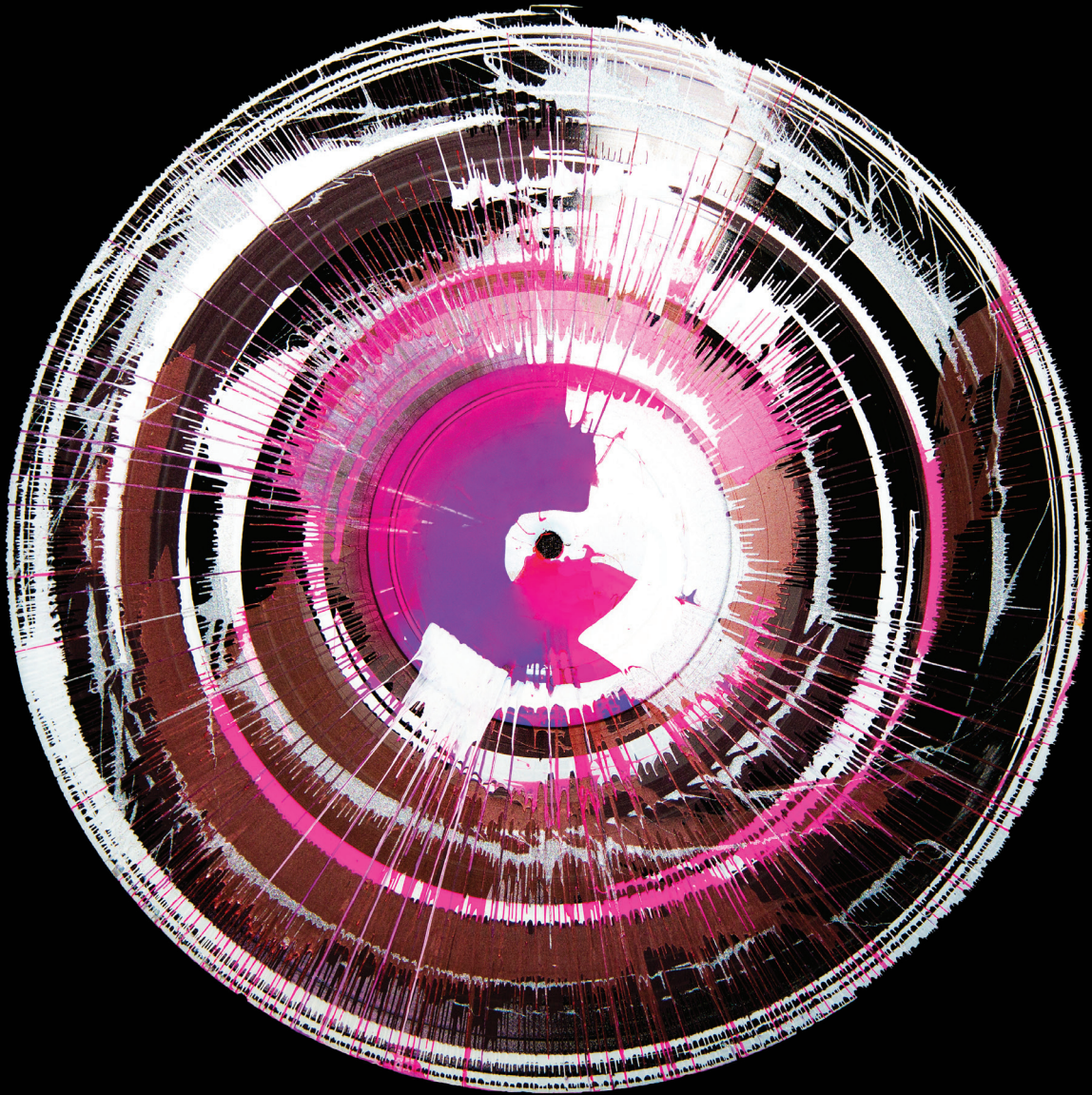


Deloitte.



Taking all reasonable steps

Deloitte Bribery and
Corruption Survey 2019

Ireland

Table of contents

Introduction	03
Domestic bribery and corruption	04
Foreign bribery and corruption	05
The inherent value of managing bribery and corruption	06
Keeping one step ahead	08
Conclusion	09
Contact us.....	10

Introduction

Welcome to the inaugural Deloitte Ireland bribery and corruption survey.

