



SPOTTING INTEGRITY GAPS: A Practical and Appropriate Role for Public Auditors in the Fight Against Corruption

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Mr. Sharma holds a Master's degree in Business Administration (MBA). He has attended various national and international training and seminars and acquired knowledge and skills in different fields of the public sector management and governance system. He has been rewarded with the "Best Civil Service Award" in 2001 by the government of Nepal. He has also been awarded the medal "Prasiddha Prabal Janasewa Shree" by the president of Nepal in the year 2021. He was also awarded the "Prabal Gorkha Dakshin Bahu" medal in 2000. Mr. Sharma hopes to build a more efficient and effective public administration, promoting good governance through transparent and accountable public sector management. Moreover, he emphasizes maintaining professional integrity and controlling mismanagement and corruption in the governance system.



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Chris Stone is Professor of Practice of Public Integrity. Chris has blended theory and practice throughout a career dedicated to justice sector reform, good governance and innovation in the public interest, working with governments and civil society organisations in dozens of countries worldwide. He has served as president of the Open Society Foundations (2012–2017), as Guggenheim Professor of the Practice of Criminal Justice at Harvard's Kennedy School of Government (2004–2012), as faculty director of the Hauser Center for Nonprofit Organizations at Harvard University (2007–2012), and as president and director of the Vera Institute of Justice (1994–2004). He is a graduate of Harvard College, the Institute of Criminology at the University of Cambridge, and the Yale Law School. At the Blavatnik School, Chris's work focuses on public corruption turnarounds: the leadership challenge of transforming cultures of corruption into cultures of integrity in government organisations, large and small. As an affiliate of the Bonavero Institute of Human Rights within the University's Faculty of Law, Chris serves as the principal moderator for the Symposium on Strength and Solidarity for Human Rights.

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In late 2022, the Premier of Ontario, Canada, publicly criticised the province's Auditor General, saying she should "stay in her lane" rather than conduct sting operations. The Auditor General, it seems, had hired agents and sent them into various casinos posing as ordinary gamblers to see if the controls intended to prevent money laundering were working. She found that the controls worked in some and failed in others, and she defended the operation as well within the bounds of her mandate to test internal controls against money laundering. Still, the accusation that she had drifted out of "her lane" made headlines across the province. "You can't do a sting operation, you can't all of a sudden deputise yourself and think you're the Secret Service going around doing sting operations," the Premier insisted.¹

Auditors general everywhere are alert to this sort of criticism and are careful to keep scrupulously within their formal mandates: to stay in their lane. Yet in law, those lanes are very wide. Worldwide, auditors-general have, in substance, mandates to do everything necessary to safeguard public funds. For example, in Nepal, the Auditor General has a constitutional mandate to conduct audits on regularity, economy, efficiency, effectiveness, and propriety of public spending, and these five headings leave nothing out. Public auditors are generally authorised to conduct financial audits, compliance audits, and performance audits, with powers to examine the accounts of any public institution and require contractors and

¹ See: Robert Benzie, "Doug Ford says auditor general should 'stay in her lane' instead of engaging in police-style 'sting operations'" in *Toronto Star*, 1 December 2022, available at <https://www.thestar.com/politics/provincial/2022/12/01/doug-ford-says-auditor-general-should-stay-in-her-lane-instead-of-engaging-in-police-style-sting-operations.html>. See also: Antonella Artuso, "Premier Ford says Auditor General should 'stay in her lane'" in *Toronto Sun*, 1 December 2022, available at <https://torontosun.com/news/provincial/premier-ford-says-auditor-general-should-stay-in-her-lane>. Both accessed 4 January 2023. The story was similarly covered in television news. Questions were raised in this reportage about the skill of the Auditor General's agents, and the extent to which both the premier and the auditor general were seeking publicity by their actions and statements. The main focus, however, remained on the Auditor General's authority to conduct these operations.

suppliers to submit any documents related to public work. They can examine any matter related to public resources and submit reports at any time, with broad discretion to select the issues that they feel necessary to examine.

Controversies arise for auditors general, not because they exceed their legal mandates, but because of the boldness and aggressiveness with which they choose in some circumstances to use their legal powers and disseminate their findings, and those circumstances increasingly arise where auditors take on a prominent role in their country's fight against corruption.²

In Nepal, where one of us served as Auditor General from 2017 to 2023, some of the political leaders in government along with some of the senior civil servants felt uncomfortable with the first two of the Auditor General's annual reports because they revealed irregularities in government spending for which these officials were accountable, and because the Auditor General's office had a robust communications mechanism resulting in the media repeatedly publishing these findings from the audit reports. The discomfort among officials led to confrontations between those officials and the Auditor General, both direct and indirect, and then to legislative proposals to reduce the scope of the Auditor General's mandate. At this point, the Auditor General changed his approach and assumed a lower profile. The office continued to audit thoroughly and report the results, but accomplishing the work very quietly. Only when a new government came into office and relations became more cordial did the Auditor General slowly revive the office's communications work with the media and the public.

As these stories from both Canada and Nepal illustrate, the limits that Auditors General must respect are not simply limitations to their constitutional or legal authority which is quite broad, but limits embedded in the relationships they must maintain with those they audit in order to do their work effectively.

In recent years, the international association of auditors general, INTOSAI, has taken several steps to encourage members to expand their anti-corruption work. The role of public audit institutions in preventing and detecting corruption was first discussed extensively as the main theme in the 16th International Congress of Supreme Audit Institutions held in Montevideo, Uruguay in 1998. The Congress passed the Uruguay accord which recommended twelve ways in which public auditors could join the fight against fraud and corruption, including publicising how members of the public could alert them to irregularities. Most recently, INTOSAI has entered into formal agreements regarding work against corruption with the United National Office on Drugs and Crime (UNODC) and the G20.³

2 We use the term Auditor General in this paper, although the office goes by different names in different countries. Every country has a "supreme audit institution" responsible for auditing the accounts of public-sector entities and reporting its audit results to the legislature and the public. The institution is usually known either as the National Audit Office or Service under the leadership of an Auditor General or as the Court of Accounts or Audit under the leadership of a President, but other terms are used in some countries. In the UK, it is known as the National Audit Office, headed by the Comptroller and Auditor General. In the USA, it is known as the Government Accountability Office, headed by the Comptroller General. In Canada, as in some other countries with a federal structure, each province has its auditor general. For a discussion of an especially severe move against a bold Auditor General in Sierra Leone, see Lara Taylor-Pearce and Christopher Stone, *Civil Society, the Auditor General, and the Limits of Popular Support in the Fight Against Corruption*, March 2024, available at <https://www.bsg.ox.ac.uk/publications/thechandlerpapers>.

