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Corruption Risk Assessment Methodology

For Akhaltsikhe Municipality City Hall and its subordinated agencies

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Introduction

The present document aims to describe the work processes to be carried out at the City Hall system of the Akhaltsikhe Municipality (including subordinated legal entities) with the aim of assessing the corruption risks.

The assessment of corruption risks aims to ensure the integrity and corruption-free public governance both in public institutions and – in the event of delegation of certain powers – relevant legal entities of private law. Such **assessment is a preventive instrument and does not involve the assessment and imposition of individual liability**. The assessment of corruption risks is used both at the organizational level and for identification of **existing and/or expected risks and risk factors** related to employees. It also makes it possible to identify the spheres to which it will be effective to allocate resources for risk management purposes. On the basis of the adopted document, it is possible to plan and implement future anti-corruption measures.

The methodology was prepared with the support of the Good Governance Initiative (GGI) project of the United States Agency for International Development (USAID). The document is based on the guiding methodology developed in 2019 by the Ministry of Justice of Georgia.

On the basis of the present methodology, the City Hall of the Akhaltsikhe Municipality develops a **unified Report on Corruption Risk Assessment** both at the central office and in subordinated legal entities. The report should include:

- the Corruption Risk Register;
- the Corruption Risk Management Plan.

The document opens with a brief description of all the main stages of the process of corruption risk assessment, which is followed by a detailed description of the three main stages of this process:



In the system of the City Hall, corruption risks are assessed by the Internal Audit and Inspection Service.

It is recommended that the Internal Audit and Inspection Service, as the unit coordinating the process of corruption risk assessment, update the assessment report on an annual basis.

Definition of terms

Corruption: The crimes covered by Articles 163 (3), 164¹, 180 (3, A), 182, 186 (3, A), 194, 194¹ (3, B), 195 (1), 203, 220, 221, 332, 333, 335, 337, 338, 339, 339¹, 340, 341, 342 and 355 of the Criminal Code of Georgia, as well as all the crimes against entrepreneurial or other economic activities, crimes in the area of financial activity that were committed by a public official by abusing the official position, and violations of the Law of Georgia on Conflict of Interest and Corruption in Public Service.

Violation of integrity: Violation of the rules established by Ordinance No. 200 of the Government of Georgia on Determining the General Rules of Ethics and Conduct in Public Institutions (adopted on April 20, 2017); violation of the rules of ethics and conduct established by the legislation.

Corruption risk: The possibility of occurrence of any type of violation related to corruption or integrity.

Root cause: A root cause of a corruption risk (in other words, a “risk factor”), a circumstance that might stimulate, cause, or generate a corruption risk.

The main stages of the process of corruption risks assessment

Stage 1: Planning of the process	
1	Obtaining consent from the Mayor of the Municipality by the Internal Audit and Inspection Service in connection with starting the assessment of corruption risks
2	Determining the person responsible for coordinating the process of assessment of corruption risks from the Internal Audit and Inspection Service
3	Determining the scale, sphere, and area of corruption risk assessment in the system of the City Hall
4	Creating a working group based on the already determined scale of risk assessment

5	Informing all members of the working group about the methodology of corruption risk assessment, allocating tasks and responsibilities, agreeing on other procedures of communication and collaboration, and setting the time frames. Information on the process of risk assessment should also be provided to individuals employed in the system of the City Hall.
Stage 2: Identification and analysis of risks	
6	Collecting and analyzing various types of information necessary for identification and assessment of corruption risks
7	Identifying risks of corruption and their root causes and including them in the Corruption Risk Register (see Annex 1)
8	Assessing corruption risks according to their likelihood, impact, and area of dissemination and including the results in the Corruption Risk Register
9	Categorizing corruption risks according to their severity and priority level
Stage 3: Management of risks	
10	Devising risk reduction measures for each entry in the Corruption Risk Register, determining the responsible persons, and setting time frames
11	Preparing the Report on Corruption Risk Assessment which will include a description of the process of assessment of corruption risks, its results, and the Corruption Risk Management Plan; the report should be accompanied by the final version of the Corruption Risk Register.
12	Approval of the Report on Corruption Risk Assessment by the Municipal Council or the Mayor

I. Planning of the process of assessment of corruption risks



The **Internal Audit and Inspection Service is both the initiator and coordinating body** of the process of assessment of corruption risks in the system of the City Hall of the Akhaltsikhe Municipality.

The planning stage begins with obtaining consent from the Mayor on launching the process. Such a high level of involvement ensures an uninterrupted progress of the process of corruption risk assessment and its successfulness. After obtaining the consent, the Internal Audit and Inspection Service determines the **person coordinating the assessment process**, who ensures that the risks are assessed in a timely manner and with high quality.

The next stage involves the **determination of the scale, time frames, and concrete internal procedures of corruption risk assessment** together with the Mayor of the Municipality. At this stage, when the risk assessment process gets under way, the Mayor of the Akhaltsikhe Municipality decides, in every concrete case, which structural units and legal entities should be covered by the risk assessment.

