

IIM WEBINAR

S17A : WHO IS CRIMINALLY LIABLE IN BRIBERY CASES?



“How I Can Ensure My Company Is Protected And Corruption Free?”

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By:

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PRESENTATION OUTLINE

NACP

**The importance of
assessing and
managing risk**

**Managing the risk of
corruption based on ISO
37001:2016**

**Study on the
effectiveness of anti-
bribery management
systems based on ISO
37001**

Antara tahun 2005 hingga 2014
Malaysia telah kehilangan

**RM 1.8
trillion**



menerusi aliran kewangan tidak
sah yang mana sebahagian
daripadanya berpunca daripada
amalan **RASUAH**

SUMBER : Global Financial Integrity Report 2017

**Global cost of
corruption
US\$2.6 trillion
per year**

**Estimated 5% of global gross
domestic product**

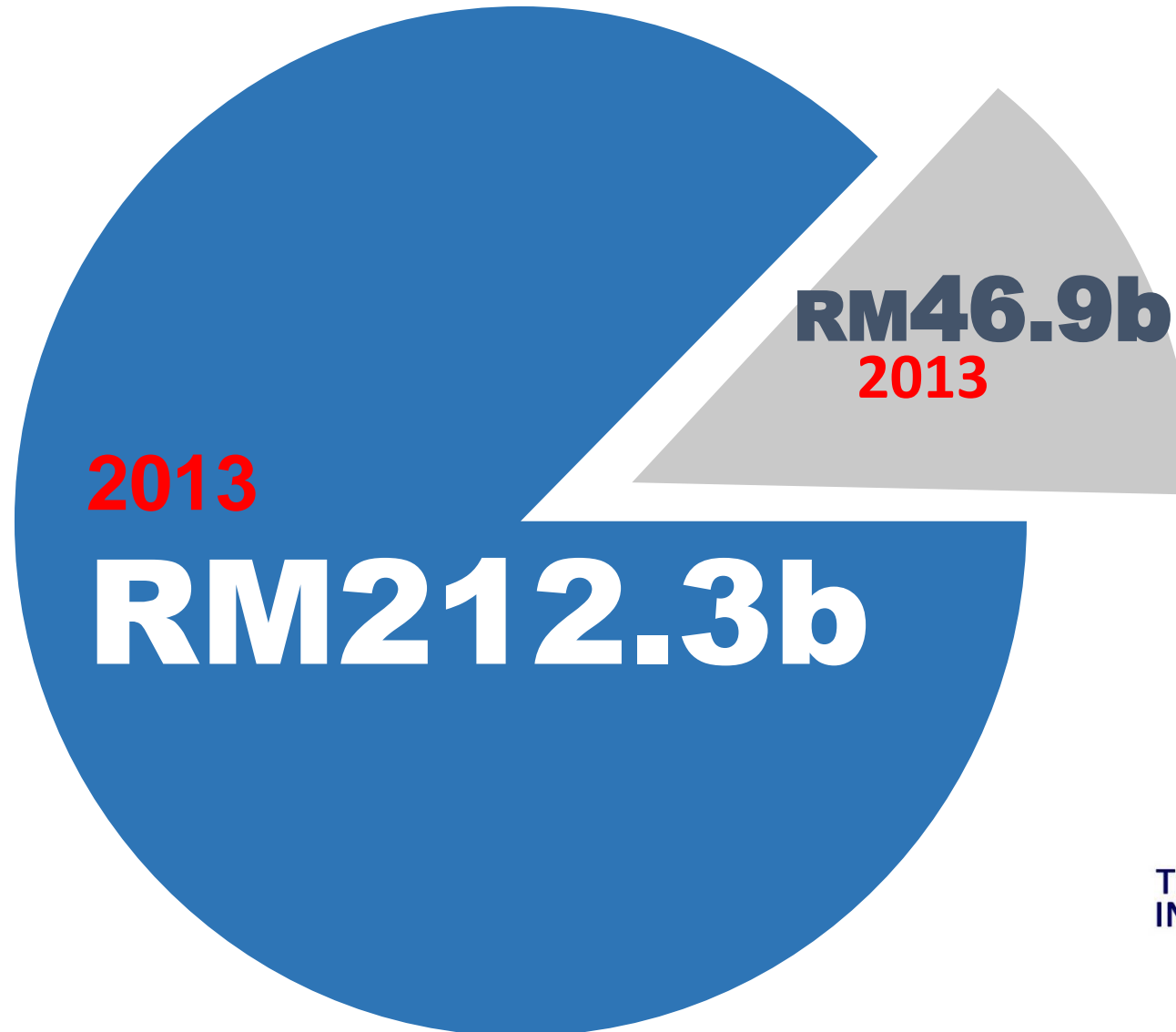
SOURCE: World Economic Forum

The \$2 trillion we waste a year on corruption could...