3 In 2007 at its 19th international congress, the International Association of Supreme Audit Institutions (INTOSAI) changed the name of its working group on money laundering to the Working Group Fighting Against Corruption and Money Laundering. In 2019, INTOSAI signed a memorandum of understanding with UNODC to cooperate on the anti-corruption agenda both under goal 16 of the Sustainable Development Goals and under the UN Convention against Corruption (UNCAC), and the Conference of State Parties to UNCAC adopted the "Abu Dhabi declaration on enhancing collaboration between the supreme audit institutions and anti-corruption bodies to more effectively prevent and fight corruption." In 2022, the G20's Anti-Corruption Working Group developed a set of "high-level principles" to enhance the role of auditing in both detecting and preventing corruption.

But what is that role? Despite years of discussion, the specific new roles of public auditors regarding corruption have been only vaguely defined. Because of the complex relationships they must maintain, there are deep disagreements among and within these institutions about how far they should go, for example, in determining when irregular transactions are corrupt, requiring remedial actions, or imposing punitive sanctions.

Yes, public auditors can and should do more to prevent and detect the misuse of public resources. They are well placed to do so, with access to the financial accounts of all public entities and standardised methods of determining when those accounts are trustworthy and when the expenditures recorded have been made following required procedures. Yet they will be able to do so as a practical matter only if the methods they use permit them to maintain constructive relationships with those they audit, and that restriction will vary across countries and over time.

In this paper, we propose a particular kind of contribution that all public audit institutions should be able to make to the fight against corruption without fear of departing from their mandate or disturbing their relationships with auditees: reporting dynamically on the institutional integrity gaps that their audits disclose. In contrast to other proposals that auditors play a more aggressive role themselves, new forms of reporting on integrity gaps would sit comfortably at the core of their current mandates and find acceptance among the entities they audit.

Our proposal is not an alternative to the more expansive roles that some public auditors will be able to play. Indeed, it is encouraging to see many supreme audit institutions taking up new statutory mandates, building new capacity to conduct forensic audits, ordering recoupment of misspent funds, and taking other steps in the investigation and redress of corruption they detect in the course of their audits. Nevertheless, only some public auditors will be able to expand their work in these ways, while virtually all public auditors are in a position to report more usefully on institutional integrity gaps.

Our argument has two parts. First, we define integrity gaps, distinguishing them from red flags for corruption and explaining how auditors can report on those gaps while remaining securely in their “lane,” understood to include both their legal mandate and their relationships with auditees. In the second part, we illustrate what this work can look like, drawing on examples from Nepal and South Africa.

What is the auditor’s lane?

In one sense, the lanes in which government departments operate are defined by *law* (constitutions, legislation, regulations, and—in some societies—judicial decisions). The precise legal mandates of supreme audit institutions vary from country to country, but they all monitor the use of public funds in the various ministries, departments, and agencies of government and review the quality and accuracy of each unit’s financial reporting. As public sector auditors, they also generally monitor performance.

But they are not inspectors-general or criminal investigators. The methods they use are rigorous, yet standardised and routine. They review the information provided to them by the entities that they are auditing, testing both the *accuracy* of that information and *compliance* with required policies and procedures, as well as with generally accepted accounting principles. They then make findings and recommendations to the management of those entities and to their governing bodies. When they find problems, they press for correction, remediation, and improvement going forward, not punishment.

Because public auditors depend on the management of their auditees for the information they audit, and because they then encourage those managers (and their governing bodies) to correct any errors and improve their management going forward, their “lane” is also defined by their *relationship* with the management and leadership of those entities. Supreme audit institutions play a crucial role in improving public-sector management and building managerial skills, especially in countries on an accelerated developmental path. Their ability to help management improve depends on trust, and they cannot sustain that trust if they are viewed as inspectors-general or criminal investigators.⁴

Still, staying in one’s lane cannot mean doing only what has been done in the past, with no room for innovation. Indeed, innovation remains imperative in public-sector accounting with corruption so widespread and with many worrying audit findings ignored by managers and leaders of thousands of public entities. Reporting on integrity gaps is one promising innovation.

What are integrity gaps?

An integrity gap is a space between what we believe integrity requires and what happens. Integrity gaps are most often discussed at the personal level: the gap between what we say we should do and the actions we take as individuals. At the institutional level, it is the distance between the practices that those governing or leading an institution *assert* should be in place to operate with integrity and what those institutions *actually do* in their daily operations. Our focus here is on these *institutional integrity gaps*.⁵

Public auditors encounter integrity gaps in virtually every ministry, department, and enterprise they audit. In assessing an entity’s control environment, for example, public auditors today already note the activity of various governance structures including governing boards and their committees, internal audit units, and external oversight bodies. They note the existence of codes of ethics, conflict-of-interest policies, and anti-money-laundering policies. They

4 The nature of the relationship between auditors and the management of their auditees is itself in flux, mostly in the commercial sphere where private audit firms are sometimes thought to be too close to their clients and too dependent on them. For most of the twentieth century, auditors defended their relationships with management citing the words of Lord Justice Lopes in an 1896 judgment of the Court of Appeal in England, “An auditor is not bound to be a detective, or, as was said, to approach his work with suspicion, or with a foregone conclusion that there is something wrong. He is a watchdog, but not a bloodhound.” *re Kingston Cotton Mill Company (no.2)* in *The Law Times*, vol LXXIV, Court of Appeal, 11 July 1896. In this century, however, that posture has been questioned, and auditors in the private sector increasingly held to a higher standard, principally through greater regulation. See, Ali Amad, Keeping up with the changing face of audit” in *Pivot Magazine*, published by Chartered Professional Accountants Canada, November 21, 2023, available at <https://www.cpacanada.ca/news/pivot-magazine/changing-face-of-audit> (accessed 6 April 2024).

5 See, for example, Eugene Soltes, “Where Is Your Company Most Prone to Lapses in Integrity” in *Harvard Business Review*, July-August 2019, available at <https://hbr.org/2019/07/where-is-your-company-most-prone-to-lapses-in-integrity>. See also: Ramesh Moosa, “How to close the integrity gap between intention and action” EY, 1 April 2021, available at https://www.ey.com/en_vn/forensic-integrity-services/how-to-close-the-integrity-gap-between-intention-and-action. For an analysis of personal integrity gaps among organisation leaders, see: Jeff Mattson and Terra A. Mattson, *Shrinking the Integrity Gap: Between what Leaders Preach and Live* (2020).

review evidence of internal communications regarding these policies, and they review how risks are assessed at different levels and across different functions, such as hiring and payroll, financial management, and environmental impact.

