

Research Project No. 3



Audit to Detect Fraud and Corruption: Evaluation of the Fight against Corruption and Money Laundering Country paper of Thailand

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Foreword

Audit to Detect Fraud and Corruption: Evaluation of the fight against corruption and money laundering: Country paper of Thailand is the results of OAG Thailand which is participated in the 10th Research Project of ASOSAI. Presently, corruption and money laundering are still major obstacles of economic development which many countries in Asia have been encountered these problems. Therefore, this study is focused on the role of Supreme Audit Institution (SAI) to anti-corruption and money laundering. During 2012-2014, the researcher attempted to explain current situation of corruption and money laundering under academic approach. Likewise, we clarified current situation of anti-corruption and anti-money laundering throughout Anti-Corruption Agencies (ACAs). Nowadays, SAI is the important ACAs to fight corruption and money laundering. Furthermore, we tried to relate our audit experiences which might involve to anti-corruption and money laundering. Basically, SAI is involved with anti-corruption and money laundering in three roles, that is, prevention, detection, and report & follow up. Finally, we proposed how to improve concrete measures about audit function in detecting corruption. We attempted to categorize these measures in three levels, that is, international, national and organizational levels. The author expected that we could adopt these concrete measures from other SAIs in order to develop capacity of OAG Thailand for anti-corruption and money laundering.

Acknowledgments

This paper is involved enhancing concrete measures for audit function in detecting corruption. It is another part of the 10th ASOSAI Research Project. I take this opportunity to express Mr. Pisit Leelavachiropas (the Auditor General), Ms. Prapee Ankinandana, Deputy Auditor General, for her cordial support in this research project. I would like to express my deep gratitude to Dr.Sirin Phankasem (Deputy AG) for her openness and kindness. Likewise, I would like to thank Mr. Monthien Charoenpol, and Ms.Poungchomnad Jariyajinda (Deputy AG) for their valuable recommendations. I would like to express my appreciation to Mrs. Jaruwan Ruangswadipong (Director of Research and Development Office), and Mrs.Apasara Khunawat (Director of Executive Support and Cooperation Office) for their openness, generosity and encouragement. Special thank should be given to Mrs. Sompit Jantaramakin and Ms.Pankanok Srisomsak for their good advices. Finally, I am obligated ASOSAI research team especially Dr. Wang Xiaosheng (CNAO), Dr. Musa Kayrak (TCA), Mr. William Yapp Thou Kiong (NADM), and Mr. Alexander Buan Juliano (COA) for their cooperation and good friendship during this research project.

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**Audit to Detect Fraud and Corruption:
Evaluation of the fight against corruption and money laundering
Country paper of Thailand**

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Background

1. This report is represented main results of OAG Thailand which studied in the 10th ASOSAI research project – Audit to Detect Fraud and Corruption: Evaluation of the fight against corruption and money laundering. The objective of this study is to improve the audit capability of Supreme Audit Institutions to detect corruption in a comprehensive way and play a vital role in anti-corruption and money laundering.

2. This report is consisted of five parts. In the first part, we start to discuss about evaluation of current situation of corruption and money laundering in Thailand. After that, in part 2 we will evaluate the current situation of anti-corruption and anti-money laundering which we could understand anti-corruption system of Thailand. However, this paper will be focused on the role of audit to detect corruption which we clarify this role in part 3. In part 4, ASOSAI researchers designed the template in order to select best practices which Office of the Auditor General of Thailand (OAG) selected typical examples for each roles of anti-corruption and money laundering. Finally, we recommended measures on improving about audit function in detecting fraud and corruption which appeared in the last part. Additionally, the author attaches all results and PowerPoint presentation of OAG in appendix 1 and 2.

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Part 1 Evaluation of Current Situation of Corruption and Money Laundering in Thailand

In this part, we discuss about evaluation of current situation of corruption and money laundering. Under evaluation of current situation of corruption, the author focused on results from four main **Anti-Corruption Agencies (ACAs)**, that is, Office of the Auditor General of Thailand (OAG), Department of Special Investigation (DSI), National Anti Corruption Commission (NACC), and Office of Sector Anti Corruption Commission (PACC). For evaluation of current situation of money laundering, we selected the opinion from Anti Money Laundering Office (AMLO) as a proxy in this study. (See figure 1)

Anti-Corruption Agencies (ACAs)

- In Thailand, NACC is the main ACAs. However, other agencies will support NACC to anti-corruption.
- The main responsibilities of the ACAs in Thailand consist of
 - (1) Conduct investigations
 - (2) Disseminate knowledge on anti-corruption activities
 - (3) Research and analysis corruption
 - (4) Research and analysis on conflict of interest in public management








Figure 1 Anti-Corruption Agencies in Thailand

Evaluation of Current Situation of Corruption

1. All ACAs viewed that the current situation of corruption in Thailand seems to be serious and pervasive in most or all sectors. They believed that the current situation is much higher than previously. (See Table 1)

2. However, they described that the tolerance level is moderately intolerant towards corruption. Meanwhile, the strength of steps taken by Thai government against corruption is at moderate level.

