Content

Introduction 9

1. Theoretical Framework 11
1.1 Public expenditures and potential threats to corruption 11
1.2 Interdisciplinary approaches for the examination of corruption 13

2. Corruption Risk 32

3. Factors Influencing the Detection of Corruption and Fraud Risk 37
3.1 Principles of Economy, Efficiency and Effectiveness – a Tool to Reduce Corruption Risk 37
3.2 Non-compliance with the Principle of Economy – a Signal of Possible Fraud in the Management of Public Resources 40
3.3 Non-compliance with the Principle of Efficiency – a Signal of Possible Fraud in the Management of Public Resources 42
3.4 Non-compliance with the principle of effectiveness – a possible signal of corrupt handling of public resources 45

4. Analysis of corruption risk according to the FMEA method (Fault Mode and Effect Analysis) 50
4.1 The FMEA method 51
4.2 Method for calculating corruption risk or fraud, according to the FMEA 52
4.2.1 Calculating Corruption Risk 52
4.2.2 Determination of the scale (score) for the frequency of corruption opportunities 56
4.2.3 Determining the scale (score) for the benefit of the corrupt actor, compared with the monthly salary 57
4.2.4 Determining the scale (score) for the budget impact 59

4.2.5 Determination of the scale (score) for detectability of corruption 60
4.3 File of corruption risk indicators 61

5. Criterion 1 according to the FMEA method: the frequency of opportunities for corruption 63
5.1 Definition of "corruption opportunity" 63
5.2 Determining the frequency of corruption opportunities 64

6. Criterion 2 according to the FMEA method: the degree of detectability of corruption risks 67
6.1 Determining the degree of detectability of corruption 67
6.2 Transparency as a factor influencing the detectability of corruption 69
6.2.1 Transparency in decision-making 69
6.2.2 Transparency in budgeting and management according to it 71
6.2.3 Transparency in strategic and community planning 72
6.2.4 Transparency in Public Procurement 72
6.2.5 Transparency in contractual relations 73
6.2.6 Transparent selection of employees 73
6.3 Internal control system, controlling, reporting as a tool for strengthening the detection of corruption risk 74
6.3.1 Controlling, reporting 76
6.4 Benchmarking as a tool for increasing transparency 77
6.5 Mathematical and statistical methods as a tool for detecting fraud 78
6.6 Effective human resource management – a tool to reduce corruption risk 79
6.7 Management Model "doing the right things right" as a tool for empowering detection of corruption risks 81

7. Criterion 3 according to the FMEA method: the impact on the budget 86
7.1 Determining the impact on the budget 86
7.2 Applying the principles of sound financial management for the government as a tool to reduce corruption risks 88
7.3 Knowledge of the processes of government budgeting as a factor for reducing corruption risk 91
7.3.1 Basic information about the budgets as a factor in reducing corruption risk 91
7.3.2 Publicly available information on the budget process, the preparation and approval of the budget as a factor for strengthening budget transparency 95

7.3.3 Management according to budget amendments, breaching budgetary discipline – Phase 3 98
7.3.4 Billing, economic review, the final account – the last stage of the budgetary process 100
7.4 Selection of the appropriate budgetary method- a tool to enhance the transparent and efficient use of public resources 101
7.5 Use of financial data for financial analysis and prevention against fraud and corruption 106

8. Criterion 3 according to the FMEA method: benefit for the corrupt actor 110

9. Limits of the FMEA method 113

10. Case studies 115
10.1 Calculating corruption risk according to FMEA – Monument care (regions) 115
10.2 Examining effectiveness regarding investment acquisition and asset management as a factor in reducing fraud 120

11. Conclusion 122
12. Bibliography 124
13. Summary 135
14. Index 136