Beyond these features of the control environment, public auditors frequently encounter actual incidents of irregular or unauthorised transactions—for example, procurement and hiring that deviates from open, prescribed practice—noting if the frequency of these incidents is increasing, the management actions taken in response, and the recovery of any stolen or misspent funds. In addition, auditors receive information from management about actions they have taken to strengthen internal controls and other corrective actions. These aspects of any public-sector audit will inevitably reveal some integrity gaps. In some cases, those gaps will be narrow and few; in others, they may be widening and growing in number.⁶

The existence of integrity gaps is not kept secret. Some are brought to the attention of auditors by institutional managers themselves, and those spotted by the auditors are reported to the management. It is already common practice for auditors to discuss all of these findings with the institution’s senior managers and formally report them.

What the audited institutions may *not* know, however, is how their integrity gaps are multiplying or diminishing over time, and how the patterns in their institution compare with those in other parts of the public sector. Does their control environment have the most integrity gaps of any ministry or municipality, or the least, and are they growing while those elsewhere are shrinking? Are their incidents of irregular or unauthorised expenditures varying from good practice more than in other departments? Are their corrective actions more or less comprehensive than those in other departments or enterprises?

The existence of integrity gaps is not evidence of corruption, but the greater their number and the wider they are, the greater the possibility that corrupt officials will exploit them or have already done so.

In common usage, integrity is not the opposite of corruption, and integrity gaps are not merely red-flags for corruption. Integrity—structural, programmatic, and financial—requires much more than just the absence of corruption. Still, it is difficult to imagine an institution of solid integrity that is nonetheless characterised by corruption. For our purposes, integrity gaps refer to elements of good governance and management missing in particular institutions. It is the fact that auditors already make note of these gaps that makes them a promising window into the risks of corruption in those institutions.⁷

6 Scholars who study integrity in the private sector often note that all large companies—even those that invest heavily in internal controls and avoid any formal allegations of wrongdoing—experience many minor incidents of fraud or corruption. See, for example, Soltes, at page 2 (“even companies that invest heavily in compliance will have some malfeasance within their ranks”).

7 Definitions of integrity in public sector institutions vary from author to author. The OECD defines public integrity as: “the consistent alignment of, and adherence to, shared ethical values, principles, and norms for upholding and prioritising the public interest over private interests in the public sector.” See: “OECD Recommendation on Public Integrity” available at <https://www.oecd.org/gov/ethics/recommendation-public-integrity/> (accessed 20 July 2023). Alternatively, some scholarship focuses on effectiveness towards mission, equating “islands of integrity” in a national government with “pockets of effectiveness.” See, Erin Metz McDonnell and Luiz Vilaça, “Pockets of Effectiveness and Islands of Integrity: Variation in Quality of Government within Central State Administrations”, in Andreas Bågenholm and others (eds), *The Oxford Handbook of the Quality of Government* (2021). Here, we are not starting with a definition and fashioning new indicators to monitor integrity, but rather starting with a collection of institutional features routinely audited, and grouping them together under the heading of integrity gaps.

Three benefits of reporting on integrity gaps

Public audit institutions are in a unique position to report systematically on integrity gaps across the public sector. They already collect most of the data on which such reports could be based, and they bring a disciplined, consistent approach to data collection across all elements of the public sector. Individual departments could attempt to produce such a report on their own gaps, or independent consultants could be engaged to report on one institution or another, but such reports would not allow comparison across the public sector. An annual report on integrity gaps across the sector produced by the public auditor would allow readers to understand the gaps in each institution both comparatively and over time.

Any report of this kind would need to be developed with a clear understanding of the principles, basis, and national auditing standards of the particular country, as these differ significantly from one to the next. While there are international standards issued by INTOSAI, these must be adapted to national legislation, constitutional provisions, and national standards.⁸

The illustration below presents a simplified version of how such a report might appear. Rather than measure integrity gaps with imaginary precision, public auditors could use the familiar categorical indicators based on traffic lights: green, amber, and red, with a fourth (gray) indicator where the information required is simply not available to the auditor. Even with such basic indicators, a reader would be able to see how institutions compared with one another and how their integrity gaps are growing or shrinking over time.

Dimension	Material Issue	Indicator	Ministry of Transport	Ministry of Health	Ministry of Education
Prevention	Governance Structures	Stability of oversight bodies			
	Systems, Processes, Controls	Code of ethics			
	Management Actions	Communication & training			
Detection	Procurement/Expenditure	Unauthorized expenditure			
	Suspected fraud	Supply chain irregularities			
Enforcement	Internal controls	Corrective actions			
	Management Actions	Funds/assets recovered			

While this simplified illustration shows only three government departments, a public audit institution could produce an annual report that included indicators for each of the individual ministries, departments, state-owned enterprises, and other public entities, using information that they collect in the course of their routine annual auditing. Such a report would *not*

⁸ In Nepal, for example, a gap analysis report such as this could be compiled for any entity, consistent with the Constitution (which specifies five principles to be followed by the auditor general in any audit) and the Audit Act (which specifies 31 audit matters to be examined by the auditor general). The Audit Act provides for a Financial Accountability Assessment System, allowing the auditor general to assess the accountability of any government official on the basis of the prescribed auditing principles.

identify the most or least corrupt government departments, but it would identify those that have left their doors open widest to corruption. The reports produced by different audit institutions would not be comparable across countries, but that comparison is likely less important than the comparison within countries.

Such reports would be valuable in at least three ways.

First, these reports would be valuable to the leaders of the various institutions audited. They would already know much more about their institutions than what is captured in these crude indicators, but they would learn for the first time how the integrity gaps in their institutions compare with those across the government. For some, this would be a source of pride, for others a source of concern. For most, it would be mixed results and it would point them to the ministries, departments, municipalities, and other enterprises from which they might borrow better practices.

Second, these reports would be valuable to the investigators, prosecutors, commissions, and oversight bodies that must choose which of their corruption investigations to prioritise. Investigators of corruption are always concerned about how to explain and defend their choices about which institutions they are investigating, and those targeted frequently complain that they are being singled out for party-political or ideological reasons. A report allowing oversight agencies to prioritise investigations arising in institutions where the integrity gaps are greatest provides those agencies with an objective, independent basis for explaining their decisions.