3. The first type of corruption based on perception of respondents is Grand corruption which it seems to be prevalence in Thailand. However, they still believed that the prevalence of petty corruption is at high level. Likewise, the pervasiveness of grand corruption is at high level, too. Since 1997 ACAs have been anti corruption both grand and petty corruption. (See Box 1 Case Studies of Grand Corruption in Thailand)

4. ACAs showed that common types of corruption seems to be the abuse of position/power and criminal breach of trust. Interestingly, they viewed that local government or municipalities is the most vulnerable to corruption.

5. However, they ranked that the greatest probability of corruption occurred in procurement contracts sector. The root cause of corruption in Thailand had been derived from culture, customs and habits of giving bribes to get things done. About monitoring the situation of corruption, they viewed that it was essential. Likewise, they thought that it was essential to prioritize complaints of corruption or fraud from the public.

6. For reporting corruption, they emphasized the important role of whistle blower. Interestingly, they believed that the whistle blowing was effective to ensure complaints of corruption.

7. For the effect of corruption, they concerned seriously about damage of corruption to the government budget, private sector, and citizen. They agreed that corruption during budget formulation is primarily grand or political corruption. Likewise, unchecked and excessive discretion in the budget process tends to create opportunities for political corruption.

8. ACAs gave their opinions about conflict of interest which is usual style of corruption in Thailand. **Conflict of interest (COI)** is a set of circumstances that creates a risk that professional judgment or actions regarding a primary interest will be unduly influenced by a secondary interest for Example of COI, Self Dealing, Post-Employment, Outside Employment, Using inside information, Using public property for private advantage, Pork barreling, etc (Thompson, 1993).

9. Further, they mentioned to the **policy corruption** which involved to the public policy process. They explained that the policy corruption is related to both national and local politicians. It still involved to the budget cycle especially the budget formulation and approval budget.

Table 1 Statistical corruption and money laundering of ACAs in Thailand

ACAs	Number of Corruption and Money Laundering Cases	Sources
OAG Thailand	349	Database of OAG (1999-2012)
NACC	1,056	Database of NACC (2000-2012)
DSI	85	DSI Annual Year Report 2011 (2004-2011)
AMLO	426	AMLO Annual Performance Report 2011 (1999-2011)

Source: Results in part II of SAI Thailand

Box 1

Case studies of Grand Corruption in Thailand

- Corruption in public procurement of medicine and medical equipment in 1999
- Corruption of Klong Dann Sewage Treatment in 2000
- Corruption of Bangkok International Film Festival in 2007
- Corruption in public procurement of Bangkok fire fighting trucks in 2008
- Unusually rich of the Permanent Secretary of the Ministry of Transport in 2012
- Unusually rich of the Permanent Secretary of the Ministry of Defense in 2013

Source: Results in part II of SAI Thailand

Evaluation of Current Situation of Money Laundering

1. In this study, AMLO is the direct agency which could evaluate current situation of money laundering. Initially, AMLO pointed that the current situation of money laundering in Thailand is very serious. Corruptive practices through money laundering mostly found in public entities. However, the highest risk of money laundering was appeared in finance and banking sector. Likewise, the most common method of money laundering was trough financial institutions.

2. AMLO explained the environment favorable for money laundering was that bank and financial institutions did not have suitable supervision/control system to anti-money laundering. However, it seems to be that drugs offences closely associated with money laundering..

3. The consequences of money laundering were to increase crime and corruption. Additionally, AMLO believed that money laundering impact negatively on national security, international reputation and weaken the economy as well as economic reforms.

4. Interestingly, during 2007-1012 grand corruption related to money laundering which perpetrators moved their bribery to invest in stock market, transferred to foreign financial institution, and buying real estate. Also perpetrators converted bribery cash in term of land purchasing. After that they will mortgage this land in order to credit loan from Bank. However, under the Anti-Money Laundering Act 1999, the AMLO is empowered to temporarily restrain any transaction where there is evidence or probable cause to believe it may involve in commission of a money laundering offences.

