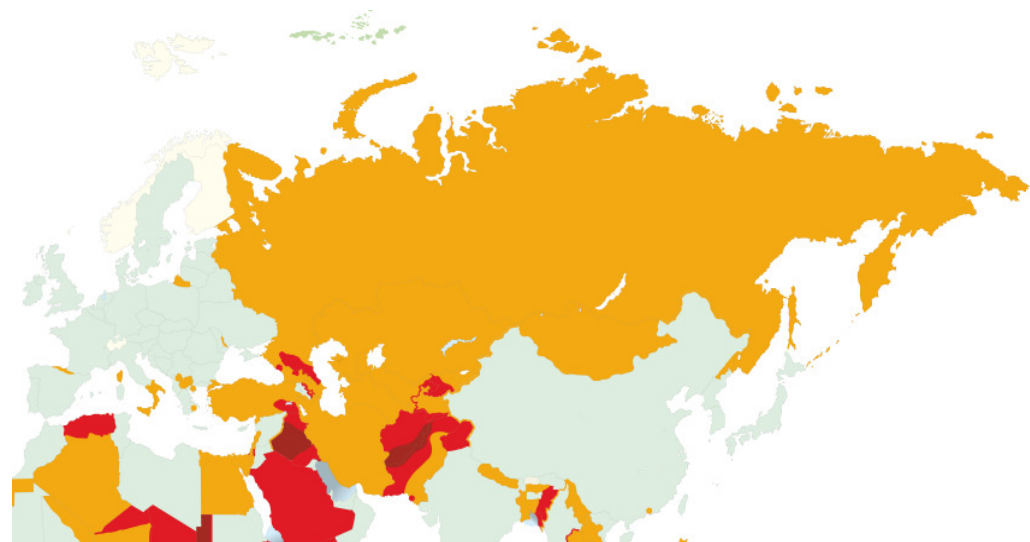


Hans Jürgen Stephan

