FOLLOWING THE MONEY: CLOSING AFRICA'S ILLICIT FINANCIAL FLOW LEAKAGES

Research project: Addressing Illicit Financial Flow and Financial Irregularities in Offices of Accountants General in Africa: Exploring Detection and Mitigation Mechanisms

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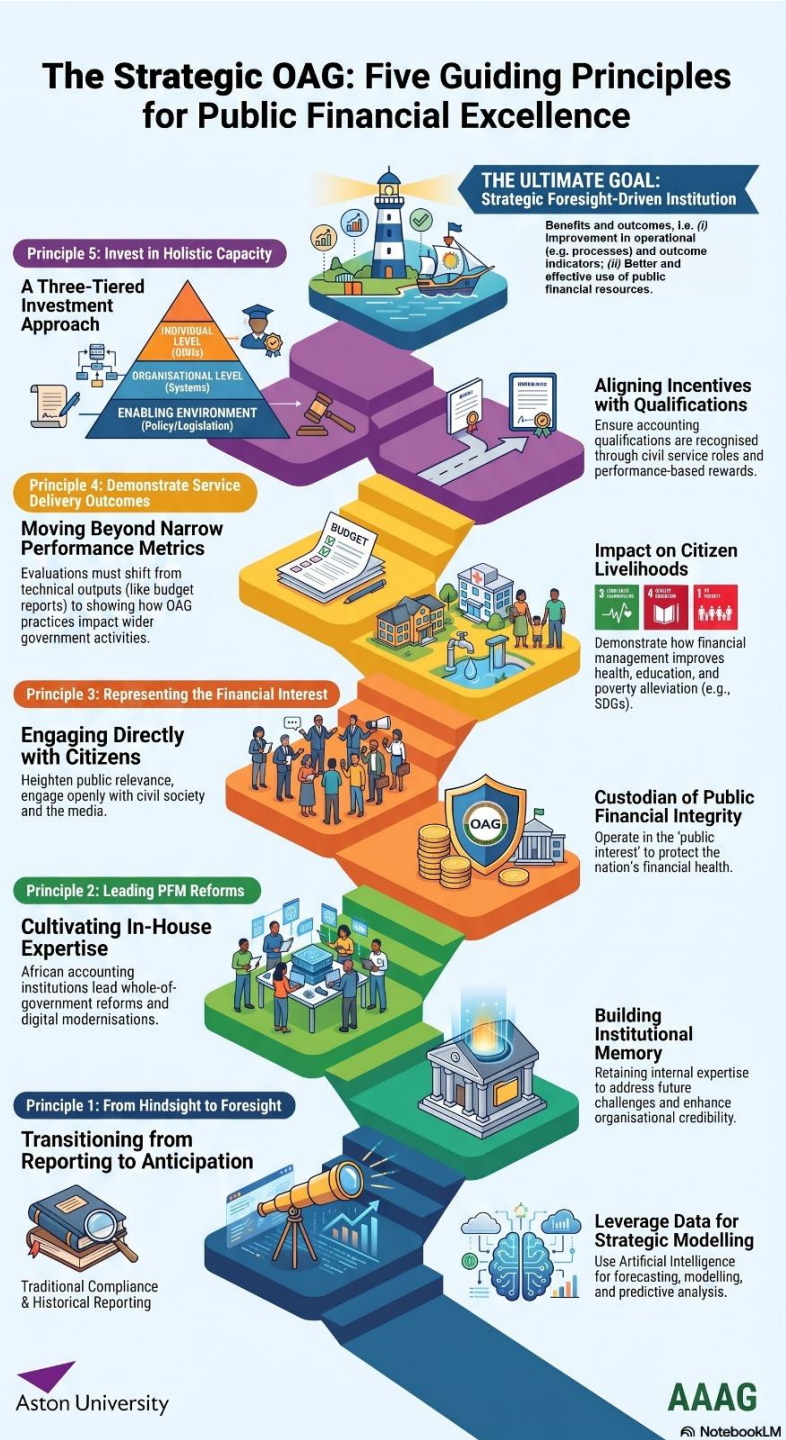
Enhancing the Strategic Role of OAGs

- To stimulate debate on the strategic role of the OAG in Africa, with a view to articulate areas for policy development and improving extant OAG practices, supported by research evidence and evaluation.