Part 2 Evaluation of Current Situation of Anti-Corruption and Anti-Money Laundering in Thailand

In part 2, the author selected National Anti-Corruption Commission (NACC) as a proxy to assess current situation of anti-corruption in Thailand because NACC is the main Anti-Corruption Agencies (ACAs).

The main results are represented as follows.

Evaluation of Current Situation of Anti-Corruption

1. Presently, Thailand has an anti-corruption strategy; however, it is the stand alone anti-corruption program or anti-corruption strategy. Our anti-corruption strategy consists of 4 strategies as follows; (1) Inculcate awareness, values, integrity, ethics, and discipline in all sectors; (2) Mobilize all sectors on anti-corruption ; (3) Strengthen anti-corruption agencies and (4) Develop professional anti-corruption personnel.

2. Almost government agencies have anti-corruption action plan which is consistency to the anti-corruption strategy. Most of government agencies will publicize their anti-corruption documents and action plan in their websites. Currently, Thailand has employed measures of declaration of assets and income to fight corruption. Likewise, regulation of returning gift by the public officials is another measure to combat corruption.

3. All ACAs established a hotline or website in order to facilitate citizens to complain corruption actions.

4. In Thailand, we have a special law on anti-corruption. Presently, the major law is the Organic Act on Counter Corruption B.E. 2542(1999). The first priority of measures against corruption is the preventive measures. Meanwhile, the detective action and punitive measure are important respectively. Further, we have most of laws and regulations for anti-corruption, for example, financing of political parties, code of ethics of public, governing declaration of assets by public officials.

5. However, NACC rated a fair level for implementation of the rules/regulations in combating corruptions.

6. Under International cooperation, Thai government ratified UNCAC on 9 Dec 2003. However, NACC viewed that the mutual legal assistance is in a high success level. Meanwhile, cooperation with law enforcement and between national and international authorities is low success.

7. In case of promoting awareness, NACC assessed the effect of media in fighting corruption that it could help public to recognize the real situation of corruption, however, it might provide information inaccurate. Likewise, the role of civil society organization (CSO) is actively but not effectively. However, they viewed that the anti-corruption efforts in Thailand is better than in the past. Finally, they believed that the result of the current situation against corruption will have the impact or benefit in the future.

Evaluation of Current Situation of Money Laundering

1. In Thailand, money laundering is a criminal offence under Anti-Money Laundering Act of B.E. 2542 (1999). Currently, there are 8 predicate offences in the Anti-Money Laundering Act which the cheating and fraud on the public is one of them. AMLO assessed that the implementation of anti-money laundering law is in a fair level. Presently, AMLO serves as **Financial Intelligence Unit** and law enforcement agency.

2. AMLO viewed that identify customer and update customer information seems to be applied effectively. Likewise, they ranked the first for the detective actions measure as the effectiveness of the types of measures. Also, AMLO established website for citizen participation to inform suspected case of money laundering.

3. Currently, financial institutions in Thailand are required AML Act to implement **KYC/CDD** procedures. AMLO ranked unusually large cash transactions as the most common types of suspicious transaction reports (STR).

4. Under international cooperation, AMLO is a member of the Asia/Pacific Group on Money Laundering (APG). Also it signed MOU with Egmont Group of Financial Unit in order to share financial information and financial transfer with FIU of other countries.

5. AMLO gives the role of citizen participation in fighting money laundering, for example, to invite the CSO in formulation of anti money laundering policy. However,

the respondents viewed that the punishment should be revised in order to be suitable for money laundering situation.

Part 3 Evaluation of the Role of Audit to Detect Corruption and Money laundering in Thailand

This part is focused on the evaluation of the role of audit to detect corruption and money laundering in Thailand. In case of detecting corruption, the author selected the Office of the Auditor General of Thailand (OAG) as a proxy of SAI to evaluate the role of audit to detect corruption in Thailand. Under descriptive analysis, we used both documentary research and interview. The author interviewed the Acting Auditor General and Deputy Auditor General who could explain obviously about current situation in the role of audit to detect fraud and corruption.

The main results are represented as follows.

Evaluation of the Role of Audit to Detect Corruption

1. Presently, the legal status of SAI Thailand is established by the virtue of Constitution of the Kingdom of Thailand B.E. 2550 (2007) and enjoys a permanent legal status. Under Thai Constitution and the Organic Act on the State Office B.E. 2542 (1999), the organizational structure of SAI Thailand is mixed between Westminster Model and Board or Collegiate model.

