

Methods and Techniques for Assessment of Corruption Risks in Defence and Security

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Let's start with defining two basic terms-corruption and corruption risk. According to Transparency International:

- Corruption is the abuse of entrusted power for private gain. It hurts everyone whose life, livelihood or happiness depends on the integrity of people in a position of authority. Corruption in the defense and security can be conceived in a more nuanced and specific fashion.
- Corruption Risk refers to the degree of probability that defense and security corruption might occur along with a reflection of the potential cost associated with that corruption. Increased risk means higher potential for corruption; decreased risk means lower potential for corruption.

Concepts that describe the attitude towards risk as an integral part of every human activity have been developed alongside the development of management concepts. One example of this type of concept is expressed in efforts to completely eliminate or avoid risk. The increase in the value of human activities, including in the field of security and defense requires taking a proportionate and reasonable risk. Modern concept of risk says that it is an inevitable part of human activity and the desire to maximize the obtained results requires taking a reasonable amount of risk without significantly jeopardizing the achievement of the objectives. Fully avoiding risk concept or minimal-taking risk concept does not allow deriving maximum benefit from the activities measured by the achievement of strategic goals. Taking excessive risk is unwarranted in view of the fact that it significantly threatens the achievement of goals. Measured or well estimated volume of assumed risk creates conditions to maximize the results. Some authors named the field of well evaluated risk as "sweet spot" and this field is expressed graphically by the area between the two vertical lines in Figure 1 [1]. The determination of acceptable risk in quantitative and qualitative terms is the result of a risk assessment process. At the same time, it should be clearly understood that the risk assessment is an integrated step of the risk management process, which also includes the steps of identifying corruption risks in defense and development appropriate strategies against major or key corruption risks. The briefly described above theoretical concept is universal enough to be true for

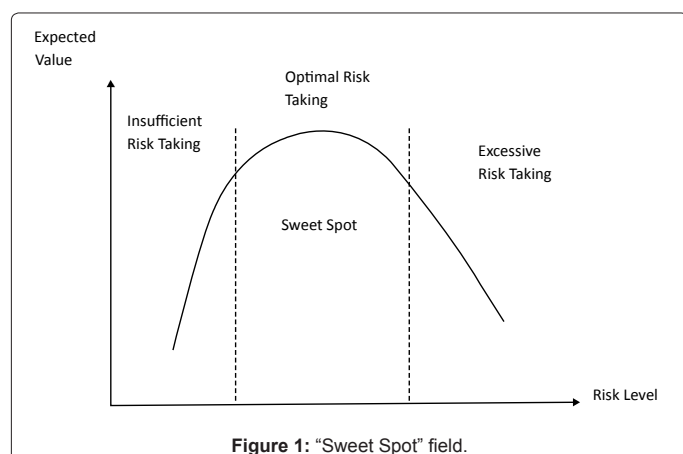


Figure 1: "Sweet Spot" field.

corruption risks in defense.

The process of assessing the corruption risk in defense starts after the process of risk identification and precedes the process of determining strategies to mitigate the significant risks (Figure 2).

Discussed in details the process of corruption risks assessment in defense includes four steps (Figure 3): evaluation criteria development, corruption risks assessment, interaction risks assessment, and corruption risks prioritization [2]. The first stage of the corruption risks management process in defense is risks identification. The aim is to create an exhaustive list of risks which are distributed in suitable areas defined by example: procurement and contracting, budgeting and financial management, personnel, operations, etc.

In most cases, the list of risks includes too many corruption risk events, which requires prioritization based on significance to the strategic goals. Corruption risks prioritization aims focusing the attention on the strategic management on the most important (key risks) of them and optimizing the resources used to counteract or mitigate the significant risks.

