Guide To Corruption-Free Local Government

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PRACTICAL WAYS

To design & implement corruption prevention
at local levels

Author: Milena Minkova

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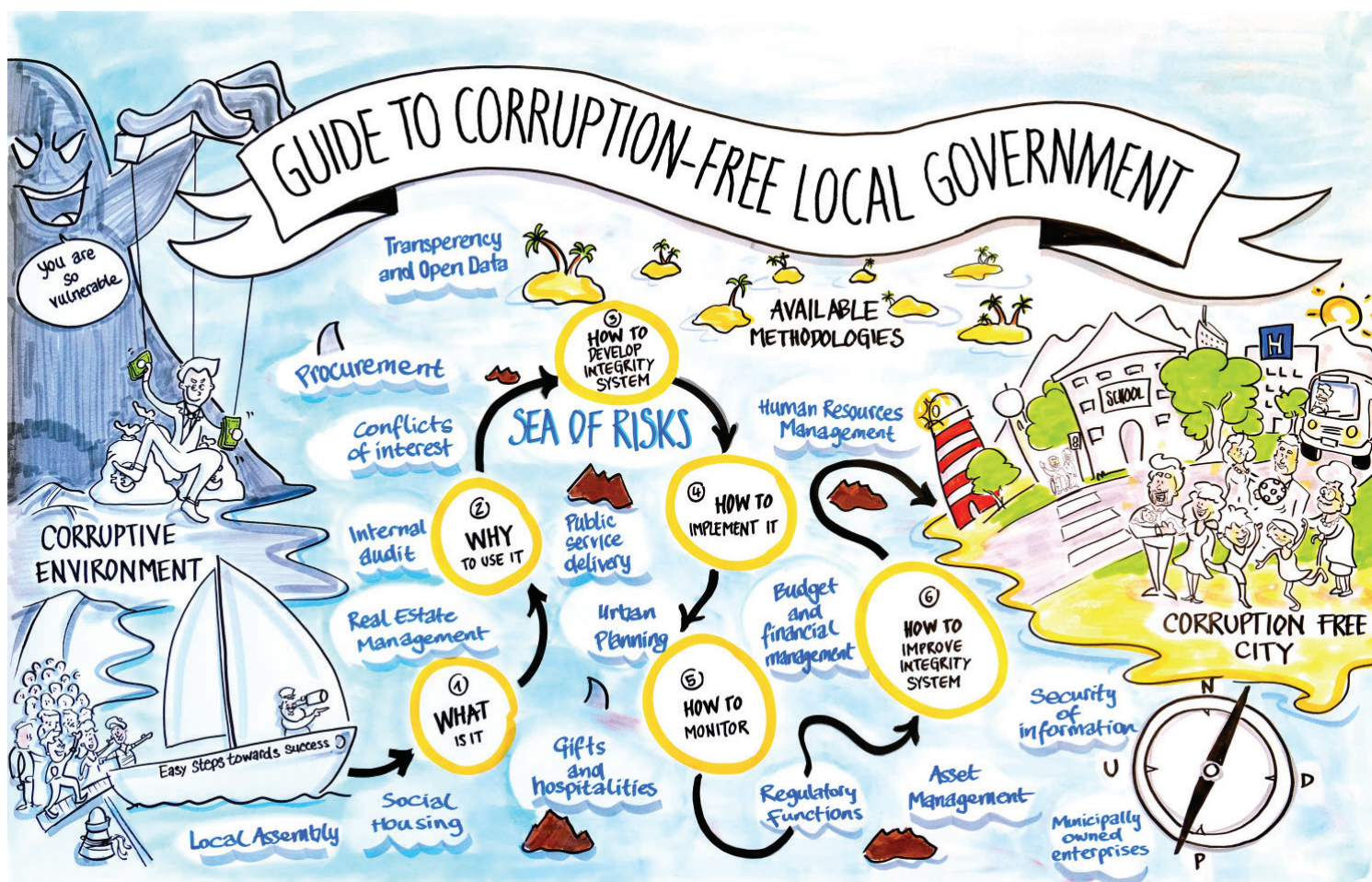
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1 About This Guide

The section presents a summary of the guide, outlining how local leaders may prevent corruption in 7 key steps. It explains the purpose and objectives and offers a nutshell view, "the guide at a glance", to help and direct users.

1.1   Summary

This guide is a practical instrument to assist local governments, UNDP Country Offices (COs), international organizations and civil society organizations (CSOs) to design, implement and monitor anti-corruption at the local government level. This process includes 1) corruption risk assessments; 2) integrity plans; and 3) integrity management systems that result in more transparent, effective, efficient and accountable local governments.

The guide will strengthen the capacity of those working in the local government sector to effectively manage integrity risks and increase organisational resilience to integrity violations, and thus enable local governments to deliver robust and efficient public services. Strengthening integrity and preventing corruption on local levels will positively affect achievement of a number of Sustainable Development Goals, and especially the Goal 16[1], which promotes peaceful and inclusive societies for sustainable development, provides access to justice for all and builds effective, accountable and inclusive institutions at all levels. Importantly, the guide provides practical information and practice-based tools to support and strengthen transparency, effectiveness, efficiency and accountability in local government processes in four important ways:

First, the guide provides users with vital background information to enhance their knowledge of the concept of local government integrity, the opportunities for integrity violations, and their relationship to preventing corruption.

Second, it presents a range of adaptive tools (methodologies) and examples to lead anti-corruption practitioners to identify, analyse and evaluate integrity risks in their own contexts.

Third, it advises on how to carry out effective integrity planning by enabling users to design, implement and monitor integrity plans that address integrity risks with the most adequate and appropriate risk treatment measures.

Fourth, it instructs users on how to sustain and improve an integrity management system (IMS) that ensures implementation of integrity plans and contributes to continuous improvement of integrity management practices on the local government level.

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1   https://sustainabledevelopment.un.org/sdg16

7 Steps to prevent corruption in local government

STEP 1

Leadership and commitment. Develop a straightforward integrity policy statement and commit to a Code of ethics. Work with the local assembly in integrity management and assign responsibilities and authorities to manage integrity.

STEP 2

Risk assessment and Planning: Conduct a thorough corruption risk assessment and develop an integrity plan to define risk treatment measures, responsibilities and terms.

STEP 3

Provide the necessary resources: Ensure competence and awareness of all staff and commit to strong anticorruption partnerships with CSOs, media and businesses. Implement an effective internal and external communication system, with maximal transparency and protecting access to information. Use "open data" systems to maximise gains for prevention of corruption.

STEP 4

Implementation: Implement timely and adequately the integrity plan, and systematically apply strict integrity controls to minimize risk levels in all processes.
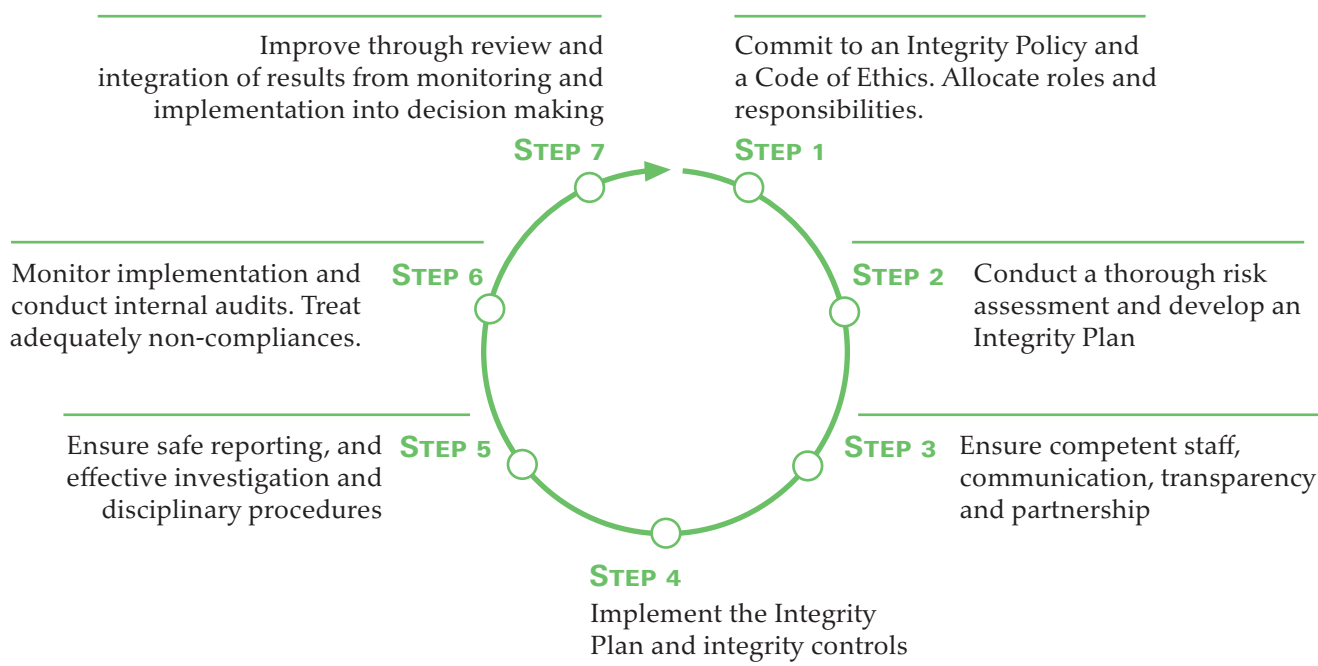
STEP 5

Reporting of violations, investigation and disciplinary procedures: Ensure safe and effective internal and external reporting of integrity violations, fully protecting whistleblowers. Maintain an appropriate system to detect and investigate integrity violations, taking disciplinary measures, as required.

STEP 6

Monitoring and treating non-compliances: Implement effective monitoring over the implementation of integrity plans and integrity performance, robust citizens feedback mechanisms and regular internal audits.

STEP 7

Improvement: Through consistent review of implementation and monitoring, integrate all data generated, including lessons learnt, to define the necessary improvement framework and plan for the future.

Improve through review and integration of results from monitoring and implementation into decision making

Commit to an Integrity Policy and a Code of Ethics. Allocate roles and responsibilities.

STEP 7

STEP 1

Monitor implementation and conduct internal audits. Treat adequately non-compliances.

STEP 6

STEP 2

Conduct a thorough risk assessment and develop an Integrity Plan

Ensure safe reporting, and effective investigation and disciplinary procedures

STEP 5

STEP 3

Ensure competent staff, communication, transparency and partnership

STEP 4

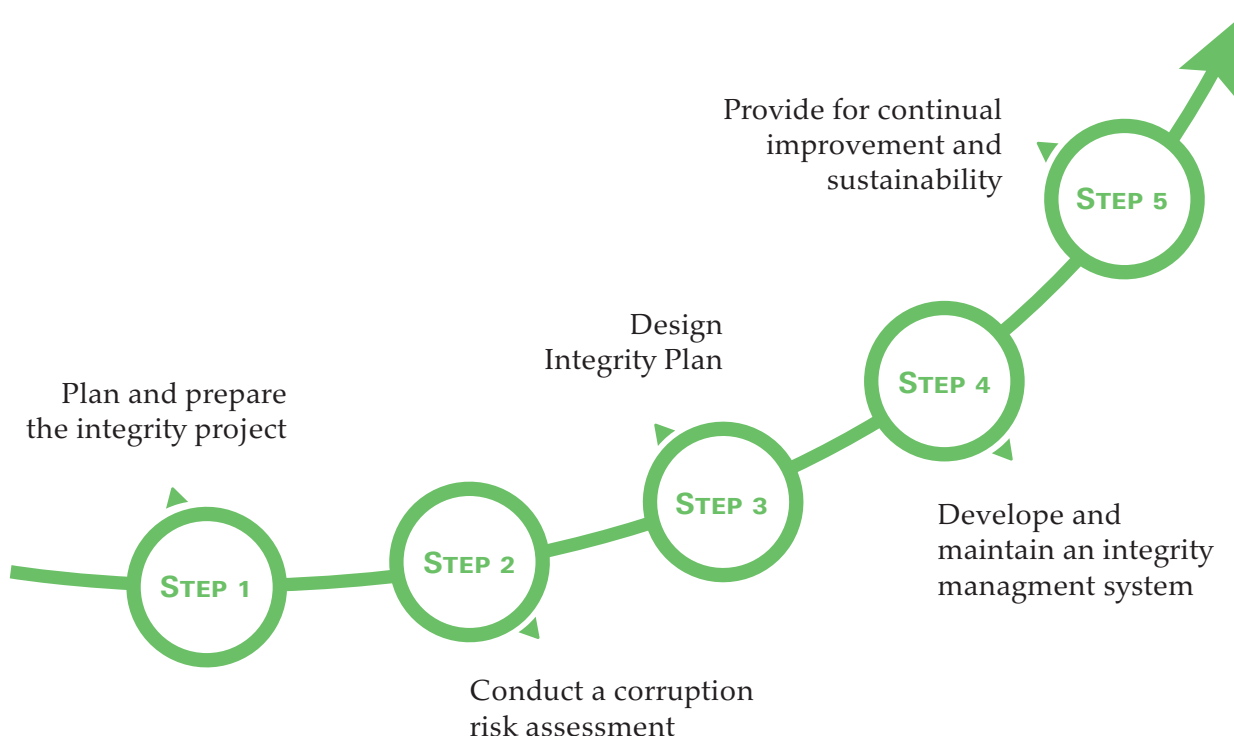Implement the Integrity Plan and integrity controls

1.2   Purpose & objectives

This guide is primarily designed for local and national stakeholders who are involved in local government corruption risk assessment, integrity planning and integrity management. These include local government officials, civil society organizations, media organizations, and multilateral and bilateral agencies. The objectives are to provide a platform for understanding and navigating the local level integrity processes, focusing on:

- how to plan and prepare an integrity project;

- how to conduct a corruption risk assessment;

- how to design rigorous and risk sensitive integrity plans;

- how to ensure implementation, monitoring and reassessment of integrity plans;

- how to address problems of effectiveness and sustainability by moving from risk assessment and integrity plans towards development, maintaining and improving an integrity management system.

The guide has been developed based on a review of numerous methodologies and standards, as well as, on practical experience and results. While the tools and standards used are generic and are meant to cover all types of political systems and levels of decentralisation, inevitably a large degree of adaptation will be necessary when implementing them.

1.3   The Guide at a glance

Provide for continual
improvement and
sustainability

Step 5

Design
Integrity Plan

Step 4

Plan and prepare
the integrity project

Step 3

Step 2

Step 1

Develope and
maintain an integrity
managment system

Conduct a corruption
risk assessment

2 Local government integrity and the importance of strengthening integrity management

This section introduces the concept of local government integrity, which is broader than anti-corruption. It highlights the factors affecting the numerous opportunities for corruption at the local level and explains why it is critical for local government to adequately address these risks through effective management. This section also presents the advantages of applying instruments of corruption prevention: risk assessment, integrity plans and integrity management systems in local governments.

2.1 Local government integrity

For the purposes of this guide, local government integrity is a

> system of values, attitudes and actions of local government, which enables adherence to the law, code of conduct and ethical behaviour and work practices.

The concept of integrity[2] is broader than anti-corruption, which is commonly understood as an "abuse of entrusted power for private gain"[3].

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2   There is no universally or commonly recognized definition of integrity. The OECD defines public integrity as "the consistent alignment of, and adherence to, shared ethical values, principles and norms for upholding and prioritising the public interest over private interests in the public sector." (OECD Recommendation of the Council of Public Integrity). The concept of integrity enshrined in the Charter of the United Nations embraces "all aspects of required behaviour of United Nations staff members, including such qualities as honesty, dedication to duty, loyalty, truthfulness, impartiality and incorruptibility."Integrity Action refers to public or organisational integrity is the "set of characteristics that justify trustworthiness and generate trust among stakeholders." Integrity is defined as "Integrity = Accountability + Competence + Ethics – corruption". The World Customs Organisation enivisions integrity as: 'a positive set of attitudes which foster honest and ethical behaviour and work practices.' (2015, Integrity). A legal definition has been provided in the Slovenian Act on Integrity and Corruption Prevention (ZIntPK), where 'Integrity' is the 'expected action and responsibility of individuals and organisations in prevention and elimination of the risk that any authority, office, power or another competence for decision-making is used contrary to the law, legally permissible objectives or codes of ethics'. A wide range of different perspectives range from integrity as wholeness to integrity as exemplary moral behavior or integrity as the quality of acting in accordance with laws and codes. (Towards a theory of integrity systems: a configurational approach, Frédérique Six, Alan Lawton, 2010).

3   See Local governance integrity: principles and standards, Nuno Ferreira da Cruz (EBES Consultores, Lda), Michel Gary, 2015 Transparency International, at p. 6; https://www.transparency.org/what-is-corruption#define

Integrity violations include, without being limited to:

- Conflict of interest;
- Fraud and Theft;
- Embezzlement;
- Extortion;
- Corruption;
- Misuse and Manipulation of Information;

- Incompatible Functions;
- Improper use of Authority;
- Favouritism;
- Nepotism;
- Waste and Abuse of Resources;
- Discrimination and Sexual Harassment;
- Working time misconduct.

2.2 Opportunities for integrity violations in local governments

Though hard evidence is often scarce, it is clear that corruption in local government exists.[4] The underlying reasons include the many opportunities for corruption existing in the eco-system of local governance.

FACTORS THAT AFFECT OPPORTUNITIES FOR CORRUPTION INCLUDE

Decentralisation multiplies opportunities for corruption due to an increased portfolio of functions and responsibilities.[5]

Volume of transactions and dispersed control over finances heighten the potential for abusive practices, including budget fraud.[6]

High levels of bureaucracy and considerable discretionary powers and monopoly over public services create multiple opportunities for corruption.

Complexity and multiplicity of transactions increase the potential for abusive practices.

Proximity to clients of service delivery increases the opportunities for corruption.[7]

Influence from patronage networks provides a rich enabling environment for corruption pressure.[8]

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4 Corruption in UK Local government- The Mounting Risks, Transparency International, 2013, at p. 30

5 M. Chêne, 'Corruption and Decentralisation in Afghanistan', U4 Expert Answer (Bergen, Norway: Chr. Michelsen Institute, 2007). Available at: www.u4.no/pdf/?file=/helpdesk/helpdesk/queries/query148.pdf

6 See Corruption and local government, Transparency International, 2009, https://www.transparency.org/whatwedo/publication/working_paper_05_2009_corruption_and_local_government

7 See Local governance integrity: principles and standards, Nuno Ferreira da Cruz (EBES Consultores, Lda), Michel Gary, 2015 Transparency International, at p.7

8 M. Chêne, 'Corruption and Decentralisation in Afghanistan', U4 Expert Answer (Bergen, Norway: Chr. Michelsen Institute, 2007). Available at: www.u4.no/pdf/?file=/helpdesk/helpdesk/queries/query148.pdf

Favouritism and nepotism at the local level might influence decisions on human resources.

The proximity to local stakeholders leads to greater interaction between local officials and businesses, which might subvert fair procurement procedures.[9]

Potential shortage of competent staff to carry out highly specialized tasks might cause underperformance.

Oversight by external stakeholders may prove weak due to capacity limitations and the existence of local patronage networks.

2.3 Advantages of strengthening integrity management in local government

The many opportunities for corruption create integrity risks at all government levels: central, regional and local. These risks need to be adequately accounted for through rigorous corruption risk assessments, and respectively treated through targeted risk management (integrity) plans. Beyond these, an integrity management system provides the systematic approach needed to not only plan, but also implement and monitor integrity plans, and define the necessary improvement framework. It helps not only identify system failures but calls for enhancing the whole governance system to prevent corruption in the long run and assure effective, transparent and accountable management practices.

There is no universal definition for integrity management system, which is a part of the organisational management system specifically addressing integrity and related risks.[10] In the local government context, IMS refers to everything that the local government systematically does in its regular course of management and business to effectively manage integrity risks and to ensure that its operations are maintained and its staff acts with integrity. This mechanism is a living body, composed by a set of interrelated and interdependent policies, processes and procedures, maintained, monitored and improved as a practical system to prevent corruption and achieve integrity objectives embedded into all aspects of local government functioning, such as, management process of public finances, human resources, municipality-owned assets, as well as, public services delivery, procurement of goods services etc. It is inspired and led by local leadership and brought to life by daily routine practices of all staff. The IMS is built on the PDCA (plan-

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9   See Corruption and local government, Transparency International, 2009, https://www.transparency.org/whatwedo/publication/working_paper_05_2009_corruption_and_local_government

10   ISO 37001:2015 Anti-bribery management systems- Requirements defines the management system as a „set of interrelated or interacting elements of an organization to establish policies and objectives and processes to achieve those objectives Manual on integrity planning (2015), UNDP refers to integrity management system as „a set of interrelated components and their interactions developed, maintained, monitored and improved as a practical system for preventing, detecting and sanctioning corrupt practices.‟

do-check-act)[11] improvement framework, requiring local govern-
ments to plan for integrity, implement integrity measures, check on
performance and further effectively integrate lessons learnt into the
decision-making and improvement.

1

EFFECTIVE RISK MANAGEMENT

2

STAKEHOLDER & COMPLIANCE MANAGEMENT

**Benefits of introducing
an integrity management
system**

in local government include,
but are not limited to

- Improved organizational resilience to corruption;

- Reduced risk of corruption and minimized financial and non-financial losses from integrity violations;

- Resources allocated efficiently to treat risks with adequate risk mitigation mechanisms;

- Improved focus on stakeholders and their integrity requirements and expectations;

- Assurance to stakeholders that the local government is taking reasonable steps to prevent corruption;

- Enhanced conformity with relevant legal requirements and ethical commitments;

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11   PDCA / PDSA is an iterative, four-stage approach for continually improv-
ing processes, products or services, and for resolving problems. The PDCA
cycle helps to solve problems and implement solutions in a rigorous,
methodical way. PDCA, sometimes called the "Deming Wheel," "Deming
Cycle," or PDSA was developed by renowned management consultant
Dr William Edwards Deming in the 1950s. Deming himself called it the
"Shewhart Cycle," as his model was based on an idea from his mentor,
Walter Shewhart (from (Continually improving, in a methodological way,
https://www.mindtools.com/pages/article/newPPM_89.htm)

3

ENHANCED EFFECTIVENESS, EFFICIENCY & TRANSPARENCY

- Higher effectiveness of operations and improved processes;

- Improved quality and transparency of public service delivery;

- Enhanced transparency and effectiveness of supply chain management;

4

IMPROVED ORGANIZATIONAL INTERNAL ETHICS INFRASTRUCTURE

- Improved internal ethical climate and internal capacities to manage integrity risks;

- Increased awareness of staff at all levels regarding integrity;

- Higher understanding of roles and responsibilities of each official in managing risks at the workplace;

- Effective internal and external communication regarding integrity;

5

INCREASED PUBLIC PARTICIPATION, IMAGE & CREDIBILITY

- Significantly enhanced public image and increased public trust in local government;

- Co-ownership with civil society, businesses and population in integrity efforts created;

- Effective inclusion of local stakeholders in efforts to combat and prevent corruption in local society.

3 UNDP's Role in Strengthening Integrity at a Local Level

The section highlights UNDP's value proposition to the local governments and explains how and when the UNDP COs may identify a need to get involved in local integrity reform processes. It instructs how to integrate local integrity systems into ongoing local governance projects. It provides further guidance on how to approach local government and how to launch a local integrity initiative with UNDP support.

3.1 Value proposition to the local governments in designing and improving integrity systems

UNDP supports strengthening anti-corruption institutions/systems, assists in the implementation of UNCAC, mitigating corruption risks in key sectors, and strengthening actions of governments, civil society and the private sector in fighting corruption.[12]

This guide brings the following added values to the local leadership:

- Provides with practical tools to design and implement corruption prevention mechanisms in local government;

- Enables to recognize vulnerabilities in local government processes and methodologically assess related integrity risks;

- Instructs how to develop risk-based integrity plans to effectively reduce exposure to corruption, improve resistance and strengthen organisational performance;

- Guides towards a fully-fledged PDCA cycle in managing organizational integrity by assisting them in the design and implementation of a holistic integrity management system;

- Facilitates sharing of good practices in integrity protection among local governments.

3.2 Preconditions for UNDP's involvement in local integrity reform processes

For UNDP COs to identify a need to be involved in local integrity reform processes certain preconditions should be in place:

Demonstrated leadership and commitment of key municipal actors (local assembly and/or local executive) to become actively involved in the integrity project.

Particular critical weaknesses of the integrity management system, evidenced through integrity underperformance, allegations of corruption, etc. that require immediate intervention.

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12   http://www.undp.org/content/undp/en/home/democratic-governance-and-peacebuilding/fighting-corruption.html

↓ Important projects, or relevant trends: large migration, move-
ment of capital and services, etc. that reshape the local risk
environment and call for effective integrity measures.

↓ Advanced decentralization, local governments assume new
competences, leading to emerging risks that need to be effec-
tively managed.

↓ Need for support of particular local governments, expressed
and justified by the national anticorruption body while exer-
cising its responsibilities in integrity planning.

↓ Corruption risk assessment and planning become a part of
a regional governance initiative, creating opportunities for
transfer of good practices and experiential learning.

3.3 Integration of local integrity initiatives into ongoing local governance support projects.

Local integrity initiatives ideally are integrated into ongoing or
planned development projects at the local level. They can serve
diverse governance goals and constituencies. In particular, they fit
within the following areas of practice:

■ **Responsible and accountable local institutions and urban-
ization (SDG16 and SDG11)**[13]**:** Enhancing integrity in local
government promotes high-quality standards in service deliv-
ery and improves accountability and transparency at the local
level.

■ **Rule of Law, Justice, Security and Human Rights: Enabling
political environment (SDG16)**[14]**:** Local integrity initiatives
will contribute to democratic oversight and good governance,
and promote accountability of local public servants, which in
turn will result in better protection of human rights.