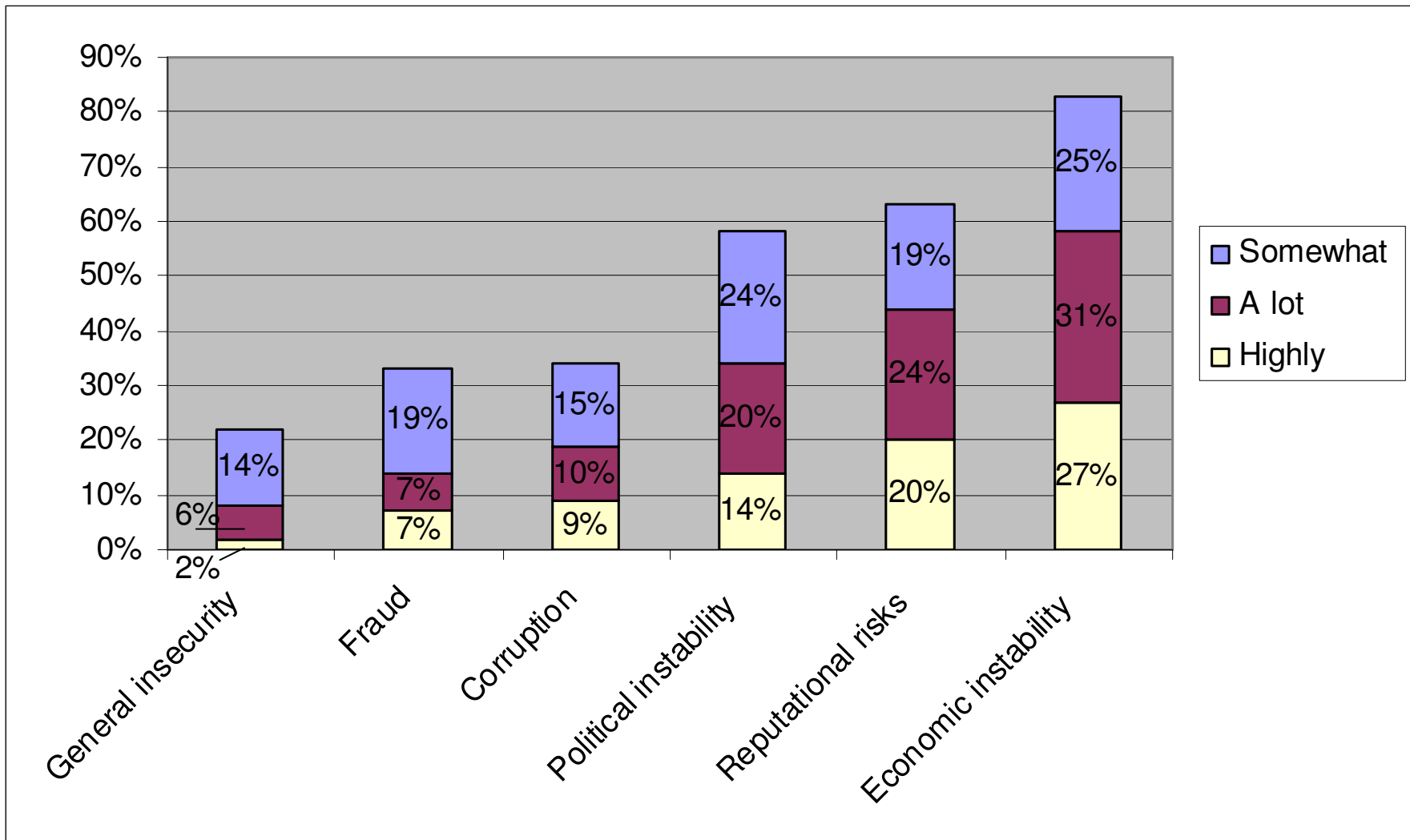
How to combat corruption – tools and instruments