Corruption risks assessment in defense is the second stage of risk management process and its content includes the four steps mentioned above (Figure 3). The first step is related to development of appropriate criteria for assessing corruption risk in defense. In general, corruption risks are assessed in terms of their likelihood and the size of the expected negative impact. Experience shows, however, that there are exceptional cases where seemingly risky events with low probability often find employment, and many possible risk events do not occur. This fact allows us to summarize that the likelihood of the risk events and the size of expected negative impact by themselves fail to fully describe the picture of the importance of corruption risks in defense. If necessary, to these two criteria some additional criteria could be included, for example [1]:

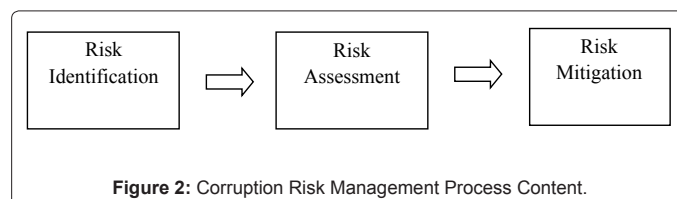


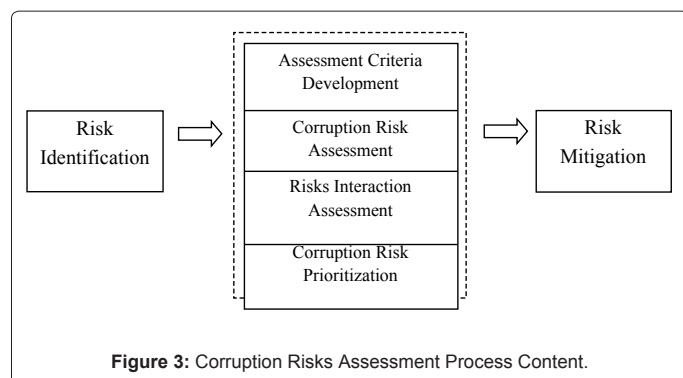
Figure 2: Corruption Risk Management Process Content.

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- Speed of transformation the risk into a problem, the assessment of which answers the question of the appropriate level of agility and adaptability of the system to changes in the environment;

- Period of time from risk identification to its transformation into a problem, the assessment of which answers the question of the need to maintain an effective and efficient decision making process;

- Vulnerability of the system by the corruption risks, which assessment allows determining the needs of capabilities to mitigate corruption risks.

Criteria for corruption risks assessment in defense could be structured and described in one or more levels. As an example: the likelihood of the corruption risk can be further specified as the frequency of the incidence in a given period of time and probability of occurrence of the risk event. The size of the expected negative impact of corruption risks could be described by the level of inefficiently used financial resources, loss of capability to achieve the strategic goals and loss of image in society and among partners and allies.

Corruption risks assessment in defense, along with the criteria development also requires the development of appropriate scales for measuring them. Each of the scales of measurement may include a different number of levels. In general it could be assumed that the greater the number of levels of the scale, the more accurate assessment could be done with it, but on the other hand the large number of levels in the scale hampers the work of the assessors. The conclusion follows

that the construction of scales of corruption risks assessment in defense should be balanced between accuracy and simplicity of the evaluation.

The second step of the process for assessing the corruption risks in defense is to carry out the assessment itself. In practice this is done by setting specific values for each of the selected parameters (criteria) for the evaluation of each of the assessed corruption risks.

The third step of the risks assessment process is to evaluate the interaction between corruption risks in defense. In general, the risks do not exist individual and there are certain interactions that sometimes lead to an increase in the size of the potential negative impact. Knowledge of these interactions is essential in determining effective strategies for risks mitigation. Good practice in this case is the application of strategies that, among other things provide for the termination of the interactions between corruption risks.

The last step in the corruption risks assessment process relates to risks prioritization. Prioritization of risks is a process of setting priorities on risk by comparing the current or estimated levels of risk with pre-defined target or acceptable values for them.

The process of managing corruption risk in defense ends with developing and applying appropriate strategies to mitigate the significant risks. Possible options for strategies include as examples: risk adoption, risk mitigation, risk sharing, risk avoiding and risk ignoring.

In conclusion, it could be said that to be effective and efficient corruption risks assessment in defense, the application processes and tools must be sufficiently universal, simple and affordable for the evaluators. No doubt the success of the corruption risk assessment also depends on the knowledge and skills of the assessors, on the degree of commitment to the process and available resources, mainly human and information. Ultimately, the benefit from assessing corruption risk is measured by whether and how the results are used by managers in the decision-making process.

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