■ **Empowering youth (SDG4)**[15]**:** Local integrity initiatives may
be designed to foster the dialogue and partnership between
local government and local youth, to enable their visible
contribution as important stakeholders and anti-corruption
activists.

■ **Anti-corruption projects (SDG16)**[16]**:** Local integrity pro-
grams will support initiatives for strengthening capacities
of national anti-corruption bodies, related to their responsi-

13 http://www.undp.org/content/undp/en/home/democratic-govern-
ance-and-peacebuilding/responsive-and-accountable-institutions.html

14 http://www.undp.org/content/undp/en/home/democratic-govern-
ance-and-peacebuilding/rule-of-law--justice--security-and-human-rights/
enabling-political-environment.html

15 http://www.undp.org/content/undp/en/home/democratic-govern-
ance-and-peacebuilding/empowering-youth.html

16 http://www.undp.org/content/undp/en/home/democratic-govern-
ance-and-peacebuilding/fighting-corruption.html

bilities to consult and oversee integrity planning at the local level. Integrity planning and integrity management in the local government are a key means for strengthening local institutions and systems to fight corruption. Integrity initiatives may also foster the collective actions of governments, civil society and the private sector in fighting corruption.

- **Gender equality and women's role in local integrity (SDG5)[17]:** Local integrity initiatives may be designed to promote gender equality principles and practices, as well as women's role in local integrity. Through addressing the relevant integrity risks, including discriminatory practices, local integrity plans should put forward effective measures to achieve gender equality and empower women in local government.

3.4 Approaching local government offices

In preparing for a successful integrity initiative at the local government level, the following local government offices should be approached:

- The Mayor and the political cabinet: It is instrumental to fully explain the advantages of integrity initiatives to local governments (see section 2.3). It is important to bring successful examples from the country/region and to stress the opportunities for sharing of good practices. Highlight the possibility that local leaders who are the forerunners in integrity management leave a mark in the pursuit of excellence in local government. Make a direct link between the proposed initiative and increased public trust and public image. In cases where integrity planning is made mandatory for public entities by the law, this could be used as an argument to motivate leadership. Briefly explain the process, its planned duration, as well as related responsibilities. Stress that the active role of the mayor and the local leadership is indispensable for the success of the entire integrity project. Their commitment should be visible and sustained through all phases of planning, maintaining and improving the integrity management system.

- The local assembly and its Chairperson: It is crucial to highlight the political benefits of having a strong local integrity initiative, which builds trust between the citizens and their local government. Emphasize the role of the local assembly in promoting accountability, effectiveness and transparency. Bring successful examples from the country/region. Restate the legal obligations to implement integrity planning, if any. Focus on the good example and the role model in promoting integrity not only by words but also by concrete actions. State that conducting a risk assessment and establishing an integrity system is a unique opportunity to effectively demonstrate

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17 http://www.al.undp.org/content/albania/en/home/operations/projects/poverty_reduction/gender-equality-and-gender-based-violence-programme-.html

leadership and commitment in anti-corruption, and at the same time, attain important practical results, including, increased public trust and a better public image.

3.5 Key success factors for launching local integrity projects with UNDP support

Lessons learned indicate the following criteria are helpful in determining whether a local integrity initiative would be successful in a given local government context:

Demonstrated commitment of the Mayor/Local Government to implement integrity projects;

↓

Memorandum of Understanding (MoU) signed between UNDP and the Mayor/ Local Government, to set roles and responsibilities;

↓

Availability of resources (i.e. time, staff, etc) to devote to project implementation;

↓

Internal capacities in anticorruption and risk management;

↓

Previous experience with risk assessment and tools for organisational excellence;

↓

Successful participation in **integrity projects;**

↓

Successful cooperation with relevant external stakeholders, i.e. CSOs, the national association of municipalities, the national anticorruption body, etc.

Good practice is for UNDP to clarify with the Mayor/Local Government, their respective roles and responsibilities by signing a Memorandum of Understanding (MoU).[18] The MoU sends a clear message to the local community on the commitment of local government to pursue integrity. It also launches the start of the integrity initiative and mobilizes internal capacities towards its consistent implementation. The MoU should set a clear time frame[19] for the integrity project and determine its scope. This implies a decision whether the integrity project will cover the municipal administration alone, or the municipal administration and the local assembly. This choice is context specific and assumes full support and direct involvement of the local assembly in designing and implementing the IMS in the event, where the local assembly has been included in the scope of the integrity project.

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18   Guideline for Application of the Anti-Corruption Methodology "Islands of Integrity and Effectiveness", Ana Vasilache, 2016

19   It is advised that the integrity project (corruption risk assessment and integrity planning) take between 3 to 4 months, but can last less and more depending on the size, complexities, previous experience, capacities in risk management, commitment from the top, etc.

4 Risk Assessment & Integrity Plans

The section guides through the corruption risk assessment process, explaining the relevant steps, responsibilities and documentation requirements. Further, it presents integrity plans as corruption prevention mechanisms. It defines the important prerequisites and the drivers to effective integrity planning. The section specifies possible formats of integrity plans, revealing the variety of existing approaches. It entails a strong focus on ensuring implementation of integrity plans, rigorous monitoring and planning the next re-assessment as critical parameters of effective integrity management.

Each local government will have its unique risk management process, framed by its specific risks and the achieved risk control environment. Corruption risk assessment and developing integrity plans in local governments can be designed and carried out in multiple ways. Some national anti-corruption agencies have developed practical guidelines to facilitate the process of corruption risk assessment and risk management (i.e. Slovenia[20], Moldova, Serbia,[21] Lithuania, etc). Further to that, there are numerous methodological guidelines that are relevant and may successfully lead the local government in the process.[22] Annex 1 presents an overview of well-established tools to assist local governments to find the most suitable solutions for themselves and adapt a methodology of their own. Within this spectrum, however, there is no universally recognized one-size-fits-all approach. The advice in this guide should be used only as an inspiration for the responsible professionals who carry out corruption risk assessment rather than as a precise manual. The below framework is open to further adaptation based on the specific needs and capabilities of particular users. In countries where national anti-corruption bodies have comprehensively defined specific methodologies for risk assessment and integrity planning, this guide can play a comple-

20   See https://www.kpk-rs.si/en/prevention
21   See Manual for the Integrity Plan development and implementation, Anti-Corruption Agency, Serbia, 2017, at, http://www.acas.rs/wp-content/uploads/2011/12/Manual-for-the-Integrity-Plan-Development-and-Implementation.pdf
22   Guideline for Application of the Anti-Corruption Methodology "Islands of Integrity and Effectiveness", Ana Vasilache, 2016; Guide for Anticorruption Risk Assessment, the Global Compact (2013) at http://www.cop-advanced.org/sites/default/files/docs/RESSOURCES/Lutte_contre_la_corruption/AGuideforAntiCorruptionRiskAssessment.pdf; Methodology for Measuring the Index of Responsibility, Transparency and Accountability at Local Level, UNDP the former Yugoslav Republic of Macedonia, 2009 (http://europeandcis.undp.org/governance/show/E0665B63-F203-1EE9-B2237737A3E4BC48) Further references include Manual on Integrity Planning and Integrity Management 2015, UNDP; Craiova, A City Without Corruption, A City with Future, A Role Negotiation Exercise, FPDL, 2008; Integrity systems and methodologies for monitoring integrity, responsibility, transparency and accountability at local level, the former Yugoslav Republic of Macedonia: case in point, UNDP Procedural Manual for applying the adapted Risk Assessment Methodology for assessing the risk of Corruption in Municipality, UNDP Local Integrity System Assessment Toolkit, Transparency International 2014; RCC's Corruption Risk Assessment methodology.

mentary role, providing opportunities for further learning.Below is a 20-action process for conducting a corruption risk assessment:

4.1 PHASE 1: PREPARATION, COMMUNICATION AND MOBILISATION OF RESOURCES

STEPS/ TASKS

1 **Collect relevant information and understand benefits:**

Gather information on corruption risk assessment, contacting relevant experienced stakeholders, i.e the national anti-corruption body, the national association of municipalities, international organisations, such as the UNDP, OECD, TI, other local governments and public administration bodies, etc. Make sure the municipal leadership fully understands the advantages of implementing a corruption risk assessment from the outset.

RELEVANT RESPONSIBILITIES   Management

2 **Consult key stakeholders:**

Consult the local assembly, to ensure co-ownership in the project and generate support for its implementation.

RELEVANT RESPONSIBILITIES   Management

3 **Take a decision to launch a corruption risk assessment and conclude an MoU:**

Based on preliminary information and consultations, the municipal leadership takes a decision to launch the integrity project. It should demonstrate a firm commitment to adequately resource the process and personally participate, as appropriate. The timeframe and the scope of the integrity project should be determined. Further to that, an MoU should be signed, to specify the roles and responsibilities in the integrity project, and to convey a strong message to all stakeholders on the integrity commitments of the local government.

RELEVANT RESPONSIBILITIES   Management

4 **Consider nominating a team leader:**

Consider appointing a leader, who has the relevant knowledge and is well trusted across the local government. The project leader should be made responsible for managing all aspects of the integrity project.

RELEVANT RESPONSIBILITIES   Management

5   **Nominate the members of the working group (WG) that will carry out the risk assessment:**

To enable effective decision making, suggest to the local government leadership to appoint 9 to 15 members of the WG, involving local government/assembly (representatives from different sectors, functions, and management levels, significant process owners, such as, managers of procurement, inspections, legal and compliance, operations etc.) as well as civil society, media, academia and other relevant stakeholders. The working group is supposed to carry out the corruption risk assessment and develop the risk management (integrity) plan.

RELEVANT RESPONSIBILITIES   Management

6   **Prepare the ToR of the WG:**

Local government leadership should clearly and explicitly define the Terms of References of the WG. The WG should:

- Plan the assessment: prepare a schedule, with clear milestones and deadlines;

- Organise the activities;

- Communicate and cooperate with respective stakeholders;

- Inform all staff about its purpose and objectives;

- Invite and motivate staff to actively participate and contribute;

- Select the methodology and tools of the risk assessment;

- Collect the necessary documentation;

- Implement the selected instruments (i.e. questionnaires, interviews, workshops);

- Document the results; and

- Report to top management.

RELEVANT RESPONSIBILITIES   Management

7   **Select the relevant methodology to be used and the methods for risk identification and risk assessment:**

Based on experience, information gathered and advice received, select the methodology of the risk assessment (selected methodologies are presented in Annex 1 of this Guide), and the methods to be used for collection of information. Draft a time-plan of the assessment with relevant milestones and deadlines. Decide on the format of documenting the results of the risk assessment.

RELEVANT RESPONSIBILITIES   Management and WG

8   **Communicate the integrity project:**

Communicate widely the initiative across the local government
to stimulate co-ownership, as well as commitment and engage-
ment of all stakeholders. The communication should include an
explanation of the purpose and objectives of the risk assessment,
detailed information on the tasks to be undertaken, the applicable
timeframes, as well as the related training and awareness events,
as appropriate.

RELEVANT RESPONSIBILITIES   WG

9   **Conduct capacity building workshop(s):**

The working group members and others involved in the process
shall be trained on the methodology to be used for the corruption
risk assessment as well as for building the integrity system. In all
cases, training should aim to be participatory, targeted, interactive,
relevant and practical, to enable participants carry out a successful
corruption risk assessment. Besides the WG, who should be given
a mandatory training, additional training in integrity management
may be provided for relevant local government staff. These will
depend on the training needs, as well as on the available resourc-
es. Potential training providers include the national anti-corrup-
tion body, the national training provider in the public service, the
national association of municipalities, on-going projects and donor
agencies, private consultants.

RELEVANT RESPONSIBILITIES   WG

**PHASE 2: CORRUPTION RISK ASSESSMENT (IN THE
CONTEXT OF THE SELECTED METHODOLOGY AND
TOOLS)**

STEPS/ TASKS

10   **Collect a portfolio of evidences:**

Gather all relevant internal and external documents and data.
These may include:

■   Planning documents: anti-corruption policy/strategy; previ-
     ous risk assessment; orders, job descriptions, internal docu-
     ments to allocate responsibilities regarding anticorruption;
     code of ethics, special regulations/procedures on CoI (regis-
     ter, declarations, sanctions), gifts (Gift Register) and hospital-
     ity rules.

■   Implementation documents: work instructions/procedures
     (such as procurement rules, human resources guides etc.);
     records for training in the ethics field; communications
     regarding anti-corruption (internal and external); reporting
     of corruption; investigations of corruption: implementation

of integrity measures/integrity initiatives/integrity-related information campaigns.

■ Monitoring documents: internal audits; reports regarding integrity (including reports from the national anti-corruption body); surveys of staff perceptions of corruption, surveys of local community's perception of corruption of local government, feedback from citizens and business regarding integrity performance, data from investigation, disciplinary sanctions; cases brought to court, number and types of proceedings, verdicts, if any.

■ Improvement: annual reports of local government addressing integrity performance; management meetings to discuss integrity performance; measures undertaken to prevent corruption, reports on the implementation of the integrity plan, reports from surveillance bodies on the improvement achieved, reports from NGOs and other stakeholders on active measures undertaken to fight corruption and sustain integrity.

■ Open data: local administration's transparency and open data policies, standards, practices, regulations, websites, statistics on freedom of information requests, pro-active publication of data etc.

RELEVANT RESPONSIBILITIES   WG

11   **Conduct a general review of the integrity system through questionnaires and data analysis:**

Prepare, process and analyze anonymous questionnaires. They should cover the major areas of integrity protection such as: the key ethics instruments: code of ethics, conflicts of interest, gifts and hospitality, whistleblowers protection; the integrity safeguards in high-risk processes: HRMD, procurement, provision of services, regulatory functions; security of information; open data and transparency: policies, rules, websites, citizens' feedback channels, communication and consultation channels, access to information, data publication; the key elements of the integrity management system: leadership, integrity policies, capacity building and awareness raising, roles and responsibilities in integrity protection, integrity controls in key operational processes, reporting of corruption, protection of whistleblowers, internal audit, controls and disciplinary sanctions.

Further to the questionnaires, analyze the collected portfolio of evidences to identify the internal and external context of integrity management in the given local government.

The final report should include the context of integrity management in a particular local government, an overview of general attitudes towards the effectiveness of the integrity management system maintained, an assessment of knowledge levels regarding anti-corruption regulations, and a list of risk areas identified, including proposed anti-corruption measures, if any.

12   **Establish the risk criteria:**

Based on the general review, providing the context of local government regarding integrity (internal and external), and the evidence collected, identify the risk criteria to be used for assessing the significance of risks. These may include zero tolerance to corruption, when detected, legal and stakeholder requirements, ethical commitments, etc.[23]

13   **Conduct a thorough in-depth risk identification of integrity risks:**

Conduct workshops or other information gathering exercises (document review, legal analysis, focus groups, management interviews) focused on in-depth identification of the integrity risks that are relevant in the context across all internal and external functions and processes of the local government. Pay special attention to integrity sensitive functions and processes, such as:

- **Strategic processes** - strategic planning, elaboration of draft regulations, budget, elaboration of service standards, urban development planning, etc;

- **Operational** - Delivery of services;

- **Regulatory functions** - issuing licenses, approvals, authorisations, certificates, permissions, compliance checks, inspections, audits, control, supervision, imposition of sanctions, penalties, etc;

- **Supporting functions** - HRMD, communication, document control, Public relations, organizational infrastructure, management of assets, etc.;

- **Management of funds and financial resources;**

- **Handling of information;**

- **Public procurement and management of contracts.**

Comprehensive risks areas in key local government processes are identified in section 5 of this Guide.

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23   See FERMA risk management standard, at p.10, http://www.ferma.eu/app/uploads/2011/11/a-risk-management-standard-english-version.pdf

14   Prepare a list of identified risks:

Based on the results from previous steps (general review, context and in-depth risk identification), map areas to be assessed because of their vulnerability to integrity violations. Consolidate the findings and come up with a manageable list of integrity risks.

RELEVANT RESPONSIBILITIES   WG

15   Identify risk factors for each risk:

After the risks have been identified, determine the risk factors that go with each of the risks. This means to determine which are the circumstances, facts and behaviour which could trigger the risks to eventuate. Relevant factors may be:

- external (legal and operational environment);

- institutional factors and conditions (rules, practices and organisation);

- individual factors (staff and management);

- operational (working processes, procedures and controls).

RELEVANT RESPONSIBILITIES   WG

16   Review controls for each risk:

Consider the portfolio of evidences, and based on them identify the controls (measures currently in place) for each risk. Conduct risk analysis for every risk factor identified based on the existing treatment/controls in place, i.e. it has to be determined whether risk factors are managed, partially managed or not managed. In other words, assess which of the existing measures are sufficient and effective and whether these measures are appropriate.

RELEVANT RESPONSIBILITIES   WG

17   Evaluate risk level for each risk:

After risk factors and controls have been determined, the WG should analyse, evaluate and assess overall risk level for each risk identified. Depending on the methodology selected, this may happen in the workshop or the focus groups, where risks have been identified. To this end, the WG should:

Document the overall risk level
in the **Risk table for each risk**

STEP 4

**Analyze the consequences
(impact)** if the risk eventuates.

STEP 3

STEP 2

STEP 1

**Apply the Risk assessment
matrix** to determine **overall
risk level**

Analyze the likelihood of
an event occurring
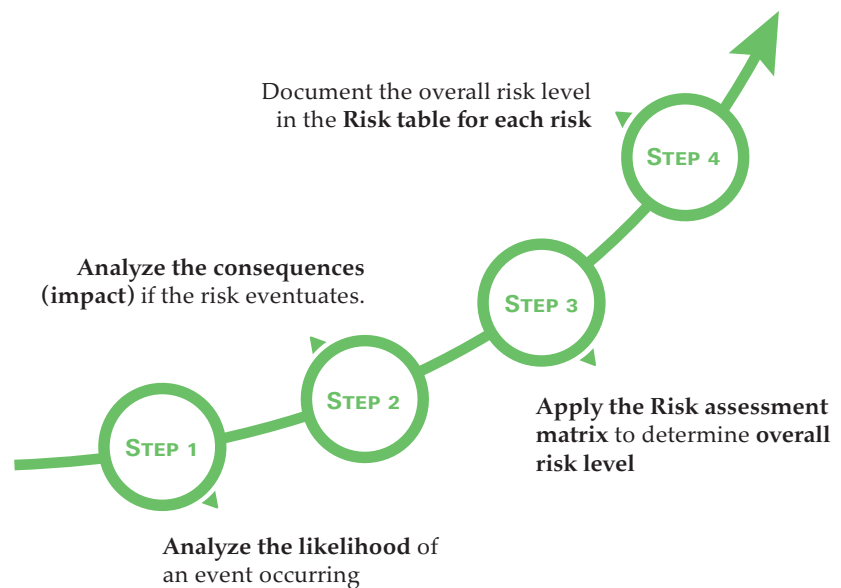
Overall risk level is a combination of the values assigned to likelihood of the risk occurring and potential consequences identified based on the risk assessment matrix.[24]

RELEVANT RESPONSIBILITIES   WG

18   **Risk evaluation and setting priorities for intervention:**

Based on the outcomes of the risk analysis (i.e. determined risk levels for each risk), compare each risk level estimated against the risk criteria, such as zero tolerance to corruption, legal and other requirements, stakeholder requirements, etc. Further to this evaluation, set priorities of treatment and decide whether the risks should be treated with respective measures or not (in cases, when the risk level is low or negligent). Major risks levels require immediate treatment of risks with the appropriate measures.

RELEVANT RESPONSIBILITIES   WG

19   **Propose and adopt risk treatment measures:**

Based on the selected methodology, use various methods/tools to propose risk treatment measures (through workshops, focus groups, targeted interviews). Possible anti-corruption strategies/measures and integrity controls are presented in detail in Section 5 of this Guide. Typical integrity protecting measures include: a formal anti-corruption policy/compliance programme, training and awareness events, written ethics standards, written procedures for high-risk processes, CoI registration, gift register, audits and controls.

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24   Risk assessment matrix may be found in the Manual on Integrity Planning, UNDP, 2015, p.16-18; in Corruption risk assessment in Public Institutions in South East Europe, Regional Cooperation Council, p.93; Manual for the Integrity Plan development and implementation, Anti-Corruption Agency, Serbia, 2017, at p. 21, http://www.acas.rs/wp-content/uploads/2011/12/Manual-for-the-Integrity-Plan-Development-and-Implementation.pdf

20   **Document the risk assessment process:**

In line with the selected methodology, develop a document with a comprehensive assessment of each identified risk, its evaluation and its proposed treatment.

4.2   Integrity plans

Based on the risk assessment, covered above, local government should develop risk management (integrity) plan. This plan should be organization specific and contain targeted integrity and transparency measures.

WHAT IS AN INTEGRITY PLAN OF LOCAL GOVERNMENT?

The Integrity Plan is a strategic, as well as, an operational document, based on the risk assessment undertaken. This Plan is to guide local government in treating the integrity risks so that risk levels are reduced and resilience of local government to integrity violations is strengthened. In its essence, the integrity plan presents:

a preventative strategic tool to improve resistance to corruption and strengthen the local government integrity, which includes adherence to legal norms, ethical commitments, moral values and professional standards;

an instrument for increasing awareness of staff about organizational vulnerabilities and exposure to integrity violations, creating co-ownership in anti-corrption and building a climate of trust across the organization, involving all levels and functions;

an integral part of the overall management of the organization;

a living document, part of the organizational learning.

Source   Manual on Integrity Planning
& Integrity Management, UNDP, 2015.[25]

The effectiveness of the whole process of risk assessment and development of integrity plans (known also as integrity planning) depends largely on the following critical prerequisites:

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25   See Manual for integrity planning and integrity management, UNDP, 2015, at p. 9

- Legal basis: experience demonstrates that if the national legislation mandates adoption of the Integrity Plans then they have higher chances to be introduced and enforced.[26]

- Support from the national anti-corruption body or other relevant external stakeholders such as the Ministry of Local Government or the national association of municipalities, and/or the donor community enables local governments to receive expert advice and help.

- Leadership and commitment from the top are indispensable to effective integrity planning.

- The competence of the staff involved is another important driver. Integrity planning initiatives, relying exclusively on external expertise, make transfer of ownership hard to achieve and risk losing sustainability. It is essential to build the necessary in-house capacities for adequate development, implementation and monitoring of integrity plans from the start of the integrity initiative.

4.2.1   FORMATS OF INTEGRITY PLANS

There is no universally accepted model (methodology) of how to draft an Integrity Plan. Instead, there are various solutions, whereas the examples below are to illustrate some of the many possible approaches.[27] Though different formats and templates may be used, the guiding principles are the same. The logic of integrity planning is straightforward: identify risk areas, analyze risks, risk factors and controls, and provide for risk treatment measures. In its substance, the integrity plan is the organizational integrity risk management plan (lists risk treatment measures and allocates responsibilities, finances, time frames and measuring indicators.)

The decision regarding which format of Integrity Plan local governments should choose to follow should depend on:

1. whether they are required to apply particular methodology as per national guidance from the anti-corruption agency;

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26   Corruption Risk Assessment in Public Institutions in South East Europe Comparative Research and Methodology, Regional Cooperation Council and Regional Anti-corruption Initiative for the Southeast Europe 2020 Strategy at p. 59, http://rai-see.org/wp-content/uploads/2015/10/CRA_in_public_ins_in_SEE-WEB_final.pdf

27   See alternatives in Guide for Anticorruption Risk Assessment, the Global Compact (2013) at http://www.cop-advanced.org/sites/default/files/docs/RESSOURCES/Lutte_contre_la_corruption/AGuideforAntiCorruption-RiskAssessment.pdf p. 43; Model corruption prevention plan, the Independent Commission against corruption, Australia, https://www.icac.nsw.gov.au/documents/preventing-corruption/3098-sample-corruption-prevention-plan/file

2. their resources (time, expertise, access to external consult-
ants), and

3. their experience and preferences regarding documenting stra-
tegic plans.

Integrity Plan, Integrity Risk Register & Risk Tables

CONTENTS OF THE INTEGRITY PLAN

Data on the local government and address;

Details of the person, responsible for the Integrity Plan;

Data on the working group for the preparation and drafting
of the Integrity Plan

Nutshell profile of the organisational context: internal and
external environment as regards integrity, applicable risk
criteria (usually "zero tolerance" to corruption approach)

Assessment of corruption exposure of the institution; Data on
risk factors; Risk analysis (likelihood and consequences); Risk
level, Measures for timely detection, prevention and elimina-
tion of integrity risks and their implementation (All above is
included in the Risk Assessment Tables)

Integrity Risk register, including proposed measures, respon-
sibilities and deadlines;

Final report of the working group on drafting the integrity
plan of the findings;

Appendices.

Source The Commission for the Prevention of Corruption
of the Republic of Slovenia at https://www.kpk-rs.si/en/prevention

In this format, the "Integrity Risk Register" codifies the action needed
to reduce/eliminate risks. In other words, it represents the organisa-
tional risk-based Action Plan to Counteract Corruption and Uphold
Integrity. Its purpose is to document how the selected treatment op-
tions will be implemented. The information provided should include:
proposed actions; resource requirements; and timing and schedule.

Example

INTEGRITY REGISTER

Name of the risk	Treatment / measure	Responsible person	Deadline for implementation	Financial means	Indicators
Unlawful receipt of gifts Minor risk level	Organise periodic trainings on regulations on gifts and hospitality. Set up a system for regular update of the Gift Register.	Head of Personnel	15 March 2018	Administrative costs	Number of people trained Number of trainings held A procedure in place for regular update of the Gift register

Tools exemplifying this method

Sample Integrity Plan (The Commission for the Prevention of Corruption of the Republic of Slovenia) at https://www.kpk-rs.si/en/prevention

Integrity Plan as a Strategic Plan, with Action Plan and Integrity Risk tables annexed

Possible alternative approach to document the Integrity Plan is to draft:

■ **Integrity Plan,** like any other strategic plan, listing anticorruption objectives, sub-objectives and measures, without filling in a special Integrity Risk Register.