Bribery and corruption is a multi-dimensional issue, where incidents can undermine an organisation's reputation, culture, regulatory standing and profitability. Beyond organisational borders, this force damages people, communities, economies and countries.

We are seeing significant developments in Anti-Bribery and Corruption (ABAC) regulation, research and trends across Europe and the broader global community, with this rapid evolution echoing current conditions of global uncertainty. Regulators and enforcement agencies are actively advocating agendas to minimise the risk of not just bribery and corruption, but also money laundering, terrorist financing, corporate misconduct and fraud.

In line with these developments, Ireland's Criminal Justice (Corruption) Act 2018 has repealed and replaced previous legislation on bribery and corruption, some of which was over 100 years old. The investigation and prosecution of perpetrators has now become a reality.

The Act has introduced a new corporate corruption offence whereby a corporate shall be found guilty of an offence if it is committed by an employee or third party.

Our survey, however, found that although 49% of respondents see reputational damage as the key downside of a bribery or corruption, only 18% consider bribery and corruption a key risk. This suggests we still have some way to go to keep pace with international trends.

Organisations need to adopt a proactive, holistic approach to managing the risk of all financial crimes. The most successful ABAC programmes properly balance prevention, detection and response activities and focus on identifying how bribery and corruption occur in practice, rather than just thinking about the broad risk. Already, clients we work with are using automated due diligence software, data analytics advancements in detection, and bespoke training to help inform their response.

We hope that this report will help you to better understand your organisation's risks and enhance your ABAC programme. Each of us has a part to play to get – and stay – one step ahead of the bribery and corruption challenge.



Deirdre Carwood
Forensic Partner

Domestic bribery and corruption

Ireland is not immune to bribery and corruption. 15% of our survey respondents have experienced known instances.

Undisclosed conflicts of interest are most common type of corruption (23%), followed by providing confidential information to a third party (17%). Chance discovery is the most common method of detection with one in four incidents being detected in this way. Admission by the perpetrator (20%) and tip-offs from employees (15%) rank ahead of detection by data analytics and internal controls processes, suggesting that organisations are not using data driven detection methods.

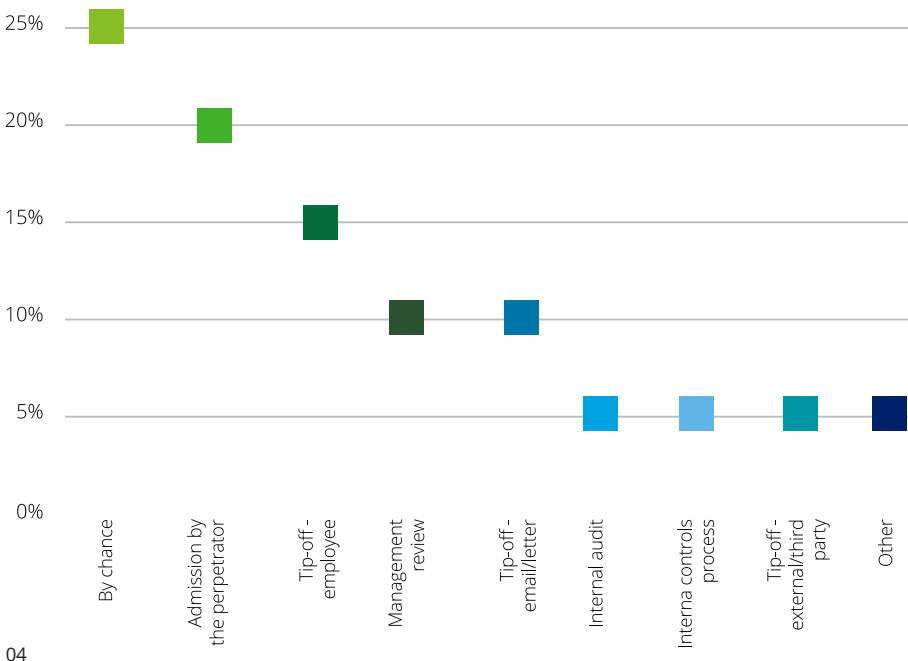
In defending against domestic corruption, our survey respondents consider organisational culture (56%), tone at the top (48%) and codes of conduct (33%) as the top 3 factors to preventing incidents and ensuring that people make the right

decision in times of intense pressure. Process controls and risk assessments can also help to limit opportunities for third parties to commit an act.

