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Promoting accountability, control and oversight in response and recovery funds in the Asia Pacific Region



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Executive summary

Global emergencies and extraordinary events create significant challenges for governments. These occurrences require governments to support their citizens by disbursing response and recovery funds. Countries assess their respective situations to determine the most effective method to support businesses and the public. While each government determines their criteria to implement the use of this funding, funds must be disbursed ensuring there is accountability, control and transparency.

The most recent global extraordinary event, the COVID-19 pandemic, prompted governments to disburse significant amounts of funds across almost every country in the world. These funds were reallocated to deliver priorities related to the response to the pandemic. They were intended to support businesses and households, through various programmes and initiatives. The uncertainty of the situation caused various governments to endure increased deficits and debt.

Global emergencies have often provided opportunities for fraud and corruption. This has a direct impact on the effectiveness of the actions taken by the government. As large sums of funding were being rapidly disbursed to protect communities, this affected the level of governance and oversight of those disbursements. Early in the pandemic, there were clear indications that fraud had occurred, and continued to occur as the pandemic progressed.

As countries promptly prioritised budget allocation and disbursement of funds, internal controls and oversight methods were relaxed. Governments had taken the decision to accept levels of risk with regard to the inappropriate use of those funds. This resulted in a lack of project risk assessment, simplification of review procedures and lessening of necessary requirements to receive response and recovery funds.

There are several good principles that should be encouraged by governments to increase transparency and support assurance over response and recovery funds. These include, but are not limited to, proactive disclosure of information, improving systems for record-keeping, multilevel governance on transparency, strengthening communication strategies and improving data collection.

Going forward, several recommendations can be implemented to ensure oversight functions can guarantee effective accountability over the disbursement of response and recovery funds. This includes well-defined roles and responsibilities, the use of data analytics in service delivery, and the involvement of assurance functions to support oversight and governance, of response and recovery funds.

1 COVID-19 response and recovery funds/support

Generally, the catalyst for the use of RRFs is primarily due to unanticipated emergencies and/or extraordinary events. In this context, the OECD defines these emergencies and/or events as *situations when rapid response policies are adopted by jurisdictions to address significant adverse economic or social impacts or both, resulting from an actual or imminent natural or human-made crisis or disaster* Based on the information and data available, countries make decisions and measure their potential impacts.

Examples of previous extraordinary events which have had significant economic impacts include Hurricane Katrina USA 2005, the Sichuan Earthquake China 2008, the Global Financial Crisis 2008 and the Earthquake/Tsunami Japan 2011. While there have been many examples of extraordinary events, the focus of this chapter will be on the most recent global emergency; the COVID-19 Pandemic (COVID-19).

Becoming prevalent on an international scale in January 2020, COVID-19 forced many governments (at all levels) to apply a place-based approach to policy responses. During 2020, countries across the world reallocated public funding to support the various priorities related to the crisis. This included the implementation of national and subnational measures. Governments provided enormous fiscal support to protect firms, households and particularly vulnerable populations. This included supporting healthcare, small and medium-sized enterprises (SMEs), vulnerable populations and regions severely impacted by the crisis. Many countries had also taken action to support subnational finance (both on spending and revenue) and eased fiscal rules.

Historical crises demonstrated that emergencies followed by rapid responses create opportunities for integrity violations – most notably fraud and corruption, which weaken the effectiveness of government action. COVID-19, similar to other extraordinary events, created opportunities for integrity violations, especially in public procurement, economic stimulus packages and public sector organisations. The crisis motivated governments to make rapid decisions and implement drastic measures to protect at-risk communities while attempting to minimise economic consequences.

Inevitably, when there are cases of fraud and corruption (including during a crisis), it has an impact on public trust. Public trust leads to greater compliance with a wide range of public policies, including public health responses, regulations and taxes. It also nurtures political participation, strengthens social cohesion, and builds institutional legitimacy. In the longer term, trust is needed to help governments tackle long-term societal challenges such as climate change, ageing populations, and changing labour markets (OECD, 2023[1]).

As COVID-19 progressed, response and recovery packages were rolled out globally in various sizes and forms. COVID-19 policies included economic and financial support to households, businesses and markets to lessen the impact of the economic downturn. Most governments took hasty and substantial actions to financially support households and businesses following the shutdown of economic activities (OECD, 2022[2]).

Box 1.1 shows some examples of economic measures taken in 2020 as a direct result of COVID-19.

Box 1.1. Examples of economic measures taken in 2020 in response to COVID-19

Japan

- The government's 3rd emerging economic package to stimulate the economy was approximately JPY 108 trillion (Japanese yen) (USD 737 billion), which at the time was equivalent to 20% of the country's GDP.
- Japan's Ministry of Finance decided to use loans for crisis response; low-interest rate loans provided by the Development Bank of Japan. As reported by Japanese media, most of the loans were for the automotive and transportation industries.
- Japan's Ministry of Health, Labor and Welfare expanded their employment adjustment subsidies program in order to lessen its eligible criteria. The purpose was to support employers suffering from business downtown while maintaining employment by providing leave allowance and partly paid leave, as opposed to laying employees off. The ministry subsidised 80% of leave allowance from small-medium enterprises and 60% of leave allowance for large enterprises. It was capped at JPY 8 000 (USD 50) per day.

India

- Approximately 67% of the population was covered by the Pradhan Mantri Garib Kalyan Anna Yojana (food scheme); all individuals under this scheme received a one-time 5 kg of wheat and rice for no charge, in addition to the 5 kg allocation they received in the early period of 2020.
- A specific group of 30 million people (i.e. senior citizens, widows, disabled individuals) received a one-time ex-gratia amount of INR 1 000 (Indian rupees) (USD 12) (paid in two instalments over three months).
- To provide immediate relief to citizens the government chose to immediately issue all the pending income-tax refunds of up to INR 500 000 (USD 6 000).

Philippines

- There was an amount of PHP 5 000 – 8 000 (Philippine pesos) (USD 86 – 137) that was granted to affected workers who were not able to receive their regular wage due to the implementation of the Enhanced Community Lockdown (ECQ) and the implementation of flexible work arrangements, to around eighteen million low-income households.
- All banks, quasi-banks, financing companies, lending companies, and other financial institutions, public and private, including the Government Service Insurance System, Social Security System and Pag-ibig Fund, implemented a 30-day grace period for the payment of all loans. This included but was not limited to salary, personal, housing, and motor vehicle loans, as well as credit card payments, falling due within the period of the enhanced Community Quarantine without incurring interests, penalties, fees or other charges, persons with multiple loans were given the minimum thirty 30 day grace period for every loan.
- A minimum of 30-day grace period on residential rents was granted, falling due within the period of the enhanced community quarantine, without incurring interests, penalties, fees, and other charges.

Australia

- The government allowed individuals affected by the economic impacts of COVID-19 to access up to AUD 10 000 (Australian dollars) (USD 6 756) of personal superannuation savings in 2019-20 and an additional AUD 10 000 (USD 6 756) in 2020-21, AUD 20 000 (USD 13 500) in total.

Individuals did not need to pay tax on amounts released, and the money that was withdrawn did not affect Centrelink or Veterans' Affairs payments.

- For businesses and non-profits, there were tax-free payments made to certain employers (to further support the small and medium-size businesses). The payment was delivered as a credit in the business activity statement system.
- To further accelerate business investment, the tax depreciation write-off rules were significantly expanded with an increased immediate asset write-off for immediate deductions of specific asset purchases and there was a 50% accelerated depreciation deduction in addition to the existing depreciation deduction for specific eligible asset purchases.

Source: KPMG (2020[3]), *Government and Institution Measures in Response to Covid-19*.