From anecdotal evidence to concrete assessment

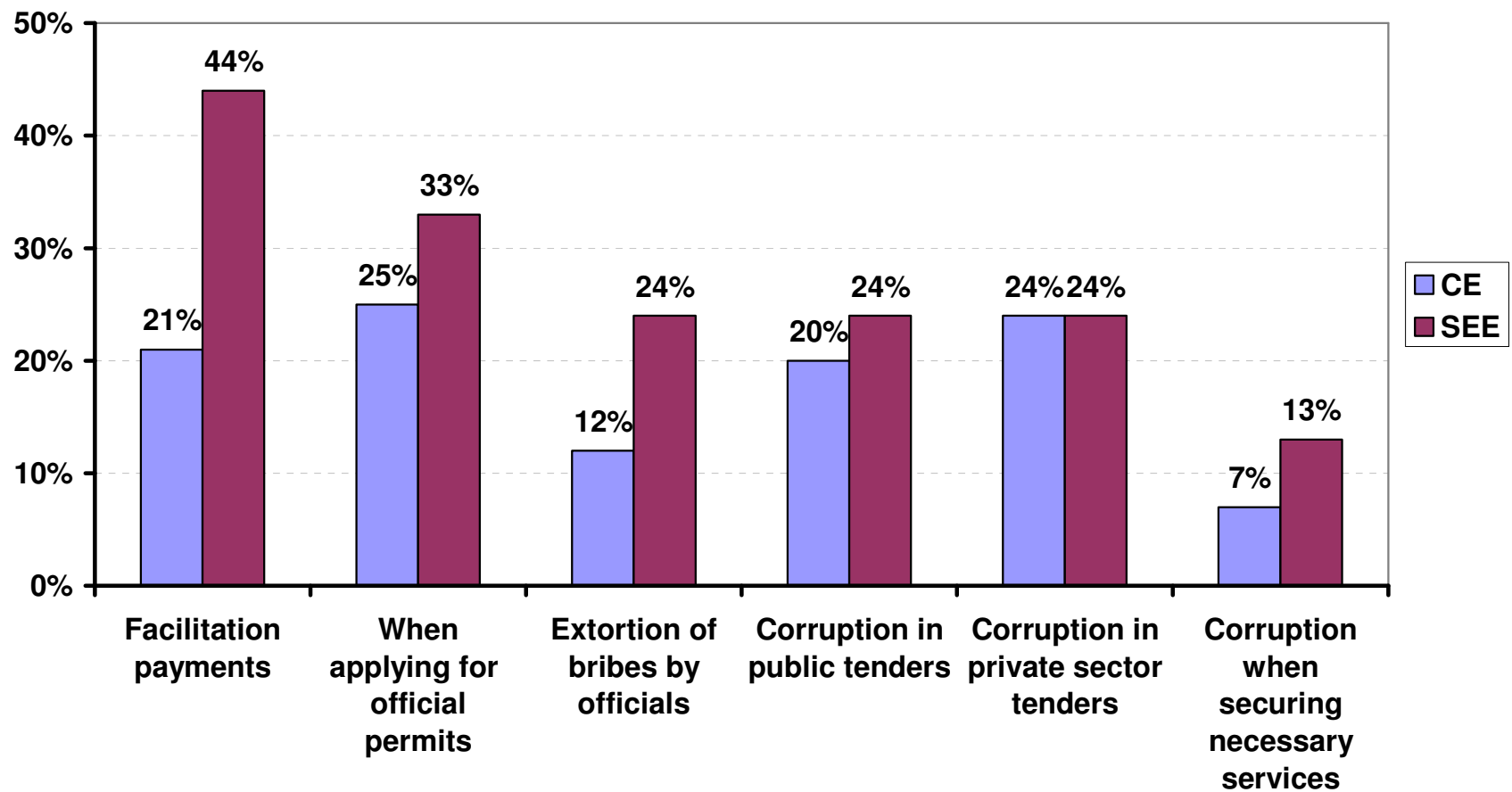
- Efficient risk management and prevention must be based on objective risk assessment
- So far **only anecdotal evidence** of economic crime in CEE
- Control Risks survey:
 - 240 managers of international businesses
 - In 6 countries: Poland, Czech Republic, Hungary, Romania, Bulgaria and Serbia
 - Specially designed questions to understand concrete knowledge of cases
- Breakdown into Central Europe, CE (Poland, Czech Republic and Hungary) and South Eastern Europe, SEE (Romania, Bulgaria and Serbia)