Improving detection

Detecting incidents early is critical to ensuring that risk is managed and visibility is maintained. Respondents with effective detection frameworks find that as they gain more visibility of the risks, they can accelerate and deploy a more informed and effective strategy whereas organisations with no detection framework are likely to be left at the start line.

How were the instances of domestic corruption discovered?



Foreign bribery and corruption

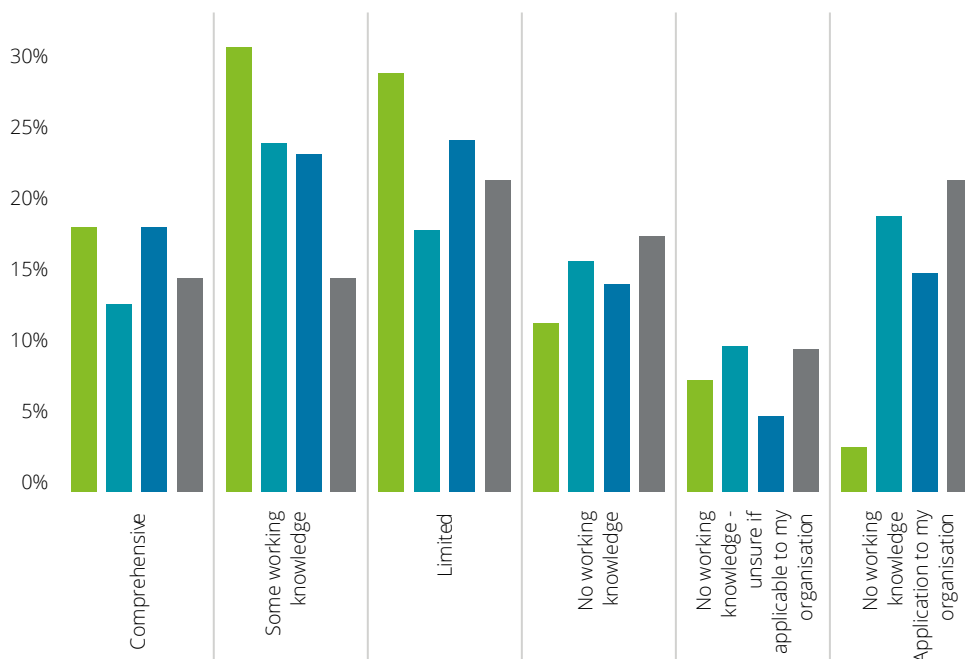
Our survey found that approximately 40% of corporates have limited or no working knowledge of local or international bribery and corruption legislation. Indeed, among respondents for whom foreign bribery is relevant, only 16% rate it as a top five risk to their operations in the next 5 years. More positively, however, 67% of all respondents expect to implement or upgrade their ABAC compliance framework within the next five years. An effective framework should be subject to ongoing review and development – organisations that do not maintain this cycle will be unprepared for the risks.

What is your working knowledge of Anti-bribery and Anti-corruption legislation?

Improving risk assessments

Risk assessments, while not always well-regarded by stakeholders, are the cornerstone of effective ABAC programmes. Indeed, it would be challenging to show meaningful preventative activity without one. Risk assessments support proportionate and effective decision-making and put organisations on the front foot so that, if something does go wrong, there is a documented decision-making trail.