2. Under Thai constitution, the State Audit Commission (SAC) is an independent agency which it has powers and duties to determine standards relating to State Audit and to provide opinions, suggestions, and recommendations for correction of faults in State Audit. For OAG Thailand, our legal status is under the Organic Act on State Audit B.E. 2542 (1999). The members of SAC and Auditor General have a fixed term, i.e., 6 years under Thai constitution and State Audit Act.

3. In addition, SAI is independent of the executive, legislative and judicial department of the state. However, our fiscal or financial is still under the scrutiny and review process of the Budget Department and Parliament/Congress and the proposed budget could be reduced or increased by them.

4. Currently, Section 46 of the State Audit Act 1999 is explained the role and responsibilities of SAI Thailand to anti-corruption². SAI Thailand has the anti-corruption strategy which appeared in State Audit Strategy 2011-2014. This strategy set the *“investigative audit”* as the main tool for anti-corruption. (See figure 2: Explanation of section 46)

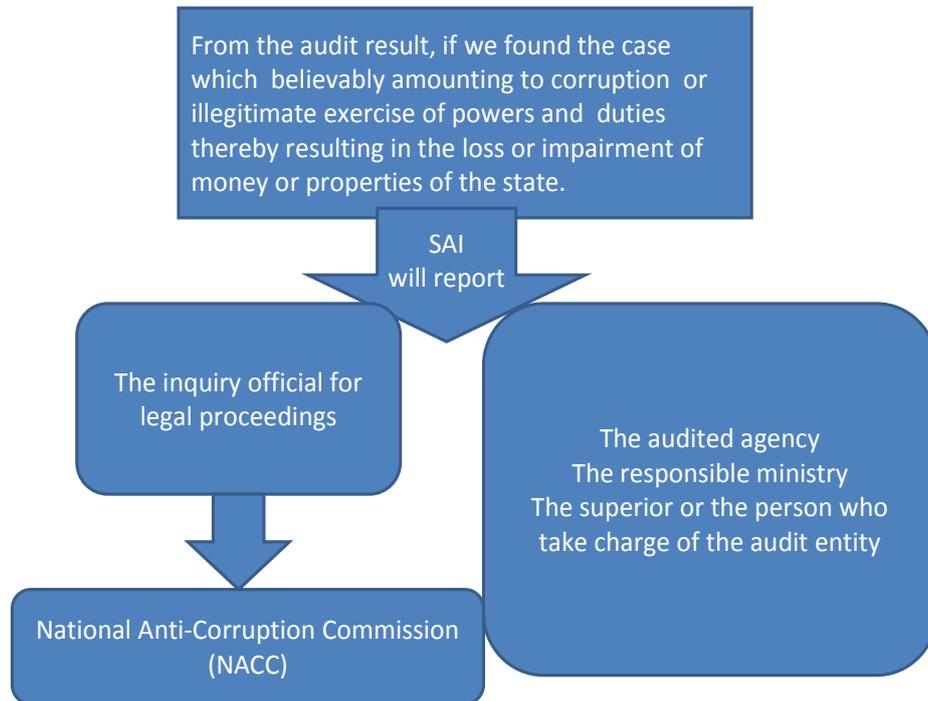


Figure 2 Section 46 of the State Audit Act 1999

5. Presently, SAI Thailand has 5 Investigative Audit Offices for fighting corruption. These offices are located in headquarter, Bangkok. Meanwhile, there are 15 regional offices which served for anti-corruption mission especially in local government. However, SAI still has very few personnel for adequate training in combating corruption. This is another limitation in fighting corruption.

² Actually, the strategic goal focused on the proactive approach in order to prevent losses or damages also under professional standard. In addition, the strategy attempts to create alliance among anti-corruption agencies such as NACC, AMLO and Ombudsman.

6. For a specific manual or guideline on anti-corruption, we issued the regulation of investigative audit in 2006 which regulated the procedure for investigative auditors. This regulation is our guideline on anti-corruption. Presently, our SAI detect the corrupt activities under both proactive and reactive approaches. Actually, during a regular audit the office or department which discovered the red flags will conduct a full blown investigation.

7. Nowadays, OAG launched anti-corruption website³ with an aim to support the country fight fraud and corruption. Additionally, this website could be raised public awareness to anti-corruption.

8. Based on our experience, we viewed that the *Financial Audit* is the best instrument in the detection and prevention of corruption. Meanwhile, the *compliance audit* is the second best which in Thailand we have focused on the public procurement audit. For the investigative audit, it is the suppression role.

