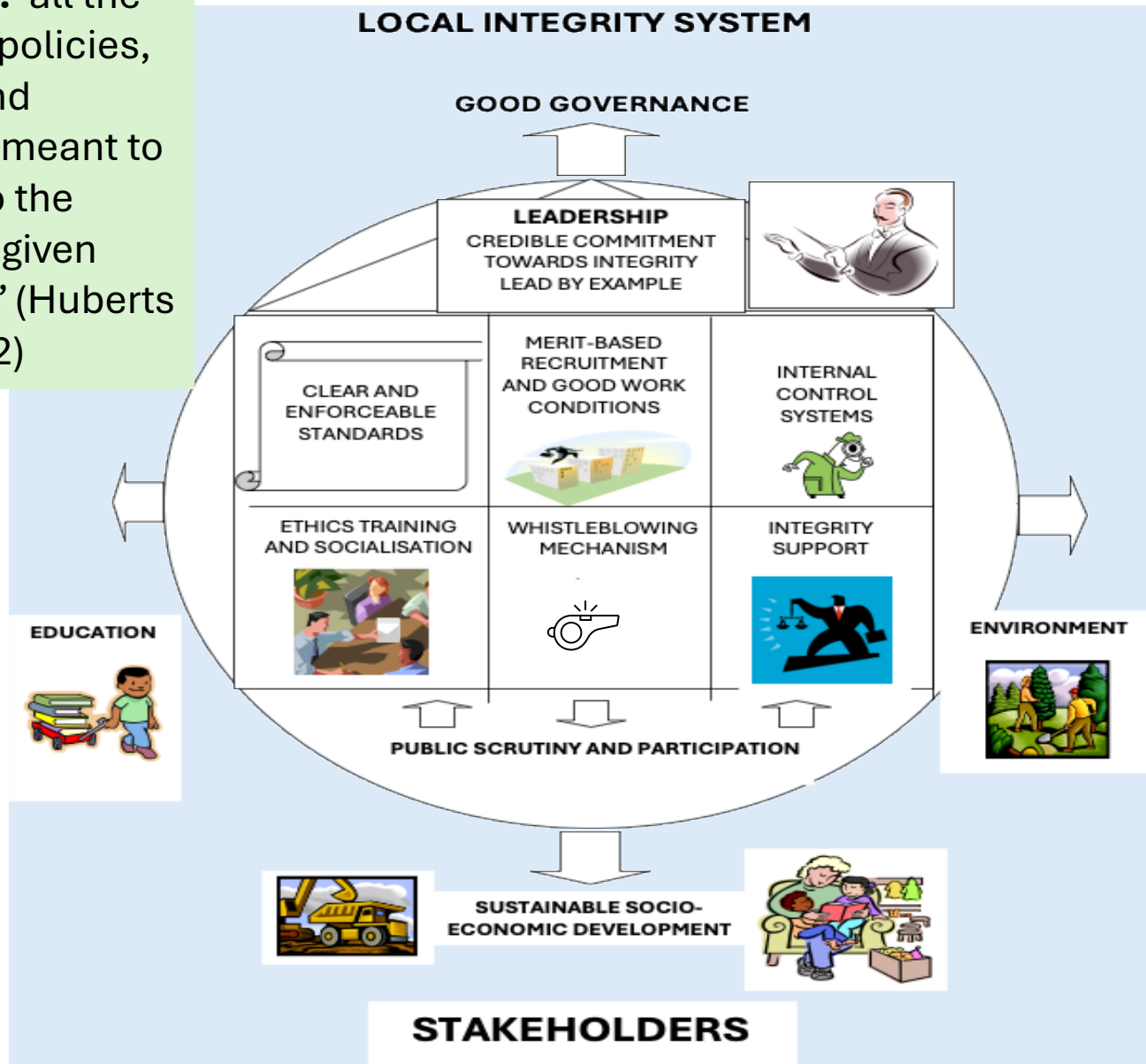
# Key integrity risks linked to local government functions (III)

- **Service delivery & Social benefits**
  - Provision of goods, services, and social benefits (e.g., social housing) – risk of favouritism, clientelism, and discriminatory access
  - Issuance of documents (e.g., certificates, records, licences, etc) - risk of forgery, bribery, and abuse of discretion
- **Information and intellectual property management**
  - Handling of personal data, management of confidential information, online transactions, access to databases – risk of data manipulation, privacy breaches, and unauthorised access to sensitive information
  - Intellectual property management – unlawful appropriation or misuse of public-created/funded intellectual property for private gain
- **Dispute resolution & decision-making**
  - Dispute resolution – risk of partiality, undue influence, and corruption in legal or administrative rulings



# LOCAL INTEGRITY SYSTEM

**DEFINITION:** ‘all the institutions, policies, practices, and instruments meant to contribute to the integrity of a given municipality’ (Huberts and Six, 2012)



# What type of policies/instruments are we talking about?

- ethics oaths for newly elected or appointed officials
- pre-employment integrity screening procedures
- codes of conduct
- integrity/compliance officers
- ethics training
- corruption risk assessments
- integrity and corruption prevention strategies and implementation plans
- standards committees
- integrity pacts in public procurement and public-private partnerships
- internal audits and reporting procedures
- online information disclosure
- disciplinary procedures
- **whistleblowing mechanisms**
- Etc.