■ **Action plan to define deadlines,** responsibilities and finances for implementing the measures in the Integrity Plan (to function as an Integrity Risk register).

■ **Integrity risk tables** annexed.

■ **General review report** annexed.

The difference with the previous approach is that instead of Integrity Risk Register, this Integrity Plan follows the more traditional Strategic and Action Plan model to substitute for Risk Register. The lead concern here is to have a more user-friendly approach. Some users find risk registers difficult to follow and prefer the traditional way of developing Strategy and Action Plan rather than registers. The risks, however, are accounted for and documented in the supplementary Integrity risk tables. The general review report contains the results of the general review of the integrity system, based on anonymous questionnaires and data analysis.

Tools exemplifying this method

■ Integrity Plan, Municipality of Gjakovë/Đakovica 2015 – 2016, March 2015, SAEK project, UNDP, at http://www.ks.un-dp.org/content/kosovo/en/home/library/democratic_govern-ance/integrity-plan-municipality-of-gjakove-dakovica.html

■ Integrity Plan, Municipality of Pristina, 2014 – 2016, SAEK project, UNDP, at http://www.ks.undp.org/content/kosovo/en/home/library/democratic_governance/undp-saek-integri-ty-plan-for-municipality-of-prishtina.html

Anti-Corruption Strategy and Action Plan

Some Anti-corruption Strategies and Action plans of local govern-ments represent integrity plans in their substance. They are based on a comprehensive risk assessment and evaluation and provide risk treatment measures.

Such examples have been annexed in Annex 2, to exemplify possi-ble approaches and respective formats, while using the Anti-Cor-ruption Methodology "Islands of Integrity"®.

■ Kutaisi Municipality Anti-Corruption Strategy and Action Plan for 2018-2020

■ Local Strategic Plan on Integrity and Anticorruption Actions of The City Hall of Straseni Municipality 2017-2020

4.3 Implementing the Integrity Plan

It is critical to ensure implementation of the Integrity plan so that risks are managed effectively on a day-to-day basis. Non-imple-mentation of the Integrity Plan entails the challenge of

1. integrity risks not being treated so that risk events may even-tuate;

2. resources spent on the integrity plan are wasted;

3. integrity commitments are not supported by the local gov-ernment, resulting in loss of credibility of the instrument.

The continuous communication regarding the Integrity Plan is important to maintain high levels of confidence from stakeholders, to create co-ownership in the improvement platform and to generate support for its implementation. To the above purposes, top manage-ment should present the integrity results to all staff. The presenta-tion should include the organizational exposure to integrity risks per specific risk areas, the fields in which action is most needed, and the improvement actions plan with relevant responsibilities and dead-lines. This should create an appropriate platform for change.

Capacity and awareness raising events may prove necessary for implementing the integrity plan. Any gaps in understanding of either the concepts, the risk registers, or the rationale behind particular measures would impact implementation negatively. Integrity management concerns all staff, and therefore, all staff needs to be aware and have the competency to fully implement the tasks related to their level and position. Any underestimation in this respect may lead to serious negative consequences in the implementation.

The implementation of the integrity plan should be based on a suitable and consistent approach. Top management should define the process of monitoring and assessment; clarify deadlines and results expected; assign a responsible person for each action (an "owner"), and ensure the necessary resources for implementing the measures.

4.4 Monitoring the implementation of the Integrity Plan and evaluation of results

Effective monitoring of the implementation of integrity plans does often represent a challenge. Any deficiencies in monitoring could have a negative impact on the further implementation. Without adequate monitoring, top management lacks relevant and reliable information regarding achieved results and challenges. Consequently, top management cannot answer the question of what needs to be done to ensure adequate further implementation.

To enable an effective monitoring, the top management should assign relevant responsibilities, and build and strengthen in-house capacities in the area of monitoring and evaluation. Once responsibilities and capacities are being intact, the ToR of the monitoring system should be defined. This includes who monitors what, what are the sources of verification, what information collection channels should be used, the periodicity of monitoring and how the monitoring table should be filled in. Documentation requirements should be as simple and straightforward as possible, to keep the use of resources cost-effective.

An example of a monitoring table

Monitoring table

Name of the risk	Unlawful receipt of gifts
	Minor risk level
Treatment / measure	Organise periodic trainings in regulations on gifts and hospitality.
	Set up a system for regular update of the Gift Register.
Indicators	Number of people trained
	Number of trainings held
	One system has been set-up
Deadline	15 March 2018
Progress 2018	
Progress 2019	
Progress 2020	
Source of verification	
Challenges / Comments	

Regular reporting is critical to ensure that the implementation of the Integrity Plan is following the schedule and planned results are being achieved. The responsible person(s) should, therefore, periodically report to the mayor on the implementation. The minimum frequency of reporting should be fixed between three and six months period. Reporting allows the local government to undertake on time adequate measures in cases where implementation of particular measure(s) poses difficulties/ delays.

Independent evaluation is recommended to be undertaken at the end of the foreseen period of implementation of the Integrity Plan. This should ascertain results to date for use in determining optimal steps for the Plan continuation and reassessment. The lessons learned from the implementation would highlight the gaps in the process (involvement and ownership, efficiency, effectiveness and relevance, coordination arrangements, dissemination of on-going initiatives to create synergies with others etc.). The evaluation

would focus on the achieved outcomes, as well as on the impact over the organisational performance. Though such evaluation is often costly and requires professional external expertise, the information it provides is far more valuable. Information on achievements and gaps should feed and support the next planning cycle.

4.5 Planning the next risk assessment

Local governments change over time. The internal and external environment dynamics of change poses additional, often different risks and threats, as well as, opportunities. Implementation of risk treatment measures affects exposure to risks. Changes in the human resources, such as change in the political leadership, turnover of personnel, have a direct immediate effect on the human parameters of the maintained integrity management system. New services or integration of services (i.e. integrated services or one-stop shop) could eliminate certain risks, but also give rise to others. New sub-contractors and partners bring new development opportunities, as well as, new challenges. Amendment of legal acts makes the regulatory environment different and requires appropriate adjustment. All of the above determines the need of the local government to periodically reassess risks and reconsider the adequacy and effectiveness of the selected risk management policies and controls.

There is no universally recognised rule as to how often re-assessment of the integrity risks should be done. The prevailing approach is to give the system a chance to develop and demonstrate its effects and to provide time for the integrity measures to produce an effect, and correspondingly have the new round within two or three years following the adoption of the Integrity Plan. This depends on the time period selected for the Integrity Plan and should be based on a decision from the leadership. However, in case of exceptional circumstances, such as new or emerging risks, changing policy or organisational conditions, serious threats, etc. that can cause important changes to individual risks and the level of impact of these risks, the top management may decide to undertake integrity planning earlier. The re-assessment process should be built on the results and experience of implementing the integrity plan, considering the lessons learned from the implementation so far. It is important to secure the continuity of the integrity management system in this time of changes and try to learn as much as possible from past achievements, as well as from past failures. In case there are evaluation reports, they also need to be studied and used for the re-assessment.

5 Integrity Risks & Risk Management strategies

This Section guides through integrity risks and potential effective risk management strategies in:

Key integrity pillars:

- code of ethics;
- gifts and hospitality;
- conflicts of interests; and
- property declarations; as well as in
- Implementing high-risk local government strategic, operational and support processes:
- human resource management and development;
- budget and financial management and reporting;
- asset management and disposal of assets;
- land dealings, real estate registration and land cadastre;
- urban planning;
- local public procurement;
- managing security of information;
- management of social housing;
- regulatory functions;
- local public service provision;
- internal audit.

Furthermore, the section instructs on how to develop effective anti-corruption strategies by:

- Addressing risks in municipally-owned enterprises;
- Involving local assembly in integrity initiatives; and
- Deploying transparency and open data projects as powerful risk mitigation tools.

The section describes risks and risk management strategies at a higher level of detail, so that anti-corruption practitioners may easily identify relevant ones. It may be used in any corruption risk assessment and integrity planning process in any local government.

5.1 Key integrity pillars

5.1.1 CODE OF ETHICS

Development of a code of ethics is an opportunity for the local government to think about what values and conducts are critically important for them. Implementation of a code of ethics demonstrates adherence to ethics and standards. Reporting of breaches tests willingness and capacities of staff to defend the values they believe the public service is built on. Application of sanctioning mechanisms for breaches evidences a strong determination of the leadership to consistently enforce ethics policies. All of the above indicates the quality of the ethical culture of a local government.

INTEGRITY RISKS An integrity risk assessment in the area of code of ethics may identify some or all of the following risk factors (the list is not limited)[28]:

■   The code of ethics does not cover critical areas (i.e. conflicts of interest, self-dealing, bribery, gift taking, inappropriate actions, complaint handling, etc).[29] The code is not made relevant, nor practical.

■   Officials are unaware of code (i.e. no information, no access provided). Officials are not enabled to apply it due to lack of adequate training (i.e. formalistic training, no practical focus). Officials are not enabled to solve ethical dilemmas due to lack of ethics counselling.

■   Leadership does nothing about breaches and no investigation follows. Officials are not held accountable to the code. No sanctions are imposed in case of breaches or sanction mechanisms are applied selectively.

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28   See: Corruption Resistance Strategies: Researching risks in local government, Research findings, June 2001, Stephanie Cooke, ICAC, at p. 58

29   See; Corruption Resistance Strategies: Researching risks in local government, Research findings, June 2001, Stephanie Cooke, ICAC, at p.61

■ External reporting on breaches is not communicated, as appropriate. There is no internal reporting on breaches.

RISK MANAGEMENT STRATEGIES

Following the risk assessment, the local government may consider the following risk management strategies as development points:

■ Commit to a Code of ethics. Communicate effectively to all officials, as well as to relevant stakeholders (i.e. through information leaflets, a copy of the code provided when commencing job, awareness events).

■ Conduct a training needs assessment, and provide training, as appropriate (induction and continued). Make use of diverse training formats (participatory training, online trainings, etc.). Evaluate training outcomes to achieve effectiveness of training. Set up a system of ethics counselling to ensure consistent interpretation of the code.

■ Ensure a functioning system for reporting (internal and external) on the implementation of the Code of ethics. Through various channels (i.e. information leaflets, awareness events, internal communication and advice, etc), make sure all officials are aware of how and to whom to report in case of breaches. Test awareness levels, as appropriate (i.e. through tests, questionnaires, interviews).

■ Ensure the code includes disciplinary rules which specify that constitutes misconduct and the sanctions that apply. Guarantee adequate response to identified breaches by taking immediate corrective actions. Provide sufficient information on violations to all staff to raise awareness and as a method of prevention (i.e. through internal meetings, reporting, etc).

5.1.2 GIFTS & HOSPITALITY

Local governments should have a clear and strong policy of prohibitions and restrictions on officials seeking or accepting any form of improper benefit (including any tangible or intangible gifts and favours, or travels or accommodation and entertainment expenses) given in expectation or as a gratitude to influencing the performance or non-performance of official duties or functions. A gift is often a prelusion to a relationship between the giving and the receiving party, which entails integrity risks. These need to be adequately managed.

INTEGRITY RISKS

An integrity risk assessment in the area of gifts and hospitality may identify some or all of the following risk factors (the list is not limited)[30]:

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30   See Corruption Resistance Strategies: Researching risks in local government, Research findings, June 2001, Stephanie Cooke, ICAC, at p.73

- Officials take gifts and/or accept hospitality or other benefits contrary to applicable requirements and ethical commitments.

- No Gift Register is created by local government. Gift Register exists but is not kept up-to-date. Officials fail to notify receipt of gift to be registered in the Gift Register. Gift Register is not reported to the National Anti-corruption Office, although required by law.

RISK MANAGEMENT STRATEGIES

Following the risk assessment, the local government may consider the following risk management strategies as development points:

- Enact and/or commit to implementing procedures that regulate the offer or receipt of gifts, benefits and hospitality. Communicate these effectively to all staff (i.e. through information leaflet, awareness events, internal communication, etc).

- Conduct a training needs assessment in the area, provide training, as appropriate (induction and continued). Make use of diverse training formats (participatory training, online training, peer to peer, etc.). Evaluate relevant training outcomes to ensure effectiveness of training.

- Maintain a functioning system for reporting (internal and external) on the implementation of the regulations/procedures. Make all staff fully aware of how and to whom to report in case where a gift has been offered to them (through internal rules and instructions, awareness events, information leaflets, etc). Test awareness levels, as appropriate (i.e. through questionnaires, tests, interviews)

- Institute a systematic documented process of registration of gifts through a Gift Register. Make the register publicly available. Report periodically the Gift register to the National anticorruption body, if required by law.

- Ensure adequate response to identified breaches. Take immediate corrective actions. Provide sufficient information on violations to staff to raise awareness (through internal meetings, periodic reporting, etc).

5.1.3 CONFLICTS OF INTERESTS

Conflicts of interest obtain particular relevance in the local government context, because of the proximity of the local government to the local community, making family and network ties a typical characteristic of the operational environment. In reality, the conflict of interest matters are far from being simple, and often reveals complex and controversial dilemmas, which require a high level of professional competence and a risk-based management approach. Parallel employment is a specific case with high integrity risks as it may

adversely affect the performance of duties of officials or give rise to conflicts of interest.

INTEGRITY RISKS

An integrity risk assessment in the area of conflicts of interest may identify some or all of the following risk factors (the list is not limited)[31]:

- Officials do not disclose a private interest when making decisions and/or taking actions in public office and/or exercise public duties to benefit a party, family, business, parallel employer, financial or other group or private interest or prevent this interest to be adversely affected.[32] Officials exercise public duties while exposed to negative assumptions: dislike of political opposition members; previous competitors, etc.

- Officials are unaware of policy/ rules on CoI (no access to rules, no awareness actions). Officials are not enabled to apply the rules due to insufficient knowledge and/or lack of adequate training (i.e. formalistic training, no practical focus). Officials are not enabled to solve ethical dilemmas due to the lack of ethics counselling or any relevant guidance.

- Officials are not held accountable to the rules on conflicts of interest. Management does nothing about breaches to procedures. No investigation follows in case of breaches. No sanctions are imposed in case of breaches or sanction mechanisms are applied selectively

- Abuse of parallel employment position[33] (i.e. directing clients known from public office to a parallel employer; using public office to get a job by the parallel employer, preferential treatments of clients of parallel employer while exercising public duties). Officials misuse public resources to facilitate implementation of parallel employment tasks (i.e. using stationary, public office or public vehicles, sharing information before it is publicly released, etc.)[34] Abuse of working time regulations. Taking sick leaves from public office to engage in a secondary employment. Using colleagues to implement tasks related to parallel employment.

RISK MANAGEMENT
STRATEGIES

Following the risk assessment, the local government may consider the following risk management strategies as development points[35]:

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31   See Conflict of interest, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/knowing-your-risks/conflicts-of-interest/4897

32   See Secondary employment, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/736-knowing-your-risks/managing-assets/4302-secondary-employment

33   See Secondary employment, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/736-knowing-your-risks/managing-assets/4302-secondary-employment

34   See Secondary Employment, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/knowing-your-risks/secondary-employment/4302

35   See Local governance integrity: principles and standards, Nuno Ferreira da Cruz (EBES Consultores, Lda), Michel Gary, 2015 Transparency International, at p.11

- Adopt/ commit to a policy/ procedure regarding conflicts of interest. Communicate effectively to all staff, as well as to relevant stakeholders (through intranet, information leaflets, awareness events, periodic meetings, etc.)[36]

- Conduct a training needs assessment, and provide training in conflicts of interest, as appropriate (induction and continued). Make use of diverse training formats (participatory training, online trainings). Evaluate training outcomes to ensure the effectiveness of training.

- Set up a system of ethics counselling to provide advice and ensure consistent interpretation. Through using various channels (i.e. internal communication, periodic meetings, information notice), make sure all staff are aware of how and to whom to report in case of integrity breaches. Test awareness levels, as appropriate (i.e. through questionnaires, interviews).

- Institute conflicts of interest registration system where the staff is required to complete and submit a statement of interest (i.e. secondary employment, business dealings, etc) on commencement of a job, at regular intervals (i.e. annually), or as appropriate (i.e. if circumstances have changed). Provide for transparency, as appropriate. Ensure regular updating of the system.

- Require submission of statement on conflict of interest in specific cases (i.e. participation in selection and recruitment committees, tender evaluation committees etc.). Archive these records to ensure adequate audit trail. Audit declarations on a random basis to ensure they are up-to-date and complete.[37]

- Aligned with the relevant regulations, restrict or prohibit parallel employment for employees in high-risk positions (i.e. procurement, recruitment, audit etc).

- Ensure the relevant rules/procedures include disciplinary rules that specify what constitutes misconduct and the sanctions that apply. Ensure adequate response to identified breaches by taking immediate corrective actions. Provide sufficient information on violations to all staff to raise awareness.

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36   See Conflict of interest, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/knowing-your-risks/conflicts-of-interest/4897

37   See Secondary Employment, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/knowing-your-risks/secondary-employment/4302

5.1.4   PROPERTY DECLARATIONS

Asset and income disclosure measures are used as instruments of increased transparency, to ensure that government officials do not use their public office for illicit enrichment.

INTEGRITY RISKS

An integrity risk assessment in the area of asset declarations may identify some or all of the following risk factors[38] (the list is not limited):

■   Officials under duty to declare their property and interests do not submit a declaration or submit after the specified legal deadlines.

■   Declaration submitted is not complete and/nor accurate (i.e. fails to cover close family members and associates, or all assets, liabilities, income from all sources, gifts and potential conflicts of interests, as legally required). Declaration declares non-existing assets.

■   Officials under duty to declare are unaware of regulations on property declarations.

■   Declarations are not monitored /checked.

■   Officials are not held accountable to the regulations on property declarations. No sanctions are imposed in case of breaches or sanction mechanisms are applied selectively.

■   Declarations are not published, as per relevant requirements.

RISK MANAGEMENT
STRATEGIES

Following the risk assessment, the local government may consider the following risk management strategies as development points[39]:

■   Communicate effectively regulations on property declarations to relevant officials who are under duty to report using diverse communication tools (training, online presentation, communication note, etc.).

■   Set up a counselling system to provide advice (i.e. integrity counsellor or integrity committee).

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38   "See Asset Declarations: an Effective Tool to Fight Corruption?", Transparency International, 2014, http://www.transparency.org/whatwedo/pub/working_paper_1_2014_asset_declarations_an_effective_tool

39   See: Local governance integrity: principles and standards, Nuno Ferreira da Cruz (EBES Consultores, Lda), Michel Gary, 2015 Transparency International, at p.16

- Monitor implementation of legal requirements (i.e. assign responsibilities, reporting channels).

- Undertake effective corrective measures in case of failure to report. Make publicly known persons who failed to declare (i.e. through internal reporting, internal notice, etc.).

- Ensure transparency of declarations submitted by local officials (i.e. consider a link to the national database where declarations have been made public, post them in the municipal website, etc.).

5.2   Addressing integrity risks in key processes of local government

5.2.1   HUMAN RESOURCES MANAGEMENT AND DEVELOPMENT (HRMD)

People who work in local governments represent the organization on a daily basis. Citizens expect these people to behave in a way that promotes public confidence and trust in local government. They expect them to demonstrate in their work high integrity standards, objectivity, openness, fairness, efficiency and accountability.[40] Much of the above depends on the quality and integrity of the human resource management and development processes (HRMD). The integrity of these processes trascend a clear message to both internal and external stakeholders. Once compromised, it results in setting the wrong tone across the organization and in establishing a low threshold of conduct expected by the staff. Therefore, it is critical that favouritism, nepotism, and other conflicts of interest do not influence HRMD.

INTEGRITY RISKS   An integrity risk assessment of the HRMD processes may identify some or all of the following risk factors (the list is not limited)[41]:

- Selection procedures are manipulated to secure the appointment of a close friend or family member, or political supporters into public jobs (i.e. political patronage).

- Officials buy their positions, especially those considered as lucrative and providing opportunities for illicit enrichment.[42]

- Recruitment and selection are not sufficiently transparent. There is a lack of clear and transparent selection criteria. Ethical standards are not considered in the selection.

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40   See: Corruption Resistance Strategies: Researching risks in local government, Research findings, June 2001, Stephanie Cooke, ICAC, at p. 88

41   See: Corruption Resistance Strategies: Researching risks in local government, Research findings, June 2001, Stephanie Cooke, ICAC, at p. 88

42   See: Recruitment and selection, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/knowing-yourrisks/recruitment-and-selection/4303

- The competition is announced late and the dissemination of the vacancy notice has not been ascertained to reach a wide audience.

- The selection process is compromised (management appoints members of the selection committee who can be easily influenced; selection committee members do not declare CoI; interviews with prospective candidates fail to test professionalism; candidates are asked different questions;[43] qualifications of job applicants are not properly verified; preferential treatment and leakage of information of internal applicants).

- Favouritism, political loyalties and nepotism influence internal promotion and transfers. Rotation and staff transfers are misused as a reward (assigning to attractive positions) or punishment (dealing with political enemies).

- Promotion is not sufficiently transparent.

- The evaluation of performance is based on subjective criteria and ethical standards are not considered.

- Management increases salaries despite poor performance.

- Officials abuse the per diem regime.

- Officials underperform (high level of absenteeism, slowing down work, or exaggerating time needed for tasks).

- Managers abuse the sanctioning system (impose unjustified sanctions or close eyes to abusive behaviour).

- Training opportunities are tied to favouritism and nepotism and are not transparent.

- Training managers restrict access to study tours to particular functionaries, and/or send inappropriate people to study tours. There is no reporting after the study tour to share good practices across the local government.

- There is a high absenteeism in trainings, and a low level of effort.

- There is no training in the field of ethics provided.

- Training managers do not conduct a training needs analysis so that training delivered and training actually needed mismatch.

- Training managers do not assess effectiveness of training, thus, making a biased and subjective appointment of training service providers possible.

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43   Best Practice, Best Person: Integrity in Public Sector Recruitment and Selection, ICAC May 1999

RISK MANAGEMENT
STRATEGIES

Following the risk assessment, the local government may consider the following risk management strategies as development points[44]:

- Address integrity in the local government's human resources strategy/policy.

- Adopt clear and comprehensive procedure/ rules regarding recruitment and appointment based on open competition and merit. Include sanctions for any breaches.[45] Train all relevant employees (i.e. staff in the Personnel unit) in the policy and procedures to ensure they are aware of their accountabilities.

- Make sure the competition is announced and widely advertised. Define minimum standards of transparency and monitor their implementation (the vacancy notice to include every requirement for the procedure: eligibility criteria, respective application deadlines, and any additional merits).

- Include clear and transparent selection criteria to measure not only minimum competence levels but also integrity and work ethics.

- Accord reasonable time to candidates either to collect the required documents or to prepare for the examination.

- Further to regulations and national system, support entry-level exams to ensure merit-based recruitment.

- Promote e-recruitment, as appropriate.

- Set up clear rules on functioning of independent selection committees, with specific operational controls (Declarations on CoI, each member to take notes to provide audit trail).[46] Consider including independent members from outside the local government (i.e. NGOs' representatives) on the selection panel. Document why the applicant was chosen and why other applicants were not selected.

- Verify qualifications of job applicants prior to appointment. Inform applicants and contractually ascertain that claiming false qualifications will lead to dismissal.[47]

- Effectively exclude potential internal applicants from any phase of the recruitment process (i.e. acting as the contact person, preparing position descriptions or framing advertisements). Keep strictly confidential any relevant information

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44   See: Recruitment and selection, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/knowing-yourrisks/recruitment-and-selection/4303

45   See: Recruitment and selection, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/knowing-yourrisks/recruitment-and-selection/4303

46   Merit selection guide for NSW public sector panels: picking the best person for the job NSW Public Sector Workforce Office 2002, updated 2008

47   See Recruitment and selection, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/knowing-yourrisks/recruitment-and-selection/4303

prior to the interview.[48]

- Ensure candidates are entitled to challenge the commission's decision within a reasonable length of time.

- Ensure the local government adheres to clear and comprehensive rules regarding civil service HR practices (employment, staff performance, promotion, trainings and carrier development).

- Provide clear and comprehensive job descriptions and guidelines for performing work in place for every position. Communicate these effectively to all staff.

- Remove opportunities for certain officials to hold vulnerable positions for long periods of time (i.e. practice rotation, as appropriate).

- In the existing reward system, provide adequate opportunities to attract and keep qualified staff. Consider additional incentives to motivate staff in high-risk positions.

- Implement appropriate merit-based and transparent performance appraisal and carrier development system to re-enforce professionalism and foster high levels of integrity. Set up clear and comprehensive staff performance indicators to limit the managers' discretion, including. ethical conduct indicators. Properly document the process to allow adequate audit trail.

- Conduct a thorough training needs assessment. Provide customized needs-based training (including public service ethics programmes). Ensure transparency of existing training opportunities, to secure equal access of eligible staff. Provide senior and mid-management with a training in integrity management to resource the integrity management process. Provide appropriate professional training of personnel from the Personnel Department to enable them lead the HRDM process in the integrity areas.[49]

- Set up effective systems to regularly monitor staff attendance in training, especially if high levels of absenteeism. Evaluate the effectiveness of training, including evaluation of transfer to the job and organizational impact. Evaluate training providers based on results. Improve training processes based on results from evaluation.

- Provide adequate training and awareness in integrity matters

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48   See Recruitment and selection, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/knowing-yourrisks/recruitment-and-selection/4303

49   See Integrity Plan Municipaility of Pristina, UNDP, http://www.ks.undp.org/content/kosovo/en/home/library/democratic_governance/undp-saek-integrity-plan-for-municipality-of-prishtina.html

to all local government officials (inception and repeated, on-line training). Address anti-corruption awareness and training for business associates who conduct activities or provide services on behalf of local government and could pose an integrity risk to the organization.

