Growing Beyond: A Place for Integrity

12th Global Fraud Survey

Ernst & Young
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OBJECTIVE

Companies worldwide are battling to survive and grow in these adverse economic conditions. Businesses are increasing their focus on "the next BRIC's (Indonesia, Nigeria, Mexico, Turkey, etc.) to secure new opportunities and revenues. With new opportunities come new risks. This survey was conducted in order to understand views on fraud, bribery, and corruption risk and how organizations are mitigating them.

METHODS USED

Results were collected from over 1,700 chief financial officers and heads of legal, compliance, and internal audit from 43 countries between November 2011 and February 2012.

KEY FINDINGS

- 39% of respondents reported that bribery or corrupt practices occur frequently in their countries.
    - Ex. in Brazil, 84% responded that corruption was widespread.
- 24% stated bribery and corrupt practices have increased because of the economic downturn.
- 15% of respondents are increasingly willing to make cash payments (up 6% from the last survey) in order to survive an economic downturn.
- 42% of respondents had no training on anti-bribery/anti-corruption (ABAC) policies.
- 81% stated ABAC policies and codes of conduct are in place, but nearly half tell us that they do not believe people have been penalized for breaching ABAC policies.
- 75% stated they use external auditors to monitor ABAC compliance.
- 33% use regular reviews by external law firms or specialist consultants.
- 27% believe planned investments by their company in new markets will open them up to new risks.
- 59% use the list of approved suppliers to manage and monitor relationships with third parties.
- 45% of respondents identified audit rights or regular audits of the third party as a process in place to monitor the relationship.
- 77% of US respondents report that pre-acquisition due diligence is always performed. This compares to a global figure of only 43%. Reports also indicate many are cutting back on pre-acquisition due diligence, especially in China.
- 15% of CFO's are willing to make cash payments in order to retain/win business.
- 34% of CFO's are willing to entertain to retain/win business.
- 39% stated the company and the third party have joint liability for the actions of the third party.

- 52% of respondents think the board needs a more detailed understanding of the business if it is to be an effective safeguard against fraud or corrupt practices.
- 36% of respondents from Africa think regulators and law enforcement do not appear willing to prosecute cases of bribery and corruption.
- 90% of respondents from Brazil believe there should be more supervision by regulators and government in the future to try to reduce risk of fraud, bribery, and corruption.
- In Eastern Europe, only 14% of respondents think that national regulators were willing and effective in securing convictions. Of those who think the authorities were not willing to prosecute, 48% feel that this is due to bribery and corruption being too widespread.
- 70% of respondents from India think that bribery and corruption are widespread in the country and 72% believe that management is likely to cut corners to meet targets.
- 54% of respondents from India believe it is okay to entertain to win/retain business.

CONCLUSION

- Ensure effective lines of communication with a broad range of roles within the business. This will enable the board to question the information that they are given.
- Improvements can be made to focus compliance reporting to the board.
- Third, boards must make sure that they are asking the right questions.
- Organizations need to make concerted, risk-focused efforts that target areas of potential exposure, and management needs to lead by example.

Full Report