Third, these reports would be valuable to a country's chief executive and legislative leaders, allowing them to demonstrate annual progress in strengthening public integrity. Without reports such as these, they would be left with the annual rankings of countries produced on a global basis by nongovernmental organisations, such as Transparency International's Corruption Perception Index, or by multilateral institutions, such as the World Bank's governance indicators. Those rankings, relying on a single score ascribed to the country as a whole, are not sensitive to improvements made each year in particular ministries or state-owned enterprises, which is where improvements are most likely to be made.

In sum, an annual report on institutional integrity gaps, conducted with consistent methods across the multiple ministries and other public sector entities could draw on work that public auditors already conduct while providing valuable assistance to the leaders of audited entities, to those with investigative and oversight responsibilities on corruption, and to those responsible for demonstrating improvement at national level. All while staying in the public auditor's lane.

An Example of Integrity Gap Analysis: Report of the Auditor General of Nepal

For the Auditor General of Nepal, integrity gaps are revealed, in part, through the documentation of “irregularities” and their trends, which indicate the improvement or decline in the public financial management system. The status of financial discipline can be measured by the number and percentage of irregularities found by auditors in the financial transactions of the government. In most countries, the percentage of irregularities in the audited figures of the entities is one of the major indicators to measure the financial performance and position of financial discipline maintained by the entities.

The Auditor General of Nepal discloses the status of entities’ irregularities in an annual report and measures the improvement or decline in financial discipline.⁹ On this basis, over the last six years, the Auditor General has found that despite the declining trends of irregularities at federal, provincial, and local levels, on the contrary, financial discipline has not improved to a satisfactory level because of the persistence of a vast number of unresolved issues.¹⁰

More revealing, however, is the variation across departments at each of those levels. For the ten ministries at the federal level, the highest rate of irregularities was 18.7% while the average was 2.4%. At the provincial level, the range was much narrower, from a high of 3.9% to a low of 1.2%. At the local level, the range was the greatest, from a high of 20.3% to a low of zero. These rates could easily be displayed using the traffic-light system described earlier, with those well above average in red.¹¹

Entities with high rates of irregularities are especially worrying in Nepal because public entities rarely seek to resolve the issues identified by the Auditor General. Of 135,270 issues raised by the Auditor General across all entities in the 2023 audit, less than 7,500 were resolved during the audit year. The vast majority (94.5%) remained unresolved.¹² All of this suggests that public managers in Nepal are not serious about resolving the issues raised by the Auditor General, increasing integrity gaps across the government.

Finally, the Auditor General in Nepal has the legal authority to audit the work of chief accounting officers of each entity and state-owned enterprise, holding them individually accountable. Although the Auditor General has not as yet examined any individual officials,

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- 9 In the annual reports of the Auditor General of Nepal the irregularities are classified into three categories: (i) recoverable, (ii) to be regularised, and (iii) uncleared advance payment. Under the to-be-regularised heading, there are items of non-compliance with rules, regulations, and systems, non-submission of books of accounts and other documents during the auditing period, books of accounts not maintained properly, reimbursement not claimed, and so on. Over the last six years, the Auditor General has found that around 25-30% of the irregularities fall under recoverable items and around 10-15% fall under *uncleared advance*, whereas around 60-70% of the irregularities fall under the *non-compliance* heading. This shows that compliance with rules and regulations is lacking due to a lack of internal control, lack of effective internal audit, lack of adequate supervision and monitoring, and lack of punitive actions. These are the principal integrity gaps in government agencies. Altogether 190,380 irregularities were reported in the most recent audits of the federal and provincial offices and local governments, out of which 62,409 (32.78%) were conceptual irregularity issues and the balance figurative irregularities.
- 10 Irregularities have declined for federal entities over these six years from 5.41% to 2.39%. Provincial entities’ rate has declined from 7.25% to 2.30%. The rate for local entities has declined over the same period from 4.22% to 3.88%.
- 11 In the Annual Report of 2023, 540 local entities have less than 5 percent irregularities, 205 entities have 5-to-15 percent irregularities, and six have more than 15 percent irregularities. While conducting the audits of 4,068 Federal Government Offices in that year, significant irregularities were not found in 1,929 offices (47.42 percent). Similarly, while conducting the audits of 1,218 Provincial Government Offices, significant irregularities were not found in 444 offices (36.54 percent).
- 12 Of the 27,022 issues raised at federal level, only 1,252 (4.63%) were cleared. Likewise at provincial level, out of a total of 9,970 issues, only 570 (5.72%) were resolved, and at local level of 90,829 issues raised only 5,305 (5.84%) were resolved.

it has become standard practice to include the comparative financial performance of named accounting officers in an annex to the annual report. In this annex, the names of the accounting officers appear with the ministry served, the amount and percentage of irregularities, the number of transactions involved, the resolution of any issues, and whether the rate of irregularities was higher or lower than the national average.

A Second Example of Integrity Gap Analysis: Report of the Auditor General of South Africa

The Auditor General of South Africa in her integrated audit report has introduced an analysis of the culture of integrity in each audited entity. This new analysis closely parallels our notion of integrity gaps.

Her most recent report sought to establish a baseline of *public-sector culture*: the starting point from which she hoped to document an improvement over time.¹³ She divided public-sector culture into four parts: financial management, service delivery, legal compliance, and integrity (which she defined as encompassing ethics, fraud, and responsiveness). For each, in place of our three-colour traffic-light system, she used a five-colour code: dark green for “doing good”; light green for “doing no harm”; amber for “doing the basics”; light red for “not doing the basics”; and dark red for “doing harm.”

In assessing the integrity, each colour code refers to specific findings made by the auditors. Those findings concern:

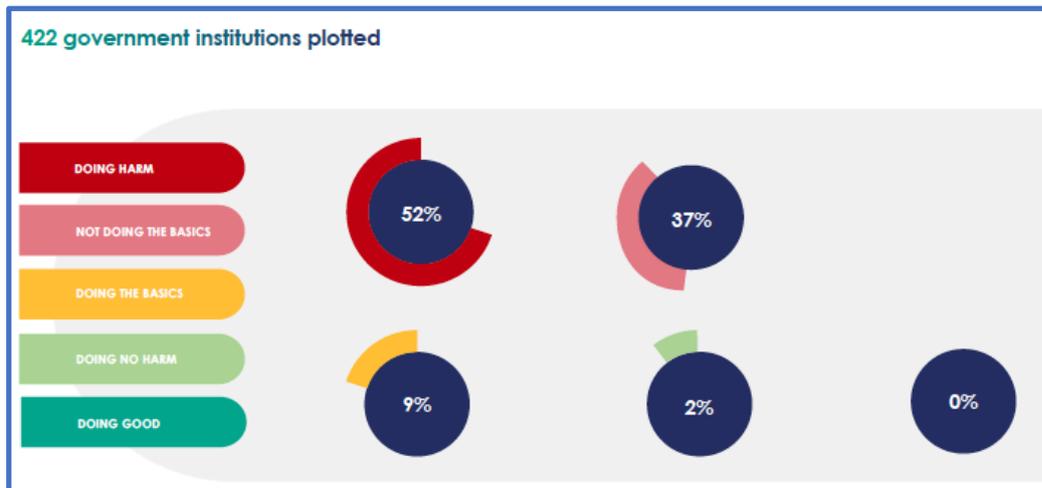
- The ethical tone set by leadership
- The existence of controls to prevent fraud and corruption, including cyber-security controls
- On-going investigations of the entity by other public bodies
- Findings of fraud, theft, breaches, or material irregularities
- The level of unauthorised, irregular, fruitless, and wasteful expenditure actioned from the prior year and remaining in the opening balance
- The percentage of the previous-year audit recommendations implemented
- The implementation of commitments made previously by the accounting officer or other authority
- The number of repeated findings on conflicts of interests