General rating of risks by respondents

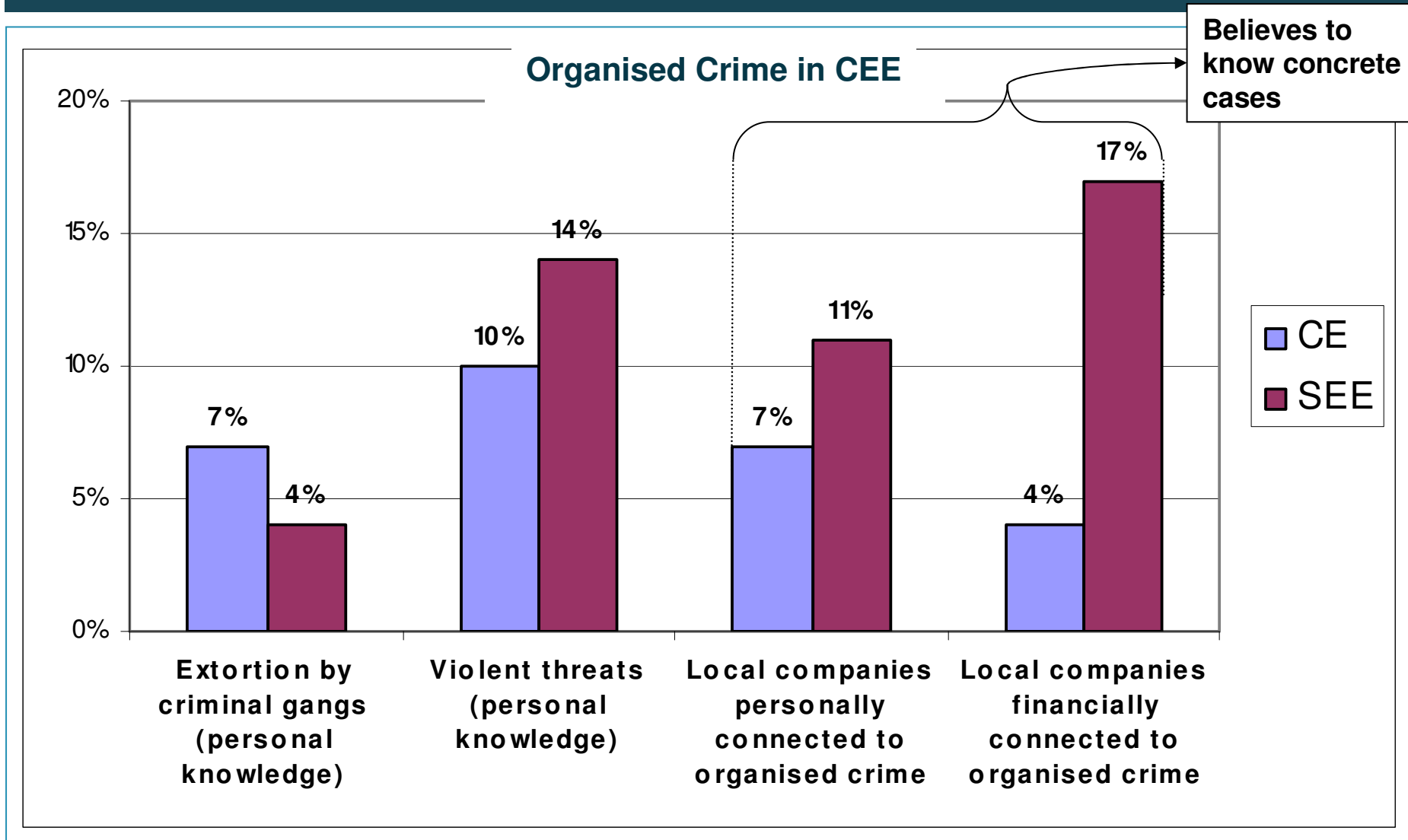


High corruption risks in CEE

Corruption in CEE (personal knowledge of cases)