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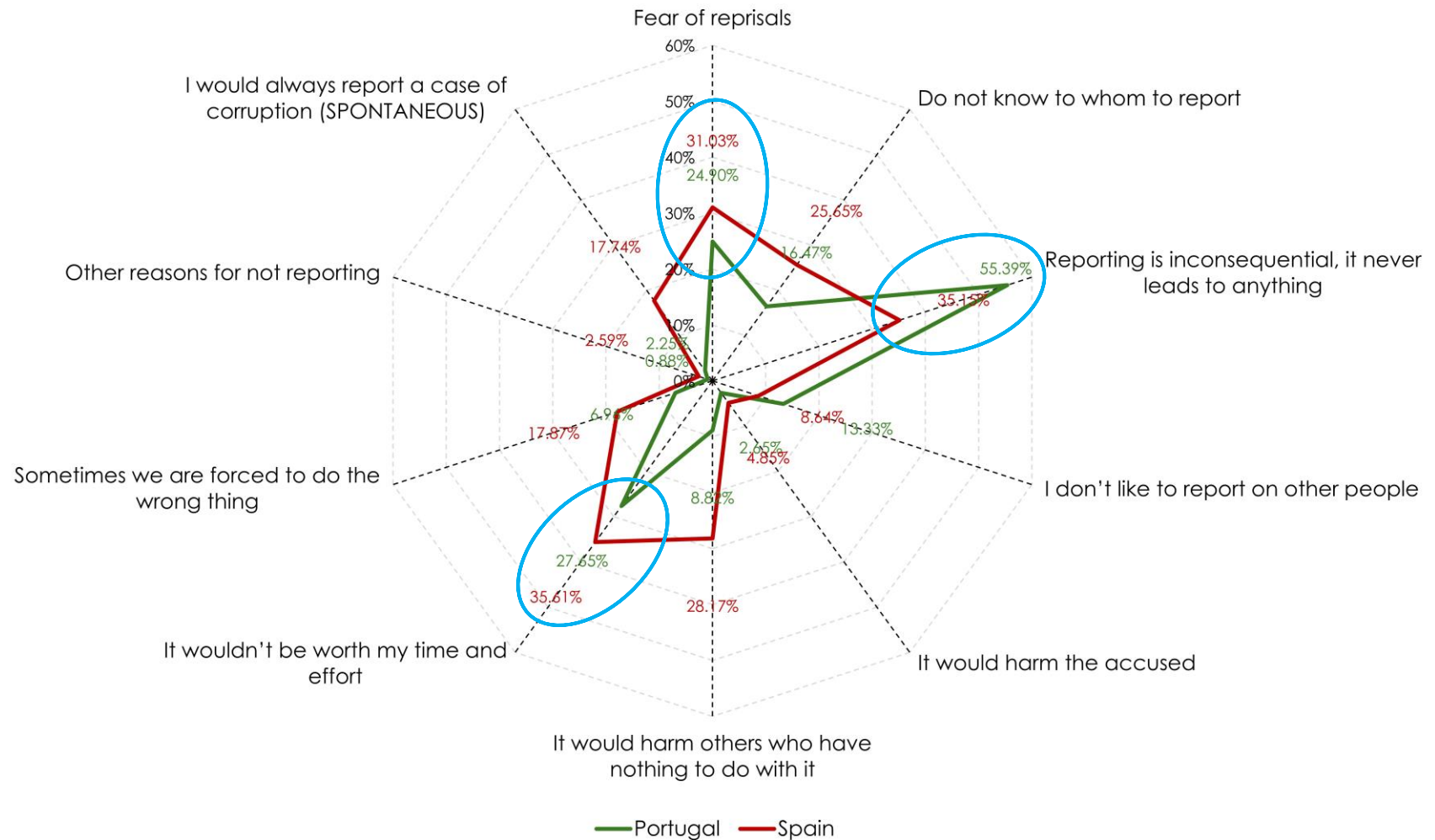
# Why organisational employees are reluctant to report corruption?

- Despite progress in developing safe corruption reporting mechanisms and procedures, organisational employees are still reluctant to report corruption. **Why?**
- Organisational employees have three options when facing a situation of corruption: exit, silence/loyalty, **voice**
- There are a series of **institutional** and **cultural constraints** pending negatively on their decision to voice their discontent and report corruption
- People invoke **multiple reasons for not reporting corruption**

# Reasons for not reporting corruption within an organisation

- Fear of retaliation/ insufficient guarantees of protection
- Costs are higher than the benefits
- Mistrust of the organisation's capacity/willingness to handle the complaint
- Not knowing to whom and how to report safely
- Low job performance, commitment and satisfaction
- Job precariousness/insecurity
- Duty to report not seen as part of prescribed work role
- Low congruence between personal and organisational values
- Insufficient evidence to sustain claims against
- No perceived harm to co-workers, the organisation or the public
- Wrongdoing involves high-level officials within the organisation
- Wrongdoing not understood as corruption
- Empathy towards the wrongdoer
- Misconceiving whistleblowing as snitching (the weight of authoritarian legacies)

# Reasons for not reporting corruption: Portugal and Spain



Source: EPOCA survey 2021 (PT), AVAF survey 2022 (ES)

# THANK YOU FOR YOUR ATTENTION



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