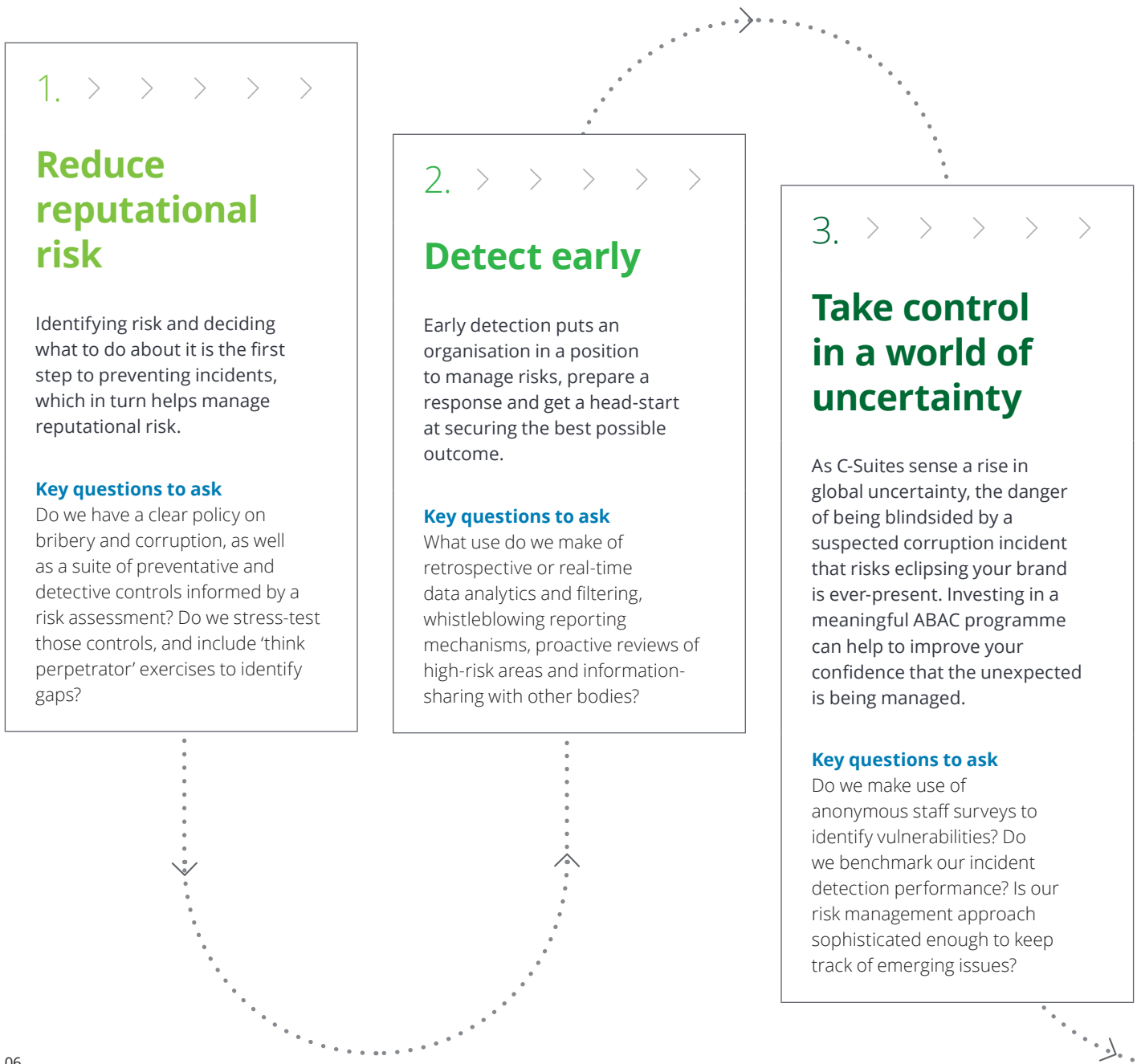
- Irish Criminal Justice (Corruption Offences) Act 218
- Other anti-bribery and corruption legislation
- UK Bribery Act 2010
- US Foreign Corrupt Practices Act 1977 (FCPA)



The inherent value of managing bribery and corruption

In an uncertain and rapidly-changing world, there are good reasons why building and maintaining an effective ABAC programme is a critical part of the sustainability and success of your organisation.

6 steps to developing an effective programme:



4. > > > > >

Evidence your stewardship

As public scrutiny of financial crime management rises, questions are increasingly being asked about how organisations steward their resources, missions and values. Being able to articulate a clear and effective ABAC programme is helpful in this regard, especially if an incident occurs.

Key questions to ask

To what standard do we benchmark our ABAC programme and is that standard reflective of our organisation’s regulatory environment, structure, culture and risk profile? Is a culture of stewardship embedded throughout our organisation? Is clear messaging and direction delivered from the top and middle, with the visibility of culture and risks supported by regular surveys and campaigns?