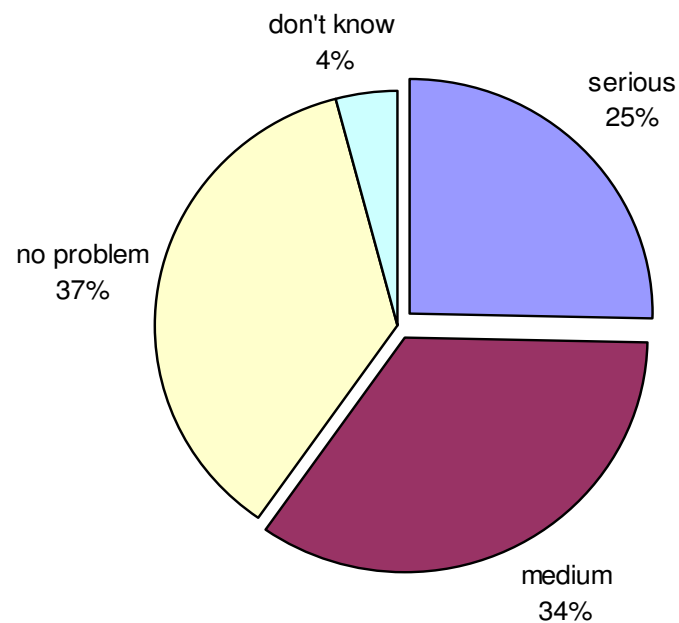


Persistent high risks of organised crime



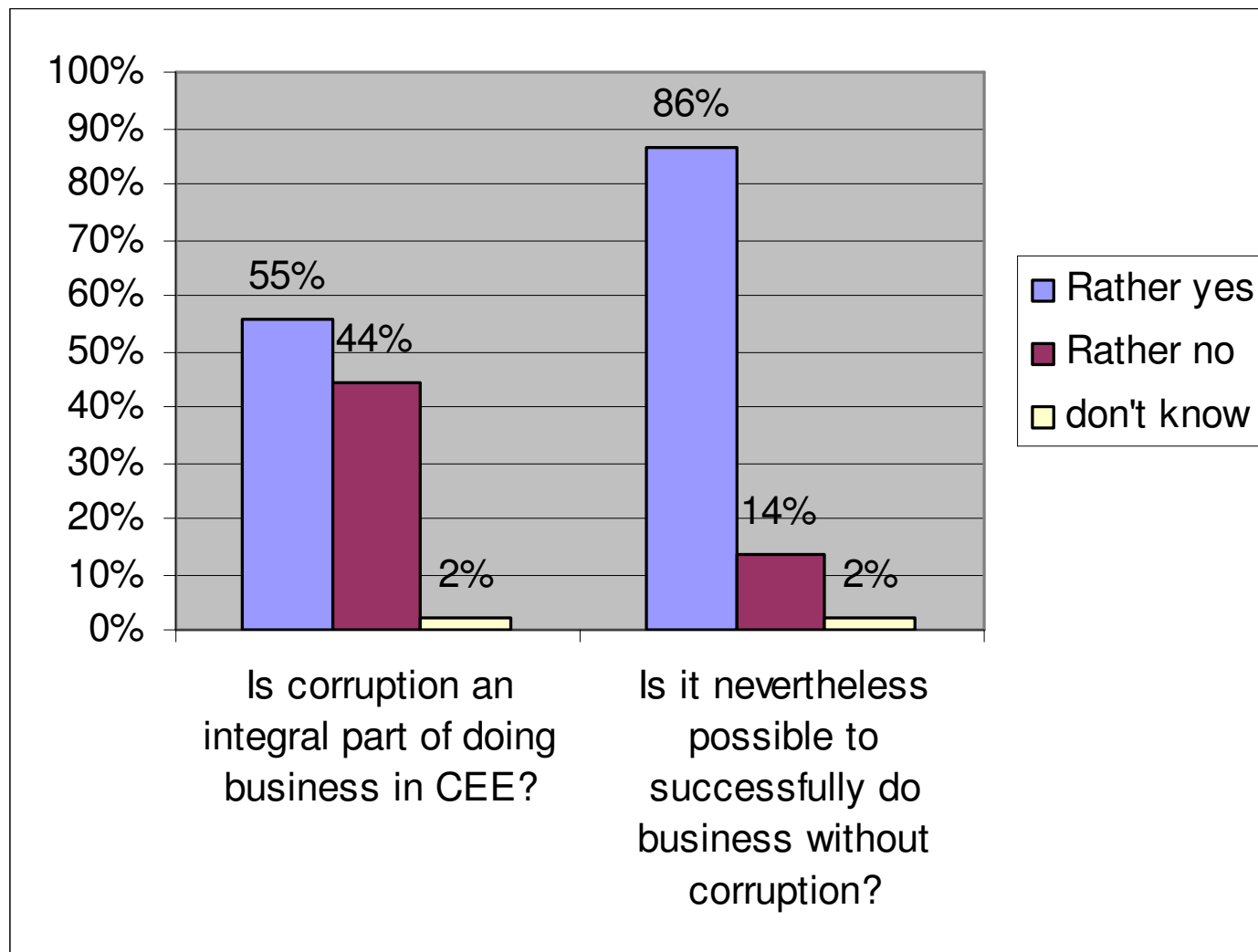
Information Security – the underestimated threat

Do you believe that industrial espionage poses a serious threat to companies operating in the region?



59% of respondents believe industrial espionage to be a *medium to serious* problem in CEE

Successfully doing business without corruption



The risk landscape

- High corruption risks: likely to impose significant time tax on management
- Organised crime still poses a problem
- Industrial espionage
- (Comparatively low awareness among managers in the region)
- But it is doable!