Each country rolled out packages and strategies as the pandemic progressed, based on the evolving situation in their country. As of April 2021, approximately USD 16 trillion worth of COVID-19 stimulus funding was provided by governments across the world (OECD, 2021[4]). The total figure to date exceeds that. Many countries across the world created and relied upon ad hoc scientific committees to provide advice to their respective governments on how to best manage the pandemic (OECD, 2022[2]). Governments had to synthesise and review information from various sources and apply it to their response to the crisis. As can be observed by Japan, India, Philippines and Australia, each government decided to prioritise certain demographics of their population. Some chose to address the immediate aspects of providing citizens with funds while others provided employers with incentives to keep citizens employed.

2 Controls and accountability challenges in emergency situations

2.1. The control and accountability challenges that governments face in rapid response situations

As the COVID-19 pandemic rapidly spread across the globe, numerous countries implemented prompt crisis response measures to mitigate its impact. These measures encompassed the activation of robust disease prevention systems in the short term, aimed at curbing the transmission of the epidemic. Additionally, financial measures were deployed to safeguard employment opportunities and support businesses during these challenging times. However, in the haste to prioritise swift budget allocation and policy implementation, there was a heightened risk that control procedures to prevent corruption, fraud, or inefficiency may have been compromised. The relaxation of oversight and control can manifest in various phases, including both policy formulation and implementation. Some examples include:

- A shortened time for government budgeting (omission of review of scientific evidence for policy effectiveness, failure to conduct risk assessments for projects).
- Streamlined budgetary review process in the legislature.
- Simplification of review and screening procedures for large-scale applications.
- Simplification of verification for outsourcing and procurement suppliers and the rapid emergence of new suppliers.
- Prompt payment of subsidies, loans, procurement funds, etc.

For example, some countries increased flexibility in procurement procedures for the acquisition of necessary epidemic-prevention goods and services during the emergency response phase:

- In Korea, the government published guidelines for public procurement related to the COVID-19 response in April 2020. These guidelines specify that the COVID-19 situation is considered an exceptional circumstance, as defined by the Act on Contracts to Which the State Is a Party. According to these guidelines, various measures to simplify procurement procedures have been implemented, including relaxation of open bidding requirements, online conversion of procurement procedures, shortening of payment periods, and exemption from penalties for contract non-performance due to the impact of COVID-19. (Korean Government - Ministry of Strategy and Finance, 2020[5]).
- In Japan, the government introduced flexible responses in administration procedures, public procurement, and other processes, in the Second Novel Coronavirus Disease (COVID-19) Emergency Response Package (OECD, 2020[6]). These measures included:
  - Modification of delivery time and contract amount as well as quick disbursement/payment procedures to contractors.
  - Revision of the reference price for upcoming tenders.

  - Carry-overs of the budgets for the next fiscal year.
- Belgium's Federal government decided that contracting authorities would not impose penalties for delays in contract execution for suppliers proven to be affected by COVID-19 and contracting authorities are asked to speed up payments (Belgium.be, 2020[7]).
- In the UK, the Cabinet Office issued a Procurement Policy Note in March 2020 to expedite the procurement process for urgent items. This note allowed contracting authorities to enter into contracts without publishing procurement notices, provided they meet specific requirements (UK Cabinet Office, 2020[8]). In April 2020, a second Procurement Policy Note was announced, which included immediate payment of invoices (with later reconciliation), identification of "at risk" businesses, and continued payment to these businesses even if contract delivery is suspended (UK Cabinet Office, 2020[9]).

To avoid the diversion of funds in the rush to deliver assistance, it is important to adhere to the fundamental principles of internal control and oversight in crises. In times of crisis, it becomes even more crucial to maintain transparency and accountability in decision-making processes. This includes ensuring proper oversight and control measures are in place to prevent corruption, fraud, and inefficiency. While the relaxation of control may be necessary to expedite urgent procurement or support businesses affected by the pandemic, it is important to establish clear guidelines and objectives to avoid control failures.[1] Adhering to fundamental principles of internal control and oversight will help maintain integrity and trust in the crisis response efforts.

Risk acceptance is something all governments face in abnormal situations. The International Public Sector Fraud Forum (IPSFF), whose aim is to ‘share best and leading practice in fraud management and control’ maintains a set of principles of fraud control in emergency management. The first principle states that:

- Accept that there is an inherently high risk of fraud, and it is very likely to happen.

It is important that governments and stakeholders involved in the development and distribution of RRFs, accept the high likelihood of fraud. With that risk accepted, it is necessary for governments to expect that there may be occurrences of fraud within payments and services.

During times of extraordinary crisis, governments must be able to disburse funding in an efficient and effective manner. This will allow them to better manage the crisis support those who are most impacted (i.e. individuals, communities, suppliers, etc.). In this context, failure would be those stakeholders not receiving the necessary support. While fraud may occur, it should not be considered a failure of controls due to extenuating circumstances.

It is important for governments to acknowledge that the threat and risk of vulnerabilities to fraud will be higher in crises and emergency situations. As part of disbursing funding to affected stakeholders, the likelihood of fraud will exist (IPSFF, 2020[10]). During COVID-19, countries needed to disburse funds to the general public for basic needs, as lockdowns were prevalent throughout the world. Each government had to determine if the need to sustain its population was greater than possible occurrences of fraud through those disbursements. Countries had various eligibility requirements for receiving response and recovery funds and various tools to confirm that eligibility. Ultimately, it was left to each government to determine their risk appetite. Going forward, countries will likely use an array of verification or data techniques to confirm if recipients were legitimately eligible.

2.2. A changing risk environment in crisis response and recovery funds

A crisis brings significant changes to the nature and execution of government business. As previously discussed, emergency projects, large-scale economic stimulus programmes, and support programmes for vulnerable groups differ in terms of scale and speed compared to regular programmes. The larger the size

of the programme, the greater the impact when problems arise, even if other factors remain unchanged. Additionally, streamlined and expedited procedures alter risk management and internal control mechanisms. Therefore, especially in rapidly changing environments, it is crucial to update risk assessments to align with the evolving risk landscape. In crises, there are several notable risks to consider: the possibility of fraud and corruption, potential delays or compromised quality in delivering urgent services and goods, and the risk that programmes underperform. Furthermore, there is a risk of repeating the same mistakes and failing to learn from the lessons of the crisis.

2.2.1. Fraud and corruption risks

In the short term, the risk of fraud and corruption can occur in the process of fund execution. These risks need to be thoroughly managed as they can significantly damage trust in government. The reasons for the increase in these risks include weakened screening and monitoring functions for fraud and corruption and weakened compliance of individuals involved in fraudulent and corrupt activities.

For instance, the main reasons for the increased fraud and corruption risks in public procurement in responding to emergency situations could include the following. First, the government allows exceptions to standard procedures while urgently procuring large quantities of goods and services. This weakens the pre-screening function that prevents high-risk suppliers from participating in public procurement. Second, the crisis negatively impacts the supply chain and creates a market dominated by suppliers, increasing opportunities for corrupt suppliers to manipulate and abuse their market-dominant position. Third, the government implements relaxation measures in contract performance, such as extensive advance payments and penalty waivers for contract non-performance, to protect suppliers in crisis, which weakens incentives for contract performance (OECD, 2020[11]).

Similar relaxation of screening procedures or control measures may also be observed in other areas. For example, in the case of employment retention subsidies or subsidies for SMEs' operation, the speed of disbursement is crucial, which may lead to a relaxation of screening procedures for eligibility or even bypassing such procedures altogether to meet the urgent need. This increases the risk that fund recipients engage in fraud by misrepresenting their eligibility. There is also a higher possibility than usual that corrupt acts by public officials may be concealed among numerous other irregularities, making corruption prevention mechanisms less effective. Examples of fraud and corruption risks that are prone to occur in crises are shown in Table 2.1.