- Wipe out **hunger** (\$116 billion)
- Eradicate **malaria** (\$8.5 billion over 7 years)
- Bridge the global **infrastructure gap** (\$1 trillion)
- Provide **basic education** to all children (\$26 billion)

Source: United Nations, Bentley University, World Economic Forum; Image: REUTERS/Kham

CORRUPTION HAS COSTS THE COUNTRY 4% OF GDP ANNUALLY (2013 – 2017)

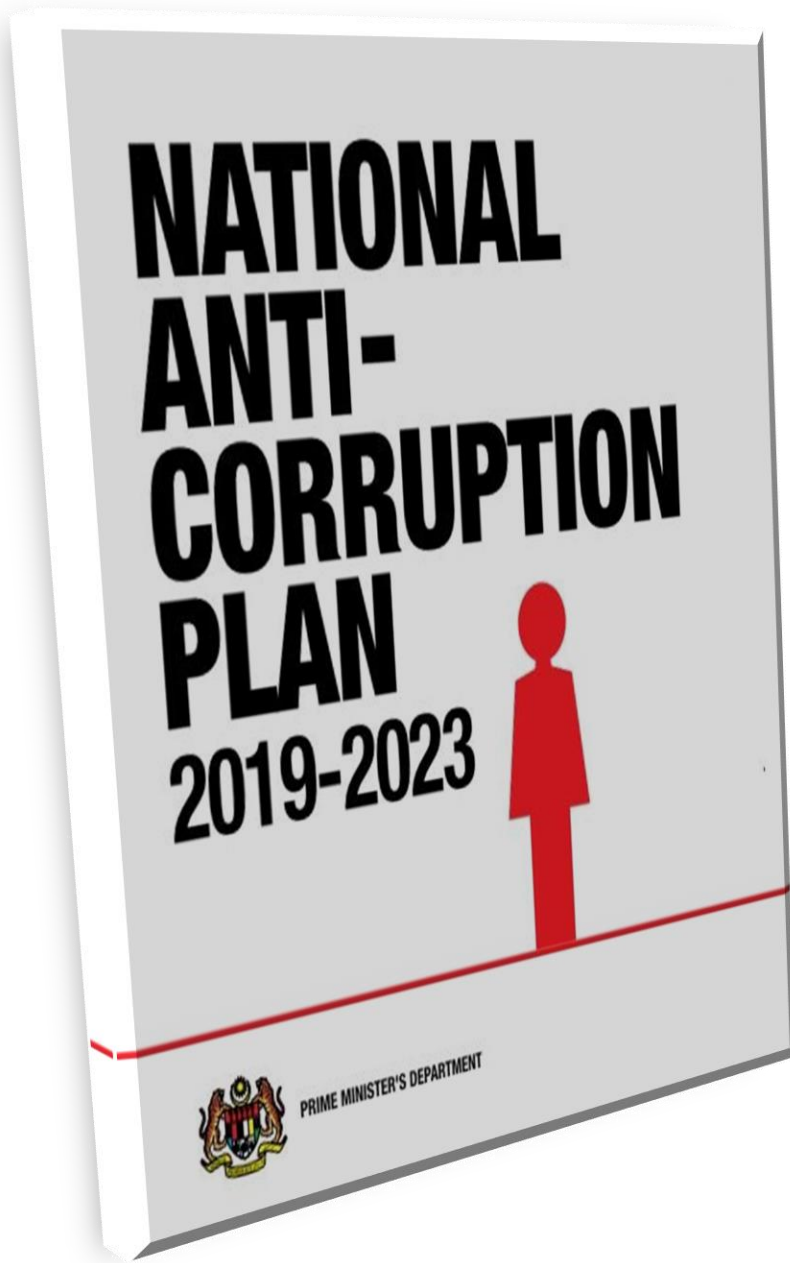




June 2018 Federal Government of Malaysia established the National Centre for Governance, Integrity and Anti-Corruption (GIACC)

