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The United Nations Convention against Corruption
Safeguarding against Corruption
in Major Public Events

**LESSON 10: Mitigating the risk of corruption in
financial management**



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In this lesson, we will:

- ✓ Examine the different risks of corruption associated with the financial aspects of the organization of a major event.
- ✓ Examine the main strategies to mitigate these risks.



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Group discussion



Are major cost overruns inevitable when organizing a major international event?



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UNCAC – article 9 (2) and (3)

UNCAC requires State parties to take appropriate measures to promote transparency and accountability in the management of public finances, including:

- (a) procedures for the adoption of the national budget;
- (b) timely reporting on revenue and expenditure;
- (c) a system of accounting and auditing standards and related oversight;
- (d) effective and efficient systems of risk management and internal controls; and,
- (e) where appropriate, corrective action in the case of failure to comply with the measures in place.



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Seven main areas are considered in this lesson:

1. The need to put in place a strong financial management and accountability structure
2. The need to ensuring the integrity and efficiency of the budgeting and financial planning process
3. The need to adopting sound financial management policies and procedures
4. The need to put in place effective financial controls
5. The importance of a strong internal audit capacity
6. The need to adopt transparent and effective policies and procedures regarding external audits
7. The need to ensure financial transparency and to reporting publicly



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Putting in place a strong financial management and accountability structure

- A well defined responsibility and accountability structure for the Authority.
- Empowering the Authority to centrally manage the capital budget allocated to the major event.
- Strong and accountable financial management structure and systems consistent with professional standards and applicable national norms for the management of public finances.
- See section 3.1 of the Corruption Prevention Checklist.



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Ensuring the integrity and efficiency of the budgeting and financial planning process

- Solid budgeting and financial planning for a major event can be very challenging.
- Related policy objectives (e.g., environmental impact, indigenous participation, sustainability, and legacy use) must also be factored into the planning process.
- Crucial need for periodic reviews of budgets, cost estimates, and revenue forecasts as well as budget comparisons against activities and progress to date.
- Transparency at all stages of the budgetary reviews, adjustments and approval processes is essential to preserve the integrity of a high-profile initiative and maintain public support for it.



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Apparent overestimations of costs of certain aspects of the organization of the event may be signs that bribery or illegal commissions have been factored into the initial estimates.

Cost overruns may also result from poor or insufficiently transparent or accountable budgeting and financial management practices.

See section 3.2 of the Corruption Prevention Checklist.

Adopting sound financial management policies and procedures

- The Authority must have in place measures to ensure the sound financial management of its activities.
- To strengthen budgetary controls, the Authority must specify the responsibilities and procedures for approving the use of funds and expenditures at all levels.
- Weak financial management policies, procedures and practices are an open invitation to corruption.
- See section 3.3. of the Corruption Prevention Checklist.



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Putting in place effective financial controls

- The Authority must have in place strict measures to preserve the integrity of accounting books, records, financial statements or other documents related to public expenditure and revenue and to prevent the falsification of such documents.
- The Authority should subject its internal control systems, in particular its accounting and record keeping practices, to regular reviews and audits in order to provide assurance on their design, implementation and effectiveness.
- A high-level financial supervision committee may be established within the Authority.
- See section 3.4 of the Corruption Prevention Checklist.



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Building a strong internal audit capacity

- Regular reviews and internal audits should be conducted by experts with adequate forensic training in detecting suspicious transactions, bribes, potential fraud and apparent conflicts of interest.
- See section 3.5 of the Corruption Prevention Checklist.



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Adopting transparent and effective policies and procedures regarding external audits

- External audits following rigorous standards must be conducted prior to, during, and after the event.
- Government appointed independent auditors must be granted unlimited access to all financial transaction records.
- See section 3.6 of the Corruption Prevention Checklist.



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Ensuring financial transparency and reporting publicly

- Transparency in budgeting and financial administration, as well as in all key decisions affecting the financial viability/sustainability of the event or any of its major components.
- Timely and accurate financial reporting to public authorities and to the public.
- Financial information reported publicly at all stages of preparation of the event and thereafter.
- Transfer of assets to other entities for legacy use or any other purpose must be reported even after the major event.
- See section 3.7 of the Corruption Prevention Checklist.



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Key points to remember

- ✓ The Authority must ensure that there is a strong accountability structure to financially manage the organization of the major event.
- ✓ Protecting the integrity and ensuring the efficiency of the budgeting and financial planning process adopted by the Authority.
- ✓ Sound financial management policies, procedures and practices must be adopted and implemented.
- ✓ Effective financial controls must be applied at all stages of the organization of the major event.
- ✓ A strong internal audit capacity within the Authority is necessary and all transactions must be subjected to regular external audits.
- ✓ Timely and honest public reporting of all financial operations.