Table 2.1. Fraud and corruption risks in response and recovery funds

Category	Examples
PUBLIC PROCUREMENT	Bribery of procurement officials
	Excessive use of non-competitive bidding procedures, including by single or limited source tendering, with limited safeguards
MISAPPROPRIATION OF EMERGENCY RELIEF FUNDS	Non-eligible beneficiaries circumventing rules and regulations, including through bribes, to obtain access to relief and support
	Diversion of donations away from intended beneficiaries
	Embezzlement of profit gained from the sale and distribution of medical supplies
	Manipulation and inflation of claims for economic relief
	Diversion of healthcare resources meant for COVID-19 patients
	Companies hoarding/not discharging support received from the government to employees
CONFLICTS OF INTEREST	Conflicts of interest between suppliers and authorities in procurement processes
	Political appointees joining boards of companies bailed out by the government
	Support packages distributed according to ethnicity and/or political affiliation
MISUSE OF INFORMATION	Use of social media to spread misinformation, undertake fraudulent activities such as phishing
INADEQUATE	Inadequate reporting/protection mechanisms for whistle-blowers and witnesses

Category	Examples
REPORTING/PROTECTION MECHANISMS	Restricted ability to report potential corrupt activities
INSUFFICIENT TRANSPARENCY	Lack of transparency in the distribution and use of funds can conceal fraudulent activities.
INADEQUATE INTERNAL CONTROL SYSTEMS	by failing to detect and prevent misuse of funds, to support the achievement of the recovery objectives and to provide assurance on the effectiveness and adequacy of managerial response actions.

Source: UNODC (2021[12]), *Crises and Corruption: Emergency Responses during COVID-19. Experiences and Lessons Learned*, https://www.unodc.org/documents/treaties/UNCAC/COSP/session9/CAC-COSP-2021-CRP.10_E.pdf; OECD (2024[13]), *Anti-Corruption and Integrity Outlook 2024*, OECD Publishing, Paris, https://doi.org/10.1787/968587cd-en.

Following this recent crisis, countries should develop (or refresh) their fraud risk framework to ensure it is adequate for future crises. The lessons from COVID-19 should help organisations develop a framework to allow them to manage fraud during extraordinary situations as well as during normal operations.

As an example, the United States Government Accountability Office (GAO) uses data analytics to manage fraud risks. The framework's leading practices include implementing data analytics activities as part of an overall anti-fraud strategy. Data analytics will often include an array of tools. These include predictive analytics that can identify possible fraud, prior to payments being made. Techniques related to data matching to verify self-reported information necessary to certify eligibility for enrolling in programmes or receiving benefits are also important tools. Many countries used self-reported information during the disbursement of COVID-19 related funds. These techniques also help organisations identify potential fraud or improper payments which were already distributed.

Other examples from the GAO included establishing a dedicated centre focusing on analytics to identify fraud and other irregular payments which may have been improper. Organisations play a large role in the fraud risk framework and detection methods while the oversight community plays a role in identifying any potential cases of suspected fraud. The United States chose to centralise this function in March 2021 and created the Pandemic Analytics Center of Excellence. Its first key role was to oversee the trillions of dollars in federal pandemic-related emergency spending.

As part of the fraud risk framework, respective governments can create (or reinforce) reporting requirements for fraud risk management. Ensuring that organisations report on their antifraud controls and fraud risk management in their respective financial statements would allow the central governments to have greater visibility and raise the importance of fraud management as a whole. Organisations within any government should have regular and ongoing activities to identify and assess risks to determine the fraud risk profile for programmes or operations. This includes activities to design and implement dedicated control activities supporting the prevention and detection of fraud. The GAO made a recommendation to the US Congress in 2021 to reinstate reporting requirements which were no longer required in 2020 (US GAO, 2024[14]).

2.2.2. Risks of delay or compromised quality in programme implementation

One risk that can arise during crises is a decline in the quality of administrative services, resulting in delays and failure to meet procurement quality standards.[2] It is important to differentiate these issues of competence and capacity from intentional fraud or corruption, as they may stem from limited capacity within administration bodies or suppliers to meet the required standards. Delays or reductions in service quality can occur for various reasons. For instance, travel restrictions implemented during a crisis can disrupt or delay essential services like urban maintenance. A temporary surge in subsidy applications can overwhelm administrative staff, causing a decrease in service quality or delays. These risks are inherent to the nature of a crisis, and their severity depends on the resilience of the administrative system in responding to the crisis.

To mitigate these risks, it is important to have a competitive and agile administration system in place. Risk managers and auditors can play an important role in mitigating these risks by examining the efficiency of service delivery systems and sharing best practices from similar organisations. Government-wide efforts that identify factors that may hinder service and goods supply at the central government and individual agency levels and effectively respond to them are also important approaches. Data analytics and information communication technology can help improve the efficiency of administration and reduce these risks.

2.2.3. Limited impact of programmes in the medium- and long-term

One of the risks that needs to be considered is the performance of response and recovery projects. Government projects do not always achieve the expected outcomes and ensuring that government finances are used efficiently and effectively in terms of value for money and achieving the expected benefits is a crucial element in securing government accountability. Performance risks can be amplified in times of crisis. The reasons can vary, but failures in setting policy targets or designing delivery systems can contribute to this risk. Additionally, the urgency of project initiation can lead to the omission or errors in cost-benefit analysis3, further increasing the risks to project outcomes.

The performance risks may be more pronounced in medium- to long-term projects compared to short-term projects. Short-term projects - for instance, providing liquidity to businesses to prevent bankruptcies or offering emergency financial support to vulnerable groups - have clear objectives of protecting against immediate threats. These short-term projects can have relatively simple criteria for achieving policy goals, such as simply completing financial input and delivery. In contrast, medium to long-term projects, like economic stimulus projects for regional economic revitalisation, involve complex delivery paths and require a longer time frame for assessing goal achievement. Monitoring and managing variables and risk factors that can affect project performance are crucial elements in the management of medium- to long-term projects.

When the response and recovery project is provided in the form of loans, there may be risks in the medium to long term regarding loan repayment and management of non-performing loans. Failure to properly manage loan repayment can lead to moral hazard and fairness issues, which can undermine the trust of taxpayers in the operation of RRFs. This can result in a backlash against government policies to support private businesses with financial assistance or liquidity during future crises, and it can diminish the government's crisis response capabilities. Additionally, non-repayment of loans can have negative implications for the government's financial soundness.

2.2.4. Risks in implementing improvement measures based on lessons learned

After a crisis, the government prepares improvement measures to respond better to future crises, but long-term improvement plans are often overshadowed by new issues or are limited to superficial implementation. Therefore, it is important to monitor whether the weaknesses in risk management frameworks/systems that have been revealed during the crisis response are being improved. This monitoring aims to assess whether strategies and plans for improving the effectiveness, efficiency, and accountability of crisis RRFs have been properly designed, whether senior management and frontline roles have been clearly defined, and whether government-wide and individual agency efforts have been made to implement improvement measures.

2.3. Examples of tackling risk challenges in response and recovery fund

2.3.1. Risk management, internal control and internal audit

An internal control system and risk management framework in public sector organisations are crucial for ensuring integrity, preventing fraud and corruption, delivering effective programmes, and facilitating decision making. These systems encompass policies, practices, and procedures that guide management and staff in assessing risks, developing controls, and responding to integrity breaches. By establishing these systems, governments can strike a balance between enforcement and prevention, ensuring value for money and optimal operations (OECD, 2020[15]). Internal auditors also play an important role in holding public officials accountable. They provide independent, objective assessments of whether public resources are being managed effectively to achieve intended results. Internal audit's focus on transparency and accuracy of reporting also encourages ethical behaviour by public sector officials and can increase citizens' trust in reported outcomes. Coupled with a robust internal control system, effective risk management and external audit, internal audit, is fundamental for safeguarding taxpayers' money, ensuring accountable governance and integrity, and preserving public trust (OECD, 2023[16]).

