

OECD / ADB

4th Anti Corruption Conference

Bribery and Fraud Prevention Programs in the
Private Sector

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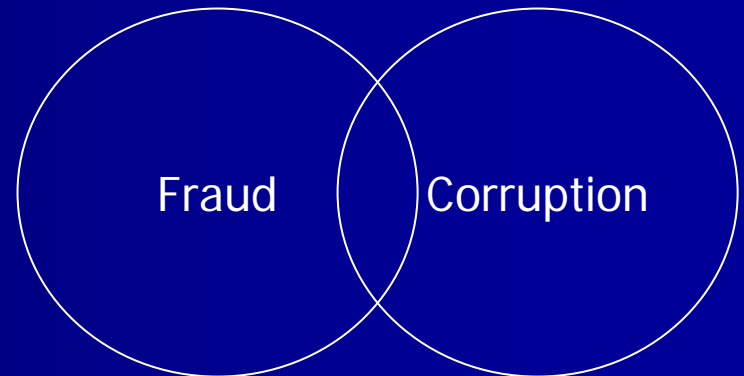
BACKGROUND ASIA

Format of today's presentation

- Some Theory
- Case Study
- Q & A

Fraud v Corruption

- Closely linked but NOT the same
- Protection of an organisation against fraud involves four issues:
 - People
 - Controls
 - Enforcement
 - Security



Finding Fraud

- In designing fraud intervention programs you need to recognise that the earlier you go in, the broader the intervention is going to be. Eg Hiring policies versus controls over petty cash reimbursement.
- The broader the intervention the greater the cost of implementation

Corruption

- Definition
- What are the different types?
- Corruption is a truly non discriminatory system (political system, religion, stage of development)

Types of Corruption

- Bribery
- Extortion
- Nepotism
- Patronage
- Cronyism
- Embezzlement
- Fraud

The tactics for dealing with corruption vary with the different types. Therefore it is important to understand exactly what type you are dealing with when you design prevention strategies and tactics.

What Causes Corruption

- Lack of transparency
- Silence
- Over regulation
- Failure to enforce
- Poverty
- No checks and balances
- Greed
- Literacy
- Inequality
- Lack of democracy
- Expectations not met
- Weak judiciary
- Weak press
- Low public sector salaries
- Lack of market competition
- Transitional issues
- Prohibition

Corruption Factors

- Those factors can be both causes and consequences
- Corruption is a function of:
 - Motivation
 - Opportunity
 - Likelihood of detection
 - Likelihood of punishment
 - Likelihood of degree of punishment

Addressing Corruption

- All firms, and the public sector, make three choices when choosing tactics for addressing corruption:
 1. Which tool to use
 2. What regulatory style will fit your audience
 3. What is the best time for intervention

Controlling Corruption

- Corruption is a hidden crime
- Anti Corruption programs must have an intelligence function that looks for new ways that the system is being abused
- The enemy is conscious, they evolve
- Measurement systems can be aligned incorrectly so that there is no incentive for discovering new corrupt practices

Essential Elements of an Anti Corruption Program

- Prevention
- Detection (Reactive and Proactive)
- Enforcement

Zero Tolerance!

- Awful idea
- The Knapp Commission bell curve showed that if you adopt a zero tolerance stance then when you push down the bulge at the left of the curve you push the curve out to the right
- The most effective systems have a graduated system of enforcement