5.2.2 BUDGET AND FINANCIAL MANAGEMENT AND REPORTING

Effective public finance is an important vehicle for establishing local economic and social priorities within the resources available to local government. On the contrary, corrupted, inefficient, or inadequate, public financial management may result in missed opportunities for growth and financial losses, reduced total investment and quality of infrastructure, underperformance of institutions, and a pervasive institutional corruption. To promote accountability, local government budgets and expenditure programs need to be disclosed to the public.[50] Meaningful public participation in budget formulation, as well as in the monitoring of budget spending allows for public scrutiny and promotes effective prevention of corruption.

INTEGRITY RISKS

An integrity risk assessment of budget and financial management and reporting, may identify some or all of the following integrity risk factors (the list is not limited):

■ Poor planning: Failure to link policy, planning and budgeting may contribute to poor budgeting outcomes.[51] Inability to develop realistic forecasts may lead to non-transparent adjustments during budget execution. Inadequate funding of operations and maintenance may result in systems underperformances.

■ Poor expenditure control may be exploited to gain a personal benefit (officials purchasing goods through the system for private use).[52]

■ Missing nexus between budget as formulated and budget as executed. Inadequate accounts management creates possibilities for diversion of public funds to private accounts. Poor cash management allows fraud and theft of resources.

■ Officials state inflated price regarding the value of a service to misappropriate cash. Officials do not record the transac-

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50   See Corruption and Public Finance, MSI, USAID, 2002, http://pdf.usaid. gov/pdf_docs/Pnact881.pdf

51   See: Public Expenditure Management Handbook", World Bank, 1998, http://www1.worldbank.org/publicsector/pe/handbook/pem98.pdf, at p. 14

52   See: accounts management, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/734-knowing-your-risks/managing-money/4910-accounts-management

tion or full amount of the cash collected.[53]

■ Officials make unauthorized modifications to payroll database records for personal benefit. Officials state incorrect input details in processing payroll (i.e. number of days worked and overtime, leaves taken.)[54] Salaries are paid to fictitious employees and accounts ("ghosts" on the payroll).[55]

■ Officials provide false information for the **reimbursement** of expenses. Officials make reimbursement claims based on improper bills. Improper verification of bills leads to excess payments.

RISK MANAGEMENT STRATEGIES

Following the risk assessment, the local government may consider the following risk management strategies as development points to include:

■ Systematically and well in advance provide the local assembly with all the financial and accounting documents needed for an informed vote on the budget, as well as on the approval of accounts.[56]

■ Further to national regulations, introduce and implement a clear and comprehensive regulatory and operational framework for budget and fiscal management. Mechanisms for budgeting and policy formulation should be explicitly designed to reinforce coordination and cohesion in decision-making.[57] Ensure that budget planning is based on reliable information. The integrity of fiscal information should be made subject to public and independent scrutiny.[58] Align procurement planning with the budget formulation.

■ Train all relevant staff to ensure they are aware of their responsibilities and acquire the necessary competence. Build and strengthen capacities for effective participation of all relevant staff in the budget process in all its phases. Pay attention to providing adequate capacities of heads of units which need to formulate their projected budgets

■ Through all stages of the budget process (formulation, ap-

53 See: Cash Handling, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/734-knowing-your-risks/managing-money/4909-cash-handling

54 See: Payroll, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/734-knowing-your-risks/managing-money/4906-payroll

55 See: Fraud risk in recruitment and payroll, EY, http://www.ey.com/Publication/vwLUAssets/EY-fraud-risks-in-recruitment-and-payroll/$FILE/EY-fraud-risks-in-recruitment-and-payroll.pdf

56 See: Local governance integrity: principles and standards, Nuno Ferreira da Cruz (EBES Consultores, Lda), Michel Gary, 2015 Transparency International, at p.23

57 See: Corruption and Public Finance, MSI, USAID, 2002, http://pdf.usaid.gov/pdf_docs/Pnact881.pdf, at p. 14

58 See Corruption and Public Finance, MSI, USAID, 2002, http://pdf.usaid.gov/pdf_docs/Pnact881.pdf, at p. 14

proval, implementation and evaluation), provide timely local community with full, transparent and comprehensive information on the past, current, and projected fiscal activity of local government, specifying fiscal policy objectives, the macroeconomic framework, the policy basis for the budget and identifiable major fiscal risks. Ensure budget data is classified and presented in a user-friendly and simple way that enables policy analysis and promotes accountability.[59]

■ Ensure appropriate participation (involvement) of citizens, NGOs, and other local stakeholders in the formulation of expenditure programs. Actively promote an understanding of the budget process by individual citizens and NGOs.[60]

■ Fiscal reporting should be timely, comprehensive, reliable, and identify deviations from the budget. Public financial documents cover budgets, in-year reports, mid-year reports, year-end reports and audit reports.[61]

■ Ensure availability and implementation of clearly and comprehensively specified procedures for the execution and monitoring of approved expenditures.[62] Introduce a system where any new expenditure proposal over a certain threshold should be approved by the local assembly. Ensure that there are appropriate supervision, delegation and approval processes for accounts management.[63]

■ Validate invoices with supporting documentation such as requisitions and purchase orders to help ensure that all payments are for legitimate goods and services.[64]

■ Ensure that the financial management system systematically records all disbursements made and allows them to be easily traced. Ensure regular, accurate capture and reconciliation of

59   See IMF Code of good practices on fiscal transparency, in Annex J, Public Expenditure Management Handbook", World Bank, 1998, http://www1.worldbank.org/publicsector/pe/handbook/pem98.pdf

60   See OECD Best practices on budget transparency, http://www.oecd.org/governance/budgeting/Best%20Practices%20Budget%20Transparency%20-%20complete%20with%20cover%20page.pdf

61   See Local governance integrity: principles and standards, Nuno Ferreira da Cruz (EBES Consultores, Lda), Michel Gary, 2015 Transparency International, at p.24 referring to Guide to Transparency in Government Budget Reports: Why are Budget Reports Important, and What Should They Include?", International Budget Partnership, 2010, http://internationalbudget.org/wp-content/uploads/Government_Transparency_Guide1.pdf

62   See "Public Expenditure Management Handbook", World Bank, 1998, http://www1.worldbank.org/publicsector/pe/handbook/pem98.pdf

63   See accounts management, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/734-knowing-your-risks/managing-money/4910-accounts-management

64   See accounts management, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/734-knowing-your-risks/managing-money/4910-accounts-management

all transactions. Information on and lists of payments made over a certain specified threshold should be publicly available.[65] A reliable system and adequate mechanism shall be set to trace budget expenditures at planned appropriate intervals (i.e. on a monthly basis) to allow better analysis of the budget implementation dynamics.[66] Monitor and review by a finance committee, or equivalent, of the monthly financial performance, budgets and budget transfers, allocations, financing of projects and significant financial transactions to monitor accounts and identify anomalies.

■ Enhance external oversight over budget implementation by setting up a committee (local government representatives and independent external observers, such as NGO representatives), to monitor budget implementation on a regular basis (i.e. each semester). Organize public debates/ forums to inform citizens about budget implementation.

■ Adopt and implement a rigorous policy/procedure for tracking, receipting, securing, transferring and banking cash (including related authority and type of cash). Communicate it effectively. Provide adequate inception and continued training for officials involved.

■ Separate duties regarding cash handling collecting, depositing and reconciling– so that one individual does not have responsibility for all activities. Restrict the number of officials involved in cash transactions. Adopt a clear delegation procedure to ensure only authorized persons to deal with cash.[67]

■ Detail of the amount of cash required for each good/service. Obtain maximal visibility of this price list. Promote the use of electronic transactions processes in order to minimise the use of currency.

■ Ensure all cash handling processes are adequately documented and authorized (i.e.. receipts for all payments received, including date/time of payment and amount). Ensure periodic check-ups, including mystery shoppers operations.

■ Introduce clear and comprehensive policy and procedures for payroll and disbursement of expenses and communicate them effectively (i.e. through intranet, internal meetings, instructions).

■ Ensure that only eligible officials have access to sensitive HR- and payroll-related information. Use access controls (pass-

65   See Local governance integrity: principles and standards, Nuno Ferreira da Cruz (EBES Consultores, Lda), Michel Gary, 2015 Transparency International, at p.26

66   See Integrity Plan, Municipality of Pristina, http://www.ks.undp.org/content/kosovo/en/home/library/democratic_governance/undp-saek-integrity-plan-for-municipality-of-prishtina.html

67   See Cash Handling, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/734-knowing-your-risks/managing-money/4909-cash-handling

words, routine verification procedures and authorisation). Where feasible, segregate functions to ensure that none has a complete control over any aspect of the payroll process.[68]

■ Ensure mandatory advance approval by the supervisor for overtime and leave. Conduct unannounced spot checks by managers to verify attendance.[69] Introduce a transparent and accountable system for the payment of monetary incentives.

■ Set clear instructions for claiming expenses (e.g. economy travel, accommodation, etc.).[70] Adopt standardised rates on per diem paid.

■ Maintain adequate recordkeeping and reporting procedures to ensure that there are controls or systems to record and monitor all payroll transactions and all access to the payroll systems and actions taken are recorded.[71]

5.2.3   ASSET MANAGEMENT AND DISPOSAL OF ASSETS

Local governments own, or control, use and dispose of various resources to support their functions, deliver public services and attain their objectives. These resources are all different in nature: tangible (i.e. land, laptop or public housing), or intangible (official's time, intellectual property etc). The value of these assets varies from low-value resources, such as office supplies and equipment, to high-value assets (land, public housing etc.). Because of their value, they offer numerous opportunities for abusive behaviour. These become easily exploited and turn into a daily routine business once relevant controls are weak and management practices are poor.

INTEGRITY RISKS   An integrity risk assessment of management and use of resources may identify some or all of the following integrity risk factors (the list is not limited):

■ Officials take public resources out of office for personal use or sale (i.e. sell confidential information). Officials misuse work vehicles for personal use; pay fuel for private purposes with public money; submit false or inflated invoices for repair and maintenance costs. Officials use public resources for the aims of their parallel employment (i.e. work time,

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68   See Payroll, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/734-knowing-your-risks/managing-money/4906-payroll

69   See Payroll, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/734-knowing-your-risks/managing-money/4906-payroll

70   See Integrity Plan, Municipality of Gjakove, 2015, http://www.ks.undp.org/content/kosovo/en/home/library/democratic_governance/integrity-plan-municipality-of-gjakove-dakovica.html

71   See Payroll, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/734-knowing-your-risks/managing-money/4906-payroll

vehicle, stationery, mobile phones etc.)[72]

■ Officials steal work resources (i.e. stationery, equipment, etc.)[73]

■ Officials collude with a third party to submit false or inflated invoices (i.e. hotel bill, purchases of stationery, etc). Officials forge timesheets, travel or accommodation records to gain a personal benefit.[74]

■ Officials purchase resources above actual needs to dispose of the 'surplus' and get a personal gain,[75] deliberately undervalue assets that are to be disposed to aid a third part or him/herself.[76]

■ Officials change the status of an asset from current to obsolete without justification to aid a third party. Officials provide for unjustified early retirement or disposal of items to shift the asset into scrap. Officials alter/destroy records concerning the disposal of goods to cover abusive behaviour. Officials exercise inadequate inventory controls over spares, used assets or parts that still retain some value.[77]

RISK MANAGEMENT STRATEGIES

Following the risk assessment, the local government may consider the following risk management strategies as development points:

■ Introduce, implement and monitor policy/procedures for the management, use and disposal of assets, to govern the management of specified types of resources (i.e. buildings, vehicles, etc.).[78] Align these with the international standards available to regulate identifying, acquiring, managing, disposing of, valuing, recording and writing off assets: i.e. ISO 55001:2014 Asset management – Requirements. Communicate them effectively to all staff. Train relevant personnel to raise competence and awareness.

■ Develop and maintain a register of all the assets held by the local government (i.e. e-register).[79] Conduct and record

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72   See Use of resources, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/734-knowing-your-risks/managing-money/4914-use-of-resources
73   See Management of resources, ICAC, https://www.icac.nsw.gov.au/preventing-corruption/knowing-your-risks/management-of-resources/4915
74   See Use of resources, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/734-knowing-your-risks/managing-money/4914-use-of-resources
75   See Disposal of assets, Corruption prevention advisory, Crime and corruption commission, Queensland, 2017
76   See Disposal of assets, Corruption prevention advisory, Crime and corruption commission, Queensland, 2017
77   See Disposal of assets, Corruption prevention advisory, Crime and corruption commission, Queensland, 2017
78   See Management of resources, ICAC, https://www.icac.nsw.gov.au/preventing-corruption/knowing-your-risks/management-of-resources/4915
79   See Management of resources, ICAC, https://www.icac.nsw.gov.au/preventing-corruption/knowing-your-risks/management-of-resources/4915

regular inventories of goods to ensure no items have been improperly disposed of. Record and maintain details documenting their status and location and the planned disposal technique.[80] Maintain an obsolete assets inventory register to account for obsolete assets from writing off till disposal.[81] Conduct regular checks to verify inventory against the register. Report and investigate losses.[82]

■ Segregate duties in the management of resources to separate responsibilities for purchasing and approval of usage.[83]

■ Adopt and implement a system of regular evaluations and stock-takes of assets. Conduct regular check-ups. Ensure adequate capacities for professional valuation of assets. For high-value assets use external valuation.[84]

■ Conduct regular reconciliations of the use of resources allocated to officials such as hotel accommodation bills, usage of taxis receipts, official lunches' receipts, etc.

■ Adopt and implement a rigorous procedure on using work vehicles and implement unplanned check-ups. Check vehicle log books against fuel use, to identify irregularities. Check and verify invoices for maintenance and repair.[85]

■ Use effective working time registration systems. Implement regular (including unplanned) check-ups to verify attendance.

■ Adopt and implement adequate storage arrangements.

■ When disposing of high-value assets (i.e. land), consider using a competitive process. Clearly document reasons for disposing of asset at below market price. Require appropriate external valuation of resources and keep records to allow an audit trail.

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80   Asset Management Planning for NSW Local Government, Position Paper, NSW Department of Local Government 2006

81   See Disposal of assets, Corruption prevention advisory, Crime and corruption commission, Queensland, 2017

82   See Management of resources, ICAC, https://www.icac.nsw.gov.au/preventing-corruption/knowing-your-risks/management-of-resources/4915

83   See Management of resources, ICAC, https://www.icac.nsw.gov.au/preventing-corruption/knowing-your-risks/management-of-resources/4915

84   See Use of resources, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/734-knowing-your-risks/managing-money/4914-use-of-resources

85   See Integrity Plan, Municipality of Gjakove, http://www.ks.undp.org/content/kosovo/en/home/library/democratic_governance/integrity-plan-municipality-of-gjakove-dakovica.html

5.2.4 LAND DEALINGS. REAL ESTATE REGISTRATION AND LAND CADASTRE

Local governments often own and manage high-value tracts of land. They may involve in different forms of dealings with this land, such as development applications, granting a mortgage or lease, sale, or exchange of land, as well as, various joint venture deals. Land dealings can pose serious corruption risks for local governments if they are not properly managed. Further to that, local governments play an important role in dealing with land-related activities, such as real estate registration, and land cadastre. The function of the local government as a single player in public services for land related activities leads to a monopoly position, which may be easily abused once there are no strong integrity safeguards in the above areas.

INTEGRITY RISKS

An integrity risk assessment of land dealings and land registration may identify some or all of the following integrity risk factors (the list is not limited):

■ Officials assess the value of the land below its actual market price in exchange for an undue benefit.

■ Officials propose a sale to aid a third party without considering alternative more beneficial options (i.e. developing the land; or using the land for some community purpose). Officials sell the land disregarding a competitive procedure (i.e. an open tender which shall help ensure value for money.) Officials conceal information about all proposals concerning the land, or sell information to favour a particular party.

■ Officials allow poor recording of the relevant proceedings to prevent an effective audit trail.

■ Officials make use of inaccurate property rights registry to produce an out-dated record to aid a third party and enable an illegal sale.[86] Officials transfer property to third parties based on forged property documents. Officials manipulate property documents, such as authorizations for forced evictions, contracts of sales,[87] or issue documents on the basis of the unverified contracts of sale.[88]

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86 See Dara Katz & Charles Philpott, „Property Rights in South-East Europe", http://www.swisshumanrightsbook.com/SHRB/shrb_01.html

87 See Internal Displacement Monitoring Centre report on Kosovo, "Overview of obstacles faced by IDPs to access their land or property (2007)": http://www.internaldisplacement. org/idmc/website/countries.nsf/ (httpEnvelopes)/5F66CE98DE9B8FF7C12573AC00443A52?OpenDocument#sources

88 See Corruption in land administration in Kosovo, TI, Anticorruption helpdesk

■ Officials arbitrarily deny entities of their property rights by refusing to record the property in the cadastre.[89]

RISK MANAGEMENT
STRATEGIES

Following the risk assessment, the local government may consider the following risk management strategies as development points:

■ Introduce, implement and monitor policy/procedures for land dealings, aligned with relevant regulations and local priorities. Communicate them effectively to all staff. Train relevant personnel accordingly (induction and continuing training).

■ Prior to considering any land dealing, ascertain the precise value of the asset, including through obtaining an independent valuation.[90]

■ Consider various alternatives for land dealing (i.e. use expert opinion, market research, etc). Clearly justify the reasons in case of a decision to dispose of land at below market price for strategic purposes.[91]

■ Treat joint ventures with special attention because of their high risks and complexity. Formal joint venture agreements should be clear about the project outcomes, the timeframes, costs and financing, contributions of partners, management, and the risks and proposed gains.[92] Require joint venture partners to commit to high ethical standards.

■ Ensure transparent and competitive processes for proposed land dealing.[93] Ensure relevant authorizations are in place and are adequately documented.

■ Ensure effective information exchange regarding all proposals concerning land of local government. Maintain transparency and adequate record keeping regarding all phases of the procedure when dealing with land, to provide an effective audit trail.

■ Promote transparent and effective land certification and registration systems. Use viable and affordable solutions that can simplify the process, allow easy monitoring and promote coordination between actors, including e-governance.[94] (Digital

89   OSCE Mission in Kosovo, "Property Rights in Kosovo: 2002 – 2003": http://www.osce.org/documents/mik/2003/06/974_en.pdf

90   See Minimising corruption risks in land dealings, Independent Commission Against Corruption, 2010, at p.4

91   See Local governance integrity: principles and standards, Nuno Ferreira da Cruz (EBES Consultores, Lda), Michel Gary, 2015 Transparency International, at p.32

92   See Minimising corruption risks in land dealings, Independent Commission Against Corruption, 2010, at p.4

93   See Minimising corruption risks in land dealings, Independent Commission Against Corruption, 2010, at p.4

94   See Voluntary Guidelines on the Responsible Governance of Tenure", Food and Agriculture Organisation, 2012, http://www.fao.org/docrep/016/

cadastral data and internet access create guarantees for the interested parties.[95] E-cadastre provides up-to-date data with the possibility to do surveys in real time, offering simplified digital data distribution with required accuracy, as well as, simplified approach to maintaining data.)

■ Integrate the existing recording systems with the other spatial information systems, as appropriate.[96]

■ Maintain transparency and adequate record keeping in all phases of the property registration procedure, to provide an effective audit trail. Ensure effective document and record management system, including safe archiving (i.e. scanning, information security arrangements, etc).[97]

■ Provide equal access for interested parties to recording tenure rights and obtaining information without any discrimination. Pay special attention to vulnerable groups (i.e. establish mobile offices, offer necessary counselling to these groups, as appropriate).

■ Make publicly and easily available information on tenure rights to all, subject to justified privacy restrictions. To prevent corruption, widely publicize processes, requirements, fees and any exemptions, and deadlines for responses to service requests.[98]

■ To minimize corruption risks and optimize the quality of service, consider introducing urgent and standard service delivery against appropriate fees.

■ Train relevant personnel to raise competence and awareness (induction and continuing training). Pay special attention to secure access to up-to-date normative databases, to make sure officials are well aware of the regulatory changes affecting the land cadaster.

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i2801e/i2801e.pdf, at p,29, in Local governance integrity: principles and standards, Nuno Ferreira da Cruz (EBES Consultores, Lda), Michel Gary, 2015 Transparency International, at p.32

95   See Meha Murat, Effect of e-Cadastre in Land Management in Kosovo, at p.11

96   See Voluntary Guidelines on the Responsible Governance of Tenure", Food and Agriculture Organisation, 2012, http://www.fao.org/docrep/016/i2801e/i2801e.pdf, at p,29, in Local governance integrity: principles and standards, Nuno Ferreira da Cruz (EBES Consultores, Lda), Michel Gary, 2015 Transparency International, at p.32

97   See Integrity Plan, Municipality of Gjakove, http://www.ks.undp.org/content/kosovo/en/home/library/democratic_governance/integrity-plan-municipality-of-gjakove-dakovica.html

98   See Voluntary Guidelines on the Responsible Governance of Tenure", Food and Agriculture Organisation, 2012, http://www.fao.org/docrep/016/i2801e/i2801e.pdf, at p,29, in Local governance integrity: principles and standards, Nuno Ferreira da Cruz (EBES Consultores, Lda), Michel Gary, 2015 Transparency International, at p.30

5.2.5 URBAN PLANNING

Urban planning systems in local government context deal with high-value projects and focus public scrutiny.[99] They are often overly complex, based on incoherent regulatory framework and not sufficiently transparent. Integrity risks are inherent in this complexity of functions, in addition to the multiplicity of actors involved and diversity of political and economic interests represented. The lack of transparency facilitates disguising corrupt incentives. In this setting, in many cases there is a growing public perception about high corruption levels, which may seriously undermine trust in local government. Integrity abusive acts may seriously affect reputation and the ethical climate, cause direct financial losses, and result in wasted resources. Therefore, improving on the transparency, accountability and openness in the local government urban development planning system would do much to reinstate confidence in the governance of urban planning.

INTEGRITY RISKS

An integrity risk assessment of urban planning may identify some or all of the following integrity risks/ risk factors (the list is not limited):

- Local government develops, adopts and changes the Urban plan without a public debate, and without providing an opportunity for interested parties to submit their comments. Local government limits opportunities for review of the proposed plan by interested investors or provides such opportunity selectively.[100]

- Urban planners collude with large investors to favour particular development projects.[101]

- The urban planning decisions prove inconsistent, due to competence gaps; or falsified technical competency qualifications of officials dealing with urban development.

- Officials request or accept bribes to issue licenses and/or construction permits. Officials grant on development approvals or issue decisions on rezoning without justification to aid a third party. Officials decide on a particular development proposal disregarding the available zoning and strategic planning documents to aid a third party. Officials approve an application for change of use of land without justification in exchange for undue benefit.

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99   See Corruption in UK Local government- The Mounting Risks, Transparency International, 2013, at p.30

100   See "Methodology for Measuring the Index of Responsibility, Transparency and Accountability at the Local Level", UNDP, 2008., at p.20

101   See Corruption in UK Local government- The Mounting Risks, Transparency International, 2013, at p.30

- Officials request or accept bribes to reduce or remove delays to development processes and facilitate an application's path (to move up the queue or shortcut the process).

- Conflicts of interests, nepotism and favouritism of officials dealing with matters in urban development process.

- Officials disregard complaints to conceal an abusive conduct, and/or fail to act and/or act selectively upon requests from citizens regarding constructions for which license has been issued.[102]

- Officials exercise no monitoring or selective monitoring of a progress of construction work and meeting conditions of construction permits.[103]

- Enforcement decisions for corrections or demolition of buildings not built in accordance with the permits issued are issued with excessive delays.[104]

- Officials exercise inadequate control in cases where the development of land permission has been made in exchange for agreements – to provide assets beneficial to the community, such as schools, social housing, transport infrastructure.[105]

RISK MANAGEMENT STRATEGIES

Following the risk assessment, the local government may consider the following risk management strategies as development points:

- Further to regulations and local priorities, introduce policy/guidance to govern urban planning. Publicize and communicate (i.e. through the website, intranet, internal trainings, public hearings, etc).[106]

- Ensure draft urban plans are made publicly available in a timely manner and are open for comments from interested parties and/or from the public. Take comments into account, and set no limitations for individuals or organisations to provide feedback.[107]

- To support local community take informed participation and

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102   See "Methodology for Measuring the Index of Responsibility, Transparency and Accountability at the Local Level", UNDP, 2008., at p.20

103   See "Methodology for Measuring the Index of Responsibility, Transparency and Accountability at the Local Level", UNDP, 2008., at p.20

104   See "Methodology for Measuring the Index of Responsibility, Transparency and Accountability at the Local Level", UNDP, 2008., at p.20

105   See Corruption in UK Local government- The Mounting Risks, Transparency International, 2013, at p.30

106   See "Methodology for Measuring the Index of Responsibility, Transparency and Accountability at the Local Level", UNDP, 2008., at p.20

107   See Local governance integrity: principles and standards, Nuno Ferreira da Cruz (EBES Consultores, Lda), Michel Gary, 2015 Transparency International, at p.34

understand the process, adopt community guidelines on urban planning. Publicize widely these tools, including through web-publication.[108]

■ Further to the applicable regulatory framework, ensure that discretion in urban planning decisions is limited and made subject to mandated sets of robust and objective criteria. Ensure an adequate level of transparency.

