

Risk-based methodology for the verification of asset and interest declarations

www.oecd.org/gov/ethics

govintegrity@oecd.org

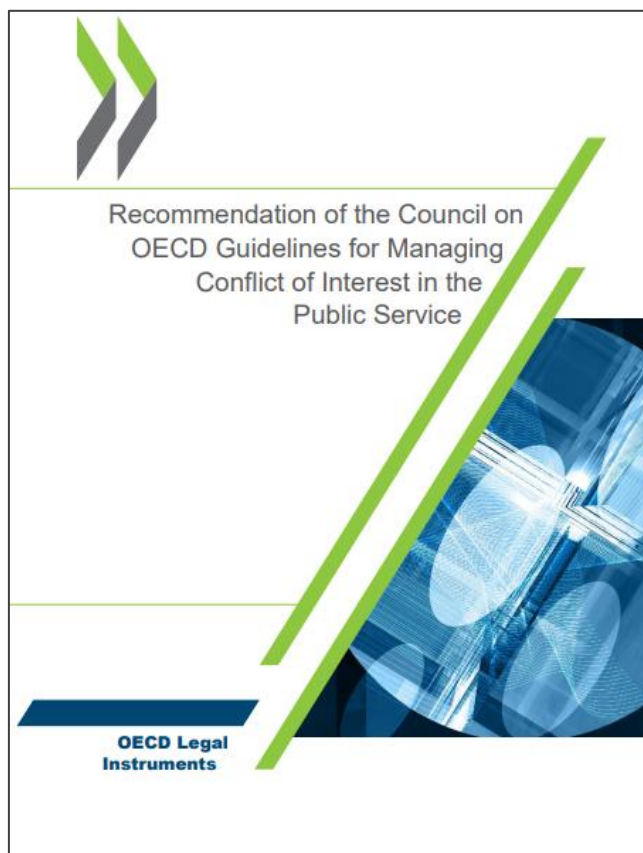
 #OECDintegrity



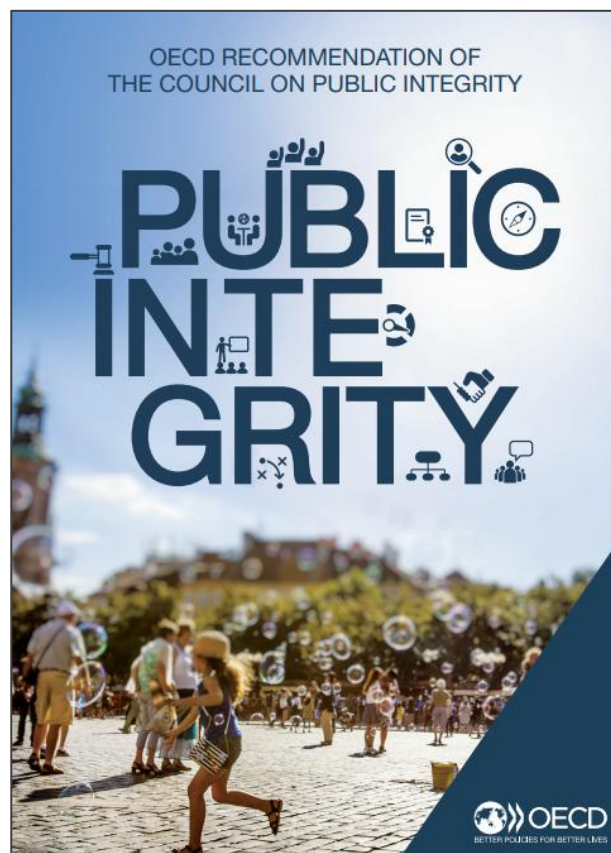


OECD legal instruments covering disclosure mechanisms

Recommendation on OECD Guidelines for Managing Conflict of Interest in the Public Service (2003)