- Examples:
  - Establishing/strengthening advisory boards with diverse expertise.
  - Developing popular reporting formats.
  - Piloting performance incentives tied to irregularity reduction.
  - Fostering researcher-practitioner collaborations on priority themes (e.g., fraud mitigation, procurement integrity, use of artificial intelligence).

- **Benefits and outcomes : improvement in operational (processes), outcome indicators; better use of public financial resources.**
- **Aim of the initiative: Co-create and collaborate on a specific project at OAG level (we are looking for three projects/OAGs) to pilot in different areas.**

https://aaag.africa/enhancing-the-strategic-role-of-the-office-of-the-accountant-general-oag-research-insights-and-recommendations/



Why the urgent need to seal the leakages

- UNECA approximates that more than **US$50 billion** is lost annually while UNCTAD estimates places the figure closer to **US$88.6** billion annually by African countries (Olaoye et al., 2025; UNCTAD & UNODC, 2020)

- Domestic irregularities weaken expenditure systems and revenue integrity.

- SDG 16 (target16.4 Indicator 16.4.1) places IFF reduction at the center of global development.

Why the Office of the Accountants General (OAGs)?

OAGs are directly involved in public financial management, therefore their role in combating or enabling IFFs deserves a greater attention

Conceptualising IFFs & Financial Irregularities

"Illicit financial flows… are financial flows that are illicit in origin, transfer, or use, involve an exchange of value, and across international borders." (UNCTAD & UNODC, 2020)

Global Finance Integrity **(GFI):** IFF constitutes total value of Trade Gaps between countries and their trading partners (Global Finance Integrity, 2026).

UNCTAD's multidimensional measurement framework of IFFS:

- Tax evasion and aggressive avoidance
- Trade mis-invoicing
- Money laundering
- Corruption and procurement fraud
- Criminal proceeds
- Domestic financial irregularities (ghost workers, duplicate payments, unsupported expenditure)

(UNCTAD & UNODC, 2020; GFI, 2026; Olaoye et al., 2025)

Patterns of Financial Irregularities Identified

- Irregularities: domestic leakages from fraud, errors, unsupported expenditure.
- Main channels: tax evasion, mis-invoicing, procurement fraud, payroll manipulation.

(Court & Iwedi, 2024; Auditor General reports; Otusanya & Adeyeye, 2022)

What the literature shows: IFFs are complex and difficult to measure

- IFFs are multidimensional, encompassing tax/commercial activities, corruption, illegal markets and criminal financing. (UNCTAD & UNODC, 2020; Cobham & Janský, 2020)
- Measurement remains contested: trade gaps, price filters, profit-shifting and offshore-wealth methods capture different dimensions and involve important assumptions. (Collin, 2020; UNCTAD, 2022)
- IFFs undermine development financing, reducing fiscal space, public-sector integrity and domestic resource mobilisation. (UNCTAD & UNODC, 2020; Brandt, 2023)
- The literature is increasingly shifting from “how much?” to “how and where?”, with greater attention to governance and institutional drivers. (Dote-Pardo & Severino-González, 2025; Pillay, 2026).

What the literature shows (continued)

- While several channels exist, trade mis-invoicing and corruption are a major African IFF channel, particularly in resource-rich and trade-dependent economies. (Nkemgha,2026 ;UNCTAD/UNODC; Global Financial Integrity, 2026)
- Governance shapes IFF vulnerability: Corruption, weak oversight, secrecy and institutional weaknesses facilitate illicit flows. (Nkemgha, 2026; Emeka & Asongu, 2026)
- Public expenditure systems are vulnerable through procurement, payroll, supplier payments, revenue collection and weak reconciliations. (Ndikumana & Boyce, 2011; Court & Iwedi, 2024; Vorster & Nwosu, 2024)
- African audit evidence repeatedly identifies weak internal controls, procurement and revenue administration as major financial-governance problems. (source: comparative synthesis of African auditor general reports)

The Call for Action and Collaboration: existing recommendations

- Strengthening Beneficial ownership frameworks / transparency is a step closer to curbing the leaks; Weak/incomplete beneficial-ownership transparency can allow anonymous ownership structures to conceal illicit assets and flows. (Etter-Phoya et al, 2022; Nkemgha, 2026)