■ Promote adequate separation of functions, as appropriate (i.e. negotiations and contracting not undertaken by assessors of development applications). Practice staff rotation where appropriate (i.e. in the allocation of development assessments from frequent applicants.) Key project decisions should not be made unilaterally. Issuance of individual permits is to be signed by all responsible staff who took part in the process.[109]

■ Mandatory consult and align with strategic policy documents prior to approval of development proposals and issuing construction permits (i.e. local development and environmental plans, local priorities, etc.). Departures from set standards should be clearly justified and communicated. Proposals involving significant departure from adopted standards should be subjected to a special oversight procedure (i.e. peer review or countersigning for controversial matters.)[110]

■ Ensure adequate recording of the key steps in approval of urban development applications, as appropriate (i.e. voting on planning policy matters and individual development applications; minutes of meetings, justifications of decisions, dissenting opinions). Make some of these available on the website (i.e. minutes, decisions, justification, etc.) In certain circumstances (i.e. high-value development applications) consider an extension of review panels, to include other important stakeholders.

■ Set up e-register of development applications and consents. Maintain an appropriate level of transparency of the urban planning system to ensure the public has meaningful information about decision-making processes as well as being informed about the basis for decisions. Report publicly on development approvals through a register, as well as through periodic reporting.[111]

■ Conduct regular inspections on the construction sites for

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108   See ICAC Anti-corruption safeguards and the NSW planning system, 2012, at p.4

109   See ICAC Anti-corruption safeguards and the NSW planning system, 2012, at p.4

110   See Corruption risk in NSW development approval processes: position paper, Independent Commission Against Corruption, 2007, at p. 10

111   See Corruption risk in NSW development approval processes: position paper, Independent Commission Against Corruption, 2007, at p. 10

each permit issued, document them adequately, to enable a proper audit trail.[112]

■ Institute a functioning formalized system to process relevant complaints and action requests from the community.[113]

■ Set up adequate professional thresholds regarding competency requirements for officials involved in urban planning. Maintain a system of continuing professional development. Where external expertise is being used, promote a competitive process and regularly rotate consultants, as appropriate. Include in the contract with consultants the obligation to declare CoI and adhere to specified ethics standards.[114]

5.2.6   LOCAL PUBLIC PROCUREMENT

Public procurement is widely considered to be among the areas that are most vulnerable to corruption. The factors that affect the vulnerability are not limited to the volume of transactions and the serious financial incentives at stake. They stem from a combination of system weaknesses (complexity of the processes, regulatory incoherence, multitude of stakeholders, close interaction between public officials and businesses), as well as, implementation deficiencies (lack of transparency and ineffective information systems, poor professional capacities, weak oversight and controls). Inherent integrity risks seem exacerbated in local government context.[115] The closeness of local government to the community makes it likely to create CoI, whereas the complexity of relationship often prevents reporting. Additionally, in local markets competition is weak and suppliers are fewer, so particular favoured choices may be more easily justified. Shortages of staff and limited legal expertise, as well as weak capacities to manage complex procurement procedures, may increase integrity risk levels. Direct interaction with potential suppliers is harder to be avoided at the local level, because of the close community. Procurements, even the low-value ones, are more easily seen. In the absence of adequate transparency, the likelihood that citizens and businesses shall comment negatively about perceived corruption is higher.[116] Given the above, strong operational controls in local procurement processes are indispensable to effective management.

Integrity risks occur in every stage of the procurement process,

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112   See "Methodology for Measuring the Index of Responsibility, Transparency and Accountability at the Local Level", UNDP, 2008., at p.20

113   See Corruption risk in NSW development approval processes: position paper, Independent Commission Against Corruption, 2007

114   See Corruption risk in NSW development approval processes: position paper, Independent Commission Against Corruption, 2007, at p. 11

115   See: Corruption Resistance Strategies: Researching risks in local government, Research findings, June 2001, Stephanie Cooke, ICAC, at p. 33

116   See: Corruption risks in NSW Government procurement - The management challenge, November 2011

INTEGRITY RISKS

from the procurement needs assessment over the tendering phase to the contract execution and payment. Various types of abusive behaviour may exploit these vulnerabilities, such as conflict of interest, undue influence, embezzlement, bribery, or various kinds of fraud risks.[117] An integrity risk assessment of local public procurement phase may identify some or all of the following integrity risk factors (the list is not limited):

- Procurement needs are not assessed adequately.[118] Officials request goods and supplies that are not actually needed or volumes that are not needed. Procurement budgets are not realistic or not aligned with the existing budget.[119] Procurement is not aligned with the overall investment process, including capital investments and projects (ongoing and planned).[120]

- The procurement planning process is not participatory (with limited or no participation of relevant stakeholders). External actors exercise undue influence on decisions to launch a procurement procedure to favour particular interests.[121]

- Use of non-competitive procedures not justified. Unjustified referral to exemptions to avoid competitive procedures: contract splitting, abuse of extreme urgency, non-supported modifications.[122]

- Technical specifications have low quality due to inadequate competence of the procurement staff (in particular, in areas that require high-level technical expertise such as capital projects, construction, etc.). Price estimates prove inadequate due to poor knowledge of the market.[123]

- Technical specifications are tailored to meet particular needs, capacities and offers.[124]

- Selection criteria are either vague or too general.

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117   See Corruption in UK Local government- The Mounting Risks, Transparency International, 2013, at p.21

118   Corruption risks in NSW Government procurement - The management challenge, November 2011, at p.15

119   See: "Methodology for Measuring the Index of Responsibility, Transparency and Accountability at the Local Level", UNDP, 2008., at p.27

120   See Regional Guidebook on Managing Integrity Risks in Public Procurement, UNDP, 2017, at p.40

121   See Regional Guidebook on Managing Integrity Risks in Public Procurement, UNDP, 2017, at p.32

122   See: Corruption in UK Local government- The Mounting Risks, Transparency International, 2013, at p. 20

See "Methodology for Measuring the Index of Responsibility, Transparency and Accountability at the Local Level", UNDP, 2008., at p.27

123   See Regional Guidebook on Managing Integrity Risks in Public Procurement, UNDP, 2017, at p.

124   See "Methodology for Measuring the Index of Responsibility, Transparency and Accountability at the Local Level", UNDP, 2008., at p.27

- Important procurement information is not disclosed and not made public (i.e.evaluation and award criteria.) There is no public notice or no wide announcement of the public notice. Public notice has been announced late or during holiday time.

- Lack of competition or cases of collusive bidding (cover bidding, bid suppression, bid rotation, market allocation). Suppliers collude with each other to increase their quotes and plan who is awarded the contract, knowing all alternative options to source the good or service.[125]

- Officials do not declare conflicts of interests with potential suppliers.

- Officials substitute parts or the whole of the technical proposal and the price proposal after the tender documentation has been open in the evaluation phase.

- Officials award the contract disrespecting the criteria announced in the technical specification; and/or without following all procedures; and/or by giving more points to favoured bidders without justification.

- Poorly written contracts disadvantage local governments (i.e. due to inadequate contracting knowledge). Officials amend the contract without justification to allow more time and/or higher prices for the contractor.[126]

- Poor contract management, including inadequate performance monitoring. Supervision from public officials is ineffective (i.e. compromise on quality and timing; fewer field officers to supervise contractors; quality assurance is left entirely to the contractors). Officials collude with contractors to deviate from the quality standards agreed and approve product substitution (i.e. second-hand equipment or cheaper alternatives) or sub-standard work or service not meeting contract specifications.[127]

- Financial management of procurement contracts is weak. False accounting and cost misallocation or cost migration between contracts. Officials approve false or duplicate invoicing for goods/ services that were not supplied, and/or process **final payment before accepting** all contract deliverables.[128]

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125   See "Methodology for Measuring the Index of Responsibility, Transparency and Accountability at the Local Level", UNDP, 2008., at p.27

126   See "Methodology for Measuring the Index of Responsibility, Transparency and Accountability at the Local Level", UNDP, 2008., at p.27

127   See Regional Guidebook on Managing Integrity Risks in Public Procurement, UNDP, 2017, at p.43

128   See Corruption in UK Local government- The Mounting Risks, Transparency International, 2013, at p.23

RISK MANAGEMENT
STRATEGIES

Following the risk assessment, the local government may consider the following risk management strategies as development points:

- Develop and maintain clear and comprehensive procedure to govern local public procurement, aligned with the applicable regulations and internal acts. Support its implementation with further guidance materials, tools and templates.[129]

- Institute appropriate operational controls in the procurement procedures. Define clearly the authority for approval, considering appropriate segregation of duties, as well as the obligations for internal reporting. Promote separation of responsibilities for particular functions as far as possible (i.e. separate planning from implementation and monitoring, contracting from contract management, certification of receipts of goods and services from payment verification, etc).[130] Where feasible, practice staff rotation. For key decision-making steps, make appropriate use of committees, and other formats of collective decision-making.[131]

- Where feasible, consider modern techniques, such as e-procurement, centralized purchasing and framework agreements to reduce risks and optimise efficiency.[132]

- For particular critical projects or specific procurement phase, if determined necessary, conduct a separate risk assessment, to determine red flags and potential risk-treatment measures.

- Pro-actively provide for optimal transparency of public procurement.[133] Within the legal limits, ensure maximal public availability of a relevant, easy to access and user-friendly procurement information (i.e. through web portal, notice boards, public hearings). Implement a Minimal Transparency Threshold in Local Public Procurement and monitor its consistent implementation (i.e. information on procurement budgets and plans, tender opportunities and technical specifications, eligibility and selection criteria, award decision, the contract and any amendments; implementation, deliverables, evaluation, oversight, dispute settlement mechanisms and procedures.)[134]

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129   See Procurement, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/knowing-your-risks/procurement/4305

130   See Corruption risks in NSW Government procurement - The management challenge, November 2011, at p.14

131   See Local governance integrity: principles and standards, Nuno Ferreira da Cruz (EBES Consultores, Lda), Michel Gary, 2015 Transparency International, at p.20

132   See Regional Guidebook on Managing Integrity Risks in Public Procurement, UNDP, 2017, at p. 22

133   See Corruption in UK Local government- The Mounting Risks, Transparency International, 2013, at p.27,see 2015 OECD Recommendation of the Council on Public Procurement

134   See Local governance integrity: principles and standards, Nuno Ferreira da Cruz (EBES Consultores, Lda), Michel Gary, 2015 Transparency Inter-

- Monitor the straightforward application of the CoI regulations in the public procurement process.[135]

- Provide incentives to attract and retain well-qualified procurement staff, including training and further opportunities for career enhancement. Ensure that procurement practitioners meet high and up-to-date professional knowledge and skills, through provision of lifelong learning (i.e.review, training, workshops, mentoring).[136]

- Put effective mechanisms in place to ensure that local public procurement needs are adequately estimated.[137] Ensure a participatory, documented planning process, by fully informing relevant stakeholders and consulting them on key aspects. Retain public comments on needs assessments and budget plans through written submissions or public hearings.[138]

- Increase respective capacities of the heads of units who participate in procurement planning. Build and strengthen capacities of staff to prepare tender specifications and tender documentation. Compensate existing capacity gaps through involvement of internal staff (i.e. from other units in the relevant subject areas), as well as external experts (i.e. from the relevant industry and sectors, NGOs, etc.).[139]

- Ensure the choice of a procurement method is based on clear rules, with maximal transparency achieved.[140]

- Use, where relevant, standardized bidding documents across local government.

- Ensure that bidders have sufficient time for preparation of the technical documentation by leaving a reasonable amount of time between publication of the notice and the application deadline.

- Ensure no bidder is given a privileged information and any further clarifications are shared with all bidders. Assign contact focal points for communication with bidders (small

national, at p.21

135   See Procurement, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/knowing-your-risks/procurement/4305

136   Corruption risks in NSW Government procurement - The management challenge, November 2011, at p.15

137   See "Methodology for Measuring the Index of Responsibility, Transparency and Accountability at the Local Level", UNDP, 2008., at p.27

138   Corruption risks in NSW Government procurement - The management challenge, November 2011, at p.15

139   See Integrity Plan, Municipality of Gjakove, 2015, http://www.ks.undp.org/content/kosovo/en/home/library/democratic_governance/integrity-plan-municipality-

140   See Local governance integrity: principles and standards, Nuno Ferreira da Cruz (EBES Consultores, Lda), Michel Gary, 2015 Transparency International, at p.22

number of officers to be authorized for direct dealings).[141]

■ Allow for public scrutiny over local public procurement, i.e. through disclosing public information on the headlines of major contracts, including NGOs representatives as observers to the work of the selection committees.[142]

■ Implement post procurement award audits on tenders above a specified threshold to review adherence to specified procedural standards. For large or high-value procurement, require independent validation. Conduct random reviews or audits of non-competitive procedures.[143]

■ Ensure contracts between the procuring local government and its contractors, require the parties to adhere to a strict integrity policy.[144] Consider including Integrity Pacts in the tender documentation.[145]

■ Monitor closely contract amendments.[146] Set a cumulative threshold beyond which change orders that alter the price or description of work should be approved at a high level.

■ Through due diligence verify technical and financial capacity of bidders.

■ Further to the applicable legal requirements, ensure adequate appeals processes are in place for aggrieved bidders, which are capable of suspending the procurement until a judgement is made.

■ Develop appropriate procurement performance indicators to monitor procurement performance (i.e. number of appeals, time between bid opening and award, number of contract amendments, price increase, etc.).

■ Strengthen accountability and control mechanisms (e.g. internal control and audits, external audits and review systems), depending on the value, complexity and sensitivity of the public procurement. Ensure effective quality controls.

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141 See Corruption risks in NSW Government procurement - The management challenge, November 2011, at p.28

142 See Local governance integrity: principles and standards, Nuno Ferreira da Cruz (EBES Consultores, Lda), Michel Gary, 2015 Transparency International, at p.22, 2009 OECD Principles for Integrity on Public Procurement

143 See Regional Guidebook on Managing Integrity Risks in Public Procurement, UNDP, 2017, at p.23

144 See Corruption Resistance Strategies: Researching risks in local government, Research findings, June 2001, Stephanie Cooke, ICAC, at p. 45Corruption risks in NSW Government procurement - The management challenge, November 2011, at p.15

145 See Regional Guidebook on Managing Integrity Risks in Public Procurement, UNDP, 2017, at p.24

146 See "Methodology for Measuring the Index of Responsibility, Transparency and Accountability at the Local Level", UNDP, 2008., at p.27

Assess both financial data and the actual performance of the contract.[147] Ensure effective sanctions mechanism and make information about sanctions that have been imposed publicly available.

■ Engage NGOs to scrutinise public procurement (i.e. through participation in oversight committees).[148]

5.2.7 MANAGING SECURITY OF INFORMATION IN LOCAL GOVERNMENT

Local governments hold in their possession or under their control and manage a great volume of information, which is a public resource of high value. As a result of the expanded use of electronic information systems to collect, store and transfer information, and an increasing interconnectivity, information systems and networks are now exposed to a growing number and a wider variety of threats and vulnerabilities. This raises new demands to local governments, which are not only to cope with numerous technical requirements but also strengthen management practices regarding protection of the security of information. Because of its vulnerabilities and importance, specific attention needs to be put on handling high-risk information, which includes various categories of sensitive information, personal or financial information, privileged, proprietary or business information; information which may cause harm, or impede competition and provide for an unfair advantage if lost, damaged or released without authorization.[149]

INTEGRITY RISKS An integrity risk assessment of the process of managing security of information may identify some or all of the following integrity risks/risk factors (the list is not limited):

■ Officials falsify electronic records to obtain financial benefits (i.e. bonuses; reimbursement). Officials create fraudulent electronic documentation to aid a third party (i.e. tax registration, property registration, certificates, licenses).[150]

■ Officials get unauthorized access to classified or restricted information to aid a third party (i.e. access to procurement information). Officials alter or delete electronic data to aid a third party (i.e. altering a pricing offer in a bid to provide a competitive advantage to aid a particular bidder). Officials

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147 See Corruption risks in NSW Government procurement - The management challenge, November 2011, at p.15

148 See Integrity Plan, Municipality of Gjakove, 2015, http://www.ks.undp.org/content/kosovo/en/home/library/democratic_governance/integrity-plan-municipality-

149 See Informantion security and handling, Corruption prevention advisory, Crime and prevention commission, Queensland, 2016

150 See IT systems,ICAC, https://www.icac.nsw.gov.au/preventing-corruption/knowing-your-risks/it-systems/4911

place malware (eg. viruses, spyware) on a local government's IT systems with an intention to damage them and destroy information and audit trails.[151]

■ Officials provide login details to a third unauthorized party to enable remote unauthorized access. Officials use another official's computer to gain unauthorized access, or get unauthorized access to mobile computing/removable data storage devices (i.e. memory sticks).

■ Officials manipulate the IT system to build a 'back door' to enable an unauthorized access or expose the system to further exploited vulnerabilities.[152]

RISK MANAGEMENT STRATEGIES

Following the risk assessment, the local government may consider the following risk management strategies as development points:

■ Introduce and maintain rigorous policy and procedures on information security management.[153] Align with the applicable regulatory framework, as well as with the available good practices (i.e. (OECD Guidelines for the Security of Information and Networks),[154] and the respective management standard ISO/IEC 27001:2013[155]). Communicate them effectively to all staff (i.e. through trainings, workshops, awareness events, intranet, internal meetings, etc).

■ Build and strengthen capacities in managing information security (i.e. participatory and online trainings, mentoring, etc.). Sensitize staff on the importance of managing security of information. Ensure all staff is well aware of their accountabilities.[156]

■ Adopt clear operational guidelines/ procedure to ensure classification of information and regulate its use, storage, transmission and disposal per category, aligned with the applicable regulations and internal policies, as well as with its value, sensitivity and criticality. Ensure all relevant staff is

151   See IT systems,ICAC, https://www.icac.nsw.gov.au/preventing-corruption/knowing-your-risks/it-systems/4911
152   See IT systems,ICAC, https://www.icac.nsw.gov.au/preventing-corruption/knowing-your-risks/it-systems/4911
153   See IT systems,ICAC, https://www.icac.nsw.gov.au/preventing-corruption/knowing-your-risks/it-systems/4911
154   See OECD Guidelines for the Security of Information and Networks; http://www.oecd.org/dataoecd/16/22/15582260.pdf
155   The ISO/IEC 27000 family of standards helps organizations keep information assets secure. Using this family of standards will help local government manage the security of assets such as financial information, intellectual property, employee details or information entrusted to them by third parties. ISO/IEC 27001 is the best-known standard in the family providing requirements for an information security management system (ISMS).
156   See Integrity Plan, Municipality of Gjakove, 2015, http://www.ks.undp.org/content/kosovo/en/home/library/democratic_governance/integrity-plan-municipality-

well aware and trained.

- Apply strictly information labelling and handling according to classification. Observe a 'clear desk policy' for classified information.[157]

- Further to the applicable regulatory requirement and internal policies, set up a clear procedure for retention and disposal of confidential information.[158] Apply special controls for email-ing of confidential documents (i.e. appropriate encryption). Store confidential information securely.

- Adopt and implement formal procedures to secure the exchange of information through the use of all types of communication facilities. Produce audit logs to record user activities keeping them for an agreed period to enable access control monitoring.[159]

- Install and regularly test firewalls and other security systems to prevent unauthorised external access.

- Protect adequately areas that contain information and information processing facilities. Use appropriate entry controls to ensure authorized access only (i.e. physical security, periodic checks in after-business hours). Protect equipment to reduce the related risks. Implement appropriate security controls over off-site equipment (i.e. laptops, mobile devices, etc). Prevent from unauthorized taking off-site of equipment, information or software.[160]

- Set strict controls to regulate access (i.e. user registration and de-registration, security practices in the selection and use of passwords, security protection of unattended equipment).[161]

- Apply rigorous policies for using internet and handling mail, including confidential mail. Restrict access to internet resources and use of personal e-mail addresses, as appropriate.[162]

- Ensure reliable backup of information resources. Implement appropriate archiving, aligned with legal requirements and the technological characteristics of the information system.

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157 See Information security and handling, Corruption prevention advisory, Crime and prevention commission, Queensland, 2016

158 See Information security and handling, Corruption prevention advisory, Crime and prevention commission, Queensland, 2016

159 See Information security and handling, Corruption prevention advisory, Crime and prevention commission, Queensland, 2016

160 See Information security and handling, Corruption prevention advisory, Crime and prevention commission, Queensland, 2016

161 See Abuse of information technology (IT) for corruption, RESPA, 2013, at p.167,

162 See Integrity Plan, Municipality of Gjakove, 2015, http://www.ks.undp. org/content/kosovo/en/home/library/democratic_governance/integri- ty-plan-municipality-

Include emergency response procedures and information recovery in the emergency preparedness plan.

◼ Monitor operation of important IT resources to verify compliance with recommended functioning norms. Check regularly history log files to detect possible cyber-attacks and security violations. Provide for immediate reporting and treatment of irregularities observed.[163]

◼ Require officials, contractors and third party users agree and sign a confidentiality agreement, restating their responsibilities for information security, as appropriate.[164]

◼ Require all staff, contractors and third party users to return all local government's assets in their possession upon termination of their contracts. Remove immediately access rights upon termination of contracts, or adjust them upon change.

◼ Apply straightforward disciplinary and sanctioning process to staff who have committed a security breach.

5.2.8   MANAGEMENT OF SOCIAL HOUSING

Local governments are the main actors for planning, management and delivery of social housing to the population in need. They need to not only manage the social housing supply but also further integrate it into the provision of public services and urban development. Responsible local officials play an important role over who is considered for social housing and, as a result, have a wide discretion and opportunities for abuse of integrity.

INTEGRITY RISKS   An integrity risk assessment of management of housing may identify some or all of the following integrity risk factors (the list is not limited):[165]

◼ Officials allocate housing to an individual who is not eligible. Officials manipulate the points on the scoring system by which houses are allocated to aid a third party. Officials accept bribes in return for speeding up the progress of a candidate's application and disrespect the order of applications and set priorities.

◼ Officials collude with a tenant who sub-lets social housing to conceal the sub-letting, in exchange for an undue benefit.

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163   Abuse of information technology (IT) for corruption, RESPA, 2013, at p.170

164   IT systems,ICAC, https://www.icac.nsw.gov.au/preventing-corruption/knowing-your-risks/it-systems/4911

165   See Corruption in UK Local government- The Mounting Risks, Transparency International, 2013, at p.30

- Fraud in the collection of rent. Officials destroy records about the housing stock and tenancies to cover up for corruptive practices.

- Officials exercise poor controls over social housing reconstruction. Officials collude with constructors involved in reconstruction of social housing and accept lower quality work against bribes.[166]

- Officials approve the right to buy applications from tenants shortly after being allocated a house, thereby enabling them to buy a property for cheaper.

RISK MANAGEMENT STRATEGIES

Following the risk assessment, the local government may consider the following risk management strategies as development points:

- Introduce, implement and monitor policy/procedures to govern management of social housing. Align them with the relevant regulations and local priorities/social housing programs. Communicate them effectively. Train relevant personnel to raise competence and awareness (induction and continuing training).

- Provide clear and detailed criteria for allocation of housing.[167] Ensure maximal transparency of the allocation of social housing: waiting lists, criteria, status of candidates, different options and costs, etc.

- Develop and maintain a register of all the social housing held and rented out. Consider introducing e-register.

- Implement clear and comprehensive procedure/ rules on transfer of property with appropriate criteria, terms and conditions, aligned with applicable regulations and municipal policies. Document adequately the transfer of property cases to leave an appropriate audit trail. Conduct regular random check- ups to ensure terms and conditions are followed.

- Maintain high-quality standards during the construction and reconstruction of social housing. Adopt clear standards and enforce them both in terms of design and quality of construction. Ensure rigorous controls in construction/ reconstruction approval processes. Use external expertise as appropriate. Strengthen controls over handing over and payment of

  contractors' claims.[168]

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166   See Technical paper on corruption risks in the allocation of public housing in Albania, Dritan Shutina, Council of Europe Expert, July 2010, ECD/24/2010

167   See Technical paper on corruption risks in the allocation of public housing in Albania, Dritan Shutina, Council of Europe Expert, July 2010, ECD/24/2010

168   See Integrity Plan, Municipality of Gjakove, 2015, http://www.ks.undp.org/content/kosovo/en/home/library/democratic_governance/integrity-plan-municipality

- Rotate officials involved in the rental processes, so that they take responsibility for different areas at different times, or ensure that they work in teams.[169]

5.2.9 REGULATORY FUNCTIONS

Local government carries out important regulatory functions through enforcing government controls and restrictions on specific activities conducted by the public sector. Within its jurisdiction of general competence, local government is multifunctional and, regulates diverse activities. These involve a wide and diverse spectrum of instruments, such as rule-making, approvals (permits, approvals, registrations, consents or licences); notifications, inspections, directions (order, direction or notices to control activities); imposition of penalties/fines, taking court proceedings to enforce regulations, seizing documents or goods or impound goods or animals; referrals of regulatory matters to state agencies; undertaking works without the consent of the owner or occupier of a premises/property; removing or evict persons from land or premises, levies and charges, etc. Because of its role and impact, the integrity of regulatory functions becomes a matter of growing concern. The bigger the power of regulators to grant significant benefits to, or impose restrictions or penalties on, the higher the risk that local government will be exposed to various types of integrity violations. Increasing complexity adds to the risk levels, making it necessary to maintain an adequate risk management strategy.

INTEGRITY RISKS

An integrity risk assessment of the regulatory functions may identify some or all of the following integrity risks/ risk factors (the list is not limited):

- Officials fail to declare CoI in exercising regulatory functions. Officials solicit or accept a bribe in order to exercise, or not exercise, their regulatory powers in a certain way. Officials grant approvals without authorization.

- Officials falsify documents to aid a third party or present false information.

- Officials do not enforce certain regulations against undue benefit (i.e. eviction order). Officials are "closing the eyes" and not imposing legal sanctions where required against undue benefit, or are imposing softer sanctions.