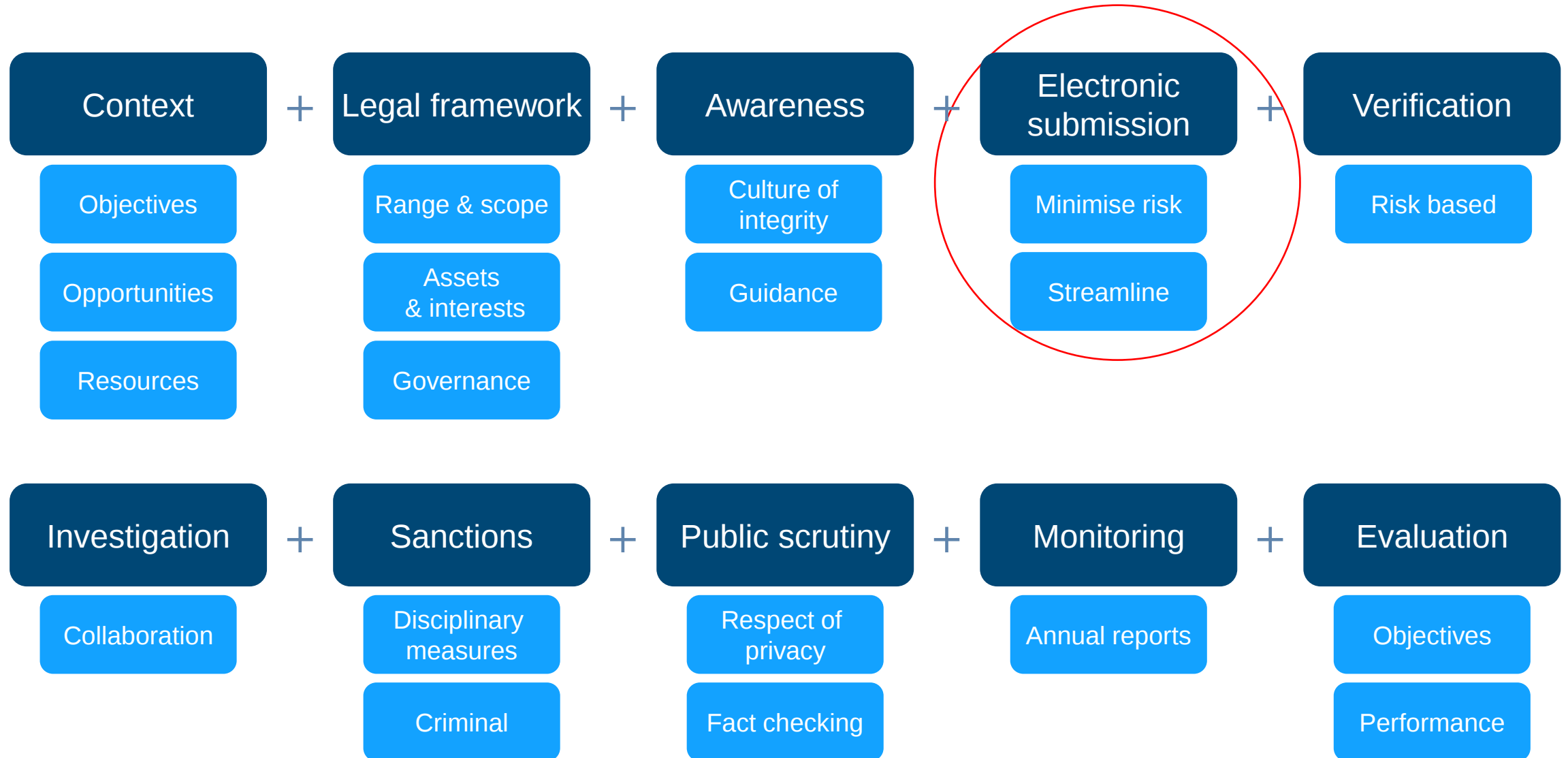


Recommendation on Public Integrity (2017)



Recommendation on Transparency and Integrity in Lobbying and Influence (2024)







Reducing the scope of declarants in asset and interest declaration systems

Public officials with higher risk due to their involvement in **sectors more susceptible to corruption**, e.g.:

- infrastructure
- licensing
- contracting
- tax
- market regulation
- customs
- SOEs

Ranking officials based on their roles in government, particularly their **levels of discretion and authority**. Typically, the following positions are considered:

- senior executive office holders: ministers, deputy ministers, commissioners, agency heads
- legislators
- judges, senior prosecutors and senior judiciary officials
- civil servants (senior level) who exercise budgetary discretion or authority (direct and indirect)



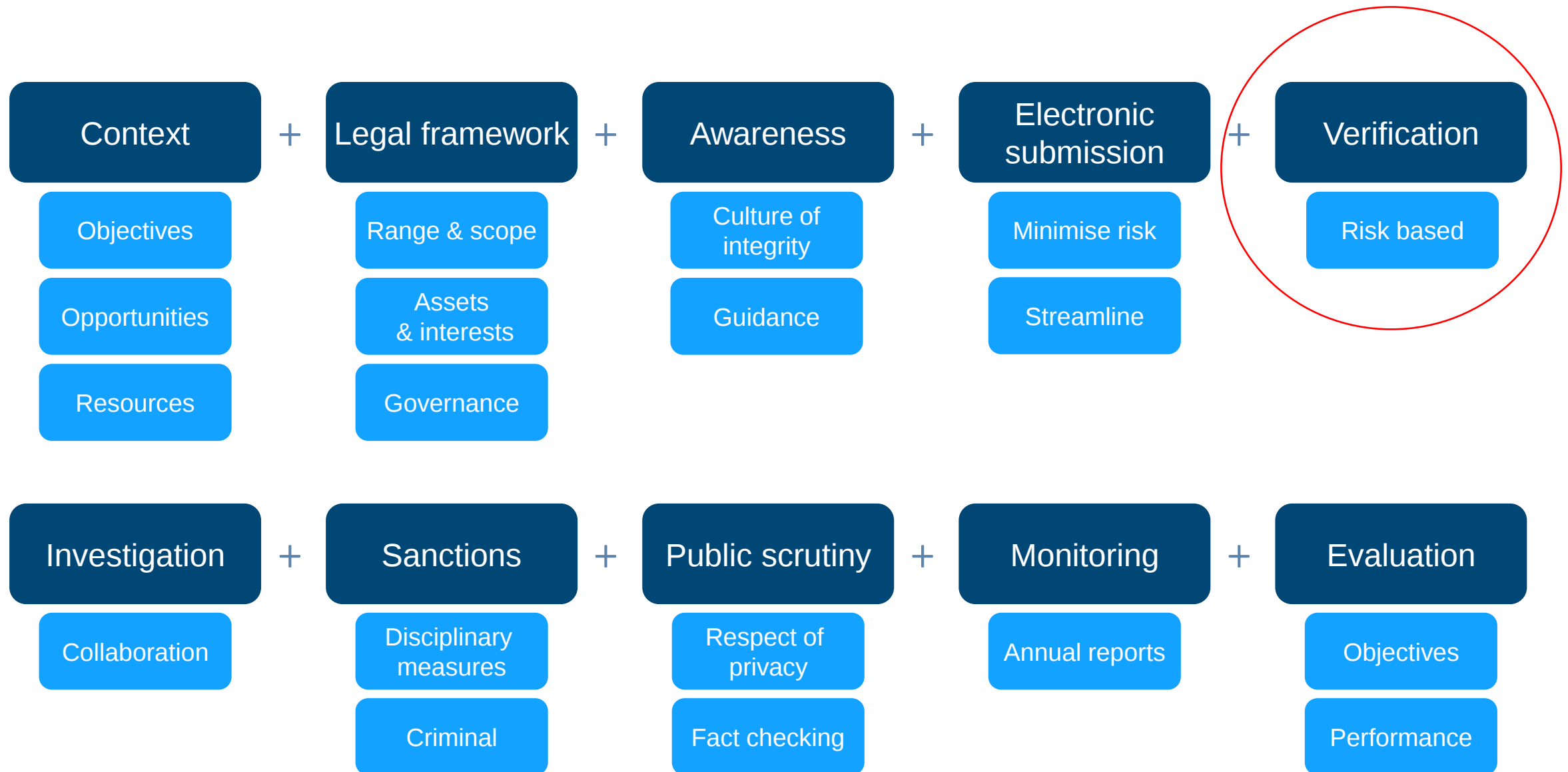
Asset Acquisition: Wealth Tracking vs Conflict of Interest