9. The Best Audit Practices that led to its detection consist of; (1) **proactive audit approach** which emphasizes to prevent losses or damage from corruption and; (2) in State Audit Act 1999 **the Budgetary and Financial Disciplines** could prevent fraud and corruption behavior directly because it focuses on the state audit control system to proceed in an efficient and disciplined manner.

10. Under State Audit Act 1999, our SAI will issue a special report specifying the audited corrupt activities and transactions, the pecuniary losses suffered by the government, the persons responsible/liable and the laws and rules violated. SAI Thailand will submit the audit report which contains findings on corrupt activities to the entity management and law enforcement agencies like NACC.

11. The best efforts of anti-corruption is the preventive actions by providing recommendations to improve entity 'anti-corruption and internal control system and sharing the best practices and benchmarking information to assist decision-makers. However, we rate our performance of combating corruption in *a fair level*.

12. Presently, we have attempted to improve the investigative audit in order to serve the role of anti-corruption. However, we don't still implement **IntoSAINT** Methodology in a self-integrity assessment.

³ www.oaganticorruption.com

13. Currently, OAG Thailand prepares to change some sections in State Audit Act 1999 especially anti-corruption issue. We view that the anti-corruption management in Thailand has been long process and complexity. Additionally, many Anti Corruption Agencies (ACAs) has been still overlapping. The inefficiency management of anti-corruption has caused to increasing cost of anti-corruption. On the other hand, higher cost of anti-corruption could reduce indirectly cost of corruption of corrupt officials. Under the wrongdoer perception, he/she could decide easily to corrupt when the benefit from corruption is higher than cost of corruption. Therefore, the amendment of State Audit Act should be designed to reduce cost of anti-corruption. Additionally, we have attempted to cooperate among OAG and other ACAs that explained by the role of promoting good governance. (See Box 2)

Box 2

• **The role of SAI Thailand and promoting good governance**

1. Under good governance concept, SAI should focus on the proactive audit approach by using the risk based audit or risk assessment technique which it will support the detecting red flag of corruption.
2. SAI should publish audit report broadly which some audit reports might be related to fraud and corruption behavior. The publication could raise citizen awareness about anti-corruption. However, SAI must concern some issues which are confidential. In extreme cases where information is too politically sensitive, a report might be not published.
3. The reactive approach should be emphasized the efficiency of complaint system or denunciation.
4. Under supporting good governance, SAI Thailand will give good governance award for volunteer local governments which have attempted to declare their transparency in public administrative.

Source : Results in part IV of SAI Thailand

14. Finally, in Thailand we have several Anti-Corruption Laws and Regulations. However, the Organic Act on Counter Corruption B.E. 2542 (1999) is the main anti-corruption Law. Meanwhile, other relevant laws such as the Special Investigative Cases Act B.E. 2547 (2004), Act on Administrative measure for prevention and suppression corruption B.E. 2542 (1999) and the Organic Act of State Audit B.E. 2542 (1999) are related to prevention, detection, reporting of corrupts behavior.

Evaluation of the Role of Audit to Detect Money Laundering

1. Even though anti money laundering seems to be unrelated the role of SAI, the author selected both Anti Money Laundering Office (AMLO) and Office of the Auditor General of Thailand (OAG) as proxies to evaluate the role of audit to detect money laundering. Hence, the author reviewed the document and interviewed the AMLO officers and OAG auditors.

2. Under Thai Constitution and State Audit Act, SAI Thailand **does not relate** to anti-money laundering role. Therefore, we could not implement anti-money laundering strategy.

3. Currently, detecting or investigating money laundering activities is not included in the mandate of our SAI. However, during a regular audit the red flags will be referred by the SAI to the anti-money laundering agency for the conduct of a full blown investigation. Additionally, the money laundering alert section is in OAG website.

4. Audit personnel of SAI Thailand have no skills of detecting money laundering. In 2012 Anti-Money Laundering Office (AMLO) invited OAG Thailand to join in the course about anti-money laundering and anti-corruption. This course was supported by US embassy in Thailand and Internal Revenue Service (IRS). However, when we found irregularity behavior which might be involved money laundering, our SAI only informs irregularity cases to AMLO which some cases might be involved money laundering.

