

“IMPLEMENTING ASSET DECLARATION MONITORING SYSTEM IN GEORGIA”

Tbilisi, Georgia
16 July, 2013

Laura Pop

Financial Market Integrity, The World Bank

Asset Declaration Monitoring Systems

Asset declaration monitoring-key questions

Why monitoring?

What does monitoring imply?

How many declarations can you monitor each cycle?

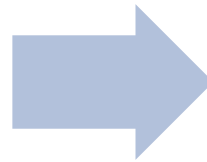
What criteria should we use for selecting the declarations to be monitored?

What happens when an irregularity is found?
Who is responsible for following up?

Why monitoring? – Objective

What are you trying to detect?

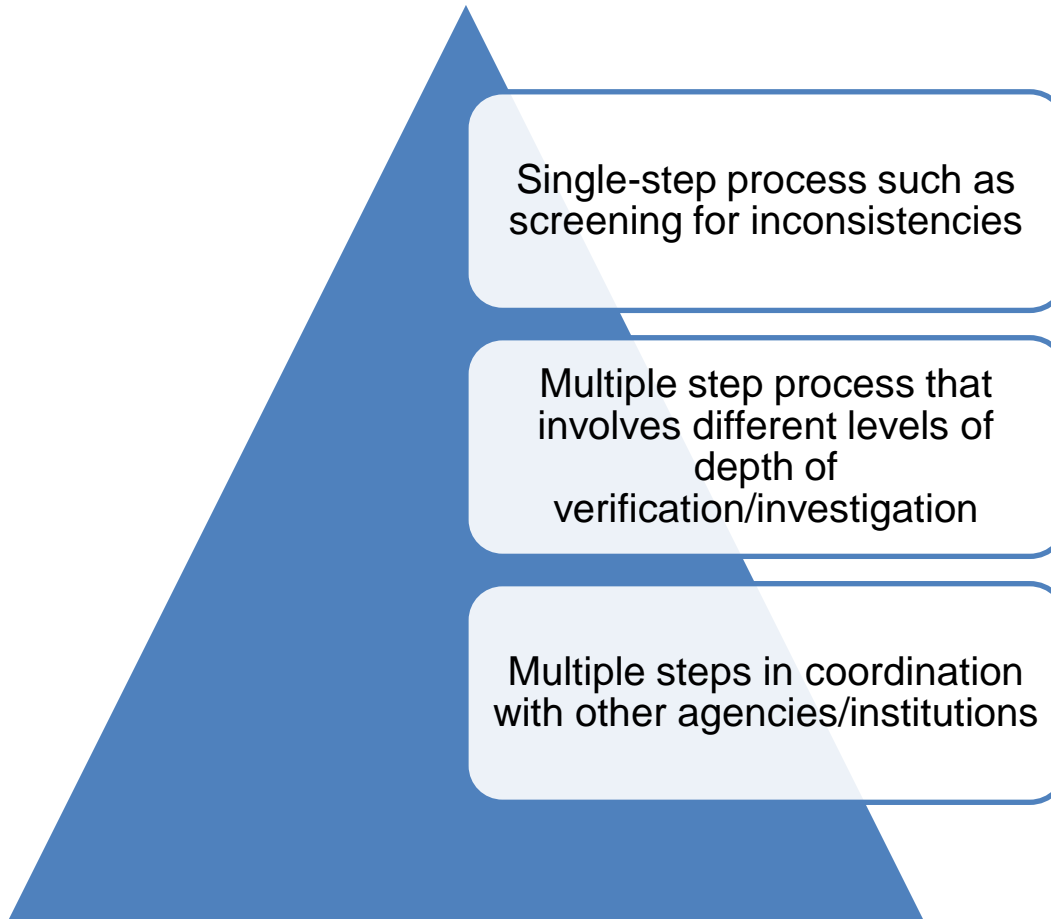
- False statement
- Illicit enrichment
- Conflict of interest
- Incompatibility
- Information relevant for corruption/tax crime/money laundering investigations