In Thailand, The Office of the National Anti-Corruption Commission (NACC) has launched a project called "Corruption Risk Mapping in Situation of COVID-19 Crisis" to propose measures against corruption during the COVID-19 crisis and future crises. The project involves analysing information, conducting risk assessments, and scenario analysis to address corruption risks in areas such as procurement, conflicts of interest, and bribery. The aim is to encourage public participation in the fight against corruption and to build a database for future anti-corruption efforts (UNODC, 2023[17]; Thailand Office of National Acti-Corruption Commission, 2020[18]).

In 2022, the Korean Ministry of Strategy and Finance distributed guidelines for managing fraud and error risks in government subsidies at the central government level. The guidelines cover various aspects such as types of risks, monitoring procedures for risk identification, roles and responsibilities of different institutions, institutional collaboration systems, and systems for sharing and reporting information. Since their development, the guidelines have served as a means to mitigate fraud and error risks associated with crisis RRFs. They outline procedures for identifying and managing fraud and error risks at the central government level and provide them to frontline executing agencies. While the guidelines may represent lessons learned, they also provide awareness of the potential areas which will require particular attention in the event of another crisis. Box 2.1 presents examples of fraud and error risks included in these guidelines.

Box 2.1. Examples of fraud and errors in government subsidies in Korea

Fraudulent applications

- Falsely registering non-existent workers, students, family members, etc. who do not work or attend school and making fraudulent subsidy applications.
- Fraudulent subsidy applications by individuals who do not meet income or asset requirements.
- Making fraudulent subsidy applications by submitting false business plans and supporting documents that do not meet the subsidy eligibility criteria.

Excessive subsidy received

- Inflating prices of construction costs, equipment purchase costs, etc. to fraudulently receive excessive subsidies.

- Manipulating settlement documents by duplicating the use of fixed expenditure proof, using tax invoices from closed business locations, etc. for inappropriate contract transactions.
- Illegally executing subsidies by contracting with specific relationship transaction partners, such as family members of subsidy providers or businesses under the names of employees.

Other fraud cases

- Unauthorised possession of voucher cards and false payments without providing services, excessive billing compared to the service delivery time, overseas traveller payments, etc.
- Misuse of subsidies for purposes other than the designated purpose.
- Disposal without approval from the central office of important assets acquired through subsidies for arbitrary disposal (rental, transfer, collateral, etc.).

Errors

- Temporary subsidy overpayment due to administrative errors such as administrative system errors or mistakes by administrative personnel.
- Temporary subsidy overpayment due to the delay in real-time delivery of information on changes in eligibility requirements for administrative time gap subsidies.
- Cases where the eligibility requirements for subsidy receipt were met at the time of application for changing circumstances, but the subsidy payment is inappropriate.
- Other improper payments caused by reasons for which the subsidy provider is not responsible.

Source: Ministry of Strategy and Finance Korea.

2.3.2. Oversight

External scrutiny and oversight are crucial components of an integrity system. They hold public organisations and officials accountable for their decisions, actions, and expenditures. Oversight contributes to the effectiveness of the public integrity system by ensuring proper responses to recommendations, handling complaints and allegations, and impartial enforcement of laws and regulations throughout the public sector.

Oversight bodies, such as Ombudsmen, SAIs (Supreme Audit Institutions), and administrative courts, have explicit responsibilities for overseeing public bodies. Regulatory enforcement agencies have a broader scope, focusing on inspecting markets, activities of public and semi-public entities, and individuals or businesses that pose risks to public goods such as health, education, safety, and the environment (OECD, 2020[15]).

This part will share three different audit approaches of SAIs in Japan, Korea, and Australia. The SAI Japan played a role in providing real-time oversight on risk management of projects during the crisis response process and monitoring the transparent execution of funds. In the case of SAI Korea, instead of conducting audits during the disaster response process, they support improvements in the vulnerability and efficiency of fund management through audits, after the disaster response has ended. Such audits can be a useful approach when natural disasters such as typhoons and floods occur frequently. The SAI Australia approached its role by dividing it into three stages: the initial stage, the implementation stage, and the post-evaluation stage, depending on the crisis response phase.

In Japan, the Board of Audit (BOA) conducted a series of audits to monitor the effectiveness and appropriateness of the implementation of the COVID-19-related budget. The total amount of the budget

for responses and measures related to COVID-19 from FY 2019 to FY 2021 was JPY 114 113 billion (USD 785 billion). Budget execution for crisis responses often involves large-scale financial projects in unexpected situations, which makes it challenging for executing agencies to allocate enough effort and time for risk management. In such cases, the SAI can support executing agencies by analysing project-related risks and proposing improvements to ensure adequate risk management.

BOA's audit topics covered various areas including the execution status of the budget, implementation of the project, inappropriate payment of subsidies, and inefficiency in budget management as shown in Box 2.2 BOA recommended that relevant authorities take appropriate measures to address the risk factors; for example, in government-supported projects for regional economic revitalisation and subsidy programmes for employment stability.

It is worth noting that the BOA conducted audits during the middle stage of projects. Ensuring timeliness is crucial for audits related to crisis response funds. Unlike routine operational programmes, projects for crisis response and recovery are one-time projects, and conducting audits after the projects are completed may not be highly effective. Therefore, in such audits, it is important to perform the audit at the appropriate time to adequately identify and manage the risks inherent in the projects.

BOA performed audits on the overall budget execution status in both 2020 and 2021. In these audits, the BOA examined the budget execution amount, carry-over amount, and unused amount of crisis response projects and recommended the government to transparently disclose related financial information. When formulating and implementing crisis response and recovery projects, decision makers need reliable information to evaluate the necessity of additional response measures. However, obtaining accurate information can be difficult due to the rapid implementation process and involvement of multiple agencies. This example shows SAI could play a crucial role in providing accurate information to the parliament and citizens in a crisis (see Box 2.2).

Box 2.2. SAI Japan's audits related to COVID-19 projects

The Board of Audit conducted a series of audits to assess the effectiveness and appropriateness of the implementation of the COVID-19-related budget. The audits covered various areas, including the execution status of the budget, implementation of projects, improper payment of subsidies, and inefficiency in budget management. Examples of audits and key recommendations are as follows:

Execution status of the budget, etc. regarding measures for COVID-19 (2021)

The Board analysed the budget execution of COVID-19-related projects and found a lack of standards for disclosure. Only one project explicitly disclosed carry-over amounts and unused budgets. The Board recommended providing easy-to-understand information on the execution status of the budget for COVID-19 projects, including expended amounts, carry-over amounts, unused budgets, and surplus amounts of subsidies.

Implementation of projects provided with the temporary subsidy for regional revitalisation for COVID-19 (2021)

The government's COVID-19 subsidy supports regional revitalisation projects without restrictions on its use. It aims to prevent the spread of COVID-19, revitalise local economies, and support affected residents. The Board audited subsidised projects and found unclaimed gift vouchers, excess payment refunds, and difficulties in determining eligibility for additional sustainability subsidies. Recommendations include informing local governments about unredeemed gift vouchers, excluding water charges for public institutions, and disseminating verification methods to local governments.

