Strengthening Internal Control

1. The Office of the Inspector General is making a significant contribution to integrity, transparency and accountability. Created in 2000 under the transitional administration, the OIG now falls under the Office of the Prime Minister. The OIG conducts investigations and special reviews in order to detect wrongdoing and promote best practices in Governmental operations. With the Prime Minister’s consent, the OIG may undertake investigations in response to requests from Parliament, the President, the Prime Minister, Ministries, and citizens. The staff of 13 includes inspectors and auditors, the Inspector General, and the Sub-Inspector General, a post that is currently vacant. The OIG investigates allegations and submits reports with recommendations for administrative action or prosecution to the Prime Minister, who may forward them to the relevant agency or the Prosecutor General. OIG investigations into personal use of Government vehicles resulted in changes in rules, leading to stricter control over vehicle use and a sharp and visible reduction in use for personal purposes. An investigation into the use of fuel vouchers and misappropriation of fuel has led to a new voucher system with stronger controls. In a number of cases, the OIG has found evidence warranting criminal investigation, and the Prime Minister has forwarded these cases to the Office of the Prosecutor General. One is now moving to trial. As yet the OIG does not monitor the implementation of its recommendations, but the recent addition of staff members for the Division of Corrective Measures may help to remedy this omission.

2. The Office of the Inspector General has been active in promoting transparency and anti-corruption measures through public education. The OIG has carried out public information campaigns in all districts about corruption and how it can be combated. The campaign includes the distribution of fliers with information on corruption, nepotism, collusion, and bribery with instructions on how to make a request to the OIG. Such campaigns are commendable as a well-informed citizenry is critical to combating corruption. The Inspector General also gives lectures on anti-corruption and conflict of interest to civil servants at the National Public Administration School (INAP), and held two conferences on “Transparency and Accountability” in November 2003 and May 2004. The recent launch of the website of the OIG, including the publication of summary investigation reports, is an important step in furthering transparency and has increased the credibility of the OIG and of Government more generally (www.inspeccaogeral.gov.tl).

3. Building on these achievements, the credibility and effectiveness of the OIG could be further strengthened. Passage of the OIG’s Organic Law would increase the independence of its operations, enable it to conduct ministry inspections, and follow up on the implementation of its recommendations. The implementing regulations that will underpin the Organic Law would allow the OIG to create links with inspectors in all the ministries, ensuring consistent inspection and investigation standards throughout the administration. In line with best practice, the Office may wish to define its work program independently, although from time to time the Office may be asked to conduct a special investigation on issues of particular concern to the Prime Minister or other ministers. While it is normal for the recommendations of the OIG to be acted upon by the
Executive, clear rules enabling referral of potentially criminal cases directly to the Prosecutor General would increase the effectiveness of the Office. To date the Prime Minister has given permission for referral on a case by case basis, but a system of direct referral to the Prosecutor General could usefully be formalized. This would allow the public to verify the consistency of procedures and actions, precluding perceptions of selective application of rules or double standards, and confirming that everyone is subject to the law, irrespective of rank. Full public reports on activities undertaken and recommendations made will send a strong message to the public that administrative waste, malpractice and corruption will not be tolerated, while demonstrating accountability, transparency, and responsiveness in the investigation process.

4. **The Ministry of Planning and Finance has an internal audit unit which reports to the Head of Treasury.** This is an internal management function which tests the effectiveness of, and compliance with, systems and procedures, and reports to management accordingly. The internal audit unit has an annual work plan and conducts spot audits at the request of the Ministry, as a result of which some cases have been referred for prosecution. The unit has also launched an audit of all the Government’s district financial offices. A recent assessment of the Ministry of Planning and Finance indicates that it will be important to conduct internal audit on a regular basis throughout the Ministry and administration, starting with the procurement function. In particular, it would be advisable for the Ministry to ensure that all its operations are subject to internal audit and that reports are made to a high management level. Depending on the extent to which internal audit has been established in other ministries, the Ministry internal audit function could assist them, focusing in particular on high-risk areas.

5. **Agency level inspectors to ensure compliance with administrative regulations will strengthen management and performance.** While the OIG covers all Government operations, responsibility for specific internal management and control systems is devolved to each ministry. Monitoring the application of administrative regulations and internal management systems can be strengthened through internal inspection functions. Usually all Government agencies have internal control offices, but given its small size, Timor-Leste may wish to create specialized internal control functions only in the large ministries. In 2004, in keeping with its Organic Law, the Ministry of Interior (MoI) established an Office of Inspection with a mandate to conduct audits and inspections, create a system for public complaints and propose improvements in services. The police force, which falls under the MoI, already has its own complaints mechanism, but the Office of Inspection acts as the disciplinary review body for the police. The Ministry of Health has an inspector to provide for internal control in financial and human resource matters, who collaborated with the OIG to investigate a corruption case involving a district health officer which is now going forward to trial. School inspectors have been appointed and are part of the staff in the district education offices. These sector inspectorates can contribute to instilling a service-oriented and accountable civil service, and to reducing absenteeism. They could also provide a vehicle for citizen monitoring through, for instance, a monthly meeting in each district capital to report to communities on sector performance.
Box 11: Suggested Actions

- Submit the Organic Law of the Office of the Inspector General to Parliament
- Extend the function of internal audit in the Ministry of Planning and Finance beyond Treasury, with coverage of Procurement as the initial priority