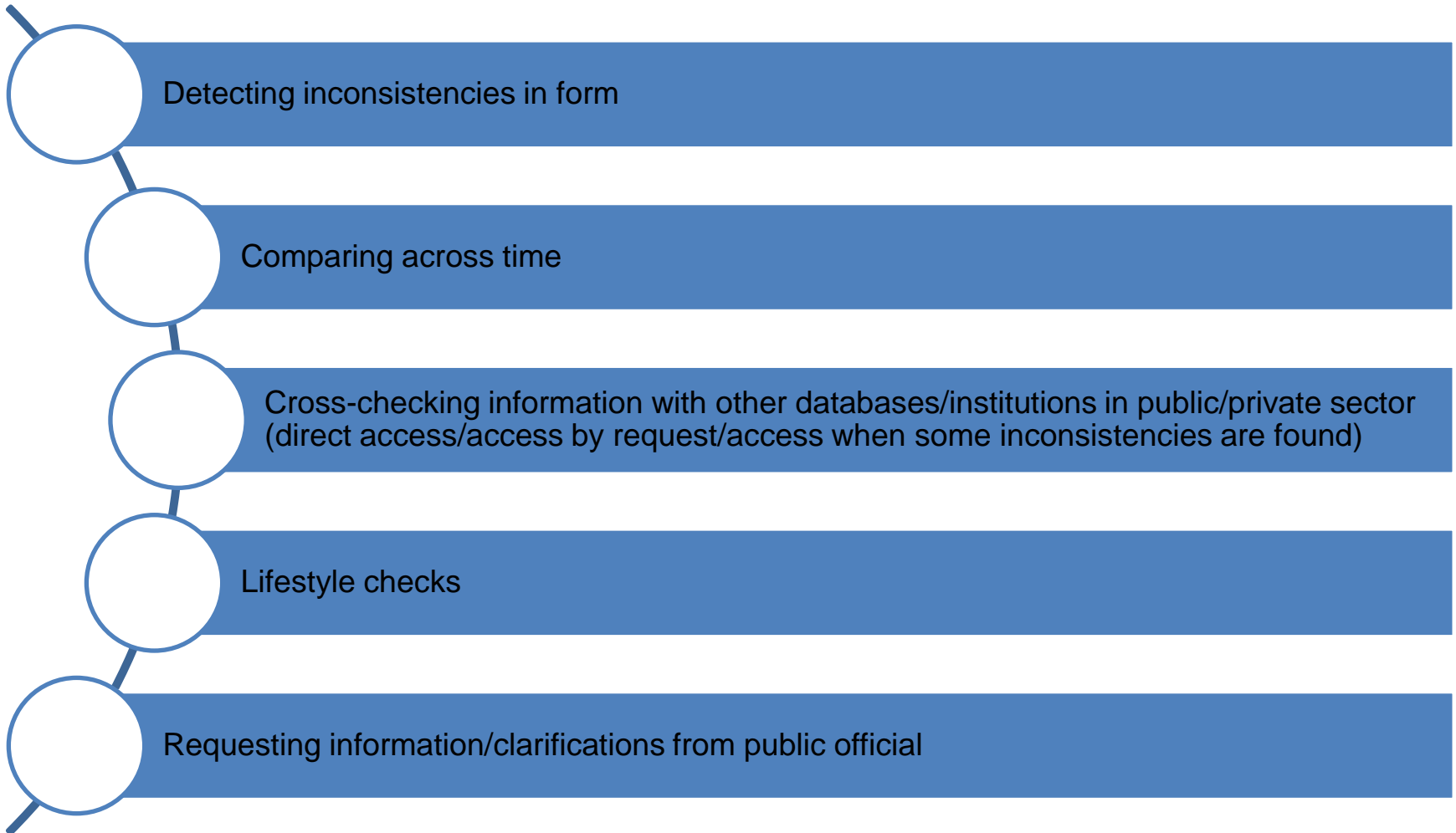
What is within your mandate/want to do when irregularities/violations are found?

- Impose administrative sanctions
- Forward to another institution for administrative sanctioning
- Notify law enforcement bodies for further investigation/prosecution

What will monitoring imply?



What will monitoring imply?



Some of these? All of these in different steps?

How many declarations can you monitor each cycle?

Fully or partially automated?

Screening of all declarations?

In-depth review of a small sample?

Risk Factors Related to Form Contents

Information from current disclosure

- Large liabilities owed to individuals / close family members
- Ratio of newly acquired assets / income (net)
- High income from consultancies
- Type of asset acquisition: non-income (gift, inheritance)

Information from two or more disclosures

- Ratio of newly acquired assets / variation in income
- Large variations in assets/liabilities/ income between years

Red flags resulting from checks with outside sources of information

Check with property registry which filers sold property / vehicles during a particular year to compare with information disclosed in forms

Check with tax administration for discrepancies with regards to declared income

Run list of filers against company registry to identify discrepancies between high level positions and data captured in company registry

Mapping sources of information for cross-checking information

FIU

Property
registry

Company
registry

Vehicle
registry

Audit chamber
(General
Accounting
Commission)

Agencies that
monitor public
tenders

Financial
institutions

Tax
administration

Notaries

Prioritize sources of information

Accessing information
(legal challenges)
Harmonization
of legislation

Accessing
information
(operational
challenges)

1. approval procedure
2. format of data (paper, electronic)
3. availability in capital / outside the capital

What is
relevance
of info

Reliability
and
credibility
of info
(update)

Time spent
chasing
information
reduces time
for analysis

Blank disclosure form needs to facilitate monitoring of disclosures

Information requested in format consistent with info in other sources (ex. info in tax return)

Blank form requires details that allow easy retrieval of information (ID numbers, plot numbers, etc)

Information requested is most relevant for monitoring process (most relevant value, type of income)

Information requested is consistent with offences/misconduct to be identified through monitoring (false statement, illicit enrichment, conflict of interest, incompatibility)