Financing support for SMEs, etc. in measures related to COVID-19 control (2020)

Japan Finance Corporation (JFC), Shoko Chukin Bank (SCB), and Credit Guarantee Corporations (CGC) have been providing special loans, credit guarantees, and interest subsidies to support SMEs affected by COVID-19. The volume of outstanding loans and the number of loans increased significantly, with a large number of loans not yet reaching their first repayment. Recommendations include efficient monitoring of loan applicants and debtors, especially for COVID-19-related loans, and supervision of CGC's understanding of debtors' status, including so-called “zero-zero loans” that were provided with no interest and no collateral.

In addition to these audits, there were also other audits, such as:

- Excessive payment of subsidies for the project of securing hospital beds (2021)
- Implementation of a support policy package for airlines and airport-related companies, and the status regarding the revenue of the airport improvement account and the income of three airport companies (2020)
- Method of managing funds for overseas Supply Chain (SC) contributions, etc (2020)
- Development and maintenance of the COVID-19 Contact-Confirming Application (2020)

Source: Board of Audit Japan (2021[19]; 2022[20]), “Execution status of budget, etc. regarding measures for COVID-19”.

SAI Korea, the Board of Audit and Inspection (BAI), irregularly carries out audits of disaster response funds. These funds are distributed by the central government to local governments or accumulated and managed by local governments to address natural disasters and infectious diseases. In 2015, BAI conducted an audit of local governments' self-accumulated funds, and in 2022, an audit was conducted on the management of disaster response funds allocated by the central government to local governments. However, the execution of the budget related to COVID-19 was not included in the 2022 audit. This decision was made because it was recognised that the capacity of frontline executing agencies might be dispersed due to the ongoing COVID-19 situation.

If there is a contingency fund to respond to natural disasters, regular audits can be performed to support the risk management of the fund. For example, the Korean government manages a permanent investment fund to mitigate recurring damage from heavy rain and typhoons each year. The BAI performs audits on this fund to identify vulnerabilities and inefficiencies in its management. These audits present valuable lessons for fund managers and offer insights that are also applicable to large-scale crises such as COVID-19. BAI conducted an audit in 2022 focusing on risks such as the misuse of disaster response funds, the allocation of funds not being prioritised for urgent needs, and the allocation of project funds without proper planning or delayed approvals from higher authorities. The goal was to establish a system that ensures the effective utilisation of the funds in a timely manner (see Box 2.3).

Box 2.3. SAI Korea’s audit on the management of disaster response and recovery funds

The BAI conducted an audit on the execution and management of disaster response and recovery programmes managed by the Ministry of Public Administration and Security and 243 local governments in 2022. The audit included an analysis of the fund allocation status from 2016 to 2020 and the execution status of programmes funded by these allocations across all 243 local governments. The audit primarily focused on analysing allocation trends, execution rates, and other relevant factors. Key audit questions are as follows:

Appropriateness of Allocation

- Is the fund allocated for disaster and safety management projects in accordance with relevant regulations and budgeting purposes?
- Is the fund allocated for projects that need implementation and are adequately prepared?
- Is the amount of funds allocated per project appropriate?

Appropriateness of Execution

- Is the overall fund oversight function of the Ministry of Public Administration and Security adequate?
- Do local governments use the allocated funds in accordance with the purpose and procedures?

Appropriateness of Post-Management

- Are there any funds remaining from project execution that can be reused for disaster and safety management purposes?
- Is the post-management system for remaining funds functioning properly?

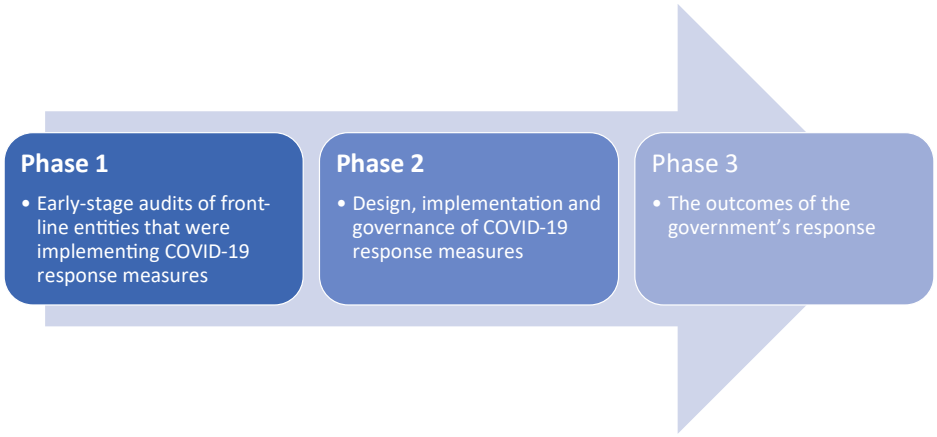
Source: Board of Audit and Inspection Korea.

The Australian National Audit Office (ANAO) provided a good example of a time-series audit strategy for COVID-19-related measures. The ANAO divides the audit into three stages. The first stage focuses on auditing the response measures of frontline agencies during the initial crisis response phase. The second stage involves a medium-term perspective on the design, implementation, and governance of the response measures. The final stage consists of performance audits to evaluate the effectiveness of government action (see Figure 2.1).

ANAO conducted five audits between 2020 and 2021 for Phase 1, examining key aspects of the Australian Government's early response to the COVID-19 pandemic. For Phase 2, ANAO conducted seven audits between 2021 and 2023. The main focus areas of Phase 2 audits were:

- Governance arrangements and co-ordination within and across entities;
- Preparedness and planning;
- Fraud, compliance, and system controls in high-volume processing programmes;
- Proper use of public resources, including achieving value-for-money, in the procurement of goods and services to support the government's response;
- Regulatory responses, such as in border protection and biosecurity;
- Information and communication services to citizens;
- Financial assistance to individuals and to support the economy;
- Grants to industry, communities, and individuals;
- Performance measurement and progress towards achieving intended policy objectives; and
- Planning for and implementation of transition to business as usual.

Figure 2.1. The Australian National Audit Office (ANAO)'s Three phase audit approach



Source: The Australian National Audit Office (ANAO) (2023[21]), "ANAO COVID-19 multi-year audit strategy", https://www.anao.gov.au/work-program/covid-19.

Risk management, internal control, internal audit, and external oversight are traditional mechanisms for government accountability and control. However, in crises, it may be necessary to establish temporary organisations to efficiently perform government-wide risk management. This is because crises often involve a heavy workload and resource limitations that can strain traditional control and accountability mechanisms. By creating temporary special organisations for risk management during crises, additional resources can be allocated to control activities. This can facilitate rapid and co-ordinated responses across different government entities.

In Indonesia, the Corruption Eradication Commission (KPK) set up a task force dedicated to preventing and investigating fraud and corruption in the implementation of the COVID-19 emergency support package (Public Relations Bureau, 2020[22]; UNODC, 2023[17]).

Australia formed the Commonwealth COVID-19 Counter Fraud Taskforce, which operated from March to June 2020. The task force offered assistance to agencies in the swift development and implementation of national pandemic response measures to prevent, detect, and disrupt fraud associated with various stimulus and support programmes. Furthermore, the task force conducted a comprehensive review of the COVID-19 stimulus measures and conducted an extensive risk assessment to evaluate the risks of fraud (see Box 2.4). (UNODC, 2020[23])

Box 2.4. Australia's COVID-19 Fraud Counter Taskforce

In response to the COVID-19 pandemic, the Commonwealth Fraud Prevention Centre in the Attorney-General's Department and the Australian Federal Police's Operation Ashiba[1] collaborated from March to June 2020 to establish the Commonwealth COVID-19 Counter Fraud Taskforce (the Taskforce). The task force was created to assist and empower Commonwealth agencies in their efforts to mitigate serious and complex fraud related to the COVID-19 economic stimulus measures.