8 June 2018 Cabinet Special Committee on Anti-Corruption (JKKMAR) held its first meeting replacing the Special Cabinet Committee on Government Management Competency (JKKMKPK)

21 September 2018 the Cabinet Special Committee on Anti-Corruption (JKKMAR) chaired by the YAB Tun Dr. Mahathir Mohamad, the 7th Prime Minister of Malaysia decided to place the Malaysian Institute of Integrity (INTEGRITI) under GIACC as an agency to develop the competency and capacity amongst the public and private sector on integrity



VISION

Towards a Corrupt Free Nation

NATIONAL ASPIRATION

Malaysia known for her integrity
not corruption

NACP FRAMEWORK

6 PRIORITY AREAS

6 STRATEGIES

115 INITIATIVES

Political Governance

Strengthening political integrity and accountability

35

Public Sector Administration

Strengthening the effectiveness of public service delivery

31

Public Procurement

Increasing the efficiency and transparency in public procurement

16

Legal & Judicial

Enhancing the credibility of legal and judicial system

6

Law Enforcement

Institutionalizing the credibility of law enforcement agencies

17

Corporate Governance

Inculcating good governance in corporate entity

10



Managing Risk

(Risk Management)

**Initiatives related to managing risks
(risk management) :**

- 1. Organizational Anti-corruption Plan**
- 2. Anti-bribery Management Systems**

NACP initiatives relating to ABMS

Initiative 2.1.3

- To introduce Anti-Bribery Management System(ABMS) MS ISO37001 certification in all Government agencies.

Initiative 6.2.4

- To propose Anti-Bribery Management System (ABMS) MS ISO 37001 certification as a requirement for state-owned Enterprise (SOE's), Company Limited by Guarantee (CLBG) and private sector in order to bid for Government contract.



NACP initiatives relating to OACP

Initiative 2.1.5

- Mandatory for the public sector to develop OACP

Initiative 6.2.1

- Mandatory for statutory body, state-owned enterprise (SOE's), company limited by guarantee (CLBG) and private sector to develop OACP.



WHY YOU NEED RISK MANAGEMENT?



The only alternative to risk management is crisis management - and crisis management is much more expensive, time consuming and embarrassing.

**James Lam, Enterprise Risk Management,
Wiley Finance © 2003**

Without good risk management practices, government cannot manage its resources effectively. Risk management means more than preparing for the worst; it also means taking advantage of opportunities to improve services or lower costs.

Sheila Fraser, Auditor General of Canada

Definition Of Risk



1. Classical Definition: **Risk is a combination of probability and consequences**

Risk = Probability x Consequence

Source: Institute of Internal Audit

2. ISO Definition: **Effect of uncertainty on objectives**

Source: ISO/IEC Guide 73: 2009 Risk management vocabulary

Risk Management And Corporate Governance

The Malaysian Code of Corporate Governance (MCCG) 2017 was published by Securities Commission Malaysia.

What is Corporate Governance?

Process and structure to direct and manage the business and affairs of the company towards promoting business prosperity and corporate accountability with the ultimate objective of realising **shareholder value** while taking into account the **interest of other stakeholders**

What are the Principles of MCCG?

1. Board Leadership and Effectiveness
2. Effective Audit and Risk Management
3. Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

RISK MANAGEMENT



VS.

CRISIS MANAGEMENT

- **Both are equally important**
- **Crisis Management is responding to, managing and recovering from an unforeseen event**
- **Risk Management is managing the risk (before the event happened) in order to meet objectives**



WHAT IS ENTERPRISE RISK MANAGEMENT (ERM) ?

A rigorous and coordinated approach to assess and respond to all risks that affect the achievement of an organization's strategic and financial objectives.

Source: Institute of Internal Auditors

A broader approach to the practice of risk management. It looks at all the risks that it faces across all of the operations that it undertakes.