5. In Section 42 of Organic Act on State Audit B.E. 2542 (1999), it explains the authority of OAG Thailand to have full access to essential information; however, it might not be easy to access bank records of government officials and private individuals because it involves to confidential and private right. If our auditors would like to access essential information as bank records, we must request to permit from Bank. Actually, this authority is appeared in Anti-Money Laundering Act B.E. 2542 (1999). Furthermore, we viewed that authorized officials lack commitment is the key impede between SAI and AMLO in the fight against money laundering. However, in order to improve the role of SAI in the fight against money laundering, we need for professional training to improve the skills and expertise of auditors also need for professional training to awareness of auditors for anti-money laundering.

Part 4 Introduction of Typical Audit Practices: Case Study of OAG Thailand

Before writing best practices, the author reviewed several literatures about the role of OAG Thailand and anti-corruption. After that we selected the typical examples in each role. However, we still surveyed data by using interviewing technique. Finally, the author wrote the best practices or typical examples in ASOSAI template.

The main results are represented as follows.

Best Practices of Preventive Role in Anti-Corruption

1. The effective tool of reducing corruption is **the preventive role**. Thus, the main objective of preventive role is to minimize the risk of corruption.

2. The benefits of best practices of preventive role are as follows: (1) promoting strong financial management systems through preventive roles; (2) strengthening internal control for audit entities; and (3) raising public awareness to anti-corruption by using preventive role.

3. The author selected three typical examples of preventive role in anti-corruption, that is, (1) to promote the effective internal control, (2) to emphasize the proactive strategy, and (3) to coordinate with media and CSO in fighting corruption.

4. In case of promoting effective internal control, OAG established effective internal control through *the regulation of SAC in determination of internal control standard B.E. 2544 (2001)*. The aim of this regulation is to set the scope and extent of concept of internal control in order to enhance value for money and reduce corruption opportunities in audit entities.

5. For emphasizing proactive strategy, OAG strategic plan 2010-2014 contained preventive approach and proactive strategy. OAG will focus on the preventive audit approach in order to prevent damage before it occurs. The preventive audit approach is **the proactive strategy** which aimed at preventing corruption and sustaining public accountability.

6. OAG has moved forward to *the model of integrity organization* which we generate many integrity projects to enhance public accountability and reduce corruption chances. The proactive strategy is aimed at preventing corruption by promoting an overall fraud awareness culture in the public sector through network

of anti corruption agencies (ACAs). There are four important projects which could promote OAG public accountability and reduce corruption chances. (See figure 3)

Promoting OAG good governance and reducing corruption through main projects

Good Governance	Projects
Transparency	Public Procurement Watch with OAG
Accountability	Promoting Budgetary and Financial Disciplines
Citizen Participation	Open House with provincial audit office OAG anti-corruption website

Figure 3 Enhancing good governance projects for OAG

7. Since 2013, OAG has coordinated with the media and civil society in order to report suspicious corruption cases. The TV program is ***the column number 7 to anti-corruption*** which was established by OAG, TV Channel 7 and Anti-Corruption Organization of Thailand (ACT). However, we still concern about failure which in August 2013 Mr. Sompoch Toraksa the reporter of the TV program, *the column number 7 to anti-corruption*, was accused from libeling the local governor. This TV program looks like the whistle blower that attempts to investigate and report irregularities behavior or suspicious cases in public spending. However, the whistle blower might be dangerous after whistle blowing. In case of Mr. Sompoch, he reported about exposing alleged budget-use irregularities in the Samut Prakarn Provincial Administrative Organization (PAO). His report raised the questions regarding local administrative organization's Bt 800 million budgets for subsidizing temples. After his report, the chief executive of Samut Prakarn PAO sued him in case of defamation. This case is showed the risk of failure in citizen engagement unless SAIs protects the whistle blowers. Currently, Anti-Corruption Organization of

Thailand (ACT) attempts to support and protect Mr. Sompoch by hiring lawyer. Likewise, OAG tries to find the concrete measure to support the citizen engagement for combating corruption together with OAG. For example, OAG has a plan to encourage the regulation for whistle blower with OAG in order to protect people who provide legitimate information to public control agencies.

8. We represent that the expected outcomes of preventive role are consisted of; (1) to reduce corruption chances through the effective internal control and proactive strategy; and (2) to raise awareness in combating corruption through the citizen participation.

Best Practices of Detective Role in Anti-Corruption

1. The objectives of detective role in anti-corruption are as follows (1) to assess the chances of corruption behavior in audit entities; (2) to investigate sufficient evidences for supporting the chances of corruption behavior; and (3) to report the suspicious corruption cases to the National Anti-Corruption Commission (NACC).

2. OAG could play the first whistle blower to screen or assess corruption chances under sufficient evidences through the investigative audit. In addition, the detective role could reduce the cost of corruption suppression. The investigative audit could assist other ACAs to collect confidential evidences and point out the corruption chances.