The task force had several key achievements during its operation including:

- Conducting a comprehensive mapping and assessment of risks across numerous COVID-19 stimulus and support measures.
- Developing and disseminating a variety of guidance products and toolkits to help Commonwealth agencies prevent, detect, and respond to fraud during the pandemic.
- Establishing an Operational Intelligence Group to share information and intelligence on COVID-19 fraud.
- Providing input and briefings to various forums and committees to raise awareness of fraud risks and opportunities in the COVID-19 context at senior levels of government.
- Collaborating with international counterparts to explore opportunities, share lessons learned, and exchange intelligence.

Note:
1. Operation Ashiba is a multi-agency task force supporting and contributing to whole-of-government efforts to combat serious and organised crime exploiting Commonwealth-funded programmes.
Source: Australia Government (2020[24]), "The Commonwealth COVID-19 Counter Fraud Taskforce", Working together to safeguard Australia's COVID-19 response, https://www.counterfraud.gov.au/news/centre-updates/working-together-safeguard-australias-covid-19-response.

2.3.3. Parliamentary oversight

Parliamentary oversight is the primary way to hold a government accountable. It is the responsibility of parliaments to ensure effective management of government departments and to regularly hold ministers accountable for their actions, policies, and spending (OECD, 2020[15]). While Supreme Audit Institutions have traditionally played a role in parliamentary oversight, elected representatives also establish committees to directly oversee government activities through hearings, deliberation of bills, and receiving reports on various issues.

During the early stages of COVID-19, many countries' legislatures streamlined or expedited budget review processes to quickly secure the necessary funding for the government's COVID-19 response. This has made post-monitoring by legislatures a critical issue, and many legislatures have introduced mechanisms to ensure transparency and effectiveness of COVID-19-related funds (Ex-Post Evaluation Unit, 2023[25]).

In New Zealand, a bipartisan parliamentary oversight committee has been established and given the task of overseeing the government's response to the current crisis, including the economic stimulus package (see Box 2.5). The committee meets remotely via a video conferencing platform and publishes these meetings online to ensure transparency (OECD, 2020[26]).

Box 2.5. New Zealand Parliament's Epidemic Response Committee

The Epidemic Response Committee was established on March 25, 2020, to examine and report on the Government's handling of the COVID-19 pandemic. The committee operated until May 26, 2020, conducting remote video-conference meetings three times a week. These meetings were livestreamed on Parliament's website and social media platforms, with recorded versions available for later viewing. Throughout its operation, the committee received testimony from individuals representing various sectors, covering a wide range of topics related to COVID-19.

Source: New Zealand Parliament (2020[27]), "What was the Epidemic Response Committee?", *Epidemic Response Committee: Covid-19 2020*, https://www.parliament.nz/en/visit-and-learn/history-and-buildings/special-topics/epidemic-response-committee-covid-19-2020/what-was-the-epidemic-response-committee.

In the Philippines, the Bayanihan to Heal as One Act established a Joint Congressional Oversight Committee (UNODC, 2023[17]). This committee received weekly reports from the President, which included information on the disbursement and utilisation of emergency funds. The act outlines the measures taken by government agencies to assist Filipinos during the COVID-19 emergency, including initiatives that were already in progress before the law was passed. For example, the document provided updates on various government programmes and initiatives in response to the COVID-19 pandemic in the Philippines (Sen. Pia Cayetano, 2020[28]). These included the Emergency Subsidy Program, programmes by the Department of Social Welfare and Development (DSWD), beneficiaries of the Department of Labor and Employment (DOLE), additional compensation for health workers, testing kits, health infrastructure, food security, and the moratorium on loan payments by the Department of Trade and Industry (DTI). The committee performs its role of ensuring that the finances are executed more effectively and transparently by reviewing and recommending reports on the emergency funds received from the president. For example, in the "Comments on the Report of the President to the Joint Congressional Oversight Committee by Sen. Pia Cayetano"4 the committee recommended the government ministries to provide a detailed report on the subsidy for better transparency, to establish criteria for distributing personal protective equipment to control the risk of COVID-19 infection, to establish plans for securing a supply chain, and to co-operate with the local government units for the increased effectiveness in the COVID-19 responses (Sen. Pia Cayetano, 2020[28]). These recommendations allowed the committee to have greater visibility and oversight over the funds disbursed.

2.3.4. Whistleblower protection

Whistleblower protection is crucial for encouraging transparency, upholding integrity, and detecting misconduct. History shows that corruption, fraud, wrongdoing, and health and safety violations are more likely to occur in secretive organisations. Often, employees are aware of the misconduct but fear reprisals, feel they are going against the organisation's culture, or doubt their concerns will be taken seriously. This situation has far-reaching negative implications for both the organisation and society. Effective whistleblower protection helps employees to "blow the whistle" on corruption, fraud, or wrongdoing (OECD, 2016[29]).

Implementing a dedicated whistleblower protection law could be an effective way to provide such protection. Countries such as Hungary, Ireland, Israel, Japan, Korea, New Zealand, the Slovak Republic, South Africa, and the United Kingdom have enacted a single law that applies to both public and private sector employees. This approach ensures universally applicable whistleblower protection, which simplifies understanding and awareness of these provisions. In contrast, sectoral laws tend to apply only to certain employees and types of wrongdoing. A dedicated law could also contribute to legal certainty and clarity (OECD, 2016[29]).

For example, in Tunisia, the National Anti-Corruption Agency (INLUCC) created a hotline to provide a secure channel for whistleblowers. It also launched an integrity radio to disseminate anti-corruption culture during the crisis and issued recommendations concerning the anti-corruption process, public procurement, and health. During the COVID-19 crisis, over 11 000 suspected cases were reported to INLUCC, as emphasised in the meeting of the MENA-OECD Working Group I, on Civil Service and Integrity (OECD, 2020[11]).

2.4. Good Practice Principles for Transparency

Transparency is another important area to support sufficient assurance and oversight in RRFs, ultimately promoting accountability, control and oversight. It is a critical function of any government organisation. As in most governments, powers are delegated to public authorities. The public requires assurance that this transfer of power is not abused and effective. Transparency ensures that information is available and can be used to measure the authorities' performance and to guard against any abuse or misuse of powers (IMF, 2005[30]).

In emergency and crisis situations, transparency plays a significant role in creating trust between the government and its citizens. The COVID-19 crisis required governments to distribute large amounts of funds, to a various array of programmes, in short periods of time. Promoting transparency during the distribution of RRF involves ensuring all stakeholders have clarity on where and how funds will be distributed. Without a minimum level of transparency, there may be a large degree of social instability (IMF, 2005[30]).

As emphasised in OECD guidelines and studies, transparency is a fundamental aspect in promoting accountability, control, and oversight in governance, The OECD developed good practice principles for government transparency in the use of recovery funds (OECD, 2022[31]; OECD, 2020[15]). The principles listed aim to strengthen controls, ultimately resulting in improved oversight and accountability. All elements listed are important components of ensuring that RRFs are delivered effectively and with accountability. The principles are described in Box 2.6.

Box 2.6. Good Practice Principles for transparency when using response and recovery funds

1. Proactive publication of information related to response and recovery funds

Governments should proactively disclose and publish all information and documentation related to RRFs. These situations will generally occur with great public interest and governments may also include all preliminary documents related to the decision making of RRFs, to be published as well. To further complement, governments should also consider releasing information related to RRFs final recipients; procurement or award processes; audit reports; and minutes of meetings with stakeholders.

2. Establish clear guidelines for access to information and documents

Governments should ensure that all legal frameworks and practices, which relate to public access to information are aligned and followed. The guidelines on the publication of information should be clear to support public officials on access to information, in a way which is citizen-friendly. As expected, access to information documents related to RRF will be time-sensitive, and it must be made available in a timely manner (as stated in the OECD Recommendation on Open Government.