- Generate evidence-based knowledge to inform policy and practice; Effective IFF oversight increasingly requires data analytics, risk-based monitoring and the integration of transactional data to identify patterns that conventional controls may miss (Tiwari et al., 2025)

- Facilitate learning, innovation, and collaboration among agencies and member countries; Fragmented mandates and limited information sharing weaken IFF enforcement; effective control requires coordinated action and intelligence sharing across agencies and jurisdictions (Ebire & Daniels, 2023; van Roomen, 2024)

What we do not know yet:

The missing institutional layer:

- Much of existing IFF research focuses mainly on taxation, extractives, trade, offshore finance and financial crime (Khalil et al., 2025; Asongu & Somé, 2025; Emeka & Asongu, 2025)- : Little is known on the role of OAGs or expenditure governance.
- We know financial irregularities occur. (Danbala et al., 2024; Lassou et al., 2024/2026): However, we do not know sufficiently how they connect to wider illicit flows
- We know controls exist, (Azure et al., 2024; Lauwo et al., 2025); but not why they fail or under what institutional conditions they work.
- Despite their position in treasury, expenditure control, financial reporting, reconciliation and IFMIS, The role of OAGs remains under-examined

Research gap

- We understand to some extent macro trends and responsibilities at the holistic level (e.g. PFM & country level).

- We know little about existing mechanisms and how they operate within OAGs as specific institutions in the African context.

Objectives:

(a) Provide an evaluation of the scale (and if possible, nature) of IFFs and financial irregularities affecting public finance systems in Africa (part completed),

(b) Assess existing detection and mitigating mechanisms, as they pertain to the Office of Accountant General (interview-based phase of the research)

Secondary data sources used so far (IFFs and irregularities)

- Auditor General Reports (analysis of 20 reports)
- Academic literature
- Official government websites
- Reports by the United Nations Conference on Trade and Development (UNCTAD)
- Reports by the UN Office on Drugs and Crimes (UNODC)
- Economic Commission for Africa (ECA) report
- AAAG website (recent framework)

Africa's Trade-Related IFF Burden (Trade Value Gap) (GFI, 2026)



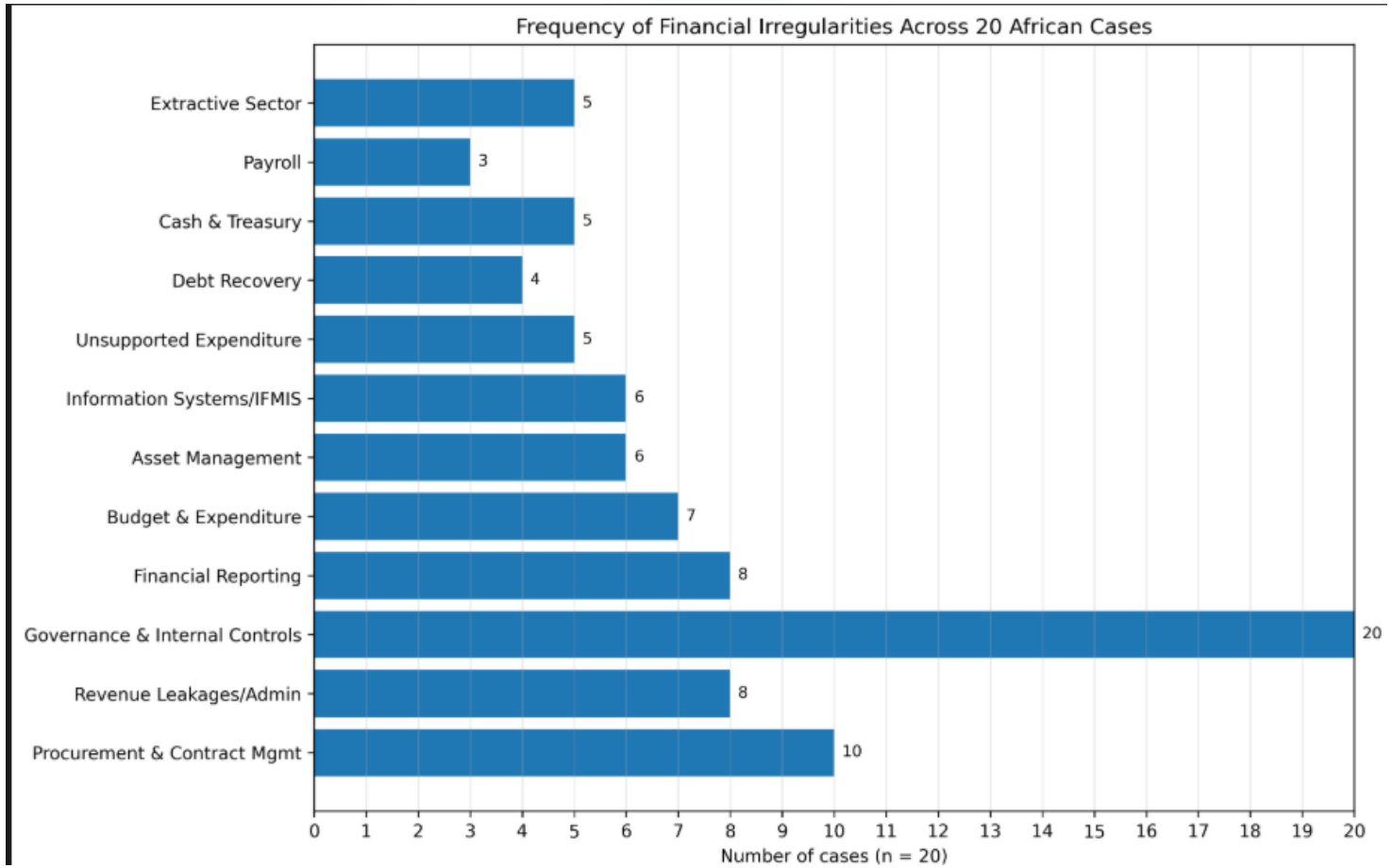
Raw trade value gaps for all African countries (2013–2022), one line per country,