Tracing Unjustified Wealth

- Require acquisition date (exact or approximate)
- Compare asset acquisition with income/savings
- Detect unexplained variations in wealth

Conflict of Interest

- Acquisition date relevant for in-office transactions
- Example: stocks acquired while in office → insider trading
- Mode of acquisition (purchase, gift, inheritance) reveals consistency and potential undue influence over the public official





Risk-based verification systems – general considerations

- **Focus resources on high-risk declarations** to avoid inefficiencies
- **Use meaningful risk indicators** (e.g. position or authority), not just formal triggers like late submissions
- **Apply transparent, rule-based prioritisation** to reduce discretion and bias
- **Incorporate external signals** (media, whistleblowers, NGO reports) when credible and verifiable
- **Use IT tools to automate** the identification of red flags, analysis of patterns, and comparison of declarations
- **Automate cross-checks** with government databases

→ **Automated risk-based verification systems serve two roles:** prioritisation and detection of potential violations



Risk-based verification systems – Risk assessment

Define verification scope: Clearly identify which management procedures need to be verified



Identify potential risks: Use historical data, risk assessments, and input from national/audit authorities



Assess risk levels: Evaluate each risk using a **risk matrix** (likelihood × impact)



Prioritise risks: Rank risks based on severity; focus on high-impact areas for verification



Develop verification plans: Create checklists, review documents, and coordinate with national authorities



Monitor & review: Track verification outcomes, spot trends, and adjust methodology as needed



- > **Develop** a list of **risk factors with assigned thresholds** to trigger automatic reviews.
- > **Use keyword-based red flags** to detect issues, such as:
 - Missing or zero income/assets for family members
 - Asset value marked as "unknown"
 - New assets with no purchase price
 - Empty or zero bank savings/deposits
 - Empty or zero declared income
- > **Test risk factors** on the system to see how many declarations are flagged.
- > **Adjust thresholds as needed** to ensure a manageable number of flagged declarations.

Main Types of Risk Factors

- High-risk status or function
- Missing data
- Data inconsistency
- Unusual behaviour or irregular values



Examples of red flags and algorithms that could be adapted in a verification system

**Market value
check**

**Repeated
unusual income**

**Unusual income
jumps**

**Unexplained
drop in wealth**

**Purchase timing
analysis**

**Year-over-year
inconsistencies**

**Suspicious
loans**

**Missing sale
proceeds**

**Logical
inconsistencies**

**Asset vs.
savings/income
mismatch**



Automated Comparison with Past Declarations:

- Declarations often **pre-filled with prior data**—only changes are updated.
- Automated tools can **highlight only changed items**, reducing reviewer workload.

Use of External Data Sources:

- **Media reviews:** Cross-check declarations with investigative journalism and whistleblower reports.
- **Secondary employment:**
 - Maintain a list of secondary jobs ranked by risk level.
 - Review source of second income and employer data for red flags.
- **Law enforcement data sharing:**
 - Collaborate to detect overlapping red flags.
- **Lifestyle audits:**
 - Detect mismatches between declared income and visible lifestyle (can lead to identification of illicit income or corruption).
 - Check if assets are hidden under names of family or associates.