3. The author selected two typical examples of preventive role in anti-corruption, that is, (1) to develop the investigative audit units for combating corruption mission; and to facilitate the investigative audit by formulating the OAG regulation of investigative audit procedures.

Best Practices of Reporting and Following up roles in Anti-Corruption

1. The objective of best practice of reporting role is to report the fact about corruption behavior under sufficient evidences and law enforcement. Meanwhile, the objective of best practices of following up role is to monitor the audit entities whether they would follow OAG recommendations or not. (See Box 3 Components of investigative audit report)

2. OAG plays as the first anti-corruption agencies to report the suspicious corruption cases. The benefit of following up role will be showed whether the audit entities would follow OAG recommendations or not. In case they could not follow these recommendations, they have to inform their limitations or arguments.

Box 3
Components of Investigative audit report
<ul style="list-style-type: none">• Title of Investigative audit report• Background• Issues of Investigative audit• Evidence and Witness• Conclusion: Facts from collecting evidences and Consideration under laws, rules and regulations• Weakness of Internal Control (Option)• Opinions and Recommendations• Signatures of investigative auditors
<small>Source: Result in part V of SAI Thailand</small>

3. The expected outcome of reporting roles is to assist the anti-corruption process especially collecting sufficient evidences in suspicious corruption case. The other anti-corruption agencies could utilize the investigative audit report for prosecuting process. Likewise, we could monitor the responds of audit entities and other agencies from the following up process which is enacted in OAG mandates.

Part 5 Measures on Improving about audit function in detecting fraud and corruption: Some lesson learns from OAG Thailand

1. Actually, this result is only opinion in research which the author attempts to find concrete and practical measures in order to suitable for SAI Thailand mandates. The objective of this part is to find measures which strengthen detective role particularly in developing techniques. Under this part, we focus on 4 dimensions as follows: (1) planning stage, (2) stage of formulating program, (3) audit techniques and methods, and (4) utilization of audit finding. Therefore, this study will be represented concrete proposals for improving anti-corruption under SAI Thailand authorities.

2. Under OAG Thailand's experience, the highest area of corruption seems to be appeared in public procurement area. Thus, auditing in public procurement could be ensuring transparency in procurement processes also reducing risk of corruption in public procurement.

3. Hence, since 2001 OAG Thailand has given the important of auditing public procurement because we viewed that public procurement is another main activity in public finance management. We always found audit finding which related believable corruption in public procurement. Thus, in 2006 we established Procurement and Investigative Offices in order to focus on auditing public procurement and investigative audit.

4. For auditing public procurement, it is based on concept of compliance audit. The main objective of auditing public procurement is to ensure that the procurement process of goods and services including public works have been conducted the public procurement law and regulations. Additionally, it could reduce risk of corruption in public procurement.

5. Normally, our audit methods in public procurement are consisted of three methods, that is, (1) document verification, tendering observation, and physical observation. Nowadays, we develop our audit technique to detect public procurement area by using the guideline of audit screening public procurement projects.

6. In 2012, OAG Thailand published the guideline of audit screening project in public procurement projects. The aim of this guideline is to facilitate for auditor in screening public procurement projects as risk assessment method. In addition, this guideline is a tool for reviewing public procurement control.

7. In our view, we should create red flags for anti-corruption in public procurement sector. Initially, we should categorize red flags for each sector, for example, red flags of corruption in construction sector or public works, red flags of corruption in health sector, and red flags of corruption in defense sector.

8. Presently, OAG Thailand provides anti-corruption compliant mechanism which opened area for citizen to report irregularities cases or believable corruption behavior in spending public expenditure. Meanwhile, OAG regulation of investigative audit procedures B.E.2549 (2006) seems to be the Fraud and Corruption standard for investigative auditor of OAG Thailand.

9. In case of establishing forensic audit unit, the author mentioned to the paper of Randolph Ivan Young⁴ (2011) who studied about the establishing an effective forensic audit unit function at OAG Belize. He proposed strategy for establishing forensic audit unit in his office which determined the strategy in five phases. However, the author adopts this strategy to implement for OAG. (See figure 4)

10. OAG Thailand has attempted to develop the investigative audit since 1974. However, in normal audits, when the auditor found irregularities or suspicious corruption cases, the investigation was only stage of collecting sufficient evidences and reporting suspicious corruption cases. During 1974-2001 OAG auditors used the investigative audit manual to carry out anti-corruption mission.