Source: Fundamental of Risk Management, Paul Hopkins



Why an organization need to apply **RISK MANAGEMENT?**

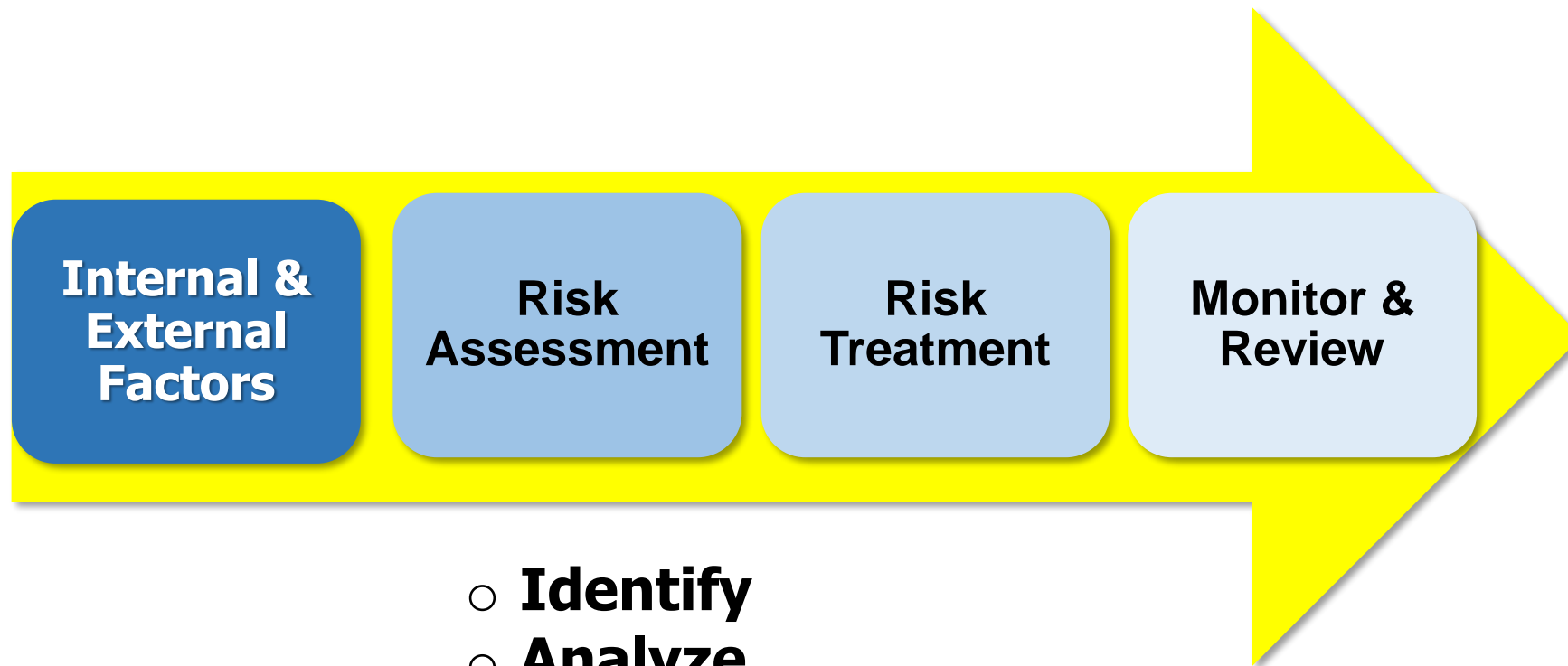
Business sustainability, also known as corporate sustainability, is the management and coordination of environmental, social and financial demands and concerns to ensure responsible, ethical and ongoing success

NOTE:

Enterprise Risk Management = Business Risk Management

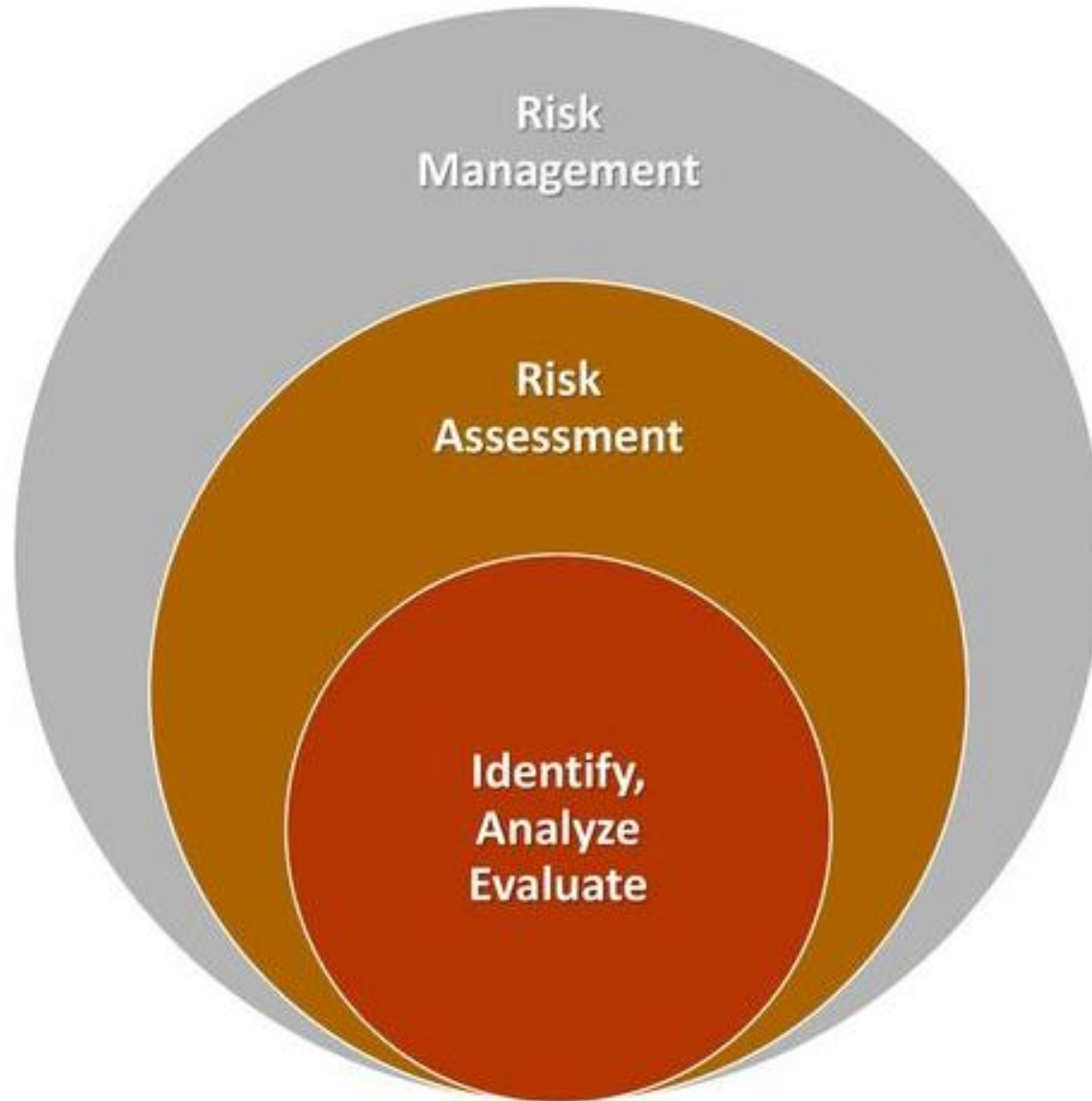
Enterprise Risk Management should also address corruption related risks

Why the need to manage risk?



- **Identify**
- **Analyze**
- **Evaluate**

**O
B
J
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C
T
I
V
E**



Relationship between Risk Management and Risk Assessment

RISK ASSESSMENT REGISTER

OBJECTIVE:

Key Activities	Risk	Risk Source	Risk Owner	Risk Category	Gross Risk			Existing Control	Residual Risk		Mitigation / Action
					L	C	R		CE	R	

