

## Media Release

### FOR IMMEDIATE RELEASE

## One in five doubt their anti-corruption practices

### Local Australian subsidiaries being investigated by USA regulators

**Friday 6 March 2009:** At least two Australian subsidiaries of USA companies have undergone significant reviews by USA investigators into possible breaches of the USA Foreign Corrupt Practices Act in the past twelve months, according to Deloitte's Asia Pacific Leader of Forensic, Tim Phillipps.

Of late, breaches have resulted in significant fines: a recent example by an electrical engineering multinational has resulted in up to \$USD 2.4bn. Locally, investigations into possible breaches in one Australian subsidiary resulted into up to 60 interviews within that company relating to transactions spanning more than a decade.

Yet alarmingly, a new survey by Deloitte Forensic reveals that over one in five (22%) of senior executives of large corporations around the world have doubts about whether their own anti-corruption program adequately addresses the risk of corruption in their industry. Further, Asia Pacific respondents are even more doubtful.

Analysis of the results of Deloitte's "Fortifying Anti-Corruption throughout Today's Corporation" global survey shows that Asia Pacific respondents are even less confident than their USA and Western European counterparts about the adequacy of their anti-corruption practices (23.2% in Asia Pacific, compared to 18.7% in the USA and 16.9% in Western Europe respectively).

By far, however, the most doubtful are Eastern Europe respondents (42.1%). These survey findings, consistent with our own experience in working with and talking to corporate executives, must ring a bell with the many Australian corporates doing business in Asia and beyond.

"Current economic conditions increase the risk of fraud, bribery and corruption and will often create conditions in which corruption is more readily identified, and yet tends to get lessening levels of attention due to more pressing and urgent business matters. However, managing corruption risk is a paramount business concern in these volatile times."

Asia Pacific participants in the survey, who represented 30% of the 329 respondents, were also significantly less confident in whether the programs address risk according to the geographic areas in which they do business (30.3% in Asia Pacific compared to 15.2% in North America and 21.7% in Western Europe).

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“This reveals that Asia Pacific respondents are particularly aware of the influence of culture and geography when it comes to corruption risk in the region,” said Mr Phillipps.

The survey goes on to reveal that considering the risk, roughly one third of all respondents (32.1%), no matter where the location, believe that more should be spent on anti-corruption programs.

### **Motivation for Corruption**

Overall, the key motivations for corruption were to gain more business for the organization (40.4%) and to fit with the business culture in that country (33.1%).

However, the responses in the geographic regions varied. There was a particular cluster of respondents, for example, in the Asia Pacific that were the most polarized in the belief that the motivation to pay a bribe is to fit into business culture, whereas another significant group of USA respondents believe that the key motivation is to gain more business.

Mr Phillipps said these results emphasize the importance of incorporating a strong “zero tolerance” stance in all HR, marketing, training and internal communications policies for any company doing business in Asia.

NB: A copy of the USA release is also available by way of backgrounder.

NB: See our media releases and research at [www.deloitte.com.au](http://www.deloitte.com.au)

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