Methods for deciding which disclosures to check

1. Random sample (ex. 4 percent of all disclosures)

2. Risk-based approach

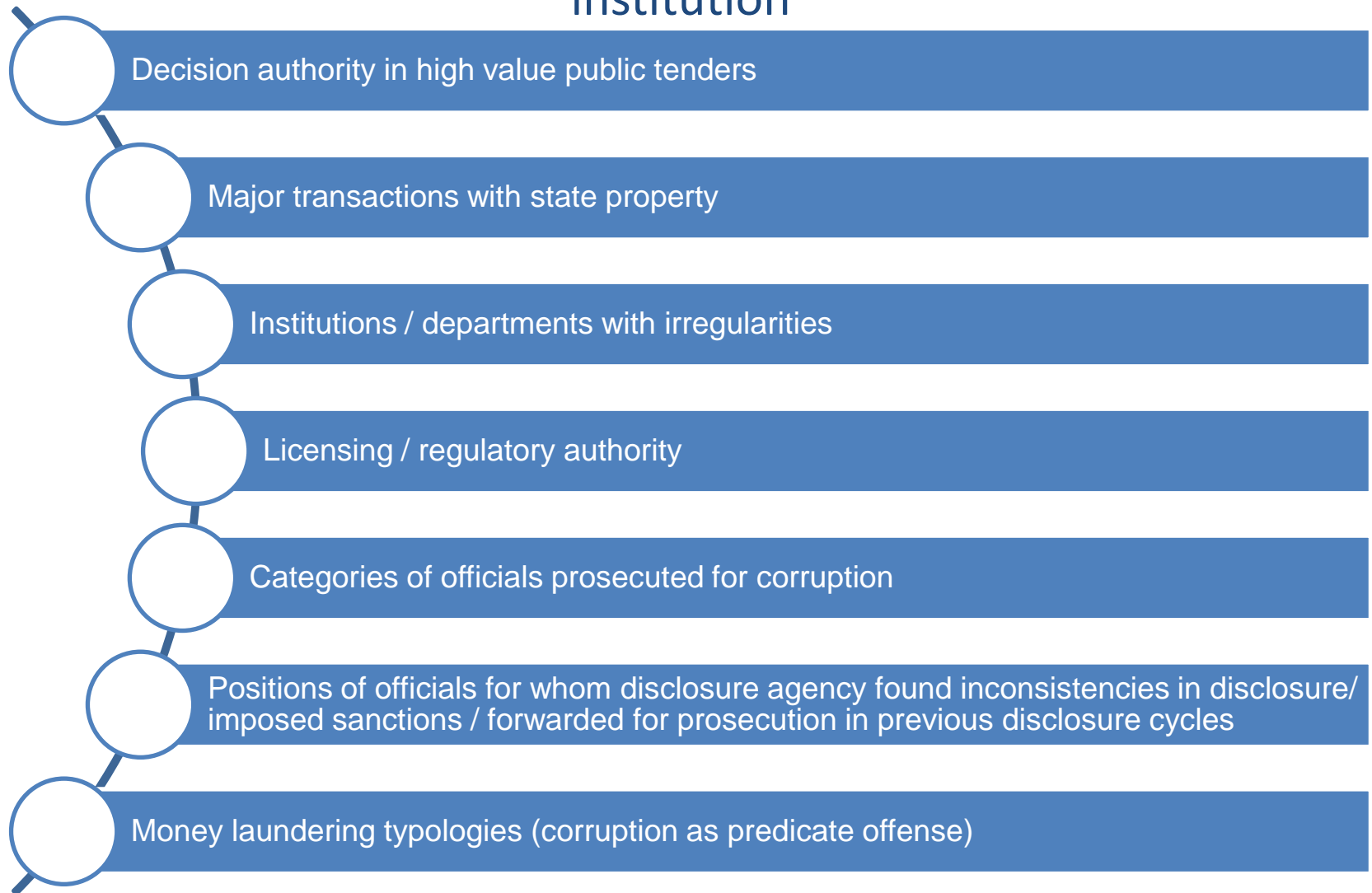
- factors related to form content
 - red flags in submitted form
 - comparison of 2 or more disclosures (changes over time)
 - red flags resulting from checks with outside sources of information
- targeted by sector, agency, role, etc (short/long term risk)

Methods for deciding which disclosures to check

3. Information from outside the public sector
 - complaints from public
 - articles/reports in media
 - civil society analysis/reports

4. Notifications from state institutions/on-going corruption investigations
 - tax administration
 - prosecutor's office
 - financial intelligence unit

Risk factors determined by position / institution



Setting up a plan for selecting disclosures

How many disclosures can be monitored?

- How long to check 1 disclosure?
- Resources available
- Relevant skills/experience of staff
- Ease of access to information (registries)
- Time necessary for matching risk factors to disclosure

Setting up a plan for selecting disclosures

Consider mix of approaches

- Random sample+ risk-based approach (RBA) +info in media
- RBA receiving increased attention

Consider gradual implementation

- Start small
- Update risk criteria based on accumulated experience

What happens when an irregularity is found? Who is responsible for following up?



Key aspects affecting effectiveness of monitoring



THANK YOU
For more information:
ipop1@worldbank.org