

Combating Corruption through the Audit System? The Transformation of Auditing in International Organizations



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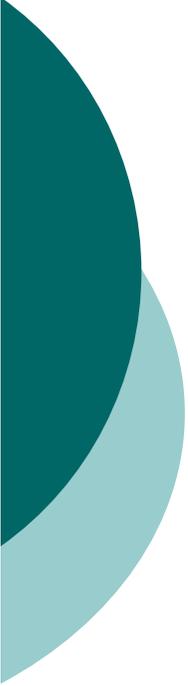
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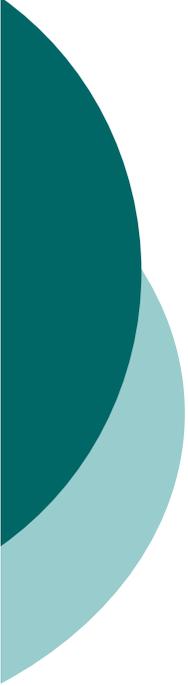
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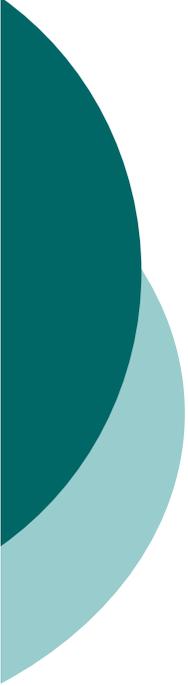
Agenda

- Introduction
- Aim of the research
- Methods
- Evidences from six case studies
- Three models of auditing
- Discussion and conclusions



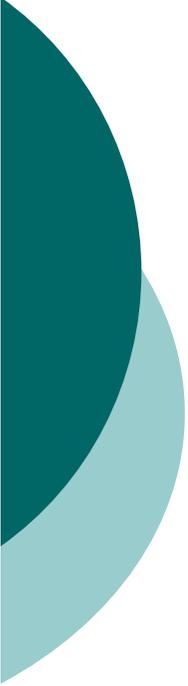
Introduction

- Rising importance of International Organizations in the economic and social scenario
 - But also corruption, frauds and mismanagement episodes;
 - Critics on the level of democratic representativeness of the decision making procedures in IOs;
 - Concerns about IOs' accountability
 - Strong requests of reforms for IOs
 - Scarce attention to IOs' Audit Systems reforms



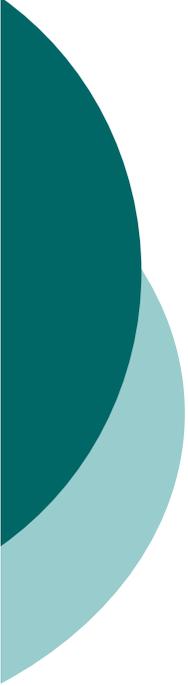
Aims of the research

- To analyze the transformation of audit systems in IOs;
- To explore theoretically and empirically the new role of auditing in IOs
- Speculate on possible outcome for corruption fight



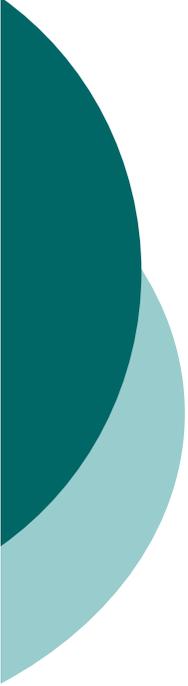
Methods

- Multiple case studies
 - Extensive analysis of internal documents (manuals, handbooks, reports, commission reports)
- Criteria for selecting the case studies:
 - Largest and most visible IOs
 - Different fields of activities
 - Financial monetary institutions (IMF, WB)
 - Economic rulers (WTO)
 - Human right standards setting (UN, CoE)
 - Social problems tackling (Oecd)
- Five criteria for analysis
 - Type of auditors, quantity of audit services, type of audit, composition of external audit body(ies), type of standards



Context of the audit reform

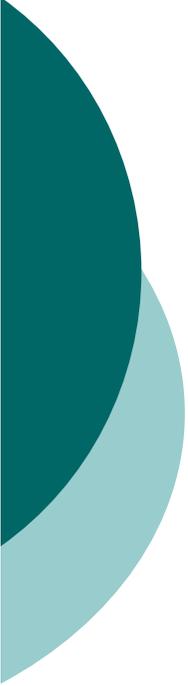
- Audit reforms are part of the general managerial reform (Pollitt – Summa 2002):
 - The tide of Public Management;
- with some peculiarities
 - The Rise of the Pro-Accountability Coalition;
 - Public Scandals about Mismanagement in IOs