11. Nevertheless, in 2002 OAG promulgated the OAG regulation of investigative audit procedures B.E. 2545 (2002) in order to develop the investigative audit. The aim of investigative audit is to examine facts and collect evidence in the fraud suspected case or mistaken regulation. In 2006, OAG established Procurement and Investigative Office (PIO) in order to serve investigative audit directly.

⁴ This study was individual research of CCAF-FCVI Fellow during 2010/2011 by OAG Canada.

Five Phases for establishing FAU in Thailand

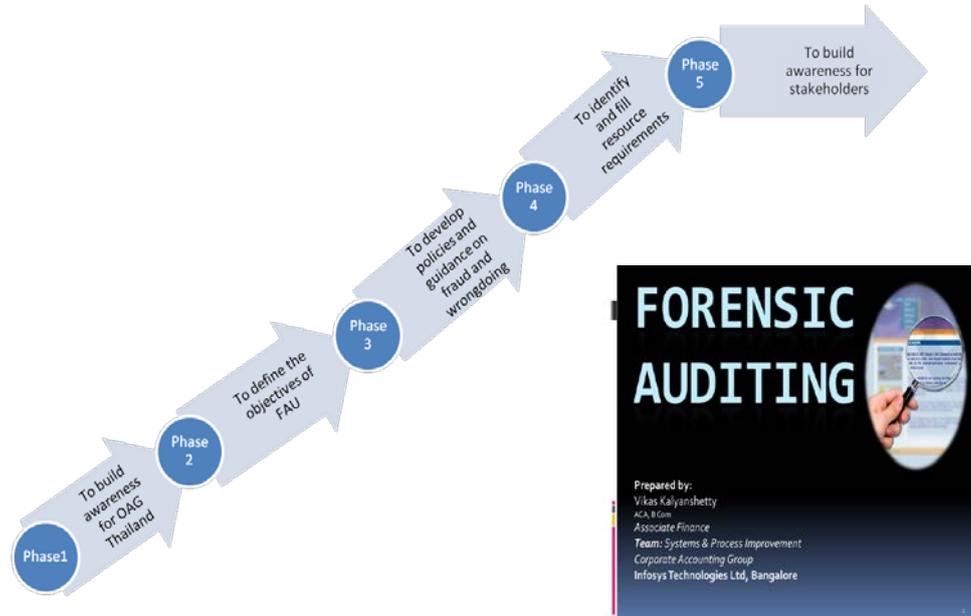


Figure 4 Five Phases for establishing FAU in Thailand

12. Even though OAG Thailand established investigative units in order to carry out anti-corruption mission, we still need to develop our investigative technique for corruption cases. The author proposed investigative corruption techniques which referred from **the Hong Kong Independence Commission Against Corruption (ICAC)**. Actually, ICAC is popular regarded as a successful model in fighting corruption. However, we have to tailor these techniques in order to suitable for our mandates. (See Box 4)

13. OAG Thailand promulgated the OAG regulation of Investigative audit procedures B.E. 2549 (2006) as fraud auditing standard which consisted of main five chapter in 69 sections.

14. Finally, the author proposes three views which we could utilize audit findings as follows. Under macro view; we should collect audit findings and categorized them in order to establish concrete measures for anti-corruption in the future. Under micro view for auditor, we should develop these audit findings for red

flags in each sector especially audit findings in high risk area. In case of interesting audit findings, we should study them under academic research in order to find causes and solutions to prevent them.

Box 4

Generally, interview technique is very important method for corruption investigators. **Tony Kwok Man-wai (2009:143-144)** clarified that interview techniques should be included following elements:

- Proper preparation and planning before interview: the interviewer must study the case thoroughly, the background of interviewee, the available evidence against him or her, the list of question areas, etc. Thus, the interviewer should formulate the structure of interview;
- Ability to deal with reluctant witness: the interviewer must have the ability to identify the reasons behind the interviewee's reluctance, whether it is due to his or her dislike of the agency, fear of going to justice process, his or her relations with corrupt offenders, etc.
- Ability to build relationship: by putting the interviewee at ease in a hospitable environment, given him or her reassurance, and handling him with patience and sympathy;
- Need for active listening and to be flexible in the line of questions;
- Maintain eye-contact and watch body language, which often give you clue as to the truthfulness of what the interviewee is saying;
- If the interviewee is prepared to relate the full version, ensure that maximum details are obtained when, where, who, what , and how, in chronological sequence, and most important of all, who else is also involved in the corruption;
- Always keep control in the interview.

Source: Results in part VI of SAI Thailand

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