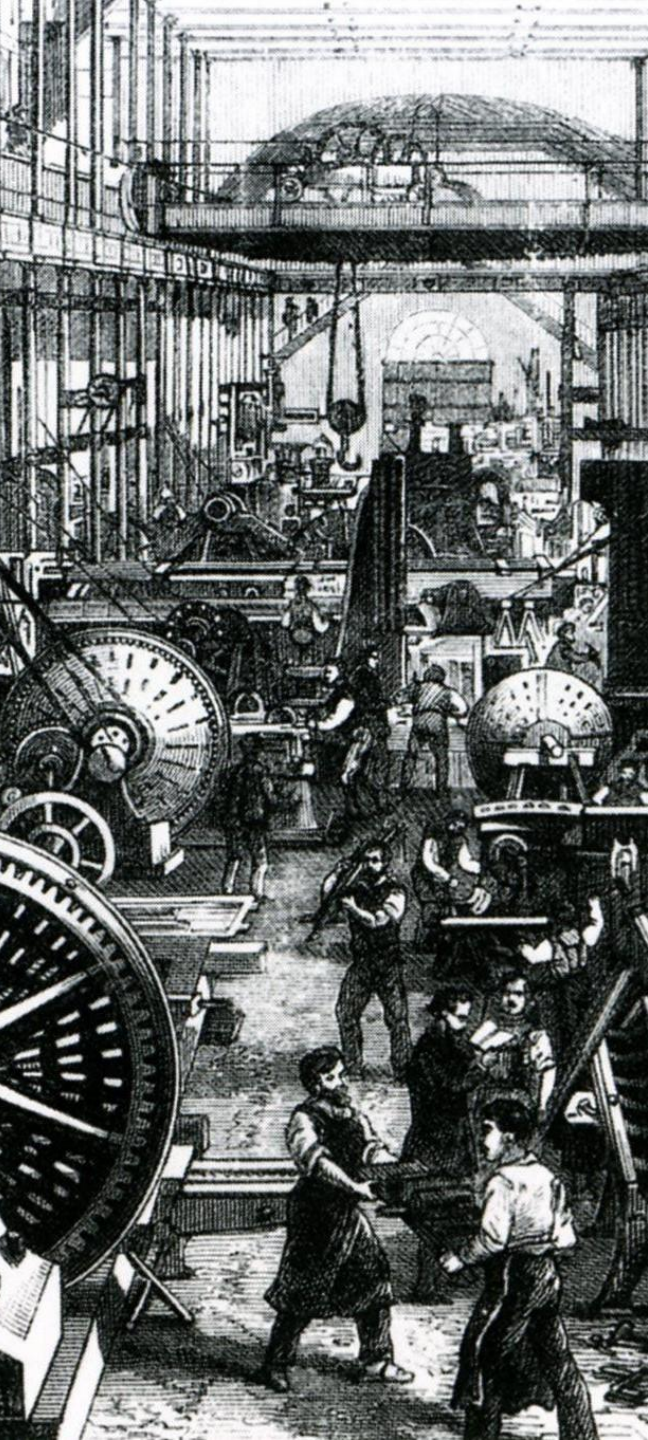
Risk Management, Internal Control And Internal Audit

Risk Management	Internal Control	Internal Audit
Managing risks to achieve objectives	A permanent set of rules, procedures and means implemented in the normal course of business and as part of the processing activities in order to improve the effectiveness and efficiency of operations and to mitigate the risks incurred by the institution	Independent and periodic assessment of the adequacy and effectiveness of risk management and internal control systems



What is Global Risk?

a “global risk” is an uncertain event or condition that, if it occurs, can cause significant negative impact for several countries or industries within the next 10 years.