The baseline she documented in South Africa proved to be quite low. During this first audit year, the service assessed 422 government entities against these criteria and found that not a single one of them reached the level of “doing good.” More than half were found to be at the other end of the spectrum: “doing harm.” (See chart below). As the Auditor General concluded in her report,

This is a tough starting position, given our ultimate vision for the success of our strategy: a minimum of 30% of institutions that we audit will shift to “doing good” by 2030, with less than 10% in the “doing harm” category.¹⁴

¹³ See: Auditor General of South Africa, *Promoting a Culture of Accountability: Integrated Annual Report 2022-23* (September 2023), at page 76, available at <https://www.agsa.co.za/Reporting/AnnualReport.aspx>.

¹⁴ Auditor General of South Africa, at 79.



Source: Auditor General of South Africa, *Promoting a Culture of Accountability: Integrated Annual Report 2022-23*, page 79

Auditors, Integrity Gaps, and Corruption

As systems of indicators proliferate in every field, only a small fraction leads to significant improvement in institutional governance and performance. Those genuinely useful indicators, as with the examples above from Nepal and South Africa, have three characteristics that make them impactful in practice: (i) they are organised at the level of management responsibility, (ii) they are sensitive to the actions that managers take to improve their operations, and (iii) they measure what matters most.

Public auditors are experts in all three of those criteria, so they are well-equipped to make a significant contribution, taking greater advantage of their core competencies. Some may be able to go further, but spotting and reporting on integrity gaps across the public sector could become a common project within the legal mandates of all and consistent with their relationships of trust with public managers. Doing so would enlighten the managers themselves not only about the financial management of their institutions, but their nonfinancial (managerial, organisational, behavioral, and disciplinary) performance as well, and provide them the comparative indicators they can use to drive improvement themselves.

Supreme Audit Institutions are recognised as one of the pillars supporting good governance in virtually every society. Public Auditors have a broad mandate to account for the use of public funds at the level of individual public entities and can therefore contribute much to the promotion of integrity across the public sector if they use methods that maintain the constructive relationships on which their work depends.

Still, we must add two caveats about the value of these reporting on integrity gaps. The first concerns those relationships between auditors general and the leadership of the entities being audited; and the second concerns the nature of corruption itself.

We have stressed throughout this paper that auditors general must preserve a constructive relationship with their auditees, but that relationship depends on commitment in both directions. In many cases, the management of public entities fails to respond to audit

observations and recommendations, leaving many matters unsettled for years. The pileup of unresolved irregularities can soon threaten the financial discipline of an entire country, but there is little that auditors general can do about this from their side of the relationship unless the managers of public institutions either accept and implement the recommendations or debate them with the auditor. At the least, a public report on integrity gaps will make clear where the various institutions stand in this regard in relation to one another.

The second caveat is about corruption itself, which is so varied and so persistent that no single system of detection or warning can be relied upon alone. That auditors general have a useful and perhaps unique role to play is clear, but it is not sufficient to alert the public to the presence of corruption. While most acts of fraud and corruption leave a trace in the books of accounts or the records of an institution's procedural compliance, there are many exceptions, as much corruption takes place in an informal manner and through concealed contacts. At times it doesn't require a spoken or written word. What auditors can and should do is indicate the domains where integrity gaps invite corruption, helping managers close those gaps or find themselves under the scrutiny of others.

APPENDIX**NEPAL**

The chart on the following page consolidates the systemic gaps in the governance system of Nepal, identified by the Auditor General. In other words, these are the areas flagged for improvement. They cover an extraordinarily wide range of government functions, and the list at this level of generality does not in this form facilitate remediation. It illustrates, however, the need for particularised reporting at the level of management responsibility.

Over the six years that Tanka Mani Sharma served as Auditor General, he found that the great majority of irregularities, typically 60-70 percent, were the result of non-compliance with legal and regulatory requirements. Cultures of integrity and compliance with the rules and regulatory system were generally lacking.¹

These were the substantial integrity gaps in the majority of government agencies. To do more than document these gaps is beyond the capacity of auditors in most cases because of the nature of corruption itself. The parties involved in the corruption leave very little telltale in the form of irrefutable hard evidence. However, the social expectation is that the auditors should play an effective role in indicating the areas for reducing, if not eliminating corruption.

The Auditor General of Nepal has been conducting risk-based audits since 2021 through the Nepal Audit Management System' (NAMS), an ICT audit system. This is a digitised auditing system that strengthens the quality of audits while helping to address the integrity gaps in the governance system of Nepal. In every step from the planning phase to the report phase, this system tries to identify and address the integrity gaps in the systems

¹⁵ Account of TM Sharma, on file with the authors, and see note 9, *supra*.

Public Accountability from the Outlook of the Auditor General

Governance Management

- Adequate coordination not established between three tiers of governments in implementation of federalism,
- Essential laws not formulated even after the passage of long time of implementation of the Constitution,
- Contestants of local level not submitted statement disclosing the sources of election expenditures,
- The roles of constitutional bodies not made effective by maintaining administrative and financial autonomy,
- Check and balance not established with regards to legislatures, executive and judicial powers of local level,
- Duplication in subjective structure and function amongst three tiers of governments,
- Works performance of Committees, Boards and Public Enterprises has not become effective,
- The role of regulating agencies has not become effective,
- The role of District Coordination Committees has not become effective.