5. > > > > >

Develop the right organisational culture

Emphasis on the value of organisational culture for reducing conduct risk has risen in recent years. ABAC can be a facilitating – even driving – force in helping organisations to define, articulate and develop the cultures they seek. ABAC incident data can help inform culture assessments, and ABAC controls can often align with cultural controls.

Key questions to ask

Do we frame ABAC in positive, constructive terms? How relevant and engaging is our ABAC communication and awareness programme? Do we fold ABAC issues into our organisational development work?

6. > > > > >

Integrate with your financial crime response

The aims of different flavours of financial crime are often similar, and perpetrators do not necessarily keep themselves in neat little boxes – so neither should we. There can be significant improvements to economy, efficiency and effectiveness with integrating financial crime control programmes such as corporate fraud, Anti Money Laundering and Counter-Terrorism Financing, and wider conduct management.

Key questions to ask

How complete is the picture that our leadership team sees across these different pillars of financial crime control? At process level, do systems talk to each other? Have opportunities for synergy between owners of the pillars been exploited? Are similar threats handled consistently across our organisation?

“Respondents with effective detection frameworks find that as they gain more visibility of the risks, they can accelerate and deploy a more informed and effective strategy”

Keeping one step ahead

Getting and staying one step ahead means having the right basics in place. Minimum considerations for an ABAC framework include:



Risk assessment

Is your management of ABAC underpinned by an assessment of the risks, their likelihood and consequences, and how you will manage them?



Due diligence

Do you have processes and systems that help you to understand who you are doing business with and for?



Policies and proportionate procedures

Is there a clearly articulated corporate policy that prohibits bribery and corruption, promotes compliance with bribery laws and is aligned with wider organisational policies? Does it cover all employees, contractors, agents, suppliers and other stakeholders? Are there accessible reporting channels for concerns, enabling confidential reporting.



Training and communication

Are training needs identified and responded to?



The right management tone

Do you articulate no tolerance for bribery and corruption? Are integrity and ethics messaging embedded not just into corporate communication, but in the management of functional and employee performance? Is the tone coming from the middle as well as the top?



Review

Is there defined ownership of ABAC in your organisation, and a process for monitoring and managing the effectiveness of your efforts to reduce the risk?

“The most successful ABAC programmes properly balance prevention, detection and response activities by siting them within a managed, strategic framework”

Conclusion

Proactivity and prediction are often the hallmarks of maturity for organisational ABAC, but this can require a mind-set shift for leaders and key stakeholders. Some key questions to determine maturity include:

- Do we observe trends to anticipate regulatory change and act now, or do we respond only when required?
- Do we invest in obtaining as accurate a picture as possible of the risk and responding to it, or do we do the minimum required by regulation?
- Does our Board see ethical business as fundamental to sustainability, or are bribery and corruption ‘afterthoughts’?
- Are we proactive about managing reputational risk, or do we consider it only after an event has transpired?

As organisations move toward maturity, opportunities to stay one step ahead are likely to include utilising organisational data and predictive modelling to detect incidents that traditionally would not

have been identified – and even predict incidents before they occur.

The use of enhanced due diligence techniques can provide a better understanding of prospective partners – allowing organisations to tailor and enhance controls to mitigate risks identified. Anonymous staff surveys can be a powerful tool to measure the effectiveness of ABAC programmes, testing the alignment of organisational culture with your policies and aspirations, and how well staff are equipped to respond to potential bribery and corruption scenarios.

The most successful ABAC programmes properly balance prevention, detection and response activities by siting them within a managed, strategic framework that is supported by work to develop the capability and culture of the organisation. Are you ready to get – and stay – one step ahead of the bribery and corruption challenge?

“As organisations move toward maturity, opportunities to stay one step ahead are likely to include utilising organisational data and predictive modelling to detect incidents that traditionally would not have been identified – and even predict incidents before they occur.”



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About this report

This report presents selected results from a survey of Irish businesses conducted by Deloitte during April and May 2019.

The survey was completed by over 100 respondents, comprising C-suite and other senior executives from a cross-section of sectors, including large corporates and small to medium sized enterprises, public sector organisations and private companies.

We have drawn certain conclusions about domestic and foreign bribery and corruption based on a weighting that we allocated to these responses.

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