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169 See Corruption in UK Local government- The Mounting Risks, Transparency International, 2013, at p.30

RISK MANAGEMENT STRATEGIES

Following the risk assessment, the local government may consider the following risk management strategies as development points:

■ Introduce clear and comprehensive policy/procedures for regulatory functions per categories. Communicate them effectively (through intranet, website, internal meetings, trainings, etc). Train all relevant staff (induction and continued training). Ensure consistent implementation of CoI rules in exercising the regulatory functions. Prohibit officials from engaging in any conflicting parallel employment.

■ Communicate publicly the professional standards to be expected when local government exercises its regulatory functions (i.e. use client service charter; information leaflets, website).

■ Consider opportunities to use e-solutions to issue licenses, permits, etc., to increase effectiveness, efficiency and transparency and provide a proper audit trail.

■ Conduct further individual corruption risk assessment for functions that are critical for the local government, or such that focus attention because of existing signals/evidence for abusive behaviour. Map red flags and develop and implement risk-based treatment measures/ operational controls.

■ Implement rigorous supervision and effective control mechanisms over fieldwork. Ensure relevant and available internal capacities to conduct necessary fieldwork (i.e. adequate number of staff, appropriate competence of staff, etc). Implement integrity operational controls in the fieldwork visits (i.e. supervision on a random, unscheduled basis without prior notification; rotation of officials, as appropriate; working in pairs when conducting fieldwork). Ensure field work is covered by adequate documented information to leave a reliable audit trail.[170]

■ Practice separation of functions, as appropriate (i.e. separate assignment of regulatory work from implementation). Institute a second tier of review of final documentation by authorized personnel, such as supervisors, as appropriate.

■ Strengthen oversight and control mechanisms to test compliance of completed tasks with relevant documentation, legal and operational requirements, and management of CoI. Hold periodic formal work reviews of officials exercising regulatory functions. Conduct ad-hoc and unplanned check-ups. Schedule inspections so regulators cannot choose the inspection targets and dates.[171]

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170 See Regulatory functions, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/731-knowing-your-risks/managing-people/4902-regulatory-functions

171 See Regulatory functions, ICAC, http://www.icac.nsw.gov.au/preventing-corruption/731-knowing-your-risks/managing-people/4902-regulatory-functions

- Improve feedback generation system to survey clients' satisfaction with the exercise of regulatory functions and use it as an "early warning" system.

5.2.10 LOCAL PUBLIC SERVICE PROVISION

Provision of services is the core function of local government. This is the point of direct interaction with clients, be it citizens receiving waste collection services, patients in public hospitals or children in pre-primary education facilities. It is critical for local governments to deliver their services and make sure that the services are provided effectively, efficiently, equitably and transparently. More to that, high quality and integrity standards apply to ensure the client has been served professionally. This demands a client focused and quality centred management approach, sensitive to integrity risks that may arise from close relationships with clients or when officials misuse their positions to take advantage of clients.

INTEGRITY RISKS

An integrity risk assessment of provision of services may identify some or all of the following integrity risks/ risk factors (the list is not limited):

- Officials accept or solicit an undue benefit (bribe) to provide favourable treatment or an unfair advantage to a client. Officials exceed the set authorization levels or disobey the procedural requirements, including necessary approvals. Officials provide a service without prior obtaining of the necessary documented information (i.e. issuing a birth certificate without a birth notice). Officials speed up the service provision against an undue benefit.

- Officials do not disclose adequate information on the service provided (i.e. the client comes and goes back and forth several times because of inadequate explanation).

- Officials underperform while delivering a service (i.e. act below quality standards). Officials abuse time deadlines (i.e. issuing a family status certificate after the set deadline). Officials maintain improper attitudes. Officials abuse a position of trust to take unfair advantage of a client or provide favourable treatment.

RISK MANAGEMENT
STRATEGIES

Following the risk assessment, the local government may consider the following risk management strategies as development points:

- To optimize efficiency and reduce direct contact with clients, increase the number of services provided to the citizens as a one-stop shop, as appropriate.

- Maintain client-centred policy/procedures on service provision, aligned with regulations and good practices. Communicate them effectively to all staff (through website, intranet, trainings, internal meetings, etc).

- Consistently refer to the importance of ethics in provision of services in all relevant internal documents.

- To enable easy access to public services, increase the number of electronic public services accordingly.[172] Use innovation and modern information technologies to enhance transparency, quality and speed of public services.

- To enable a tailored, risk-based approach, conduct an individual risk assessment of critical services and focus on the integrity performance (i.e. feedback from clients received, evidence for abusive conduct, internal reporting on violations, etc.). Ensure risk-based improvement measures are designed and implemented, check for their effectiveness. Re-assess risk levels after determined period, if needed.

- Deploy rigorous control mechanisms with service providers for outsourced services (i.e. waste collection and waste disposal). Ensure their adequate implementation throughout the whole process of service delivery. Design and implement feedback generating controls so that the local government has an independent channel to monitor performance of subcontractors. Include in contracts commitments to apply relevant ethical standards, and provide for sanctions in case of failure.[173]

- Strengthen capacities in service delivery (i.e. participatory and online trainings, peer to peer, mentoring, etc.) to sensitize staff on client centred approach and quality standards. Ensure relevant staff is well aware of their accountabilities. Provide for consistent implementation of CoI. Practice rotation of staff, as appropriate.

- Focus on Quality Improvement in service delivery and improve competence and awareness of staff about quality. Based on a preliminary assessment, consider implementing the Common Assessment Framework (CAF) model, specifically designed for excellence in public administrations in the EU. Alternatively, consider progressive introduction of a process-oriented quality management system, aligned with the good practice and compatible with Quality Management System standards, in particular with ISO 9001. Consequently, consider appropriate verification by CAF assessors, or certification against ISO 9001 by accredited bodies. Organise rigid

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172 See Integrity Plan, Municipality of Gjakove, 2015, http://www.ks.undp.org/content/kosovo/en/home/library/democratic_governance/integrity-plan-municipality

173 See Local governance integrity: principles and standards, Nuno Ferreira da Cruz (EBES Consultores, Lda), Michel Gary, 2015 Transparency International, at p.35

implementation of the improvement plans.[174]

■ To develop a process-based management system, determine key strategic, operational and support processes needed for the quality management system and their application.[175] List them in a Register of Processes and review how adequately they are covered with internal procedures. Determine the inputs required and the outputs expected from each process; their sequence and interaction; the risks; responsibilities and authorities, resources needed; criteria, methods, measurements, and related performance indicators to ensure that both the operation and control of these processes are effective. Where deficits are found, consider developing/ improving procedures, to reduce risk of errors, deviations and integrity violations. Communicate these procedures. Train staff as necessary.

■ Develop appropriate performance indicators of key processes to be able to assess the progress, identify issues, support decision-making and operational processes etc.

■ Introduce a Client Service Charter to strengthen customer focus, demonstrate a commitment to high professional standards of service and maximize opportunities for citizen oversight. Display the Client Service Charter in public areas (i.e. information centre, service delivery areas) and make it accessible through print and electronic media. Ensure relevant staff is aware of the service standards (i.e. through trainings, mentoring, peer to peer, internal meetings, etc).[176]

■ Provide for optimal transparency and visibility. Maximise information about the services in a client-friendly format (easy access to information and templates). Publish a list of administrative services, with detailed information on the service address, responsible officer, procedures and conditions, cost and duration of the service delivery, the right to appeal in case of dissatisfaction. Use the website to make the before mentioned information available, in an easy to use format, with all required documents. Dedicate a special service stand, to post such information. Consider publishing leaflets and templates, to make it easier for citizens and businesses to familiarize themselves with their respective

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174   See Integrity Plan, Municipality of Gjakove, 2015, http://www.ks.undp.org/content/kosovo/en/home/library/democratic_governance/integrity-plan-municipality-

175   See Integrity Plan, Municipality of Pristina, 2014, http://www.ks.undp.org/content/kosovo/en/home/library/democratic_governance/undp-saek-integrity-plan-for-municipality-of-prishtina.html

176   Making Decentralization Work for Development: Methodology of the Local Government Performance Measurement (LGPM) Framework", Decentralization Support Facility, 2008, pp. 25–27, http://wwwwds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2008/12/31/000334955_20081231034216/Rendered/PDF/470090ENGLISH010Box334113B-01PUBLIC1.pdf

rights and obligations.[177]

■ Ensure pricing (i.e. tariffs, charges, fees) for the delivery of services is justified, set precisely and objectively and cost based. To maximize clients' satisfaction and minimize opportunities for abuse, adopt differentiated pricing for services based on the delivery speed (i.e. urgent and regular).

■ Monitor clients' satisfaction, through various channels, and integrate feedback into operations (through customer satisfaction surveys; comments and complaint box, service delivery hotline, ad hoc checks, mystery shopping, etc, as appropriate.) Publicize results, to increase awareness and incentives. For critical services, i.e. water supply, waste management, local roads, local transport, and local heating, consider setting up of specific mechanisms to measure client satisfaction instruments, including information on abusive conduct.

5.2.11   INTERNAL AUDIT

Internal audit provides local governments with reliable evidence of how well the management system functions, what are its weaknesses and how it can be improved. Audit findings, conclusions and recommendations support the continuous improvement. In addition, an internal audit is critical to protecting integrity. It is particularly useful to detect violations in high-risk areas, such as asset management, procurement, cash handling, etc. On the other hand, internal audit itself is not immune from integrity abusive practices. This demands an appropriate level of integrity safeguards.

INTEGRITY RISKS

An integrity risk assessment of the internal audit processes may identify some or all of the following integrity risks/ risk factors (the list is not limited)[178]:

■ Local government does not conduct audits to conceal particular facts or activities. Performance audit is not risk based and fails to address critical risks. Auditors do not implement the audit plan. The audits do not follow the respective procedure and/or do not comply with the applicable requirements.

■ Impartiality and objectivity of the auditing process is not sufficiently safeguarded. CoI rules are not followed, favouritism and nepotism affect the audit implementation. There are breaches of confidentiality, leakage of information and/or

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177   See Integrity Plan, Municipality of Gracanica, 2015, http://www.ks.undp. org/content/kosovo/en/home/library/democratic_governance/integrity-plan---municipality-of-gracanica-gracanice-2016--2020.html

178   See Corruption in UK Local government- The Mounting Risks, Transparency International, 2013, at p. 34

concealing of information encountered.

■ Audit findings and conclusions are altered without justification against undue benefit. There is a political interference in the audit findings, conclusions and recommendations. Auditors do not base conclusions on adequate objective evidence to favour a third party.

■ There is no monitoring of the audit recommendations. Officials do not follow auditors' recommendations. Officials implement corrections only, without making a further enquiry into the necessary corrective measures. The effectiveness of the corrective measures undertaken is not verified.

RISK MANAGEMENT STRATEGIES

Following the risk assessment, the local government may consider the following risk management strategies as development points[179]:

■ Introduce and maintain comprehensive and clear policy and procedures on internal audit per category. Align with applicable regulations, as well as with available standards. Cover all steps, including requirements to auditors, documentation and reporting; allocation of responsibilities, oversight mechanisms. Address the risk management, internal audit planning, internal audit resourcing, internal audit performance assessment and quality assurance. Communicate them effectively.[180]

■ Maintain independence of auditors from the administration and the internal control structure. Commit auditors to an audit charter to outline the jurisdiction and authority.[181]

■ Ensure effective risk-based audit planning. Turn risk and integrity risk management into a focus area in performance audits. Increase use of unplanned audits.

■ Set up an effective system to monitor implementation of the audit plan and provide for immediate corrective measures in case of unjustified non-implementation and delays.

■ Implement integrity operational controls: CoI declarations, rotation of auditors, "four eyes", as appropriate.[182]

■ Strengthen auditing capacities and increase professionalism

179   See Corruption Resistance Strategies: Researching risks in local government, Research findings, June 2001, Stephanie Cooke, ICAC, at p.45

180   See Local governance integrity: principles and standards, Nuno Ferreira da Cruz (EBES Consultores, Lda), Michel Gary, 2015 Transparency International, at p.27

181   See Corruption Resistance Strategies: Researching risks in local government, Research findings, June 2001, Stephanie Cooke, ICAC, at p. 54

182   See Integrity Plan, Municipality of Grcanica, 2015, http://www.ks.undp.org/content/kosovo/en/home/library/democratic_governance/integrity-plan---municipality-of-gracanica-gracanice-2016--2020.html

of auditors. Conduct a thorough needs assessment to iden-
tify training needs and implement a continuous training for
auditors. Pay a special attention to specific areas (e.g. – legal
framework, fraud audits, IT audits, etc), as well as to applica-
tion of the audit techniques (sampling, interviews, sufficiency
of evidence, etc.).[183] Build and strengthen adequate capacities
in audit committees to enable them properly oversee the pro-
cess. Ensure all staff is well aware of their accountabilities.

■ Ensure that internal communication system regarding audits
is effectively functioning. Ensure full access by the auditors to
all premises and records.

■ Set up an effective monitoring system to oversee implemen-
tation of audit recommendations, including a web-based
Audit-Monitor Tool. The system is to address audit recom-
mendations,[184] register the progress made and to serve as a
single dashboard for public managers to monitor and evalu-
ate internal control actions.[185]

5.3 ADDRESSING INTEGRITY RISKS IN MUNICIPALLY-OWNED ENTERPRISES

Municipally owned enterprises (MOEs) are increasingly
utilised to provide public services in high-risk sectors, often
oriented towards local infrastructure, utility, energy and
natural resources, such as roads, power, water distribution,
transportation, etc. They are typically "organisations with in-
dependent corporate status, managed by an executive board
appointed primarily by local government officials, and with
majority public ownership."[186] MOEs often have a significant
economic and social impact in local communities, and are
among the largest employers, contributing to a substantial
percentage of the workforce.[187] Because of their role, struc-
ture, mandate and legal status, MOEs focus on complex in-
terests and are exposed to critical integrity risks. Compared
with private companies, MOEs can face particularly height-
ened corruption risk owing, among others, to underlying
issues in their ownership, regulatory and corporate govern-
ance arrangements, as well as, shortcomings in the quality

183 See Integrity Plan, Municipality of Gjakove, 2015, http://www.ks.undp.
org/content/kosovo/en/home/library/democratic_governance/integri-
ty-plan-municipality-of-gjakove-dakovica.html

184 See Local governance integrity: principles and standards, Nuno Ferreira
da Cruz (EBES Consultores, Lda), Michel Gary, 2015 Transparency Inter-
national, at p.27

185 See Corruption Resistance Strategies: Researching risks in local govern-
ment, Research findings, June 2001, Stephanie Cooke, ICAC, at p. 56

186   See Voorn, Bart, Marieke L. Van Genugten, and Sandra Van Thiel (2017).
"The efficiency and effectiveness of municipally owned corporations: A
systematic review." Local government studies.

187   See Anticorruption helpdesk, Anti-corruption compliance mechanisms
for state-owned enterprises, Santhosh Srinivasan, Transparency Interna-
tional, 2016, at p.3

and credibility of corporate disclosure. [188]A special governance challenge is the "intrinsic closeness" between the local government, and the enterprise.[189] The potential for political interference, as well as, the complexity of the accountability chain affect vulnerability of MOE to corruption. In many MOEs, the quality of internal controls is often weak, auditing practices are inadequate, and the corresponding levels of financial and non-financial disclosures low. These effectively limit accountability and create conditions for abusive practices.[190] All of the above calls for effective anti-corruption strategies.

INTEGRITY RISKS

An integrity risk assessment of MOEs may identify some or all of the following integrity risks/ risk factors (the list is not limited):

■ The presence of politically-affiliated individuals on MOEs boards may lead to CoI.[191] Political favouritism and nepotism may evade decision making in MOEs.

■ Because of political nominations, MOEs may lack professional knowledge and expertise.[192]

■ Leadership of local government may use MOEs and their assets for political ends. MOE managers may divert funds from the MOE to finance a political campaign.

■ Officials solicit or receive bribes from employees of MOEs for the latter to obtain licenses, contracts or other advantages.

■ Politicised boards and political appointment of MOEs lead to poor oversight of managers and increase the risk of corrupt activities going unchecked.[193] The weak internal controls, the inadequate and/or irregular auditing practices as well as low levels of financial and non-financial disclosures may be exploited to engage in corrupt practices.[194]

188   See Anticorruption helpdesk, Anti-corruption compliance mechanisms for state-owned enterprises, Santhosh Srinivasan, Transparency International, 2016, at p.37

189   See Transparency of state-owned enterprises, Transparency International, Anti-corruption helpdesk, Sofia Wickberg, 2013

190   See World Bank. 2014. Corporate Governance of State-Owned Enterprises: A Toolkit. https://openknowledge.worldbank.org/handle/10986/20390

191   See Combatting corruption and promoting business integrity in state-owned enterprises: Issues and trends in national practices, Antiguo Palacio del Arzobispado / Museo de la SHCP Mexico City, Mexico, OECD, 2016, at p.7

192   See Anticorruption helpdesk, Anti0corruption compliance mechanisms for state-owned enterprises, Santhosh Srinivasan, Transparency International, 2016, at p.1

193   See Transparency of state-owned enterprises, Transparency International, Anti-corruption helpdesk, Sofia Wickberg, 2013

194   See World Bank. 2014. Corporate Governance of State-Owned Enterprises: A Toolkit. https://openknowledge.worldbank.org/handle/10986/20390

■ Local government officials identify too closely with the interests of the MOEs, accept under-performance and offer preferential treatment in later dealings. Local governments demonstrate unwillingness to bring corruption cases against MOEs or their employees.[195]

RISK MANAGEMENT
STRATEGIES

Following the integrity risk assessment, the local government may consider the following risk management strategies as development points:

■ Develop a clear ownership policy/strategy to define the overall objectives of the municipal ownership. The strategy should refer to integrity, and provide a structured board nomination process to let MOEs boards exercise their responsibilities without undue political interference and without taking an active role in a day-to-day management.[196]

■ Clearly define the role and responsibilities of the boards.[197] Mandate qualified and independent boards to oversee management, based on clear performance objectives defined by the local government.

■ Systematically require MOEs to either commit to, or be guided by, relevant international standards related to combatting corruption and doing business responsibly[198], and to establish ethics and compliance measures for preventing corruption. Provide MOEs with access to available good practices, such as ISO 37001:2015 Anti-bribery management systems. Requirements.

■ Promote the practice of periodic integrity risk assessment in MOEs. Require MOEs, in which the local government has a significant control, to adhere to the same integrity safeguards (i.e. standards on transparency, accountability, integrity, audits and financial management, internal controls, procurement and service provision.)[199]

■ Systematically require Codes of Ethics to be developed and

195   See Combatting corruption and promoting business integrity in state-owned enterprises: Issues and trends in national practices, Antiguo Palacio del Arzobispado / Museo de la SHCP Mexico City, Mexico, OECD, 2016, at p.9

196   See Anticorruption helpdesk, Anti-corruption compliance mechanisms for state-owned enterprises, Santhosh Srinivasan, Transparency International, 2016, at p.4

197   See Local governance integrity: principles and standards, Nuno Ferreira da Cruz (EBES Consultores, Lda), Michel Gary, 2015 Transparency International, at p.30

198   OECD. 2005. OECD Guidelines on Corporate Governance of State-Owned Enterprises. http://www.oecd.org/corporate/ca/corporategovernanceof-state-ownedenterprises/34803211.pdf

199   See Local governance integrity: principles and standards, Nuno Ferreira da Cruz (EBES Consultores, Lda), Michel Gary, 2015 Transparency International, at p.30

made applicable to MOEs executives and employees.[200] The Code should apply both to the business practices as well as to the personal conduct of employees within the MOEs. Set clear guidelines on CoI for the MOE's board and management.[201]

■ Promote awareness events to make sure all employees and company representatives become aware of the code of ethics and integrity policies. Provide MOEs executives and employees with access to trainings in the field of integrity, organized or supported by the local government.

■ Systematically include local MOEs in the internal and external communication regarding integrity. Encourage participation of local MOEs in joint initiatives with CSOs, media, or businesses in the area of integrity.

■ Systematically require that the MOE allocate responsibilities for the integrity compliance function. An integrity compliance officer may be entrusted to lead and manage the ethics programmes, the integrity risk assessment, to provide ethics counselling, and/or initiate investigations related to corruption on behalf of the MOE.

■ Encourage reporting of corruption in MOEs. Require that MOE provide secure and accessible channels to raise concerns and report violations (whistleblowing) in confidence and without risk of reprisal.[202] Promote a culture of transparency and encourage improved reporting systems at the level of MOEs.

■ Encourage MOEs to undertake periodic reviews of the ethics and compliance programmes, as well as of the implementation of their integrity measures.[203]

■ Require MOEs to strengthen internal control system. Establish internal risk management systems[204] and build relevant capacities. Strong disclosure standards, bolstered by effective internal controls as well as external audits of MOEs' financial statements are critical for monitoring MOEs' operations and detecting irregular transactions.[205]

200 See Combatting corruption and promoting business integrity in state-owned enterprises: Issues and trends in national practices, Antiguo Palacio del Arzobispado / Museo de la SHCP Mexico City, Mexico, OECD, 2016, at p.7

201 See Transparency of state-owned enterprises, Transparency International, Anti-corruption helpdesk, Sofia Wickberg, 2013, at p.5

202 See Transparency of state-owned enterprises, Transparency International, Anti-corruption helpdesk, Sofia Wickberg, 2013, at p.5

203 OECD. 2010. Good Practice Guidance on Internal Controls, Ethics, and Compliance. http://www.oecd.org/daf/anti-bribery/44884389.pdf

204 OECD (2016d), Stocktaking of Risk Management by SOEs and their Ownership, OECD Working Party on State Ownership and Privatisation Practices

205 See Combatting corruption and promoting business integrity in state-

- Encourage a culture of greater accountability by publishing aggregate reports on the activities and performance of state-owned enterprises.[206] Aligned with a relevant regulatory environment, set up a reporting system that allows the local government to regularly monitor and oversee MOEs performance.[207]

5.4 INVOLVING LOCAL ASSEMBLY IN INTEGRITY INITIATIVES

Without the active involvement of the local assembly in anti-corruption, the strength of integrity management at local government level would always be undermined. The local assembly is a critical part of local government, exercising important functions (strategic planning, law-making, policy development, representation, oversight and advocacy). Its potential as a strong anticorruption actor is outstanding as it can meaningfully and from the top affect development, enforcement and monitoring of integrity policies, regulations and procedures. Apart from that, because of its vast competence and powers, it is exposed to serious integrity risks, that need to be adequately managed. Therefore, actively involving local assembly in the process of integrity management is a necessary precondition for effective prevention of corruption. Its participation in integrity programs would send a strong message to local community regarding the true determination to fight corruption and uphold integrity on local government level.

RISK MANAGEMENT
STRATEGIES

- Promote the idea that the municipal assembly adopts/ commits to a Codes of Ethics for councillors. This Code should codify guidance on key integrity pillars, such as conflicts of interest, self-dealing, bribery, gift taking, inappropriate actions, complaint handling, etc. and should have particular relevance to councillors.

- Include the local assembly into the scope of the corruption risk assessment, as appropriate. Focus on its key strategic and oversight functions, ensure cooperation of the relevant committees in the process.

- Promote the idea that the local assembly establishes ethics and compliance measures for preventing corruption. Provide councillors with access to available good practices, such as ISO 37001:2015 Anti-bribery management systems. Require-

owned enterprises: Issues and trends in national practices, Antiguo Palacio del Arzobispado / Museo de la SHCP Mexico City, Mexico, OECD, 2016, at p.10

206   See Combatting corruption and promoting business integrity in state-owned enterprises: Issues and trends in national practices, Antiguo Palacio del Arzobispado / Museo de la SHCP Mexico City, Mexico, OECD, 2016, at p.38

207   OECD. 2005. OECD Guidelines on Corporate Governance of State-Owned Enterprises. http://www.oecd.org/corporate/ca/corporategovernanceof-state-ownedenterprises/34803211.pdf

ments.

■ Encourage participation of councillors in the implementation of the Integrity Plan (i.e. campaigns, awareness events, etc), using pro-actively the potential of such involvement to attract high-level political attention and raise awareness.

■ Promote the idea that the local assembly should allocate respective responsibilities for the integrity compliance function (i.e. nominate Integrity Contact Point, Integrity Officer, and/ or Integrity Committee). The latter should exercise counselling, oversee adherence to rules and ethical commitments, coordinate with the local administration implementation of integrity measures, act as a resource person regarding integrity matters in the local assembly.

■ Adopt clear standards on transparency and accountability regarding the whole spectrum of functions of the local assembly (i.e. publication of draft policies, legal acts, strategic plans, budget plans, urban plans, etc; open sessions of the local assembly, public hearings; reporting on implementation, etc). Deploy innovative and modern ICT technologies to implement "open data" projects.

■ Further to the existing regulations and lead international standards,[208] adopt a straightforward policy on lobbying to ensure a level playing field for all actors to participate in the decision making and regulatory process on equal footing, as well as to effectively prevent from conflicts of interest.

■ Provide councillors with access to trainings and awareness events in the field of integrity, organized or supported by the local government.

■ Systematically include local assembly in the internal and external communication regarding integrity. Encourage participation of local councillors in joint projects with CSOs, media, or businesses in the area of integrity.

■ Encourage that the local assembly provides secure and accessible channels to raise concerns and safely report integrity violations.

■ Encourage the local assembly to undertake periodic reviews of the ethics and compliance programmes, as well as of the implementation of integrity measures.

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208   See International standards for lobbying regulation, towards greater transparency, integrity and participation, Transparency International, 2015,

5.5   TRANSPARENCY AND OPEN DATA

Transparency, access to information and open public sector data are widely accepted as powerful tools to fight corruption.[209] They may become a "catalyst" for multiple achievements, and lead to increased public accountability, good governance and strengthened social oversight and public debate.[210] Thus, publishing information about what local government does allows stakeholders, including civil society to monitor a wide range of local government activities (i.e. awarding of public contracts, spending of public money, performance in public service delivery, etc), decisions and expenditures. Furthermore, open data can indeed provide a platform to increase social participation and enhance co-responsibility in areas such as public procurement, officials' integrity, fiscal and budget transparency, urban and rural planning and land use, service delivery, as well as broader public policy and decision making.[211]

RISK MANAGEMENT
STRATEGIES

■   Further to the applicable regulatory and strategic framework and available experience and technological infrastructure, build a policy and institutional environment that favours the development and implementation of open government data initiatives.