Public Administration and Good Governance

- Civil Service Acts not issued as per federal structure,
- Service delivery has not become economical, reliable, smart, and trustworthy,
- Lack of skilled manpower at provincial and local levels,
- Employees not motivated due to uncertainty in carrier development
- Public administration not become professionalized and result-oriented,
- Adequate legal and security arrangements not made to control cybercrimes,
- Weak status of compliance with the code of ethics, integrity, and ethical behavior,
- Corruption is not controlled effectively due to a lack of coordination between inter entities,
- Citizen Charters along with compensation not implemented,
- Service delivery was affected due to problems in an adjustment of employees,
- Improvements not done in service delivery by surveying service recipient satisfaction,
- Recommendations relating to administrative reforms commissions not effectively implemented,

Development Management

- Sustainable development goals not implemented effectively,
- Projects included in budgets without making preparedness,
- Lack of sources and skilled manpower in project management,
- Weakness in preparing drawings, design and cost estimate of projects,
- Cost of National Pride Projects increased due to rise in procedures,
- Limits of construction entrepreneurs not fixed as per their capacities,
- Procurement activities affected due frequent amendment in Public Procurement Rules,
- Proper attention not given in public procurements and quality of construction works,
- Liquidated damage amounts paid due to failure to comply with condition of contracts,
- Rise in dependency on consultants and related expenditures,
- Low capital expenditure due to weak spending institutional capacity,
- Ineffective monitoring & evaluation of projects and programs.

Economy

- Anticipated economic growth and national saving growth not achieved,
- Proper priority and encouragement not given to agriculture and industrial sector,
- Tourism sector not made main source for earning foreign currency,
- Remittance and loan amounts not linked with production,
- Revenue leakage arisen due to under-invoicing and lack of market regulation,
- Customs evaluation not became realistic,
- Price inflation not brought into controls,
- Interest rate not kept into desired limit due to weak regulation,
- Water, land, forest and mining resources not fully utilized,
- Green energy not utilized as an alternative to petroleum products
- Adequate foreign investment and technology not mobilized in productive sector
- Informal economic activities not brought into formal scope

Public Fiscal Management

- Projection of receipt and utilization of resources not done realistic manner in formulating budgets,
- Low revenue, increasing loans and foreign exchange rate impacted resource mobilization,
- Prevalence of practices of keeping unallocated budget and making expenses through virement,
- Government has taken loans in spite of existence of unused balances in corporate bodies,
- The trend of giving revenue rebate growing, but privileges to citizens not provided,
- Provinces and local levels have not mobilized internal income effectively,
- Assets, share and loan investment accounts of PEs not maintained realistic manner,
- Assurance not received with regards to grants utilized as per objectives,
- Gaps existed between foreign aid commitments, receipts and utilization,
- Rise in practices of spending budget in unproductive and distributive sector,
- Integrated Public Fiscal Management Information System not implemented,
- Revenues collected in Divisible Funds not divided on time,
- Attention not given in implementation of audit recommendations and irregularity settlement.
- No linkage between plan, program and annual budget,
- Weak budget discipline due to virement at year-end,
- Budget implemented outside national budgetary

Responsibility and Accountability

- Official not complying with fiscal discipline are not made accountable,
- Economical procedures and standards not fully followed,
- Nepal Financial Reporting Standards and Nepal Public Sector Accounting Standards not fully implemented,
- Records of all assets not included in Public Asset Management System,
- Leasing procedures of public assets not made transparent and competitive,
- Encroached public and Trust (Guthi) lands not brought under controls,
- Adherence to fiscal discipline not linked with works performance and career development,
- Concerned officials not made responsible for financial decisions,
- Internal controls system not followed,
- Citizens participation in governance are not given preferences,
- Public hearings and social audit not became purposeful,
- Competent officials not made accountable to service recipients.

MEMBER BIOGRAPHIES

KAMEL AYADI

Founding Chairman of the Global Infrastructure Anti-Corruption Center MENA (GIACC – MENA) and member of the Board of Directors of the World Justice Project, Tunisia

Kamel Ayadi is an international consultant and civil society activist in the fields of anti-corruption, ethics, governance, corporate social responsibility, and social accountability. He has served in a number of high-level positions, including Minister of Public Service, Governance, and Anti-corruption; Chair of the Authority on Financial and Administrative Control; Secretary of State; Senator; and Chair of the Regulatory Authority of Telecommunication. After having served in leadership positions in numerous NGOs, including President of the Tunisian Order of Engineers, he was elected in October 2003 as the president of the World Federation of Engineering Organisations (WFEO, 100 member countries). He also served for six years as the Founding Chair of its standing Committee on Anti-corruption. He is the Founding Chair of the World Leadership and Ethics Institute, Founding Chair of the Tunisian Centre for Strategic Thinking on Economic Development. He is also the Founding Chair of the Global Infrastructure Anti-corruption Centre's for the MENA region.

SHAMILA BATOHI

National Director of Public Prosecutions, South Africa

Career Advocate Shamila Batohi has served as South Africa's National Director of Public Prosecutions (NDPP) since February 2019. Advocate Batohi began her career as a junior prosecutor in the Chatsworth Magistrate's Court in 1986 and steadily advanced to become the Director of Public Prosecutions in KwaZulu-Natal. She was seconded to the Investigation Task Unit established by President Nelson Mandela in 1995, investigating and prosecuting apartheid-era atrocities, and later served as the first regional head of the Directorate of Special Operations in KwaZulu-Natal, investigating and prosecuting serious organised crime and political violence. Immediately before her appointment as NDPP, she served as a Senior Legal Advisor to the Prosecutor of the International Criminal Court in the Hague.

MONIKA BAUHR

Professor at the University of Gothenburg, Sweden

Monika Bauhr is a Professor at the department of Political science, University of Gothenburg and a research fellow at the Quality of Government Institute. Bauhr investigates the causes and consequences of corruption and quality of government. She studies the link between democracy and corruption, the role of transparency and access to information, women representation and the nature of different forms of corruption and clientelism. She also investigates how corruption influences public support for foreign aid, international redistribution and the provision of public goods more broadly. She has previously been a visiting scholar at Harvard University, Stanford University and the University of Florida in the US and the University of Dar es Salaam in Tanzania. She has also served as a consultant and participated in public events relating to climate change, corruption and development policies. Between 2014 and 2017 she has been the Scientific Coordinator and Principal Investigator of the ANTICORRP (Anticorruption Policies Revisited: Global Trends and European Responses to the Challenge of Corruption), a large-scale multidisciplinary research program, involving 20 institutions in 15 European countries, funded by the European Commission. She is also a co-editor of the recently published Oxford Handbook of the Quality of Government.