3. Improve systems for record-keeping

Governments must ensure a reliable system for record-keeping (including digital and/or physical records) functions effectively as it is vital to ensure accountability. Governments must invest sufficient time and resources in developing and maintaining all document management and related registers (including providing training to public officials). Inadequate record keeping may lead to undue refusals of access, incomplete or inaccurate disclosure or the disclosure of the wrong information. It may also result in documents being untraceable or disappearing.

4. Ensure multilevel governance on transparency

Within each government, there are going to be various levels of government. There must be a unified approach for transparency to be at an acceptable level. This means there should be many opportunities for dialogue, collaboration amongst all relevant stakeholders on priority setting, and platforms for knowledge sharing on promoting transparency and access to information amongst public officials. Meetings between public bodies and all levels of government should occur regularly.

5. Strengthen public communication strategies

All governments within a country must ensure there is clear and consistent public communication on all aspects related to RRFs. It is an integral element of transparency and an element shared by all levels of government. Efforts to improve and strengthen communication and related campaigns should always be made. This may include not only providing the information but also ensuring the public is knowledgeable of where it can be found. This information should include the RRF objectives, reforms and investments and include elements of where projects or outputs can be found. By focusing on and improving communication with the public, it can build trust in government at all levels.

6. Strengthen stakeholder and citizen participation in the design and delivery of RRF activities

At all points in the process, governments should try to promote an inclusive approach to the delivery and design of RRF activities. This can include drafts of projects in the implementation phase that can be shared and published, to allow for feedback on their method of delivery. As described in the OECD Guidelines for Citizen Participation Processes (OECD, 2022[32]), public officials could consider the mechanisms for citizen participation such as participatory budgeting, citizens' panels, advisory boards, community-led monitoring and evaluation, and other deliberative processes.

7. Improve data collection and publication for greater social accountability

Governments should focus on improving the ability of stakeholders to monitor the impact of projects and to protect the financial interests of the country. Governments should ensure their indicators are published and well described. They should also appropriately publicise how projects are progressing and how funds are being disbursed.

8. Ensure oversight and scrutiny from civil society in the implementation and evaluation phases

Public accountability is important to an inclusive recovery. An open and diverse media can report and investigate potential cases of fraud or misuse of funds. This should help shed light on any difficult or unclear decision making. Academics and respective subject matter experts may work to evaluate projects in their particular policy domain. If there are any shortcomings or inconsistencies, they can identify them. As the final outputs of RRF will affect all citizens, a whole-of-society approach is needed. This should allow all stakeholders to scrutinise government decision making as well as the results of their policies and initiatives.

9. Promote the role of ombudsman institutions and other independent institutions in ensuring transparency and accountability

Within each government, ombudsman institutions should have an essential role in ensuring transparency and accountability in the use of RRFs. As an example, ombudsman institutions that also serve as freedom of information units should specifically monitor whether access to documents or access to information requests are being managed appropriately and collect data on the information or documents that are most often requested.

Source: OECD (2022[31]), "Towards good practice principles for government transparency in the use of recovery funds", *OECD Public Governance Policy Papers*, No. 24, OECD Publishing, Paris, https://doi.org/10.1787/0d0f2c90-en.

Each country has a varying level of maturity related to the above mentioned principles. As a general good practice, relating to either RRF or usual operations, it is integral that governments prioritise these principles. Not only will it support the work of its assurance functions but will ensure government organisations maintain acceptable levels of transparency and accountability. The actions will directly or indirectly support elements related to overall risk management and oversight.

Notes

[1] The relaxation of control should be distinguished from 'control failure'. When relaxing control, it is important to consider the goals to be achieved and the size/scope of the risks to be managed. However, the omission of control (or placing less importance on it to achieve other goals) without clear guidelines may lead to a failure of control. The relaxation of control in this context aimed to achieve the urgent procurement of essential items and protect businesses affected by COVID-19, with clear objectives for the relaxation requirements.

[2] For instance, an internal audit report from the Ministry of Finance, British Columbia, Canada, has revealed that approximately USD 16 million worth of personal protective equipment (PPE) purchased during the COVID-19 pandemic will be discarded because it does not meet quality standards (https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/services-policies-for-government/internal-corporate-services/internal-audits/procurement-ppe-phase-1-review.pdf).

[3] For example, in Korea, the National Finance Act requires that fiscal projects involving an investment of more than KRW 30 billion (South Korean won) (USD 23 million) undergo a preliminary feasibility study. However, projects that require urgent implementation due to disaster recovery support, facility safety, and health or food safety issues are allowed to be exempted from the preliminary feasibility study (https://www.law.go.kr/%EB%B2%95%EB%A0%B9/%EA%B5%AD%EA%B0%80%EC%9E%AC%EC%A0%95%EB%B2%95/%EC%A0%9C38%EC%A1%B0). Similarly, the US Federal Emergency Management Agency (FEMA) also regulates exemptions for cost-benefit analysis in emergency situations (https://www.fema.gov/grants/guidance-tools/benefit-cost-analysis/streamlined-bca).

[4] Published on 20 April 2020.

3 Conclusions and recommendations

COVID-19 caused an economic recession in many countries, spurring governments across the world to create and implement substantial economic stimulus packages. Other experiences with similar stimulus packages demonstrate that such measures have historically created opportunities for corruption, fraud, waste and abuse. Nevertheless, governments have always accepted relaxed controls to quickly facilitate the disbursements of funds. While this increases the risk and impacts the effectiveness and efficiency of these packages, they are often considered necessary in unusual and extraordinary times (OECD, 2020[11]).

These scenarios tend to put stress on financial management and internal control systems (within public organisations). As would be expected, implementing economic stimulus packages must be done quickly and requires modifying and relaxing typical control measures and due diligence. This may involve simplifying requirements, such as limiting or delaying reporting, to allow oversight and other managers time to focus on delivering services to the public (OECD, 2020[11]). The rate at which COVID-19-related lockdowns occurred left minimal time for any delays in the disbursement of these packages.

Government organisations that are usually responsible for accountability and oversight were also impacted by disruptions due to COVID-19. These include internal audit functions, supreme audit institutions, parliamentary oversight committees and any other oversight/assurance functions. COVID-19 caused oversight committees across many governments to be temporarily suspended due to public health concerns and other obstacles (OECD, 2020[11]). In those extenuating circumstances, certain governments used the resources from those functions to support other organisations within their respective governments that required support in delivering critical services or responding to the COVID-19 crisis.

3.1. Key stakeholders in the promotion of accountability, control and oversight in response and recovery funds

In normal times, there are many priorities of the internal control, internal audit and oversight functions within governments. It is important to ensure that these functions can take on a critical role in ensuring that public integrity is not compromised in the management of the economic stimulus packages (for them to produce the intended economic benefits) (OECD, 2020[11]). Examples of how these stakeholders can support include:

- Internal auditors can act as safeguards to address any temporary control gaps and note evolving risks to management, as controls and requirements change. They will further support by providing real-time assurance on the validity of transactions as a result of emergency measures, using data and other analytical methods (OECD, 2020[11]).
- SAIs should be aware of any changes made to the public financial management systems and be enabled to identify potential risk areas. Then, as necessary, they should adapt their daily operations and other annual activities, in the event of increased demand on the function's capacity (OECD, 2020[11]).

