

**NATIONAL AUDITORS AND ANTI-CORRUPTION AUTHORITIES SHOULD USE  
THEIR UNIQUE INSIGHT IN THE COVID-19 FISCAL RESPONSE**

# **COVID-19 FISCAL RESPONSE AND THE PREVENTION OF CORRUPTION**

*This article was developed in close collaboration with the Chartered Institute of Public Finance and Accountancy (CIPFA)*

Governments around the world have responded to the COVID-19 pandemic with huge fiscal stimuli and emergency rescue packages designed to prevent economic catastrophe. The vast amount of resources allocated and the speed at which they are being disbursed present opportunities for corrupt practices, such as embezzlement, bribes and price gouging in essential medicines, medical supplies and equipment and the manipulation of procurement processes for crucial health sector resources. Anti-corruption safeguards are largely absent from emergency frameworks, limiting opportunities for oversight and accountability concerning how such funds are used and whether they have a measurable impact on crisis response and recovery. Within the context of these challenges, is enough preventive work being done?

Discussions, like those held at the December 2019 eighth session of the Conference of the States Parties to the United Nations Convention against Corruption (UNCAC), on enhancing collaboration between Supreme Audit Institutions (SAIs) and Anti-Corruption Authorities (ACAs) to better prevent and fight corruption are particularly important in the context of COVID-19. The role of these oversight bodies is unique: they have prior knowledge of the state institutions that deliver economic support and have the ability to identify areas where additional attention may be required.

Through audits and investigations, oversight bodies highlight opportunities to strengthen systems and controls, particularly in high-risk areas that are vulnerable to corruption. If these areas are at risk in “normal” economic times, then the pandemic only adds strain. Public institutions need to deliver resources more quickly while at the same time contending with staffing issues related to sickness or limitations due to “stay at home” policies.

The skills required in audits and investigations are typically engaged after the fact to provide assurance for what has already happened or to determine what went wrong. However, applying

these same skills to mitigate potential corruption risks during crisis response and recovery, instead of afterwards, can be invaluable in an emergency situation. Put simply, it means using existing skills and capacity to imagine what might go wrong before it does.

Oversight bodies’ understanding of potential risks can and should be used to identify public institutions that might need extra support to mitigate corruption risks before they take on additional pandemic related responsibilities – whether purchasing medical supplies at scale, building a new hospital or distributing grants to businesses in need of support. By making the best use of existing and available knowledge, public sector institutions and private sector organizations can work collaboratively, and in real-time, to limit state exposure to corruption and address existing weaknesses before scaling up their response.

Inevitably, in a crisis situation where emergency medical supplies and equipment are urgently needed and where hospitals to treat and care for the sick are being commissioned within tight deadlines, there is an increased risk that abuses will happen, and quality will be sacrificed in exchange for quick action. Product substitution – where goods are replaced with substandard products (sometimes accompanied by fake certification documents) – can also occur in the context of emergency procurement. States must remain accountable for how resources are spent. It is essential to continue to verify suppliers, specify robust technical requirements for goods and services, and determine competitive prices to ensure that public money is used effectively. In addition, when suppliers are paid in advance for future work, the ability of contract managers to confirm the complete delivery of goods and services according to the necessary specifications becomes even more critical.

To protect against these risks, public institutions can verify suppliers through online portals, check beneficial ownership and set procurement conditions in framework agreements. They can also



publicize maximum prices for essential supplies and lists of approved medical kits to protect against product substitution. By requiring procuring institutions to report on whether deliverables have been met in a timely manner to the central procurement authority, suppliers can be better held accountable for their performance.

With many countries adopting a “pay now, check later” approach to providing support grants to businesses impacted by COVID-19, countries should establish, implement and communicate the transparency measures taken to verify the origin, use and impact of funds, together with a clear plan for future scrutiny and assurance. One approach is to establish a specialized task force to prevent and investigate fraud and corruption in the implementation of COVID-19 emergency support. Another approach is to launch a public campaign to raise awareness of the risks and consequences of corruption in the disbursement and allocation of stimulus funds. This includes the abuse of emergency business grants by established companies that are not legally entitled to them, the creation of fake companies to take advantage of the current situation or organized criminal groups impersonating companies in need.

Many of the typical corruption risks seen in the public sector are elevated during emergencies but traditional strategies can still mitigate such risks. Robust due diligence, transparent processes and accountability mechanisms, such as real-time audits and the publication of audit findings on a monthly basis, are just a few examples of strategies that can limit exposure to pandemic-related risks and keep emergency funds secure. SAIs and ACAs can verify processes, procedures and systems in real-time and provide advice on how to limit exposure to risks that arise from the compromise between urgent delivery and robust verification. Oversight bodies can provide assurance that processes in place for decision-making are sound before any funds leave public coffers.

Now more than ever, oversight bodies have a critical role to play in providing feedback through transparency and accountability

mechanisms. By fulfilling this role, those responsible for spending public money will be held to account, and the public can trust that emergency response and stimulus funds will be used as intended. States should strengthen and integrate oversight bodies within emergency legal frameworks, including by reinforcing and promoting their independence and ensuring that such bodies receive funding through economic rescue and stimulus packages. Stimulus spending should include a specific amount to support the compliant distribution of funds and activities such as internal audit and assurance functions within institutions responsible for disbursement.

It will be some time before we know the real impact of COVID-19, the extent of the damage done, and whether it gave rise to new corrupt activities. However, it is already clear that a strong, coordinated approach to anti-corruption is needed at the global level to help ensure that emergency economic rescue and stimulus packages reach intended beneficiaries in a transparent, inclusive and effective manner. The work of oversight bodies provides significant opportunities to achieve such aims through ongoing monitoring and accountability mechanisms. Not only do these actions help States recover from the immediate crisis, but they also help to ensure that we are better equipped to tackle similar challenges in the future.

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*CIPFA and UNODC recognize that the elimination of corruption is key to facilitating the delivery of the Sustainable Development Goals (SDGs) — anti-corruption is specifically recognized in SDG 16. Furthermore, the United Nations Convention against Corruption requires States parties to have “effective and efficient systems of risk management and internal control” as a means for promoting “transparency and accountability in the management of public finances.”*