■   Adopt and implement a forward-looking open data strategy/plan, based on an internal survey and inventory of the available databases to set targets and priorities, in a specific timeframe, to ensure the availability of databases in an open format.

■   Allocate strategic and technical responsibilities regarding development, implementation and coordination of open data projects in the local government.

■   Nominate a contact/ resource point to coordinate and align with the relevant national and regional open government pol-

209   Open data as a tool to fight corruption, European public sector information platform Topic Report No. 2014/04, at p.6, https://ofti.org/wp-content/uploads/2014/05/221171136-Open-Data-as-a-Tool-to-Fight-Corruption.pdfhttps://ofti.org/wp-content/uploads/2014/05/221171136-Open-Data-as-a-Tool-to-Fight-Corruption.pdf

210   Towards Open Government for Enhanced Social Accountability, World Bank: http://www.google.lt/url?sa=t&rct=j&q=&esrc=s&source=web&cd=5&cad=rja&uact=8&ved=0CF4QFjAE&url=http%3A%2F%2Fwww.opendta.org%2FDocuments%2FHow%2520To%2520-%2520Open%2520Government%2520DRAFT.pdf&ei=wKoxU9XaBsSI4ASH94DYBA&usg=AFQjCNGw5VxaO4nboa9wizVaodqirjVBmQ

211   See Compendium of good practices on the publication and reuse of open data for Anti-corruption across G20 countries: Towards data-driven public sector integrity and civic auditing, OECD, Directorate of Public Governance Reform of Public Sector Division, at p.12

icies and initiatives, as well as to collaborate with other public sector entities to set common goals and standards for data and to ensure interoperability across public sector institutions.

■ Systematically encourage a culture of openness; build and strengthen institutional capacities for data management inside the local government (through training and awareness programs, tools, guidelines and communication strategies).[212]

■ Promote awareness across local government to sensitize the officials to the potential value of open government data disclosure for policy and institutional objectives, including anti-corruption.

■ Collaborate with public sector, social and private partners (through working groups, consultations with private sector and civil society organisations) to discuss on the platforms' design. Allow a closer relationship between data users and local government from the initial steps of designing open data projects to improve opportunities for greater data re-use.[213]

■ Consider introducing a transparent, two-way public feedback mechanism where users can provide comments and make proposals to ensure the quality of the data is improved as needed.

■ Through institutional portal, make available online institutional data, as well as relevant data on regulations, including draft and enacted regulations and strategic documents, institutional reporting, etc.

■ In line with the relevant legal requirements, proactively make available, as open data declarations of assets and interests of officials under duty to declare.[214]

■ Put in place online public procurement platform and make available for public access information on public tenders and public contracting and grants to better manage public procurement systems; and, shed light to public procurement processes and public-private arrangements.[215]

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212   Introductory note to G20 Anti-Corruption Open Data Principles, at p.4, http://www.g20.utoronto.ca/2015/G20-Anti-Corruption-Open-Data-Principles.pdf

213   See Compendium of good practices on the publication and reuse of open data for Anti-corruption across G20 countries: Towards data-driven public sector integrity and civic auditing, OECD, Directorate of Public Governance Reform of Public Sector Division, at p.53

214   See Compendium of good practices on the publication and reuse of open data for Anti-corruption across G20 countries: Towards data-driven public sector integrity and civic auditing, OECD, Directorate of Public Governance Reform of Public Sector Division, at p.25

215   See Compendium of good practices on the publication and reuse of open data for Anti-corruption across G20 countries: Towards data-driven public sector integrity and civic auditing, OECD, Directorate of Public Governance Reform of Public Sector Division, at p.28

■ Through open budget initiatives, make available online as a public data information on budgeting, monitoring and reporting, including budget planning and execution and audit reports.

■ Make available online as a public data information on subsidies and public properties, including social housing; cadaster and registration information; licensing and permits, information regarding access to information requests, etc.

■ Deploy various tools (i.e. data visualisation, data skills' development seminars) to make open data user 'friendly' and accessible.

6 From integrity risk assessment and integrity plans to effective integrity management IN local government

The section explains why it is critical for local government to move beyond corruption risk assessment and integrity plans towards effective integrity management. Considering the individual corruption prevention mechanisms as integral parts of a holistic system, it presents a synthesis of good practices towards introducing, maintaining and improving an effectively functioning integrity management system. These elements together, in their relationship and interconnection, would ensure the sustainability of the anti-corruption efforts and lead to a more resilient to corruption local government.

For local government, to effectively manage integrity risks, corruption risk assessment and integrity plans may prove insufficient. The most adequate and comprehensive assessments and integrity plans may result in no difference if they are not implemented properly. In cases, where the corruption risk assessment has been conducted and integrity plans and measures have been implemented, but not monitored, the integrity management effectiveness may not be fully ascertained. Monitoring of implementation is a critical part to inform local government on the tangible accomplishments and the challenges met. It also establishes whether the direction followed is adequate to the needs and set integrity objectives, or a new path should be adopted. Further to that, the results from monitoring may be wasted if they are not integrated into the further decision making cycle, in particular in the risk re-assessmentand the new risk planning cycle.

> **Thus, corruption risk assessment and integrity plans will lead to intended outcomes and demonstrate sustainable results in prevention of corruption only if they are part of a system mechanism, referred to as IMS, and only, provided that all elements of the IMS work together toward more resilient system and more effective protection.**

Good practices towards introducing, maintaining and improving an effectively functioning integrity management system are synthesized and listed below. The leadership should ensure that all elements of the integrity management system function adequately to provide the necessary framework for improvement and sustainability.

LEADERSHIP   ## THE MUNICIPAL LEADERSHIP:

- sets the tone regarding integrity, driving the risk assessment and planning, and providing the policy and operational framework for upholding integrity;
- motivates others by acting as a role model for integrity and leading by example;
- promotes a pro-active approach to anti-corruption, a culture of prevention and mutual trust;
- fully resources the risk management process in all its phases;
- implements effective partnerships with anti-corruption allies: civil society organisations, media, business associations;

- supports all staff to manage integrity risks in their own positions;
- learns from experience and directs the improvement of the integrity management system.

LOCAL ASSEMBLY

THE LOCAL ASSEMBLY:

- considers integrity a strategic priority;
- commits to a code of ethics and provides for effective enforcement of rules on conflicts of interests, gifts and hospitality, asset disclosure and code of ethics;
- consistently promotes integrity safeguard mechanisms in its actions, as well as public participation in decision making;
- maintains full transparency on its activities, accountability and public consultations;
- participates in the corruption risk assessment and integrity planning and consistently implements relevant risk-based treatment measures.

INTEGRITY POLICY STATEMENT

THE MUNICIPAL LEADERSHIP:

- develops an integrity/ anticorruption policy statement, in a participatory manner, to restate its commitment to integrity, including zero tolerance to corruption, sending a powerful anti-corruption message to all stakeholders;
- communicates this policy internally, as well as externally through appropriate channels (i.e. website, intranet, information leaflets);
- subjects this policy to a periodic review (i.e. annual), to check whether it is still appropriate, and updates it, as necessary.

CODE OF ETHICS

THE MUNICIPAL LEADERSHIP:

- adopts/ commits to the Code of Ethics;
- communicates it effectively to all staff;
- provides all officials with a copy, and a training, as appropriate;
- introduces a system of ethics counselling to advise and ensure consistent interpretation;
- sets up a system for reporting (internal and external) on the implementation and ensures that it functions adequately (officials are aware of how and to whom to report breaches);
- includes disciplinary rules in the Code to specify misconduct and respective sanctions;
- responds adequately to identified breaches and takes immediate actions;
- provides appropriate information on violations to raise awareness among staff.

ROLES AND RESPONSIBILITIES IN ANTICORRUPTION

THE MUNICIPAL LEADERSHIP:

- assigns the responsibilities and authorities for relevant roles in integrity management for all categories of staff (through internal rules, policies, orders, charts, job descriptions);
- communicates these roles to all staff so that it is made fully

aware;

- Appoints a senior Integrity Officer (Counsellor, Guardian) and/or Integrity committee to oversee implementation of the integrity plan, code of ethics, and procedures and allow for integrity counselling and effective communication on matters of institutional integrity.

INVOLVING STAKEHOLDERS

THE MUNICIPAL LEADERSHIP:

- maintains a pro-active policy of inclusion of key stakeholders in the work of the municipality;
- implements well-defined mechanisms for consulting citizens and groups affected by its policies, undertaking stakeholders consultation before the release of key strategic planning and policy documents;
- promotes public participation in key processes, using multiple communication channels;
- enters into effective partnerships with local CSOs, media outlets and businesses in integrity initiatives;
- invites CSOs representatives to monitor the actions and decisions of the local government in potential high-risk areas, such as procurement, budget urban and development planning, etc.

CORRUPTION RISK ASSESSMENT AND INTEGRITY PLANS

THE MUNICIPAL LEADERSHIP AND THE OFFICIALS RESPONSIBLE:

- conduct a thorough corruption risk assessment, which includes all functions and considers the internal and external factors that affect its integrity performance, as well as the applicable legal requirements and ethical commitments;
- based on the risk assessment and further to its integrity policy, develop an integrity plan to define the integrity objectives, the necessary risk treatment measures, as well as the responsibilities, deadlines and means for implementation;
- repeat the risk assessment periodically (i.e. annually), and/or as appropriate, whenever there is a significant change, or an objective evidence that the risk assessment is no longer adequate and does not effectively prevent an abusive behaviour (i.e. numerous cases of violations; complaints);
- integrate risk assessment into the overall organizational risk management processes.

PROVISION OF RESOURCES

THE MUNICIPAL LEADERSHIP:

- provides the necessary resources for the implementation of the integrity plan and the maintenance of the integrity management system (human resources, as well as the necessary infrastructure and working environment).

COMPETENCE AND AWARENESS OF STAFF AND PARTNERS

THE MUNICIPAL LEADERSHIP AND THE OFFICIALS RESPONSIBLE:

- Through diversified means (recruitment and selection, trainings, mentoring, awareness events, etc.), ensure that staff at all levels is competent to understand the integrity risks, relevant to his/her position, the related operational

controls and procedures, the internal control network, the corruption reporting mechanisms and is well aware of anticorruption and Code of Ethics;
- deploy well thought operational controls (CoI declarations, rotation of staff in vulnerable positions, ethics criteria in performance appraisal, measuring staff satisfaction, disciplinary procedures, etc) to reduce related risks in HRMD processes;
- ensure adequate training and awareness in the fields of ethics and integrity, provided on a repeated or updated basis, corresponding with risks and customized to needs (senior and mid-management to receive training in integrity management);
- implement awareness raising for business partners (i.e. subcontractors, CSOs, etc), who conduct activities or provide services on behalf of the municipality and could pose integrity risks.

COMMUNICATION REGARDING INTEGRITY

The municipal leadership and the officials responsible:

- implement an effective internal and external communication system regarding integrity, with defined subject matter, lines, channels and methods of communication, target groups and addresses, as well as the periodicity.
- use innovations and modern ICT technologies to reach a wider audience.

TRANSPARENCY AND OPEN DATA

The municipal leadership and the officials responsible:

- implement innovative "open data" projects;
- ensure optimal transparency, providing sufficient accurate, consistent, accessible and user-friendly information regarding all local government activities and prompt, effective and practical access to such information;[216]
- proactively publish information of public interest, such as information regarding local government, internal regulations; organisational structure, strategy and plans, policies, activities, procedures, reports, decisions and formal acts, public services: budget and expenditures; decision-making procedures, consultations and public participation, subsidies, public procurement, registers, databases; information on the right of access to information and how to request information, information on complaint mechanisms and how to access them;
- ensure easy access to public information, as legally required;
- set up a system to regularly update the institutional website with sufficient information in key areas of function;
- publish relevant information regarding the integrity policies/ measures/ achievements of the local government to raise public image and trust.

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216   See Local governance integrity: principles and standards, Nuno Ferreira da Cruz (EBES Consultores, Lda), Michel Gary, 2015 Transparency International, at p.8 and 12

**INTEGRITY CONTROLS IN
RISK AREAS OF FUNCTION**

THE MUNICIPAL LEADERSHIP AND THE OFFICIALS RESPONSIBLE:

- based on the corruption risk assessment, determine the functions/activities which need integrity operational controls to minimize risk levels (i.e. documented procedures, double signatures, 'four eyes' principle, committees, separation of functions, rotation, recording and videotaping, etc.)[217]
- develop and adequately enforce these controls/ procedures;
- develop and enforce control mechanisms related to subcontractors (integrity pacts, requirements to commit to a code of ethics, financial screening, robust controls and oversight, etc).

**IMPLEMENTATION AND
MONITORING OF THE
INTEGRITY PLAN**

THE MUNICIPAL LEADERSHIP AND THE OFFICIALS RESPONSIBLE:

- ensure timely and rigorous implementation of the Integrity Plan;
- monitor implementation of integrity plans, as well as integrity performance;
- properly document, analyse, evaluate and report data from monitoring for integration into the decision making;
- promote external impact evaluation of the implementation of the integrity plan to determine its relevance, effectiveness and efficiency and generate lessons for further planning.

**REPORTING OF
VIOLATIONS AND
PROTECTION OF
WHISTLEBLOWERS**

THE MUNICIPAL LEADERSHIP AND THE OFFICIALS RESPONSIBLE:

- provide for external and internal reporting of integrity violations through diversified channels (i.e. anticorruption hotline, comments box, independent complaint mechanism);[218] communicated widely to internal and external stakeholders;
- process complaints/ signals fast, and respectively notify on the developments the parties affected;
- promote reporting as a mechanism to detect abusive conduct and uncover integrity violations (through internal communication, awareness events, periodic meetings, case studies, etc);
- periodically evaluate the effectiveness of the reporting system, analyzing deficiencies and providing for improvements;
- protect whistleblowers and confidential reporting of integrity violations (effective institutional frameworks and clear internal procedures and channels);[219]
- investigate timely and adequately any whistleblowers' disclosures and impose appropriate sanctions;
- periodically evaluate the overall effectiveness of the whistleblower protection framework, and review it, if needed.

217 See Manual on integrity planning, UNDP, 2015

218 See Corruption Resistance Strategies: Researching risks in local government, Research findings, June 2001, Stephanie Cooke, ICAC, at p. 79

219 See Corruption Resistance Strategies: Researching risks in local government, Research findings, June 2001, Stephanie Cooke, ICAC, at p. 79

DETECTION OF VIOLATIONS, INVESTIGATION AND DISCIPLINARY PROCEDURES

THE MUNICIPAL LEADERSHIP AND THE OFFICIALS RESPONSIBLE:

- maintain an appropriate system to detect, and investigate integrity violations or any other breaches or weaknesses in the integrity management system.
- take appropriate disciplinary actions in instances of noncompliance and allegations involving potential integrity violations and/or reports violations to authorities as appropriate.
- ensure staff participates in investigation of integrity violations, if and when required, as appropriate.[220]

AUDIT

THE MUNICIPAL LEADERSHIP AND THE OFFICIALS RESPONSIBLE:

- plan and conduct periodically risk-based audits to determine whether all policies and procedures are effectively implemented and maintained (i.e. on an annual basis);
- ensure the objectivity, impartiality and confidentiality of the audit;
- provide adequate in-house auditing capacities and continually increase professionalism of auditors;
- guarantee full access of auditors to premises and records;
- monitor and report implementation of audit recommendations;
- timely and adequately follow audit recommendations;
- periodically evaluate the effectiveness of the auditing system and implement improvements, as appropriate.

TREATMENT OF NON-IMPLEMENTATION

THE MUNICIPAL LEADERSHIP AND THE OFFICIALS RESPONSIBLE:

- take an immediate action to analyze the non-implementation of ethical codes, regulations and internal procedures and the underlying reasons;
- develop recommendations of how to correct deficiencies, ensure adequate implementation and how to prevent same or similar problems.
- check on the effective implementation of the recommended actions.

DATA ANALYSIS, REVISION AND IMPROVEMENT

THE MUNICIPAL LEADERSHIP AND THE OFFICIALS RESPONSIBLE:

- analyze periodically (i.e. bi-annually or annually) and systematically all data generated from the implementation and the monitoring of the maintenance of the integrity management system (data from the implementation of the integrity plans, results from internal audits and monitoring reports, information on integrity performance and disciplinary actions, reporting of violations, changes in the political, legal and economic framework that may influence the functioning of the integrity management system, the adequacy of resources for maintaining the system and implementing integrity plan, the need for re-assessment of the integrity risks);

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220 See Manual on integrity planning, UNDP, 2015

- identify lessons learnt and define actions for further improvement, in particular decisions regarding updating the corruption risk assessment and the integrity plans, needs of resourcing, training, and up-to-dating of procedures and operational controls.
- conduct regular meetings (annual or bi-annual), and/or when considered necessary (i.e. after elections and profound changes in the structure, following allegations and instances of corruption, release of critical monitoring reports, etc.) to discuss achievements and challenges and define improvement actions;
- ensure annual reporting on the implementation of integrity plans to make public its commitment to integrity and to send a strong anti-corruption message to the local community;
- systematically improve the integrity management system by considering the available good standards and practices (i.e. ISO 37001:2015 Anti-bribery management systems-Requirements).

- Policy and Code of ethics
- Involving local assembly in integrity projects
- Anti-corruption partnerships

LEADERSHIP

INTEGRITY PLAN

- Corruption risk assessment
- Allocating measures, roles and responsibilities

- Monitroring implementation of the integrity plan and the procedures
- Treating non-compliance
- Evaluation and lesseons learnt
- Revision and planning of improvements

MONITORING, EVALUATION AND IMPROVEMENT

IMPLEMENTATION

- Resources, competence and awareness
- Transparency and open data
- Implementation of the Integrity plan and the procedures
- Reporting of corruption and disciplinary sanctions

The local government's integrity management system at a glance

7 ANNEX 1: Methodologies to conduct a corruption risk assessment

7.1 Anti-Corruption Methodology "Islands of Integrity"®

Producer

Ana Vasilache and Ronald MacLean Abaroa, Islands of Integrity Anti-Corruption Partners Network, LLP

Purpose

The purpose is to replicate Ronald MacLean Abaroa successful experience in addressing corruption in his city and local government, as mayor of La Paz/Bolivia. The Islands of Integrity Anti-Corruption Methodology® is participatory and strategic, aimed at making the necessary changes in the organization systems in order to address the causes of the vulnerability to corruption. It helps mayors act as institutional reformers rather than judges or prosecutors.

Applicability

It has universal features that enable its application to **all local governments.**

Types and sources and data

Based on objective information, including available internal and external data documents and data, as well as on subjective data drawn from staff and stakeholders' surveys, questionnaires, focus groups.

Methodology

A-C Methodology Steps (objectives, process, tools) can be applied within an average of 6 to 8 months and entails the following steps:

- Negotiating and Signing the MoU with the Mayor
- Forming the Guiding Coalition
- General Diagnosis
- In-depth Diagnosis
- Capacity Building
- Solutions elaboration

Key actors

The Methodology can be applied only by certified Anti-Corruption
Practitioners whose capacity was built in the three components of
ACT – Anti-Corruption Training®:

- Knowledge Building & Skills Building Components
  (duration: average of 2 to 4 months)
- Working together with selected mayors/local governments
  (see Methodology above, with an application average of 6 to
  8 months).

Results reporting

- General Diagnosis Report
- In-Depth Diagnosis Results
- Staff Motivation Analysis
- Outside Stakeholders Perceptions
- A-C strategic and actions plans.

Tools ©Islands of Integrity Anti-Corruption Partners Network, LLP

- Invitation and Application Form for Mayors (example from
  WB-Austria Program A-C component, developed and
  implemented by FPDL)
- Model for a MoU (example from WB-Austria Program A-C
  component, developed and implemented by FPDL)
- Description of a Workshop for Guiding Coalition members
  (example from WB-Austria Program A-C component,
  developed and implemented by FPDL)
- Guidelines for Pilot Workshop
- General Diagnosis Questionnaires (Example from Craiova
  Municipality)
- General Diagnosis Report (Example from Craiova
  Municipality)
- In-Depth Diagnosis Results (Example from Craiova
  Municipality questionnaires)
- Staff Motivation Analysis (Example from Craiova
  Municipality survey)
- Outside Stakeholders Perceptions (Example from Craiova
  Municipality focus groups)
- Workshop on Integrity and Organizational Culture (example
  of FPDL training for Craiova Municipality)
- Workshop on Leadership and HRM (example of FPDL
  training for Craiova Municipality)
- Meeting between councillors and executives to improve
  communication and collaboration (example of FPDL
  facilitation for Craiova Municipality)
- Strategic and Action Planning Workshop (example of FPDL
  facilitation for Craiova Municipality)
- Strategic Plan Structure

STRENGTHS

- Tailored specifically to local governments, can be adapted to other types of public institutions by the certified A-C Practitioners
- Flexibility of use, deploys various methods and instruments to be exploited in a participatory format. Includes samples of tools used to enable practical understanding.
- The tools used, refer to specific integrity risks and integrity controls to exemplify the risks in certain areas of operation and guide through relevant potential solutions.
- Mobilizes support to the process, creates ownership in the planned measures.
- Designed to raise local capacities in diagnosing vulnerabilities to corruption and improving beyond integrity, public services/activities efficiency, transparency and accountability

WEAKNESSES

- Although contains elements of assessment of impact, it does not provide a separate mechanism for monitoring and evaluation of the process
- The process is lead only by certified AC practitioners

COVERAGE

In the period 2009-2016, it has been reported that more than 30 local governments in 10 countries and a territory applied the A-C Methodology, supported by the certified Anti-Corruption Practitioners (Albania, BiH, Croatia, Georgia, Romania, Moldova, The Former Yugoslav Republic of Macedonia, Montenegro, Poland, Serbia and Kosovo).[221]

TIMELINE 2009, ongoing

WEBSITE www.fpdl.org.

Adapted from Guideline for Application of the Anti-Corruption Methodology by the trained A-C Practitioners "Islands of Integrity and Effectiveness", Ana Vasilache, 2016

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221   References to Kosovo shall be understood to be in the context of UN Security Council resolution 1244 (1999)

A-C METHODOLOGY AT A GLANCE:

STEPS:

1 **Negotiating and signing the MoU with Mayor**

Aims at clarifying objectives, roles and responsibilities between
AC Practitioners a nd client organization leadership

RESPONSIBILITIES   Top management

2 **Forming a Guiding Coalition**

The Mayor, supported by A-C Practitioners, establishes the Guid-
ing Coalition, to support the diagnosis of the vulnerability to
corruption through a participatory process. An Introductory Work-
shop to Guiding Coalition members, or to an extended group, is
being held to present the process, define the objectives, and facili-
tate a general diagnosis.

RESPONSIBILITIES   Top management / Guiding coalition

3 **General diagnosis**

Most vulnerable to corruption activities and services, are identi-
fied through a participatory diagnosis, based on Robert Klitgaard
theory of the systems that breed corruption C=M+D-A/T. Guiding
Coalition members process and analyze questionnaires, to identify
the activities/services most vulnerable to corruption on which to
further focus. The General Diagnosis Report is presented to Mayor
and guiding coalition members

RESPONSIBILITIES   Guiding coalition

4 **In-depth Diagnosis**

The priority vulnerable to corruption activities/services are further
analyzed to identify the vulnerability causes. The methods used
include anonymous questionnaires, interviews, focus groups and/
or surveys. The In-Depth Diagnosis Reports are presented to the
Mayor and Guiding Coalition members' for validation.

RESPONSIBILITIES   Guiding coalition

5 **Capacity building**

Based on needs assessment, capacities of managers and staff are
developed through the practical and participatory trainings.

RESPONSIBILITIES   Top management / Guiding coalition

6 **Solutions elaboration**

Based on the diagnosis results, through workshops and participa-

tory meetings, participants elaborate strategic and action plans to address identified corruption vulnerability causes and to achieve the planned integrity objectives.

RESPONSIBILITIES   Top management / Guiding coalition

- Adapted from Guideline for Application of the Anti-Corruption Methodology by the trained A-C Practitioners "Islands of Integrity and Effectiveness", Ana Vasilache, 2016

7.2   Manual on Integrity Planning and Integrity Management

PRODUCER

UNDP

PURPOSE

Supports integrity planning and integrity management by providing an overview of the key principles and concepts of integrity risk management and integrity planning, guides through the process of planning, developing, implementing, monitoring and reviewing integrity plans.

APPLICABILITY

It has universal features that enable its application to all public sector units, including local governments

TYPES, SOURCES AND DATA

Based on objective information, including available internal and external data documents and data, as well as on subjective data drawn from staff and stakeholders' surveys, questionnaires, focus groups.

METHODOLOGY

The integrity risk assessment process entails the following phases:

- Establish the context for integrity planning
- Identify Integrity Risks
- Analyze Integrity Risks
- Evaluate Integrity Risks
- Determine Risk Treatment.

KEY ACTORS

Although designed in a way that does not require highly specialized skills for its implementation, at the beginning, it would be desirable to have specifically trained anticorruption experts to

support the local governments. Foreseen instruments include: questionnaires, focus groups, workshops, document reviews, interviews, and assume a **wide mobilization of resources at all levels and functions.**

Results reporting

- Assessment of the context
- Risk tables
- Integrity Plan and Integrity Risk Register

Strengths

- Further to the integrity risk assessment and integrity planning, it adds the perspective of integrity management system and advice on how to develop, maintain and improve a holistic integrity management system.
- Provides a focus on monitoring and reassessment of integrity risks.
- Serves as initial efforts to understand integrity planning and integrity management and underlying operational processes through a straightforward, simple and easy to understand methodology.
- Designed to raise capacities in risk assessment and in managing integrity.