Evidences from six case studies

○ United Nations

- In the 50s was audited by 2 external bodies (financial and compliance audit)
- In the 60s added the Joint Inspection Unit
- In 1994 the Office of Internal Oversight Services was added (divided in 3 division – evaluation, internal audit and inspection)
- In 2005 the Independent Audit Advisory Committee was added;
- Toward a full range of audit services, more bodies, intertwined responsibilities, multiple standards



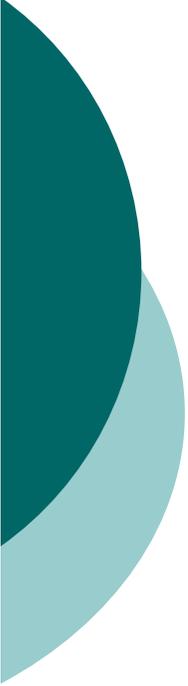
Evidences from six case studies

- World Bank
 - In the 70s there were an internal audit office, an external evaluator, an evaluation office;
 - 1992 Inspection Panel was added;
 - 1997 Internal Audit Department Investigation Unit was established;
 - 2007 Independent Advisory Board was required;
 - Toward a full range of audit services, more bodies, intertwined responsibilities, multiple standards



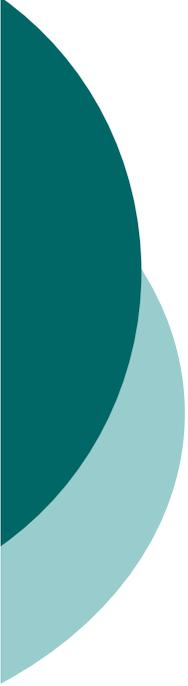
Evidences from six case studies

- International Monetary Fund
 - Began with very limited audit architecture – compliance and financial
 - 1990 started performance audit
 - 2000 an Ethics Office was established
 - 2001 created the Internal Evaluation Office
 - An external audit firm is hired for external audit services
 - 2008 integrity hot line was established
 - 2011 Office of Int. Audit and Inspect. In charge of overseeing the IEO;
 - Multiple auditors, multiple standards, toward the full range of audit services...



Evidences from six case studies

- Council of Europe
 - Began with an external auditor and an internal financial comptroller;
 - 2001 Internal Auditor was established;
 - 2008 Audit Committee was established;
 - 2010 creation of the Directorate of Internal Oversight
 - Multiple bodies, toward the full range of audit services, multiple standards



Evidences from six case studies

- Organization for Economic Cooperation and Development
 - Started with the only External Auditor,
 - 2003 Internal audit office in charge of performance audit
 - 2005 Evaluation committee was established;
 - 2006 Internal audit office in charge of evaluation
 - 2008 Audit Committee was established;
 - Multiple audit, toward the full range of audit services, controls of controls...



Evidences from six case studies

- World Trade Organization
 - Started with the only external auditor
 - 2008 internal auditor was added;
 - Extension of audit services (including ethics, performance, inspection...)
 - Only 2 actors, toward the full range of audit services...

Three models of auditing

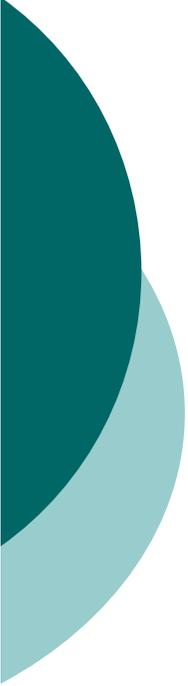
	Single-Audit Model	Dual-Audit Model	Multi-Audit Model
Type of auditors	External	Internal + external	Multiple internal oversight bodies + multiple external oversight bodies + private audit companies
No. of auditors	1 external	1 internal, 1 external	More than one external and internal oversight body
Interaction between audit actors	Not necessary	Limited or no coordination among actors	extended centralized coordination
Types of audits	Narrow focus 1. Financial 2. Legal	Narrow focus 1. Financial 2. Legal	Multiple types 1. Financial 2. Legal 3. Performance (external or internal) 4. Evaluation 5. Anti-corruption
Composition of external audit boards	1. One single country rotation system	1. One single country rotation system 2. Appointed members from different countries.	One country contracted or members from different countries
Standards	Internal to the IO	Internal to the IO and international	Internal to the IO and international



Discussion and conclusions 1/2

Given the clear trend toward the Multi-audit model, how can this be explained? What the possible consequences for corruption fights?

- Isomorphic behaviours (Park 2010, Grigorescu, 2008)
- Response to organisational increasing complexity?
- Power's "audit explosion"?
 - More audit services;
 - Wider range of audit services;
 - Demand of audit services;
 - Supply side influence;



Discussion and conclusions 2/2

- Audit as legitimizing tool – decoupling
- Limitations and the “to do” list:
 - Not a statistically representative pool
 - Use of interviews for a more in-depth analysis;
 - Role of SAI in influencing the reform;
 - Role of individuals, leadership and member state’s interest in the reform