Currently, there are 9 structural units operating at the City Hall in the form of a municipal service, while 13 non-entrepreneurial (non-commercial) legal entities (N(N)LEs) are subordinated to the City Hall. The Mayor is entitled to determine the entities to be assessed

as he/she sees fit, on the basis of vulnerability, area of operation, budget spending, or some other criterion.

After the scale of assessment has been determined, the City Hall **sets up a working group** that includes representatives of all the structural units of the City Hall and subordinated legal entities that are covered by the risk assessment process.

It is important to explain the process to all the members of the working group and to allocate responsibilities (collection of information, identification/analysis of risks, and development of the Corruption Risk Management Plan). **This stage should also involve the setting of time frames;** the working group should agree on the **internal procedures of communication and collaboration** and **determine the needed resources.**

In addition to members of the working group, the information on risk assessment should also be provided to people employed in the system of the City Hall. According to the scale of risk assessment, those employed in the system of the City Hall should be as informed as possible that a risk assessment is being conducted, as well as about the goals of the assessment, how it is conducted, and the intensity of involvement of various structures of the system of the City Hall.

II. Identification of corruption risks¹



This stage is the largest part of the risk assessment process, and it results in the compilation of the Corruption Risk Register. The register will help the municipality develop an anti-corruption policy on the basis of the identified risks and measures for their reduction.

In the process of conducting corruption risk assessments the level of perception of corruption, past experience and degree of corruption violations should be taken into consideration in order to determine corruption existence potentiality.

a) Collection of information

After the planning stage, a relevant representative of the Internal Audit and Inspection Service (coordinator of the process), with the help of members of the working group, collects and analyzes internal and external documents and data necessary for the assessment of corruption risks.

The following instruments are used for the collection of information: studies, interviews, working meetings, and focus group discussions.

¹ For an example of identification of a risk, see Annex 3.

In order to identify the risks of corruption, it is recommended to analyze the following documents:

- self-assessment reports of the City Hall, municipal services, and N(N)LEs;
- internal and external audit reports;
- research reports of NGOs or international organizations;
- inspection reports prepared by supervisory bodies;
- court judgments about decisions taken in the system of the City Hall of the Akhaltsikhe Municipality;
- information on disciplinary and corruption-related violations observed in the system of the City Hall;
- notifications and complaints about violations received by various methods;
- reports of the State Procurement Agency, the Competition Agency, the Civil Service Bureau, and the Public Defender (those about various directions of the activities of the Akhaltsikhe Municipality, if any);
- anti-corruption and public governance policy documents of Georgia;
- media reports.

An integral part of the process of identification/analysis of risks is the examination and analysis of **existing regulations** in terms of vulnerability to corruption risks.

With the aim of collecting necessary information, the coordinator of the process and the working group use the **Orientation Questionnaire** (see Annex 1). The questionnaire includes a lot of questions about vulnerable spheres in terms of corruption-related violations and makes it possible for the assessors to see the challenges and to direct additional resources to risk management.

After completing the stage of collection of information, the coordinator of the process and the working group identify the spheres with an increased risk of corruption and pay more attention to them when identifying and assessing risks.

b) Identification of risks

From the material collected at the previous stage, the coordinator of the process and the working group identify the following two categories of information and enter this information in a special document of the Corruption Risk Register (see Annex 2):

1. Any type of corruption-related violation that has taken place in the past or that may theoretically take place in the system of the City Hall. Such cases should be grouped according to content, and the number of identical cases according to the corruption scheme, as well as the damage caused by them and the process of responding to

them, should be recorded. **It is precisely these violations that concrete corruption risks proceed from** (see Annex 2 – a sample given in the Corruption Risk Register).

2. After the actual and potential corruption-related violations mentioned in the first point have taken the form of corruption risks, it is necessary to identify the root cause(s) of each of the risks. The causes may be related to the weakness of both the legislation and its enforcement, the low level of consciousness of employees, the weakness of control mechanisms, etc.

After this, the identified corruption risks should be grouped according to categories, in order to simplify their further management: Examples of the categories include:

- nepotism and favoritism;
- conflict of interest;
- incompatibility of duties;
- bribe-taking;
- corruption-related violation related to official position;
- use of official position for personal interests;
- use of public resources for personal interests;
- violation of norms of ethics and integrity;
- use of administrative resources;
- bribery of votes;
- spheres vulnerable to corruption: public procurements, infrastructure projects, issuance of licenses/permits;
- functions of control and supervision.

For each risk identified at this stage, it is also necessary to determine its **area of dissemination** (see Annex 2) – in other words, whom a concrete risk may be related to: senior officials of the City Hall, internal structural units of the City Hall, or legal entities subordinated to the City Hall.

c) Assessment and categorization of risks

After being identified, corruption risks are assessed. Each risk is assessed by two criteria:

- **Likelihood** – the likelihood of occurrence of each risk;
- **Impact** – the severity of negative outcome in the event of occurrence.

The **likelihood** of occurrence of a corruption risk is determined by the interrelationship of the root causes and existing integrity measures. There are the following criteria for assessing the likelihood of occurrence of corruption risks: the vulnerability of the regulatory framework to corruption, the susceptibility of processes and institutions to corruption, ineffective governance, low salaries, cases of corruption in public institution, low level of legal consciousness of public officials.