Weaknesses

- Not tailored specifically to local government.
- Does not refer to specific integrity risks and integrity controls to exemplify concrete risk areas and guide through potential solutions.
- Primarily an awareness raising and capacity strengthening tool, has to be used along with further, more detailed methodological instruments and guidelines if a corruption risk assessment is to be carried and an integrity plan is to be developed (no additional tools enclosed)

Coverage

The methodology has been applied in more than 10 municipalities in Kosovo through the UNDP Support to Anti-Corruption Efforts in Kosovo (SAEK) project.

Timeline 2015 - ongoing

Website http://www.ks.undp.org/content/kosovo/en/home/library/democratic_governance/manual-on-integrity-planning-and-integrity-management.html

Adapted from Manual for integrity planning and integrity management, 2015, UNDP

THE INTEGRITY RISK ASSESSMENT METHODOLOGY AT A GLANCE:

STEPS	ACTIVITIES	RESULTS
Establish the context:	1. Review external environment	External context:.Focus is put on integrity requirements/ expectations of stakeholders.
	2. Review internal environment	Internal context: responsibilities for integrity risk assessment, scope, the objectives of the process.
Identify Integrity Risks	3. Identify Risks and Risk Factors for each Risk	Relevant Risks identified
		For each risk separate risk table created
		Risk factors identified for each
Analyze Integrity Risks	4. Identify Controls for each Risk Factor	Current treatment/ controls in place identified for each risk factor
	5. Conduct risk analysis for every risk factor based on the existing treatment	Decide per each risk factor whether it is managed, partially managed or not managed based on the existing tretament/controls in place
	6. Assess overall risk level for each risk	The likelihood of an event occurring and the consequences (impact) if the event eventuates assessed for each risk, based on the risk assessment matrix relevant risk level determined for each risk
Evaluate Integrity Risks	7. Rank risks and screen minor ones that do not need treatment	Minor risks that don't need treatment screened, significant risks evaluated, prioritised
		Significant risks to be given further treatment
Determine Risk Treatment	8. Select appropriate risk treatment	One or more risk treatment options determined for each risk
	9 .Prepare Integrity Risk Register	WG and Top management agree on measures, responsibilities and deadlines, Integrity Register Prepared

Adapted from Manual for integrity planning and integrity management, 2015, UNDP

7.3 Integrity systems and methodologies for monitoring integrity, responsibility, transparency and accountability at local level, the former Yugoslav Republic of Macedonia: case in point

Monitoring integrity, responsibility, transparency and accountability at local level- Simplified RTA

Producer: **UNDP**

Purpose

The RTA Index is designed to make measurable assessments of the capacity of a given institution to combat corruption.

Applicability

The Index covers **four main areas** of competence of local government: **urban planning, financial management and property, public procurement and openness, including Freedom of Information, Civic Participation and Open data.** It may be used as a self-evaluation instrument by local governments, to identify the "hot spots" that are vulnerable to corrupt behaviour. Though designed for local municipalities, its universality enables its practical application with the necessary adjustments in local governments generally.

Types and sources and data used

Mainly based on objective information, including available administrative data on budgets, procedures and functions related to the local governments. In addition, perceptions from other governmental stakeholders, experts and users of municipal services generate an important source in the design of the tool, namely to identify corruption "hot spots" which need to be monitored.

Methodology

The implementation of the Instrument and creation of the RTA Index are going through the following phases:

- Defining corruption hot-spots (i.e. competitiveness of the bidding process)
- Defining anti-corruption mechanisms versus corruption hot-spots (i.e. transparent advertising of the bid)
- Defining indicators for the anti-corruption mechanisms (i.e. for transparent advertising of the bid: number of advertised bids and value of advertised bids)
- Setting up of the Instrument for Corruption Risk Assessment.

Key actors

The methodology has been designed for use by various stakehold-

ers. It does encourage close coordination and cooperation with the civil society in order to maximize interaction and support dialogue. Self-evaluation by the local government may require specifically trained professionals in the first rounds of implementation.

Tools

- **Tables attached for each area of assessment**, specifying corruption practice to be prevented, indication of existence of preventive measure, question (s) for identification of preventive measures.

Strengths

- Clear, practical and easy and simple to implement; meant to be impartial and balanced and built on more tangible, measurable and objective criteria and indicators
- A Corruption Risk Assessment tool, to be used along with other tools. Exemplifies risks in the areas of assessment: urban planning, financial management and property, public procurement and openness and guides through risk management operational controls and anti-corruption prevention mechanisms.
- Helps local government better understand the relation between the risks, anti-corruption mechanisms and indicators (red flags).
- Focused pragmatically towards measuring resistance to corruption. The use of RTA would enable periodic monitoring and comparisons within the units of local government: horizontal and vertical benchmarking.
- Brings the important perspective of opening government data to the public and its multiple benefits to anti-corruption.
- Enables sharing experience and experiential learning among the institutions in the public sector by encouraging the open discussion regarding vulnerabilities, preventive controls and effectiveness of these controls.

Weaknesses

- Limited subject areas: urban planning, financial management and property, public procurement and openness
- May require data that is difficult to obtain (i.e. information on tenders, volumes, etc).

Timeline 2014- ongoing

Adapted from Integrity systems and methodologies for monitoring integrity, responsibility, transparency and accountability at local level, the former Yugolsav Republic Macedonia: case in point, UNDP, 2014

Integrity Systems and Local Government Integrity (LGI)
Index

PRODUCER: UNDP

PURPOSE/OBJECTIVES

The Local Government Integrity Index (LGI index) intends to
measure the resistance to corruption of the municipality by estab-
lishing the degree of compliance with the integrity system concept,
defined through 11 main elements.

APPLICABILITY

The Integrity System approach elaborated may be applied **univer-
sally**, in all local government units. The LGI index, developed as an
assessment instrument primarily for local municipalities, may be
used following necessary context adjustments.

TYPES, SOURCES AND DATA USED

Mainly based on objective information, including available admin-
istrative data on policies, procedures and practices related to the
local government. In addition, perceptions from NGOs and users of
municipal services are used to verify the attributes of the integrity
system maintained.

METHODOLOGY

The Methodology builds on the concept of Integrity System, with a
focus on the internal "integrity infrastructure" of the local govern-
ment that enables its resilience to corruption. The integrity system
entails the following elements:

- Anti-corruption policy
- Commitment from the top
- Specific standards and procedures in specific areas (CoI, gifts
  etc)
- Corruption Risk assessment
- Integrity system management arrangements
- Strengthening existing internal controls and disciplinary
  procedures
- Training
- Internal reporting channels and whistleblower protection.
- Due diligence
- Contract provisions in Public Procurement
- Update and adaptation; Periodic testing and auditing of the
  Integrity system

To ensure sustainability of maintaining integrity systems, a Local
Government Integrity Index (LGI index) is designed to measure the
introduction and maintenance of integrity systems by using two
components translated into two sets of tables:

- A mandatory first component (table) with "yes" or "no" answer questions; based on "yes" answers, a score is calculated, and the municipality is defined as high-risk, medium-risk or low-risk corruption-wise;
- A second component (table), is used as a social accountability tool, i.e. to verify the degree to which the local community, civic organizations and clients agree with the findings of the first table.

The LGI index is meant as an assessment, to be administered by the central anti-corruption institution (the State Anti-Corruption Commission), the Ministry of Local Administration and the Association of Municipalities. The self-assessment questionnaire, however, may be used as a tool by local governments, who wish to improve overall resilience to corruption.

Tools

- Local Government Integrity Index Questionnaire
- LGI – Social Accountability Tool (a questionnaire to be completed by NGOs, citizens, and other external stakeholders- service recipients)
- Implementation steps for developing the LGI Index

Key actors

In the case of the former Yugoslav Republic of Macedonia, the central anti-corruption institution (the State-Anti-Corruption Commission), the Ministry of Local Administration and the Association of Municipalities have been proposed to administer the assessment regarding the LGI Index. The methodology has been designed as a participatory one, involving various stakeholders: anti-corruption bodies, central authorities, local governments, NGOs, citizens, anti-corruption practitioners. Implementation at local level, in particular, the elaboration of procedures related to integrity management, may demand considerable specialized expertise. Where administrations have accumulated experience with total quality management instruments, these experts may be used in working on the system documentation.

Results reporting factors

The LGI Index is to be created for the municipalities participating in the assessment. At individual level, municipalities are expected to develop policies and system procedures to facilitate implementation of integrity system.

Strengths

- Makes the connection between corruption risk assessment and integrity system.
- Raises capacities and respective awareness of the importance of maintaining a management system approach to anti-

corruption.
- Facilitates the transfer of good practices across municipalities.
- Works as a diagnostic tool, which identifies governance deficiencies in maintaining an integrity system, thus underlining vulnerabilities which may weaken organization's integrity and proposing opportunities for development.
- Focuses on a pragmatic corruption resistance measuring
- Allows horizontal benchmarking amongst municipalities, which may be used to develop a ranking of the participating municipalities, depending on whether they have introduced elements (or the whole) of the Integrity System.
- Allows vertical benchmarking to compare current against previous achievements.
- Is clear and practical, meant to be balanced and built on objective evidence verified by the stakeholders.

Weaknesses

- Resource demanding: Documenting an integrity management system, such as, policies and procedures based on gap and situational analysis with a specialized professional expertise that may be limited. Verification by external stakeholders: citizens, NGOs, etc. to ascertain effectiveness of implementing an integrity management system presupposes high level of effort and adequate resources (time, funds, etc.). Administration at central level of the LGI index assumes high levels of political support, and a good cooperation among the stakeholders involved, including specialized knowledge in the area.

Coverage

10 municipalities in the former Yugoslav Republic of Macedonia are reported for having introduced integrity systems

Timeline 2014 - ongoing

Adapted from Integrity systems and methodologies for monitoring integrity, responsibility, transparency and accountability at local level, the former Yugoslav Republic of Macedonia: case in point, UNDP, 2014

DEVELOPING AN INTEGRITY SYSTEM AT A GLANCE

STEPS

1 Ensure **political support** (policy workshop with the leadership to explain the concept)

RESPONSIBILITIES Top management

2 **Administrative phase 1:**

- Set up a working group to draft the Integrity System procedures.
- The WG adopts simple procedural rules and Work plan.
- The WG agrees on the schedule/tasks.
- The WG designs the draft procedures and presents them to the Municipal Leadership.

RESPONSIBILITIES Top management / Working group

3 **Social Accountability Phase 1**

- The Mayor convenes a meeting (either inofficial consultation of a Council Session) and presents the new system to the citizens with policy documents made available for discussion in advance
- All comments summarized and a clear indication is made if they are supported (accepted) or not; and if not, why.

RESPONSIBILITIES Top management / Working group

4 **Administrative Phase 2**

- The Mayor signs all changes in the procedures and all the necessary draft documents and they enter into force

RESPONSIBILITIES Top management

5 **Implementation phase**

- Training staff to instruct on the new procedures.
- New procedures, checklists are being used; new procedure manuals are made available to all staff

RESPONSIBILITIES Working group

6 **Evaluation stage**

Information is collected by the WG and the Secretary on the use

and problems in the application of the new procedures and corrections are proposed (this loops back to administrative phase 1)

RESPONSIBILITIES   Top management / Working group

7   Social Accountability stage 2

- Information on the improvements regarding integrity is provided to the citizens on a regular basis.

RESPONSIBILITIES   Top management

Adapted from Annex 3 of Integrity systems and methodologies for monitoring integrity, responsibility, transparency and accountability at local level, the former Yugoslav Republic of Macedonia: case in point, UNDP, 2014

7.4   Corruption Risk Assessment in Public Institutions in South East Europe Comparative Study and Methodology

PRODUCER

Regional Cooperation Council and Regional Anti-Corruption Initiative for the Southeast Europe 2020 Strategy

PURPOSE

To provide Southeast European (SEE) public sector institutions with different options, integrated framework and practical advice to conduct tailored corruption risk assessment(s).

APPLICABILITY

Focused on corruption risk assessment in public sector. Offers a tailored analysis and possible solutions for the SEE region. Generally applicable to all public sector entities, local governments included.

TYPES AND SOURCES AND DATA

Risk assessment is based on a combination of secondary sources (legal-institutional analysis of key documents, desk research) and primary sources (surveys and questionnaires, focus groups, key informant interviews, checklists, etc.). Findings are drawn on objective and subjective qualitative and quantitative information.

METHODOLOGY

The framework risk assessment methodology consists **of 5 phases with altogether 27 steps.** The methodology can be used for any CRA type or approach (integrity plan, sectoral CRA, ad hoc CRA) The five phases include:

- Phase1: Planning, scoping and mobilisation of resources
- Phase 2: Identification and analysis of risks
- Phase 3: Measurement, evaluation and ranking of identified risks
- Phase 4: Risk management plan and risk register
- Phase 5: Programme for monitoring and follow-up

KEY ACTORS

Besides top management and working group members, the wide spectrum of instruments foreseen: questionnaires, focus groups, workshops, document reviews, targeted interviews assume a vast mobilization of resources at all levels and functions to support the process. Due to the complex methodology, involvement of trained and skilled external professionals is required especially in the first rounds of the assessment, provided that there is a deficiency of relevant in-house expertise.

RESULTS REPORTING

- Risk table
- Risk Register
- Risk management plan

TOOLS

- Example of a template heat map
- Template of comprehensive risk assessment and its evaluation (risk register)
- Options for presentation of risk assessment results
- Example of risk management plan

STRENGTHS

- Offers a comprehensive definition of corruption, corruption risks, and corruption risk assessment.
- An extended overview of existing good practices at international level: standards and methodologies for corruption risk assessment
- Targeted review of relevant practices (Australia, Netherlands and Slovenia)
- Provides a clear regional focus by offering an overview of the existing practices in SEE region (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the former Yugoslav Republic of Macedonia, Moldova, Romania, Serbia and Kosovo), including lessons learnt.
- Comprehensive methodology for corruption risk assessment- principles, possible approaches, integrity plan, corruption risk, sectoral assessment, targeted ad hoc corruption risk assessments, practical aspects of implementing corruption risk assessment.
- With high attention to details, guides progressively through

procedural and substantial aspects of a corruption risk
assessment, principles, framework methodology.
- Examples of typical corruption risks: bribery risks, risk of
abuse of power or position for private interests, Risk of abuse
of public resources for private interests; Risk of illegal or
unethical external influence or pressure on public official;
Risk of conflict of interests; Risk of (other) illegal or unethical
behavior. Examples of measures to manage the above risks.
- Flexibility of use, the steps of the risk assessment are neither
exclusive nor absolute, but systematic in a way that the
methodology can be adapted, expanded, altered or otherwise
tailored to concrete procedure of corruption risk assessment
easily.
- Relates systematically corruption risk assessment, risk
management plans and implementation and monitoring of
integrity plans.

Weaknesses

- Not tailored exclusively to local government
- The cost of conducting this extensive and complex exercise
is relatively high. Particularly for the first assessment, it
requires substantial outside technical support and the
availability of either national capacities to conduct the
exercise or donor funding.
- Resource demanding regarding data.
- Though monitoring, reporting and reassessment are formally
included in the methodology, further guidance on the above
processes is limited.

Timeline 2015 - ongoing

Website: http://rai-see.org/wp-content/uploads/2015/10/CRA_
in_public_ins_in_SEE-WEB_final.pdf

Adapted from Corruption Risk Assessment in Public Institutions
in South East Europe Comparative Research and Methodology,
Regional Cooperation Council and Regional Anti-Corruption Initi-
ative for the Southeast Europe 2020 Strategy, 2015.

THE CORRUPTION RISK ASSESSMENT METHODOLOGY AT
A GLANCE:

PHASE 1:

Planning, scoping and mobilisation of resources

N	ACTIVITY
1	Obtain superior or top-level management support to risk assessment.
	RESPONSIBILITIES Management
2	Appoint CRA project leader and members of the working group (WG)
	RESPONSIBILITIES Management
3	Define WGs responsibilities, reporting lines and the scope.
	RESPONSIBILITIES WG
4	Select ways to collect relevant information and define methods.
	RESPONSIBILITIES WG
5	Prepare and communicate work plan, timetable. Define the method for presentation of the CRA results, Schedule workshops or other information gathering exercises.
	RESPONSIBILITIES WG
6	Formulate and communicate instruction to those contributing to the process.
	RESPONSIBILITIES WG, Management

PHASE 2:

Identification and analysis of risks

N	ACTIVITY
7	Data collection. Conduct workshops or other information gathering exercises focused on risk identification.
	RESPONSIBILITIES WG

8   Consider in-depth the following questions: which, where, when, why and how events could prevent, degrade, delay or enhance the achievement of tasks and objectives.

RESPONSIBILITIES   WG

9   Based on the findings, map vulnerable areas for assessment

RESPONSIBILITIES   WG

10   Identify and consider all groups of risk factors in every area: external, institutional, individual and operational- working processes and procedures.

RESPONSIBILITIES   WG

11   Consider relevant groups/types of risks that can be driven/facilitated by identified risk factors.

RESPONSIBILITIES   WG

12   Based on the findings, identify risks that need to be managed.

RESPONSIBILITIES   WG

13   Evaluate existing controls in respect to identified risks.

RESPONSIBILITIES   WG

PHASE 3:

Measurement, evaluation and ranking of identified risks

14   Measure or evaluate level of every identified risk, based on combination of likelihood of separate risk to occur and gravity of impact (detriment) in case of occurrence (e.g. using heat map).

RESPONSIBILITIES   WG

15   Prioritise risks according to the impact their occurrence (including interaction) may have.

RESPONSIBILITIES   WG

16   Develop document with comprehensive assessment of each identified risk and its final evaluation (risk register).

RESPONSIBILITIES   WG

PHASE 4:

Risk management plan and risk register

17 Develop risk treatment and control activities. Prepare recommendations for improvement in risky areas. Define measures.

RESPONSIBILITIES WG

18 Prepare risk management plan and set up priority list of risks to be addressed and measures to be taken.

RESPONSIBILITIES WG

19 Submit risk management plan to superior or top-level management for adoption

RESPONSIBILITIES WG(lead)

20 Establish risk register or similar document, including:

- the list of identified risks and factors that facilitate them,
- the list of adopted and accepted recommendations, measures and priorities, responsible persons and deadlines

RESPONSIBILITIES WG

21 Effectively communicate to all staff

RESPONSIBILITIES WG

22 Prepare final report of the WG, including all relevant documents

RESPONSIBILITIES WG

PHASE 5:

Programme for monitoring and follow-up

23 Develop monitoring mechanism over the implementation of the risk management plan

RESPONSIBILITIES WG, management

24 Appoint integrity officer

RESPONSIBILITIES management

25 Inform the superior or top level management on development, issues, etc. regarding the risk management plan on a regular basis

26 **RESPONSIBILITIES** Integrity officer

Update CRA documents (including risk map and risk register) on a regular basis

27 **RESPONSIBILITIES** Integrity officer, WG, management

Establish effective mechanism for communication between integrity officer, management and employees

RESPONSIBILITIES Integrity officer, management

Adapted from Corruption Risk Assessment in Public Institutions in South East EuropeComparative Research and Methodology, at p. 74-76

7.5 Model Local Anti-Corruption Plan

PRODUCER

Anti-Corruption Agency, Republic of Sebia and the Standing Conference of Towns and Municipalities- Nationa l Association of Local Authorities in Serbia

PURPOSE

To assist cities and municipalities in their efforts to adopt adequate local anticorruption plans (LAPs).

APPLICABILITY

Though especially created to support local governments anticorruption in Serbia, the Model can serve as an inspiration in most local governments. Proving a comprehensive example of risk areas/measures, it may be a general good reference point for analyzing risks and risk treatment.

METHODOLOGY

- The process consists of the following steps:
- Setting up of a working group for LAP development and its operation
- Public hearing on Draft LAP
- LAP adoption
- Setting up of a body in charge of monitoring LAP implementation

Key actors

Besides top management and working group members, the process may involve representatives of CSOs or citizens associations, state-owned enterprises, and other external stakeholders. Professional external assistance to draft the plan and tailor the model to particular environment shall be needed, in case that there is a deficiency of relevant in-house expertise.

Tools

- Model Plan with risk tables in 17 important areas of function
- Format template of the Plan
- Format of the Report on Adoption of the Local Anti-Corruption Plan

Strengths

- Tailored specifically for local governments
- Presents a comprehensive model of local government anti-corruption plan, identifying competencies, fields, processes and procedures which carry risks and methods to reduce/ eliminate them.
- Instructive regarding adoption, implementation and monitoring of such plans.
- Provides very well exemplified areas of vulnerabilities, with risk factors described comprehensively; wide spectrum of possible anticorruption measures revealed, with indicators of measure implementation (quality)
- Flexibility of use, may be adapted to fit particular contexts.

Weaknesses

- Risk of mechanic adaptation and a 'copy-paste' approach that may turn the exercise formalistic, and the plan inadequate to actual risks and feasibilities.
- Requires relevant skills and sophisticated understanding of integrity risk management in its adaptation to particular local government context.

Timeline   2017, ongoing

Website: http://www.acas.rs/wp-content/uploads/2014/09/ Model-lokalnog-antikorupcijskog-plana-ENG.pdf

Adapted from Model Local Anti-Corruption Plan, with Guidelines for Adoption, Implementation and Monitoring, Anti-Corruption Agency, Republic of Serbia and the Standing Conference of Towns and Municipalities- National Association of Local Authorities in Serbia, 2017, http://www.acas.rs/wp-content/uploads/2014/09/ Model-lokalnog-antikorupcijskog-plana-ENG.pdf

7.6 Local Integrity System Assessment Toolkit, Transparency International

PRODUCER

Transparency International

PURPOSE

The Local Integrity System (LIS) Assessment Toolkit (the LIS Tool) is to:

- assess the internal governance and capacity of each of the core local government actors and their role in promoting integrity in the system as a whole;
- develop recommendations on areas for reform to be taken up by local government stakeholders
- develop a follow-up action plan for strengthening local integrity in collaboration with key local stakeholders.

APPLICABILITY

The tool is focused on each of the core local government actors and their role in promoting the integrity in the system as a whole. Local governments may use the relevant findings in the LIS report for their corruption risk assessment processes. Local governments may use the measures in the follow-up action plan. Particularly important are the measures relating to strengthening oversight and accountability functions.

TYPES. SOURCES AND DATA

Based on objective information, including relevant internal and external data and documents drawn from all local stakeholders under assessment, as well as on subjective data based on surveys, questionnaires, focus groups, workshops by staff and stakeholders.

METHODOLOGY

Draws on Transparency International's National Integrity Systems (NIS) approach, generating valid and reliable evidence on the performance of the local governance actors, namely: the local council (assembly), a mayor or alderman (executive), the local bureaucracy, local political parties, and in some cases local courts (judiciary) and the police. Each local government unit is assessed separately, with one scorecard being developed for each. The assessment entails 8 steps, presented in further detail below.

The following risks dimensions are assessed:

- Local assembly (adequate resources, local elections, independence, oversight of the local executive, representation, transparency of the local assembly,

accountability of local councillors, integrity of local
councillors),
- Local executive (clear functions, predictable resources,
  management of local bureaucracy, oversight of private
  providers of public goods, regulation of local business, budget
  transparency, accountability of local executive, integrity of
  local executive),
- Local bureaucracy (adequate resources, independence,
  ensuring transparency and integrity in local public
  procurement, promoting social accountability and
  participation, tax collection, protecting land and property
  rights, administrative transparency, accountability of local
  public servants, integrity of local public servants)

KEY ACTORS

The LIS Tool assesses the internal governance and capacity of each
of the core local government actors. It also assesses their role in
promoting integrity in the system as a whole, the capacity to per-
form, and the effectiveness of, each of the oversight and accounta-
bility functions

RESULTS REPORTING

- The LIS report
- A strategy for implementing specific solutions for
  strengthening the LIS.
- Proposals to secure funding to implement approaches to
  strengthen local integrity

STRENGTHS

- Recommendations produced may significantly support
  improving the interface local government- key local
  stakeholders, particularly regarding oversight and
  accountability functions: complaints handling, local
  government auditing, oversight of local government,
  investigation and exposure of corruption, awareness-raising
  and public education, and social accountability.
- Refers to particular risk dimensions in the functions of local
  assembly, local executive and local bureaucracy, which are
  assessed and consequently addressed by treatment measures.
- Very comprehensive approach, captures important integrity
  aspects of key local actors.
- Allows vertical benchmarkings, which when used repeatedly
  monitors and evaluates the progress of the LIS over time.

WEAKNESSES

- Although it supports experiential learning in local
  government, it is not aimed specifically at building local
  government in-house capacities for risk assessment and risk

management.
- Is not able to fully substitute the corruption risk assessment and integrity planning in the local government, but can be used as a complementary tool.
- Resource demanding; relies on qualified external expertise.

TIMELINE   2014 - ongoing

WEBSITE   https://www.transparency.org/whatwedo/publication/local_integrity_system_assessment_toolkit

Adapted from Local Integrity System Assessment Toolkit, Transparency International 2014, https://www.transparency.org/whatwedo/publication/local_integrity_system_assessment_toolkit

8 ANNEX 2:
ANTI-CORRUPTION ACTION PLANS: EXAMPLES

8.1   Kutaisi Municipality Anti-Corruption Strategy and Action Plan for 2018-2020

Download the Strategy from here:
https://corruptionfreecities.org/kutaisi

8.2   Local Strategic Plan on Integrity and Anticorruption Actions of The City Hall of Straseni Municipality 2017-2020

Download the Strategic Plan from here:
https://corruptionfreecities.org/straseni