

# ***Fighting corruption with ethical codes and corporate compliance***

## **The Practitioner's View**

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# Background

**Managing financial crime risk in:**

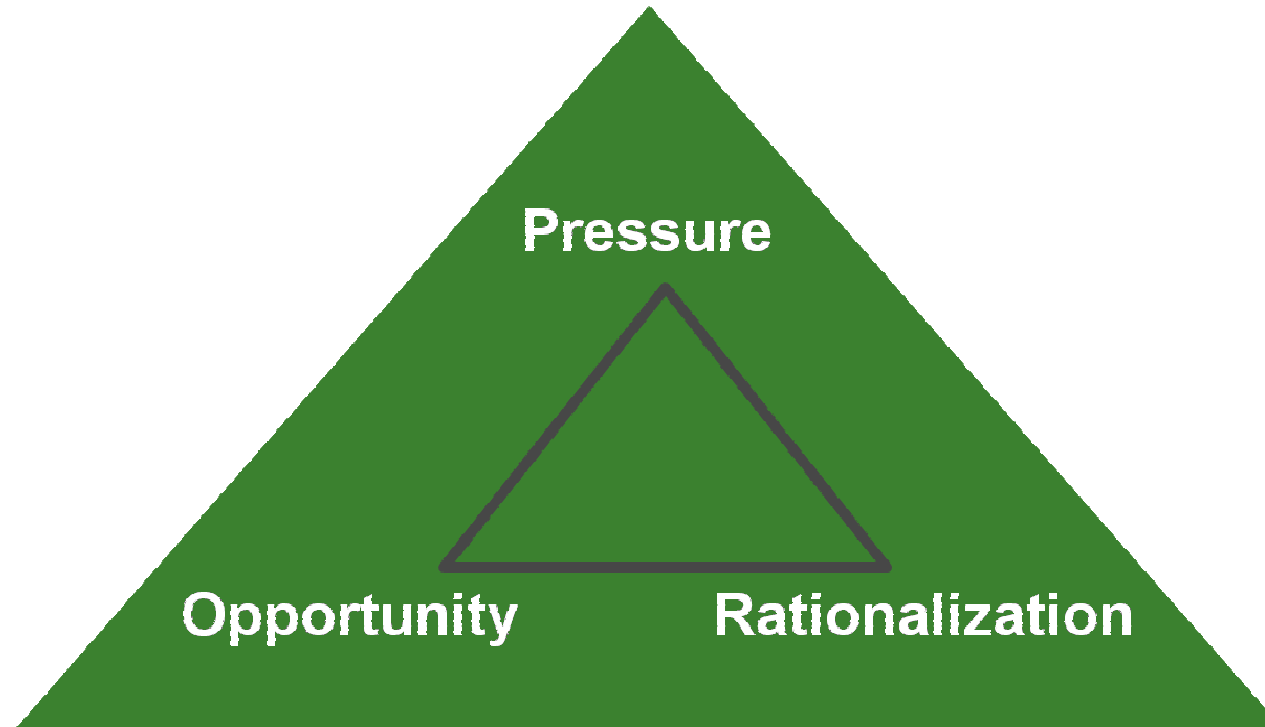
- **Royal Hong Kong Police**
- **Standard Chartered Bank**
- **Hong Kong Monetary Authority**
- **Ernst & Young**