- Internal audit functions, SAIs and other oversight functions should help promote transparency and quality open data to encourage the public to hold government officials accountable. As an example, following the 2008 financial crisis, the US, Recovery Accountability and Transparency Board (which co-ordinated the work of the inspectors general monitoring the implementation of the American Recovery and Reinvestment Act of 2009 (OECD, 2020[11])), created an analytical platform that could identify recipient anomalies. The inspector general for the programme was given the responsibility to address any issues. This had the dual benefit of preventing both fraud and corruption, while also building the capacity of the inspector general functions within the line ministries (OECD, 2020[11]). The platform1 which was built for the public, provided private citizens and journalists an opportunity to track taxpayer money and observe how the government was disbursing it (OECD, 2020[11]).
- Auditors (internal and external) are well-situated to support governments in managing short-term risks. For example, they may provide insights to decision makers on the integrity risks associated with emergency measures, such as cash outflows to businesses and individuals. Another instance was countries conducted performance audits of the emergency committees, established in governmental entities to reduce the spread of COVID-19. These audits looked at the procedures of the emergency committees and the availability of controls, intending to improve work mechanisms (OECD, 2020[11]).
- A central harmonisation function provides support for those who are responsible for internal control and internal audit and ensures country-wide effectiveness of risk management and internal control. In particular, the central harmonisation function 1) sets and harmonises internal control standards and policies; 2) provides guidance and tools; 3) evaluates government-wide efforts to safeguard integrity; and 4) co-ordinates and standardises practices for reporting and responding to suspected integrity breaches for the public sector as a whole (OECD, 2020[15]). The ultimate value of the function is to provide assurance that controls are functioning. This group, as part of their usual operations, will review potentially weak integrity points. Their inherent function is to ensure governments are prepared, whether or not it is considered to be a crisis situation. This requires constant effort and support from senior management.

Effective internal control and risk management policies and processes minimise the vulnerability of public sector organisations to fraud and corruption and make public entities resilient and adequately prepared for changing circumstances. At the same time, it ensures that governments are operating optimally to deliver programmes that benefit citizens. These policies and processes help ensure that there is value for money and facilitate decision making (OECD, 2020[15]).

3.2. Oversight recommendations

To ensure that the internal control, internal audit and oversight functions can guarantee effective accountability and oversight of any type of economic stimulus package, several actions can be taken. Depending on the level of maturity of the functions within a respective country, these recommendations may be implemented in the short, medium or long term. Possible short-term actions may include:

- Clear articulation of responsibilities and communication to ensure that all government officials are accountable for their actions. The COVID-19 crisis has created significant risks for the public financial management system, standard policies and processes for internal control and risk management. It was known that some controls would have to be relaxed to meet immediate and urgent needs (including the physical work environment due to social distancing), but managers remained extremely important as the first line of assurance. Senior management needed to reinforce that responsibility and communicate the expectations to all staff of the need for continued vigilance over public funds (OECD, 2020[11]).

- Government entities should consider using data analytics to target service delivery and monitor the performance of response and recovery programmes. Finance departments, regulatory agencies, and anti-corruption bodies should use analytics to assess streams of data to spot risks and identify unusual or suspicious transactions during the early stages of the distribution of funds. The use of analytics for corruption and fraud risk assessments can help facilitate decisions about strategy, resource allocation and control activities, as the various stimulus measures evolve (OECD, 2019[33]).
- Internal audit, SAIs and other oversight functions must have the sufficient resources which they need. As an example, the United States stimulus package allocated funding to its SAI (GAO enabling it to assist Congress in conducting oversight of overspending in relation to COVID-19. As a result, it allocated the appropriate funding to ensure the necessary resources for the potential conduct of real-time audits of the packages (OECD, 2020[11]).

The establishment of legislative committees (or leveraging of existing ones) should be taken into consideration. As an example, New Zealand established a bipartisan parliamentary oversight committee and was given the task of overseeing the government's response to COVID-19 (including its economic stimulus package). Their meetings were conducted virtually and were then published for the public, to ensure full transparency (OECD, 2020[11]).

Establishing and maintaining an effective whistle-blower mechanism is important. As mentioned earlier, Tunisia's National Anti-Corruption Agency created a hotline to provide a safe reporting channel for whistle-blowers. This allowed all stakeholders the avenue to raise any issues or possible areas of concern. The launch of an integrity radio station to raise anti-corruption issues and initiatives allowed for increased visibility through independent programming, openness in transmitting information and addressing concerns and priorities in this field (OECD, 2020[11]). The mechanism in place, including its method of reporting (i.e. direct, anonymous, third-party, etc), must be revisited regularly to ensure the mechanism is operating as intended.

It is imperative that countries develop or update their respective fraud risk framework. Following the COVID-19 pandemic, organisations will learn from the crisis and it will allow them to strategically manage their fraud risks in the future. By investing in data analytic tools and techniques, governments will be better able to ensure funds are better protected from fraud during normal operations and be better prepared for the next emergency. It is also imperative that reporting requirements related to fraud risk are implemented and strengthened. This will ensure controls are regularly updated and that governments have the appropriate amount of visibility to ensure any weaknesses in controls are assessed and ultimately improved (US GAO, 2024[14]).

Regardless of the situation in a particular country, the appropriate integrity risk assessments should be carried out. The programmes related to these extraordinary packages are often required to be rolled out quickly and as a result, it may not be feasible to conduct a comprehensive integrity risk assessment. With that noted, public officials must be encouraged to document and report obstacles and quick solutions as they arise. Amongst other items, it may include documenting any modifications to control activities to accommodate short-term objectives (OECD, 2020[11]). For example, conducting an integrity risk assessment during a crisis could be either a short-term or a long-term task. In countries that already have a risk assessment framework, it would be a short-term task, but otherwise, it would become a long-term task to establish a risk assessment framework.

As governments transition from the short-term crisis response and prepare for the long-term repercussions, it is important that they see external oversight bodies as partners. Specifically, assurance functions can highlight the potential for emerging integrity risks associated with recovery activities and measures which are considered to be longer-term. As an example, the functions may report to senior management and decision makers on various lessons learned. This could help make policymaking better prepared for future crises and extraordinary events. With regards to internal audit, performance audits can provide a wider

scope (outside of the typical financial and compliance aspects) and provide insights into the effectiveness, efficiency and economy of the programme. This would support the auditor's duty to be a credible source of independent and objective insight and guidance to support beneficial change in the public sector (OECD, 2020[11]).

SAIs may also adopt a risk-based and data-centred approach. This would go beyond their usual oversight role and allow them to provide insights and foresight on methods to better manage the crisis and its respective. SAIs can provide the government and related institutions to identify and interpret evidence that can influence policies and improve the government's capacity to quickly when confronted with evolving risks and issues (OECD, 2020[11]).

The focus of some SAIs remains often on transactions rather than systems. Their utilisation must be evaluated and reflected upon in times of crisis. In times of extraordinary events, for external audit actors to play a key role in the recovery of economies post-crisis, their capacities must first be reinforced (OECD, 2020[11]).

As part of a robust long-term recommendation, there should be significant involvement of the central harmonisation function. This function, as part of its usual role, would co-ordinate policy and methodological standards, spanning from networking arrangements between controllers, financial inspectors, and internal and external auditors. It is good practice for a sound internal control system to ensure that all its functions and processes, including internal audit policy and methodology, are effectively co-ordinated and harmonised across all government institutions. Coming out of any crisis, the function would have the responsibility to propose new or modified regulations, harmonising standards and tools for internal control. This would also include monitoring overall quality and performance, as well as organising training and capacity-building activities. Following COVID-19, it undeniably created a new environment in many ways. The function should contribute to overcoming resistance to change and instilling a proper culture of accountability across government units. It is important to highlight that in relation to the scope and structure of the central harmonisation function, there is no standard "one size fits all" model (OECD, 2017[34]).

Note

[1] Archives of <http://www.recovery.gov> can be accessed at: https://www.loc.gov/item/lcwaN0002745/.

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