Preventing corruption and fraud

...and managing incidents as they emerge

Prevention: integrity management and compliance



The regulatory level: code of conduct, policies, guidelines



Control mechanisms: responsibilities, reporting methods



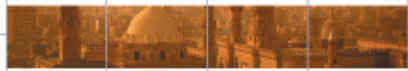
Sensitisation: awareness training, courses



Determination, Investigation and Response

Corruption audit and incident management

Audit



- Identification of vulnerable areas
- Assessing likelihood of occurrence
- Assessing existing preventive structures
- Company culture

Development



- Policies; Guidelines; Organisation
- Whistleblowing system
- Crisis reaction and control system
- Buy-in by management

Implementation



- Organisational and structural adjustments
- Information, awareness raising
- Developing whistleblowing system / investigative comp.
- Announcing consequent persecution (zero-tolerance?)

Review

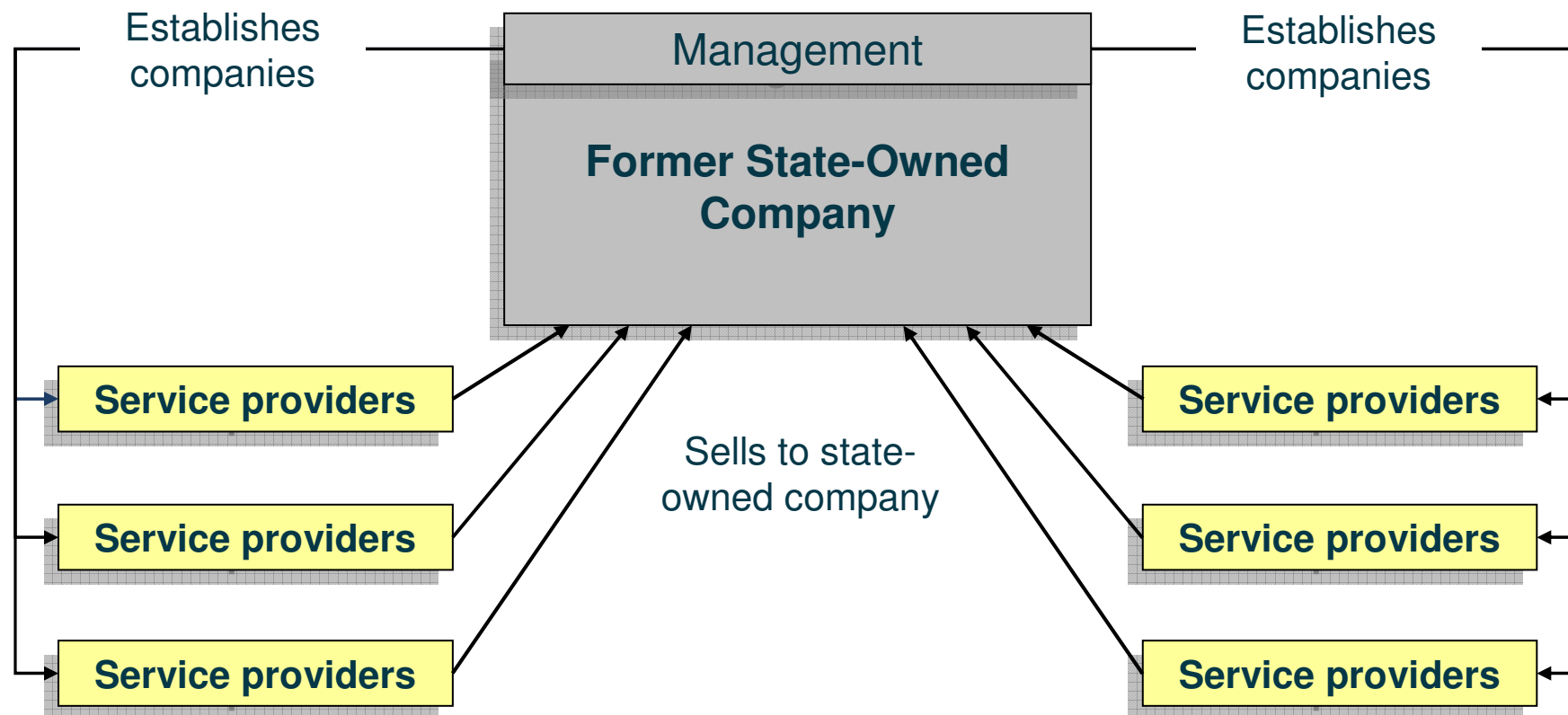


- Following incidents
- Learning from mistakes
- In adjustment to changing forms of crime
- Reviewing consistence of reaction