orange line = **continental average.**

Category	Criterion (USD)	Countries
Large	>100,000	South Africa only
Medium	20,000–100,000	Nigeria, Ghana, Côte d'Ivoire, Kenya, Zambia, Tanzania, Angola, Senegal, Ethiopia, Mozambique, Namibia, DR Congo, Cameroon
Small	<20,000	All remaining countries

Large economies drive continental totals; small economies show proportionally sharper increases from 2013-2023 and higher vulnerability ratios (GFI, 2026).

Financial Irregularities in African PFM Systems (Auditor General Reports)

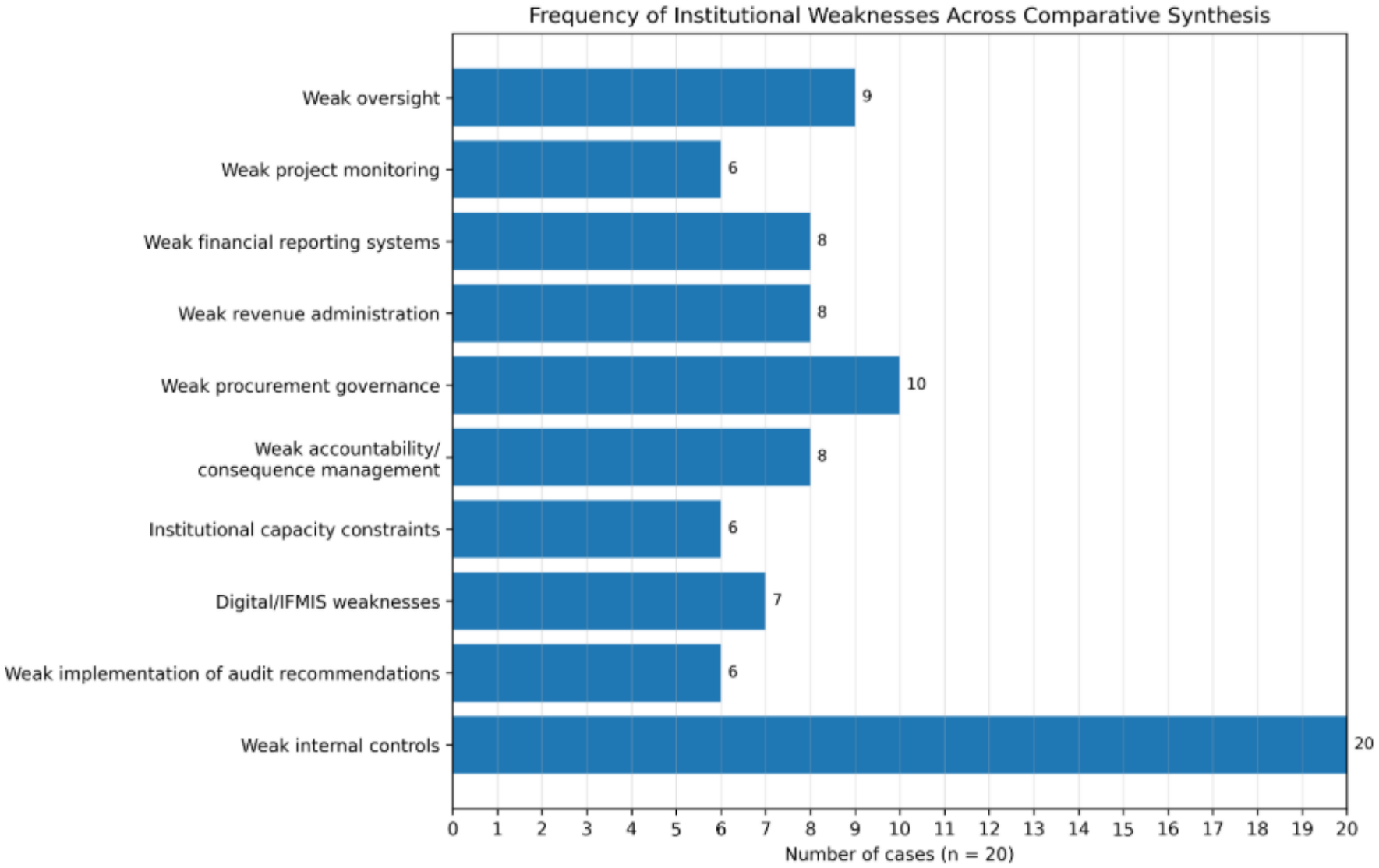


Several countries reported material misstatements, incomplete accounting records, unreconciled bank accounts and unsupported balances while Governance and internal control deficiencies are consistent across countries.

(Source: Auditor General Reports, 2016 to 2025).

Procurement, governance, financial reporting, and revenue administration are the most recurrent irregularities across African OAGs (Source: Auditor General Reports, 2016 to 2025).