MARTHA CHIZUMA

Director-General of the Anti-Corruption Bureau (ACB), Malawi

Martha Chizuma is the Director General of the Anti-Corruption Bureau effective from 1 June 2021, the first-ever female to hold the position in the country. The Bureau is mandated to fight corruption through prevention, public education and law enforcement. She holds a master's in law from the UK and bachelor's in law (Hon) degree from Malawi. Before joining the Bureau, she was Ombudsman of Malawi from December 2015 to May 2021. However, she has also held various positions in the judiciary and private sector. With fighting corruption being on top of the Government agenda, Martha is responsible for providing strategic leadership to operational and administrative processes at the Bureau in a manner that ensures that positive and substantive inroads are being made against corruption in Malawi and also that a correct moral tone is set for the country in as far as issues of integrity are concerned.

IZABELA CORRÊA

Secretary for Public Integrity at the Brazilian Office of the Comptroller General and editor of the Chandler Papers (2021-2024)

Izabela has been dedicated to the themes of integrity and anti-corruption academically and as a practitioner for over fifteen years. She is currently serving as the Secretary for Public Integrity at the Brazilian Office of the Comptroller General. Prior to that, she was the Postdoctoral Research Associate for the Chandler Sessions on Integrity and Corruption (2021-2023). She has also served in the Brazilian Central Bank (2017–2021), and in the Brazilian Office of the Comptroller General (2007–2012), where she led a team of public officials that oversaw the development and implementation of high-impact transparency and integrity policies. Izabela holds a PhD in Government from the London School of Economics and Political Science (2017) and a master's degree in political science from the Federal University of Minas Gerais (UFMG) in Brazil. She is a member of the Chandler Sessions and the managing editor of its paper series (2021-2024).

JAVIER CRUZ TAMBURRINO

Compliance Officer of the Chilean Central Bank, Chile

Javier Cruz Tamburrino is the Compliance Officer of the Chilean Central Bank. His main responsibilities include, among others, designing and implementing an Annual Compliance Plan, coordinating and articulating the compliance activities with the Prosecutor's Office, the Comptroller's Office, the Division Management Corporate Risk and the other areas of the Bank. Prior to joining the Central Bank, Javier Tamburrino served for nine years as Director of the Financial Analysis Unit (UAF), a public service whose mission is to prevent Money Laundering (ML) and the Financing of Terrorism (FT) in the Chilean economy, also acting as National Coordinator of the ML/TF Preventive System of Chile.

TODD FOGLESONG

Lecturer and Fellow-in-Residence Munk School, University of Toronto, Canada

Todd Foglesong joined the Munk School of Global Affairs & Public Policy at the University of Toronto in 2014. He teaches courses on the governance of criminal justice and the response to crime and violence in global context. In cooperation with the Open Society Foundations, he is developing a peer-based system of support for government officials that seek to solve persistent problems in criminal justice. Between 2007 and 2014, Todd was a senior research fellow and adjunct lecturer in Public Policy at Harvard Kennedy School (HKS). Between 2000 and 2005 Todd worked at the Vera Institute of Justice, creating a center for the reform of criminal justice in Moscow and founding Risk Monitor, a non-governmental research center in Sofia, Bulgaria that supports better public policies on organized crime and institutional corruption. Before that, Todd taught political science at the Universities of Kansas and Utah.

GUSTAVO GORRITI

Founder and Editor of IDL-Reporteros, Peru

Gustavo Gorriti leads the investigative center at the *IDL-Reporteros*, in Lima, Peru. He was Peru's leading investigative journalist before having to leave the country, largely because of his reporting. During the April 5, 1992, coup, he was arrested by Peruvian intelligence squads and "disappeared" for two days until international protests forced President Alberto Fujimori first to acknowledge his detention and then to release him. Gorriti had earlier investigated, among other things, the drug ties of the man who became Fujimori's de facto intelligence chief. After several months of mounting threats and harassment, Gorriti left Peru for the United States, where he was a senior associate at the Carnegie Endowment for International Peace and the North-South Center. In 1996, he settled in Panama and went to work for La Prensa. Gorriti's investigative reporting there, however, had a similar effect, and the government attempted unsuccessfully to deport him. After Fujimori lost power, Gorriti returned to Peru in 2001. Gorriti was a Nieman fellow in 1986. He received the Committee to Protect Journalists' International Press Freedom Award in 1998.

JIN WOOK KIM

Chief Prosecutor of the Corruption Investigation Office for High-ranking Officials (CIO), South Korea

Jin-wook Kim is Head of the Corruption Investigation Office for High-Ranking Officials. Prior to his current position, he was head of the international affairs department at the Constitutional Court of Korea (2020–21), and head of the education department and research department, at the Constitutional Research Institute (2016–20). He holds a master of law from the National University of Seoul, where he also graduated in archaeology and art history. He holds an LLM in public law from Harvard University.

JOHN-ALLAN NAMU

CEO and Editorial Director of Africa Uncensored, Kenya

John-Allan Namu is an investigative journalist and the CEO of Africa Uncensored, an investigative and in-depth journalism production house in Nairobi, Kenya. Africa Uncensored's ambition is to be the premier source of unique, important and incisive journalism. Prior to co-founding Africa Uncensored, he was the special projects editor at the Kenya Television Network, heading a team of the country's best television investigative journalists. He has received numerous awards for his work including the CNN African Journalist of the Year and joint journalist of the year at the Annual Journalism Excellence Awards by the Media Council of Kenya.

BOLAJI OWASANOYE SAN

Research Professor, Nigerian Institute of Advanced Legal Studies and Immediate Past Chairman, Independent Corrupt Practices and Other Related Offences Commission (ICPC) Nigeria

Owasanoye started his career as an assistant lecturer at the Lagos State University. He moved to the Nigerian Institute of Advanced Legal Studies (NIALS) in 1991 and became a Professor of law 10 years later. In August 2015, he was appointed as the Executive Secretary of the Presidential Advisory Committee Against Corruption (PACAC) before being appointed to the ICPC in 2017. He was involved in advocacy for passage of major anti corruption bills in Nigeria including Nigeria Financial Intelligence Agency Act, Proceeds of Crime Act, and reenactment of the Money Laundering Prevention and Prohibition Act and the Terrorism Prevention Act, amongst others. At the continental level he participated in drafting and advocating adoption of the Common African Position on Asset Recovery by the African Union in 2020 and served as member of the UNGA/ECOSOC established FACTI Panel in 2020-2021. His portfolio of consultancies include Nigerian federal and state agencies, as well as international development agencies such as the World Bank and USAID, DFID and UNITAR. In 1997, he co-founded the Human Development Initiative (HDI), a non-profit organisation. In 2020, He was awarded the rank of Senior Advocate of Nigeria (SAN) and national honour of Officer of the Federal Republic (OFR) in 2022.