# Aim Today

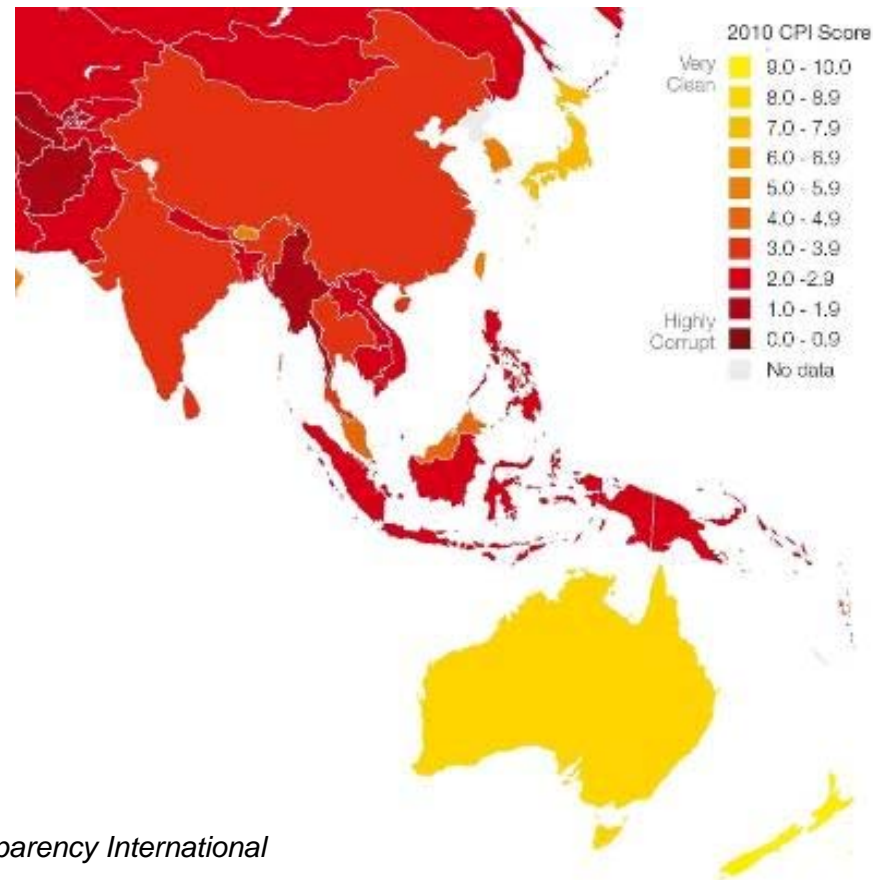
## To remind ourselves

- ◆ **Reasons behind the fraud**
- ◆ **Profile of the typical fraudster**
- ◆ **Specific case studies**
- ◆ **Control failures**
- ◆ **Adequate policy & procedures**

# Reasons behind the crime



# Surrounded on all sides...



Source: Transparency International

# The Typical Fraudster

- **“Loyal”, long-term, trusted staff**
  - Start off honest but turn to fraud when times get hard, dissatisfaction sets in or work pressure becomes too high
- **Staff with prior history**
  - Staff with bad intent and poor performance

# Specific case studies

- **Conflicts in Macau**
- **Fraud in Fraud Control**
- **Taiwanese Loan Portfolio**
- **Creative Customer Service**
- **Objective Pressure**

# Control Failures

- **Sharing passwords**
- **Failure to log-out**
- **Poor supervision**
- **Undue reliance on key individual**
- **Failure to take annual leave**



# Adequate Procedures

- **UK Bribery Act 2010 will have impact on major UK businesses operating globally**
- **All businesses need to have 'adequate procedures' in place to prevent bribery and corruption occurring**

# Adequate Procedures

- **Board responsibility for the company's anti-corruption programme**
- **Appointment of a senior officer with responsibility for compliance**
- **Adopting a clear and unambiguous code of conduct including a well publicised anti-corruption code**
- **Putting in place procedures for risk assessment, reporting and investigation**
- **Employee vetting and revision of employment contracts and procedures to deal with the issue of corruption**
- **Developing and implementing a gifts and hospitality policy**
- **Provision of thorough anti-corruption training to employees**

# Adequate Procedures

- **Undertaking due diligence before commencing new business relationships and careful management of supply chains**
- **Formalising the organisation's decision making processes**
- **Tightening financial controls**

# Final Thought

***“Integrity is doing the right thing, even if nobody is watching”***

***- Jim Stovall (Author of The Ultimate Gift)***