

Principles of Inspection – where PIFC is effective

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Principles (1)

1. Financial inspection should be subordinate to Ministry of Finance.
2. Should cover the whole public sector.
3. Should have the power to follow funds into the private sector.
4. Should only be concerned with compliance.
5. Should only focus on potential risks of fraud, corruption or major financial abuse (such as a bankruptcy of a municipality).
6. Programme of activity should be determined by complaints about activities where those complaints suggest possible fraud, corruption or major financial abuse. Where many complaints risk assessment should be used to determine priority.

Principles (2)

7. Requests for inspection should be addressed to the Minister of Finance who should decide whether to have an inspection.
8. Inspection activity should only be concerned with investigation.
9. Inspection should only investigate to the point where prosecutors should take over in potential cases of fraud or corruption.
10. Inspection reports should be submitted normally to the Minister of Finance for final decision about action.
11. Inspection may propose penalties and should make recommendations for system improvements (including to internal audit).

Principles (3)

In addition Inspection may investigate or advise on areas of risk that may not be presently reviewed. Examples include:

1. Computer security.
2. Abuse of monopoly or the existence of cartels amongst government suppliers.
3. Weak or inadequate governance arrangements that create risk of fraud or corruption or major financial abuse.
4. Vague laws.

Overall, inspector staffing levels should be reduced accordingly and probably no need for regional offices.

What inspection should not do!

- Undertake audit activity.
- Investigate efficiency and effectiveness.
- Review financial statements.

Other inspection activity

Many other inspection activities should exist besides financial inspection, including:

- Educational inspectors;
- Medical inspectors;
- Fire protection inspectors;
- Health and safety inspectors;
- Planning inspectors.