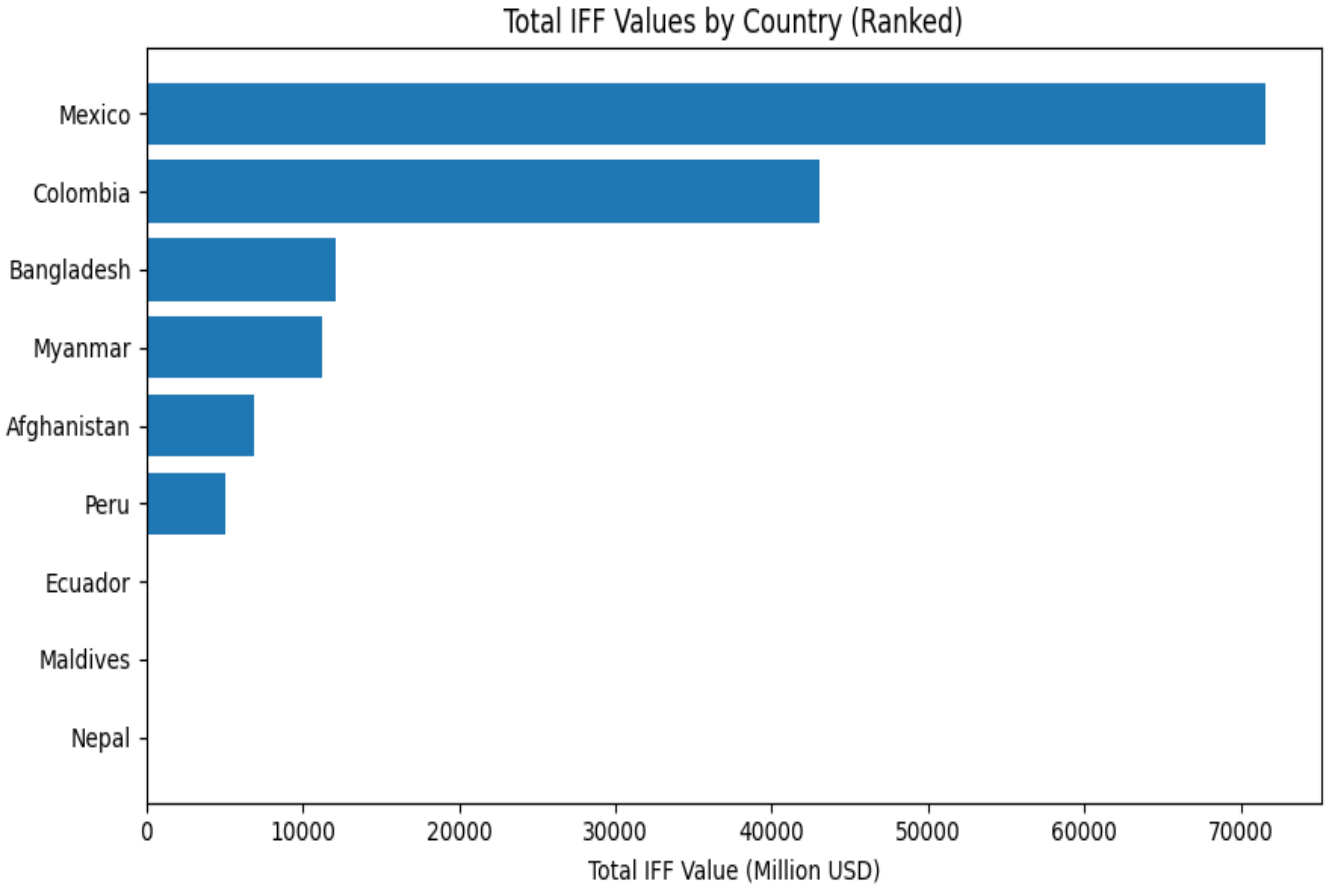
Institutional Weaknesses Across OAGs (from Auditor General Reports)



Weak internal controls, weak audit follow-up, IFMIS weaknesses, and institutional capacity constraints are systemic across OAGs.

(Source: Auditor General Reports, 2016 to 2025).

IFF On the Global Scale tracked by SDG 16.4 (UNCTAD&UNODC)



Other Global trends (albeit limited data)

- Over **US$3T** illicit funds move annually.
- Major cases: HSBC Switzerland, BGFI Bank (DRC).
- Extractives, banking, real estate, and trafficking dominate.

Source: (Naheem, 2018; Dell'osso et al., 2021; Global Finance Integrity, 2026)

Source: https://unstats.un.org/sdgs/dataportal/database Accessed June 2026

IFFs and Financial Irregularities: Detection & Mitigation Mechanisms

Current practices / mechanisms:

- PFM framework reforms
- IFMIS & TSA
- Digital payments
- Procurement reforms
- IPSAS adoption
- Internal controls
- Inter-agency coordination

Sources: (Auditor General Reports, 2016 to 2025; GFI, 2026; Lassou et al., 2024)

Common persistent gaps highlighted:

- Lax legal & regulatory framework
- Weak enforcement
- Limited interoperability
- Poor audit follow-up
- Capacity constraints
- Political interference

Sources: Auditor General Reports, 2016 to 2025; Brandt, 2023; Lassou et al., 2024; Lauwo et al., 2026; UNECA, 2015).

AAAG-Guelph-Aston Collaboration

AAAG is motivated to deepen its understanding of the nature, extent, and effectiveness of mechanisms used to detect and mitigate illicit financial flows (IFFs) and financial irregularities within African public financial management systems, particularly those operating within Offices of Accountants General (OAGs).

To address this need, AAAG has partnered with Aston University and the University of Guelph in undertaking this research to generate evidence-based insights that can strengthen financial integrity, accountability, and public resource management across Africa.

While we know more about cross-border IFFs we **know less** about how they manifest within domestic public financial systems. More importantly, the **role of the Offices of Accountants General (OAGs) in preventing and detecting** these irregularities remains under-researched and this is why we are planning to reach out to Member State OAGs.

We look forward to comments and suggestions on the project, which will start soon.