

## FOR IMMEDIATE RELEASE

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### More complex Anti-bribery and corruption risks

*Companies find complying with anti-corruption regulations more challenging than ever, according to KPMG's latest Anti-Bribery and Corruption Report 2015*

Companies are finding it harder to deal with Anti-Bribery and Corruption (ABC) issues, according to KPMG's latest ABC report, *Anti-bribery and corruption: Rising to the challenge in the age of globalisation*. Two trends are driving these changes. First, governments around the world are tightening existing ABC regulations and introducing new ones. Second, in a globalising economy, companies rely more than ever on third parties in far-flung parts of the world, often where there is high corruption risk.

"Despite great efforts to build ABC programmes, it's clear that there remain gaping holes in them," says Lem Chin Kok, Partner, Forensic, KPMG in Singapore. "The problem is particularly acute in the management of third parties, who are outside the organisation's direct control, making their conduct harder to manage and track. Respondents to the survey admit third parties are their biggest challenge in the field of ABC, but they could do more to develop a culture of compliance both among their employees and their vendors and other business associates."

International companies operating in ASEAN have consistently cited corruption as the most significant challenge to doing business in this region.<sup>1</sup> They cite the failings in the fair and efficient enforcement of the law and pressure to bribe officials and/or customers for approvals and contracts as the greatest risk to their long-term business operations in ASEAN. In Singapore, the Government announced in January 2015 that the Prevention of Corruption Act would be reviewed, in a move to bolster Singapore's leading reputation for incorruptibility.<sup>2</sup>

The worldwide survey was conducted by KPMG with Singapore Management University to assess the relative strengths and weaknesses of companies' ABC programmes. 659 companies took part, including 72 from Asia Pacific, of which 23 came from Singapore.

The main findings of the survey include:

- **Half of respondents from the Asia Pacific region say they are "highly" or "moderately challenged" by ABC issues**, with a similar proportion among them finding developing effective mechanisms for training and communicating ABC issues challenging.
- With companies further globalising their operations, **third party management poses the greatest challenge** for their ABC programmes, with auditing third parties for compliance the biggest single concern and conducting due diligence on third parties being the third biggest.
- Despite the difficulty of monitoring dealings with third parties, **nearly half of respondents do not identify third parties that are high-risk**. Among the respondents from the Asia Pacific region, only 40 percent had a formal process for identifying high ABC risk third-parties. More than half of respondents with right-to-audit clauses over third parties have never exercised these rights.
- While expansion through mergers and acquisitions is a key part of the growth strategy of two-thirds of respondents, many global companies are unaware of the potential financial and regulatory consequences of failing to identify corruption risks during acquisitions. Among Asia Pacific respondents, 65 percent are unaware of "successor liability" issues arising from the Foreign Corrupt Practices Act and only 34 percent among them include ABC considerations in their pre-acquisition due diligence process.

<sup>1</sup> ASEAN Business Outlook Survey 2016, American Chamber of Singapore and U.S. Chamber of Commerce

<sup>2</sup> 'Singapore's anti-graft laws: Five possible areas for reform,' *The Business Times*, January 20, 2015

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- Respondents complain **their organisations do not provide them with the resources to manage corruption risk**, fourth among the top challenges facing all survey respondents.
- **Data analytics is an important and cost-effective tool to identify bribery and assess ABC controls.** Yet only a quarter of Asia Pacific respondents use data analysis to identify violations and only one-tenth of those who do so monitor data on an ongoing basis.

“Despite efforts at improving ABC policies and controls, companies continue to fall foul of tough regulations. As a result, they are fined heavily, their reputation is damaged and increasingly individual executives are targeted by regulators and prosecutors to account for their organisations’ misdeeds,” says Lem Chin Kok, Partner, Forensic, KPMG in Singapore.

“Much has been said about ‘tone at the top’, yet we continually see failings at middle and lower management level, which leads to the conclusion that not enough is done to ensure that the message from senior management results in ‘tone at the middle’. Companies will continue to fall short if they treat management leadership as talk rather than action and involvement.”

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## Notes to the editor

### About the survey

KPMG, together with Singapore Management University, conducted a survey across 64 countries, receiving 659 responses from persons who considered themselves “one of the most senior persons in charge of day-to-day ABC matters at their companies.” Six countries in Asia Pacific were included in the survey including China, India, Australia, New Zealand, Singapore, Malaysia and Hong Kong.

The respondents represented companies across the spectrum of industry, of varying size and revenue, and included listed and unlisted entities subject to local and cross-border ABC regulations. The sectors represented include banking (20 percent), life sciences (12 percent), manufacturing (10 percent) and energy & natural resources (8 percent).

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