Audit methodology

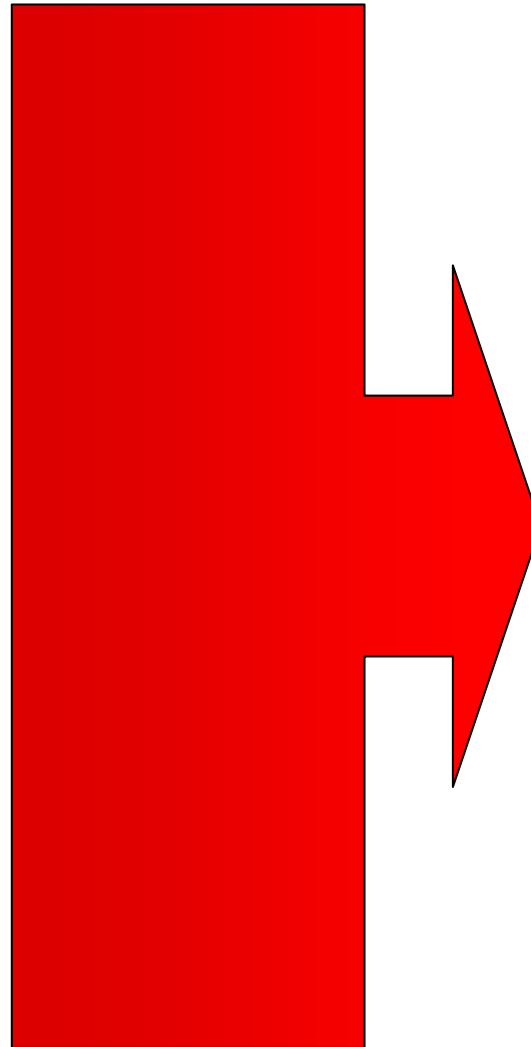
- Analysing policies, understanding organisational structures and processes, analysing past cases
- Checking business interests of key management
 - On occasion reverse due diligence
- On-site
 - Standardised interviews with checklists
 - In-depth interviews (qualitative interviews)
 - Risk assessment workshops
- Employee survey: company culture
- Recommendations

The 'ticks': fraudulent external relations



Development: content

- Policies
- Organisational structures and controls
- Awareness raising / training
- Reporting
- Whistleblowing / Helpline
- Response system
- Documentation



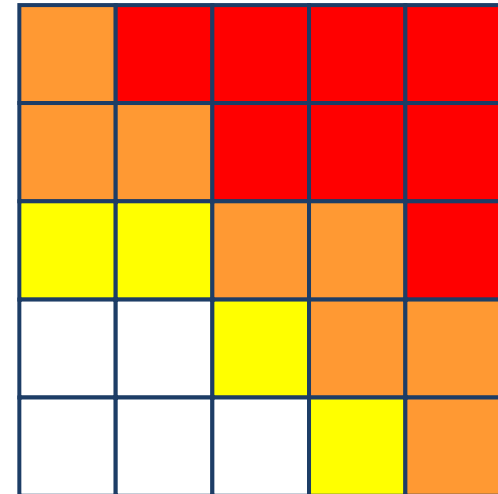
Action plan for implementation

Responding to threats and cases of economic crime

- Likelihood of incidents of fraud and corruption occurring are high in CEE
- Therefore: treating cases of corruption and economic crime like incidents that need to be managed as potential crises
 - Establishing a crisis team
 - Risks assessment
 - Decision making
 - Escalation if needed
- Professional follow-up on reports of criminal acts
 - Evaluating information
 - Deciding on investigative strategy: internal investigations? Outsourcing to external service providers?

Case study

- Global company
 - Audit of a subsidiary in SEE
 - Control Risks for two weeks on site
- Problems
- Key findings
 - One department centralised significant powers, but was almost without external controls
 - Whistleblowing system good; but follow-up problematic
 - Problems with awareness



Questions?