To determine the **likelihood or impact** of this or that risk, the coordinator of the process and the working group take account of the past experience; *inter alia*, the statistical analysis of the past years shows the likelihood or impact of a given risk in the past years – **high, average, or low**. On the basis of the said data, the working group should deliberate on the degree of the likelihood and impact of the same risk in the future.

If statistical information is lacking, the coordinator of the process and the working group should conduct an internal study or interview the individuals in senior positions.

Likelihood of risk	Description
High	There is a high likelihood of occurrence of a corruption risk, which is established on the basis of past experience. The integrity mechanisms within the organization cannot mitigate the risk factors.
Average	According to statistical information, the likelihood of occurrence of a corruption risk is not high, because the specific nature of the working process or the existing integrity mechanisms partially insure against/reduce the possibility of actual occurrence of such a risk.
Low	The likelihood of occurrence of a risk is minimal, although not impossible. The risk may only occur in extraordinary conditions.

Impact of risk	Description
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High	<p>A corruption risk, if it occurs, has a serious impact on an <u>individual's</u> fundamental rights and freedoms and on his/her right to receive public services. For example, it interferes with the right to a fair trial and infringes on the rights to privacy, family life, education, or private property.</p> <p>A high degree of impact on a <u>public institution</u> also implies the discrediting of the organization's reputation and credibility, causes a considerable financial damage, poses a threat to the organization's stability, undermines the possibility to achieve the organization's main goals, and stimulates other organizations to get involved in corrupt deals.</p> <p>A high degree of impact on <u>society</u> implies a loss of local and foreign investments and a negative effect on social development, which ultimately has a negative effect on the rule of law in the country.</p>
Average	<p>An average degree of impact of corruption risks on <u>individuals</u> implies causing unjustified expenses and other impediments to the exercise of their rights. Such an impact may involve, for example, demanding an unjustified fee for a service to which a person is entitled according to law.</p> <p>An average degree of impact on a <u>public agency</u> implies a negative effect on its reputation or a considerable financial loss. The organization's possibility to achieve its secondary goals also comes under a threat.</p>
Low	<p>A low impact is manifested in discrediting of reputation, insignificant obstacles for the achievement of goals, or minimal financial losses.</p>

The information on the likelihood, impact, and severity of corruption risks should be reflected in the Corruption Risk Register (see Annex 2).

The matrix of likelihood and impact is used to represent the results of risk assessment. The matrix implies the assignment of a low, average, or high score to the likelihood of the occurrence of a risk and its expected outcomes, which results in the creation of a table that

determines the instances in which it is necessary and urgent to respond to risks. On the map below, the color red denotes the risks that require response as a matter of top priority.

- The risks marked in green are less problematic.
- The color yellow denotes risks of average severity.
- The color red points to urgent priority.

Likelihood Low → High	Average severity	High severity	High severity
	Low severity	Average severity	High severity
	Low severity	Low severity	Average severity
	Impact: Low → High		

III. Management of corruption risks

After the corruption risks are identified, assessed, and categorized, the coordinator of the process and the working group select a measure(s) for each risk which, if implemented, is expected to reduce the risk. In this process, it is important to determine the time frames for the implementation of the concrete measure and the responsible structural unit/person. This information is also reflected in the Corruption Risk Register (see Annex 2).

The risks are mainly eliminated by one or several strategies, which include:

- **Avoidance of risks** – Stopping or modifying activities in order to stop the risk from increasing. The risk can be avoided by changing the area of activity or the relevant regulation;
- **Reduction of risks** – In the event of likelihood of occurrence and/or occurrence of a risk, reduction of its outcomes;
- **Transfer of risks** – In order to reduce the likelihood and/or impact of risks, the risks are transferred or distributed to third persons who can control them better;

- **Toleration of a risk** – Nothing is done to reduce the risk because the risk manager thinks that the agency is compelled to tolerate the given degree of the risk, as the possible damage caused in the process of avoiding it exceeds the damage caused as a result of occurrence of the risk.

In the process of monitoring and control of risks, new proposed measures should be integrated with existing systems – internal control, audit, and other systemic processes, in order to avoid additional budgetary expenditures.

Elaboration of the Report on Corruption Risk Assessment

The final stage of the risk assessment process is the preparation of the Report on Corruption Risk Assessment by the coordinator of the process and the working group.

The report reflects the complete process of corruption risk assessment and includes its results and the Corruption Risk Management Plan. The report should be accompanied by the final version of the Corruption Risk Register, which should include the following information:

- a list of identified risks and their root causes;
- a reference to the degree of the risks;
- a list of recommendations to be taken into account and the measures to be introduced, including the responsible persons and time frames.

If the scale of assessment encompasses the assessment of corruption risks of legal entities subordinated to the City Hall, the final report should represent the corresponding results in separate chapters.

The final Report on Corruption Risk Assessment is approved by the Municipal Council or the Mayor.

The process of assessment should be repeated and the report updated on an annual basis, in order to measure the progress.