ANNA PETHERICK

Associate Professor in Public Policy at Blavatnik School of Government, United Kingdom

Anna Petherick is a Departmental Lecturer in Public Policy and Director of the Lemann Foundation Programme. She is co-Principal Investigator of the Oxford COVID-19 Government Response Tracker (OxCGRT) project, which, going back to January 2020, has been recording and analysing how national and subnational governments around the world have been enacting policies to fight the pandemic. Her research as part of OxCGRT focuses on combining policy data with behavioural data, from surveys and mobile phone records. In addition, she works on corruption, gender and trust, with much of it based in Brazil. Between her undergraduate and graduate studies, Anna worked as a full-time journalist. She wrote a column for The Guardian that fused longevity and wellbeing research (how to die as late as possible, and until then stay as happy and as physically young as possible), and another column about the social dimensions of climate change for the journal, Nature Climate Change. Anna holds a BA (MA) in Natural Sciences (Evolutionary Genetics, Population Modelling) from Cambridge University.

KATHLEEN ROUSSEL

Director of the Public Prosecutions, Canada

Kathleen Roussel is the Director of Public Prosecutions. She was appointed June 21, 2017. Kathleen was Deputy Director of Public Prosecutions from 2013 to 2017. She was responsible for the Regulatory and Economic Prosecutions and Management Branch. Previously, Kathleen served as Senior General Counsel and Executive Director of the Environment Legal Services Unit at the Department of Justice (Canada), from 2008 to 2013. From 2001 to 2005, she was the Senior Counsel and Director of the Canadian Firearms Centre Legal Services, before joining the Department of Environment's legal services later that year. Before joining the public service, Ms. Roussel worked as a criminal defence lawyer. She has been a member of the Law Society of Upper Canada since 1994 and graduated from the University of Ottawa Law School in 1992, having previously obtained an Honours Religion degree from Queen's University.

AGUNG SAMPURNA

Former Chairman of the Audit Board of the Republic and Lecturer at the University of Indonesia, Indonesia

Dr Agung Firman Sampurna was the Chairman of the Supreme Audit Agency for the period 2019 – 2022. Previously, he served as Member I of BPK-RI for the period 2014 – 2019, Member III for the period 2012 – 2013, and Member V for the period 2013 – 2014. Agung Firman Sampurna once led the Main Auditorate of Finance State (AKN) III (2012 – 2013), AKN V (2013 – 2014), and AKN I (2014 – 2019). Recipient of the Mahaputra Naraya Star, Agung Firman Sampurna is heavily involved in training activities, research, seminars and various other forums, both domestically and abroad. Agung holds a Bachelor of Economics from Sriwijaya University, a Master of Public Policy and Administration from the University of Indonesia and a PhD in Public Administration also from the University of Indonesia.

TANKA MANI SHARMA

Former Auditor General, Nepal

Tanka Mani Sharma Dangal is a Nepalese Bureaucrat. He has long experience in Public Financial Management and fiscal administration. He has experience in Public Procurement Management and development administration, Civil Service Administration and Training, Cooperative Societies Regulation and Management, Health Sector Financing, Public Enterprises Management, and other different areas of public sector management. He served as an Auditor General of Nepal from 2017 to 2023 for 6 years. His prior positions include Secretary at the Office of the Prime Minister and Council of Ministers, Ministry of General Administration, and Public Procurement Monitoring Office. He had also served as a Director General of the Inland Revenue Department, Department of Customs, Department of Revenue Investigation, and the Registrar of the Department of Cooperative. Likewise, he had served as Finance Chief in different Ministries and Departments of the Government of Nepal.

Mr. Sharma holds a Master's degree in Business Administration (MBA). He has attended various national and international training and seminars and acquired knowledge and skills in different fields of the public sector management and governance system. He has been rewarded with the "Best Civil Service Award" in 2001 by the government of Nepal. He has also been awarded the medal "Prasiddha Prabal Janasewa Shree" by the president of Nepal in the year 2021. He was also awarded the "Prabal Gorkha Dakshin Bahu" medal in 2000. Mr. Sharma hopes to build a more efficient and effective public administration, promoting good governance through transparent and accountable public sector management. Moreover, he emphasizes maintaining professional integrity and controlling mismanagement and corruption in the governance system.

CHRIS STONE

Professor of Practice of Public Integrity, Blavatnik School of Government, University of Oxford

Chris Stone is Professor of Practice of Public Integrity. Chris has blended theory and practice throughout a career dedicated to justice sector reform, good governance and innovation in the public interest, working with governments and civil society organisations in dozens of countries worldwide. He has served as president of the Open Society Foundations (2012–2017), as Guggenheim Professor of the Practice of Criminal Justice at Harvard's Kennedy School of Government (2004–2012), as faculty director of the Hauser Center for Nonprofit Organizations at Harvard University (2007–2012), and as president and director of the Vera Institute of Justice (1994–2004). He is a graduate of Harvard College, the Institute of Criminology at the University of Cambridge, and the Yale Law School. At the Blavatnik School, Chris's work focuses on public corruption turnarounds: the leadership challenge of transforming cultures of corruption into cultures of integrity in government organisations, large and small. As an affiliate of the Bonavero Institute of Human Rights within the University's Faculty of Law, Chris serves as the principal moderator for the Symposium on Strength and Solidarity for Human Rights.

LARA TAYLOR-PEARCE

Auditor General, Sierra Leone

Lara Taylor-Pearce is auditor general of Sierra Leone and has more than 27 years of experience in public- and private-sector financial and administrative management and oversight. As the government's chief external auditor since 2011, she has won praise for helping change Sierra Leone's public-sector accountability landscape, including her work in developing its 2016 Public Financial Management Act and other public-sector oversight acts. Among other honors, she received the 2015 National Integrity Award from the Sierra Leone Anti-Corruption Commission. She has also served as principal finance manager and head of administration for the Institutional Reform and Capacity Building Project, finance and administrative manager for the Public Sector Management Support Project, technical assistant in the Accountant General's Department of the Ministry of Finance, and supervisory senior for KPMG Peat Marwick. An honours graduate in economics of the University of Sierra Leone, she is a fellow of the Association of Chartered Certified Accountants (FCCA), U.K, and of the Institute of Chartered Accountants of Sierra Leone (FCASL). She is vice chair of the INTOSAI Development Initiative (IDI) board, chair of the governing board of the African Region of Supreme Audit Institutions-English Speaking (AFROSAI-E), and a Grand Officer of the Order of the Rokel (GOOR) President's National Award.

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