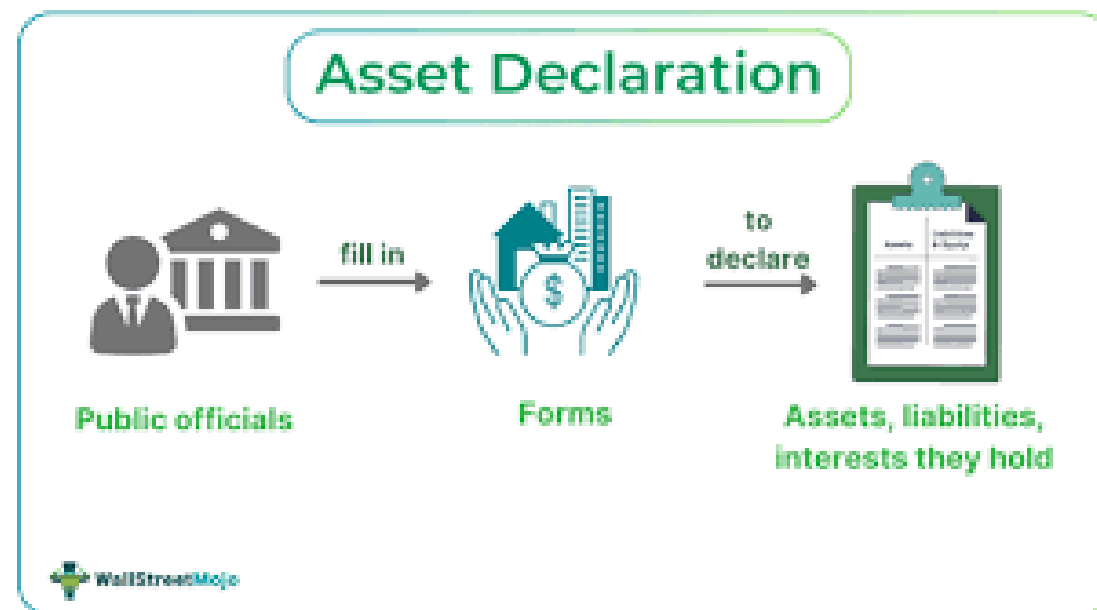
Red flags: assessing information over time

Section 3. Assets	Declare assets as of the last day of the reporting period (for example, for an annual declaration, as of December 31 of the year before submission of the declaration). <i>Alternative option: "as of the date of declaration submission."</i>
Section 4. Income, gifts, and other incoming financial flows	Declare income and other incoming financial flows received during the previous calendar year (that is, from January 1 to December 31) or during another reporting period covered by the declaration. <i>If the reporting is linked to a financial year that does not coincide with the calendar year, the period covered in this section could be the respective financial year.</i>
Section 5. Financial liabilities	Declare the financial liabilities situation as of the last day of the reporting period (for example, for an annual declaration, as of December 31 of the year before submission of the declaration). <i>Alternative option: "as of the date of declaration submission."</i>
Section 6. Expenditures and other transactions	Declare expenditures and other transactions made during the previous calendar year or during another reporting period covered by the declaration. <i>Alternative option: "during the previous financial year."</i>
Section 7. Activities outside of public service and other interests	Declare positions held or activities conducted as of the last day of the reporting period (for example, for an annual declaration, as of December 31 of the year before submission of the declaration). <i>Alternative option: "as of the date of declaration submission."</i>



To accurately identify the asset, the form should include:

- > Full address at which the asset is located (for real estate),
- > Country in which is located (for certain movable property such as vehicles)
- > Property registry number (if applicable),
- > Asset's type and size, and other important descriptive characteristics.
- > Other registries, databases, or documents in order to simplify cross-checking (for example, a registration number, place and date of registration, and registration authority).





Value of an asset for risk verifications

How to better use the value of an asset to identify discrepancies



Country context, the objectives of the disclosure system, and the ease with which filers can retrieve the information.



Market value (when the asset was acquired or when the declaration was submitted), purchase value, cadastral value, appraisal value, fiscal value, or insured value.



Trade-offs and complexities involved in picking one type of value over the other.

Considerations

- > Market value: fluctuating, complex, error-prone
- > Most relevant: acquisition price (actual paid)
- > Alternatives: purchase value, cadastral, appraisal, fiscal, insured

- > Not all movable assets must be declared
- > Set thresholds for jewelry, art, antiques
- > Use context and common sense for declarations