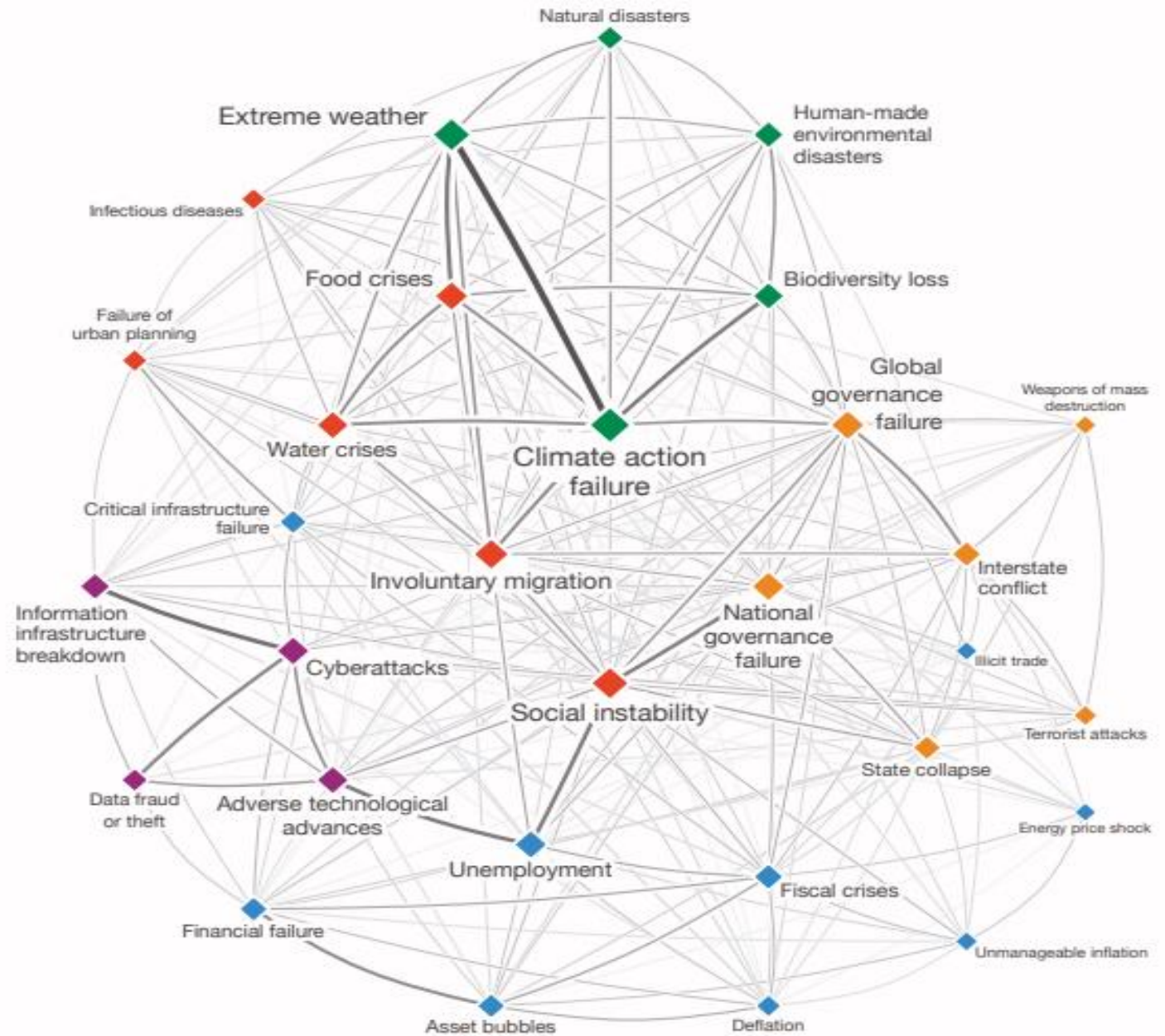


Global Risk Category

- **Economic** (Financial Failure, Fiscal Crisis, Critical infra. Failure, Unemployment)
- **Environmental** (Extreme weather, biodiversity loss, human-made environmental disasters)
- **Geopolitical** (terrorist attack, weapons of mass destruction, governance failure)
- **Societal** (infectious disease, water crisis, food crisis, involuntary migration)
- **Technological** (cyberattacks, data fraud/theft, information structure breakdown, adverse technological advances)



The Global Risks Report 2020



Top 5 Global Risks 2020

In terms of **likelihood**:

1. Extreme weather
2. Climate action failure
3. Natural Disaster
4. Biodiversity loss
5. Human-made environmental disaster

In terms of **impact**:

1. Climate action failure
2. Weapons of mass destruction
3. Biodiversity loss
4. Extreme weather
5. Water Crisis

SUSTAINABLE DEVELOPMENT GOALS



The role of ISO in supporting SDG

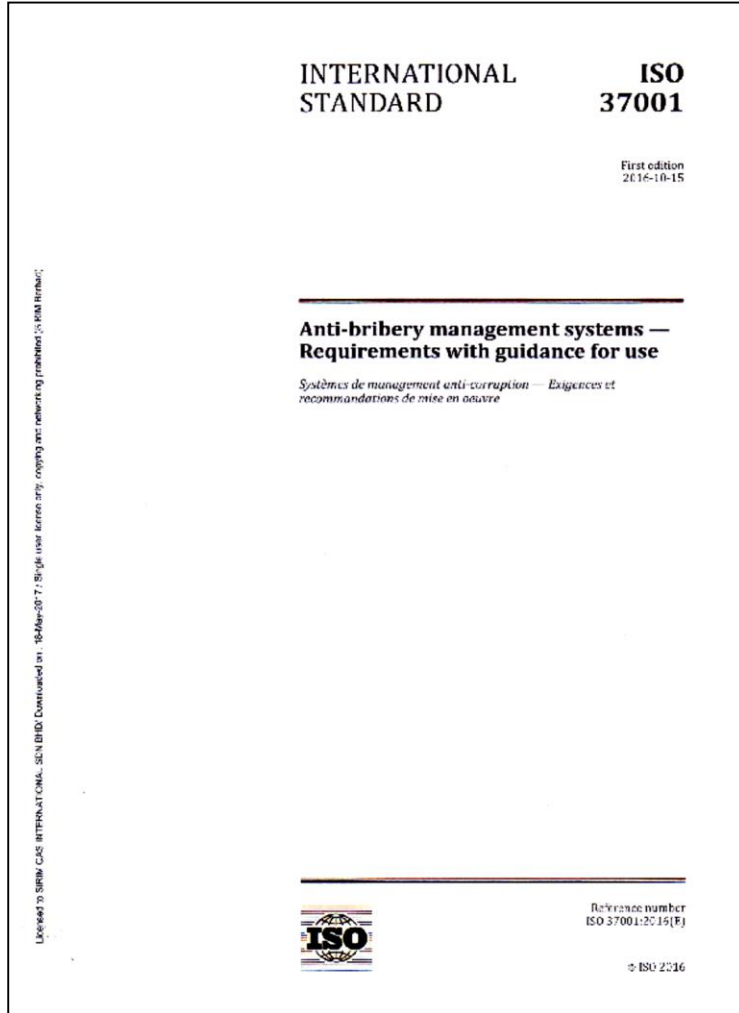
- Economic, environmental and societal dimensions are all directly addressed by ISO standards (ISO 9001, ISO 14001, ISO 45001, ISO 37001, etc.)
- ISO has published more than 22000 standards which can be used by governments, industry and consumers to facilitate the achievement of all 17 goals

International Standards Relating To Governance, Integrity and Anti-corruption

- **ISO 37000 : Guidance for Governance of Organization (In development)**
- **ISO 37001 : Anti-bribery Management Systems (published 2016)**
- **ISO 37002 : Whistleblowing Management Systems (In development)**
- **ISO 37301 : Compliance Management Systems (In development)**



ISO 37001:2016 ANTI-BRIBERY MANAGEMENT SYSTEMS REQUIREMENTS WITH GUIDANCE FOR USE



INTERNATIONAL



ADOPT



MALAYSIA

Integrity . Teamwork . Professionalism

INTEGRITI
INSTITUT INTEGRITI MALAYSIA
The Malaysian Institute of Integrity

ISO 37001 - Food For Thought



ORGANIZATIONS are now requiring proof that their own organization and their clients, agents, joint venture partners, and major sub-contractors, suppliers and consultants have implemented adequate anti-corruption measures



ISO 37001 is able to help **ORGANIZATIONS** to implement an effective anti-bribery management system



What Is An Anti-Bribery Management System?

An anti-bribery management system is designed to instil an **anti-bribery culture** within an organization and **implement appropriate controls**, which will in turn increase the **chance of detecting bribery and reduce its incidence** in the first place.

It is also design to guide organization to **prevent, identify, detect** and **respond to bribery** and to **comply with laws, regulations** and other **voluntarily commitments**. Includes a series of measures and controls that represent global anti-bribery good practice

THE STANDARD WAS RELEASED AND PUBLISHED ON OCTOBER 14, 2016
– **47TH WORLD STANDARD DAY 2016**



Who Is ISO 37001 Anti-Bribery Management System For ?

The requirements of ISO 37001 are generic and are intended to be applicable to all organizations (or parts of an organization), regardless of type, size and nature of activity, and whether in the public, private or not- for-profit sectors. This includes **state-owned enterprises, large organizations, SMEs and non-governmental organizations**

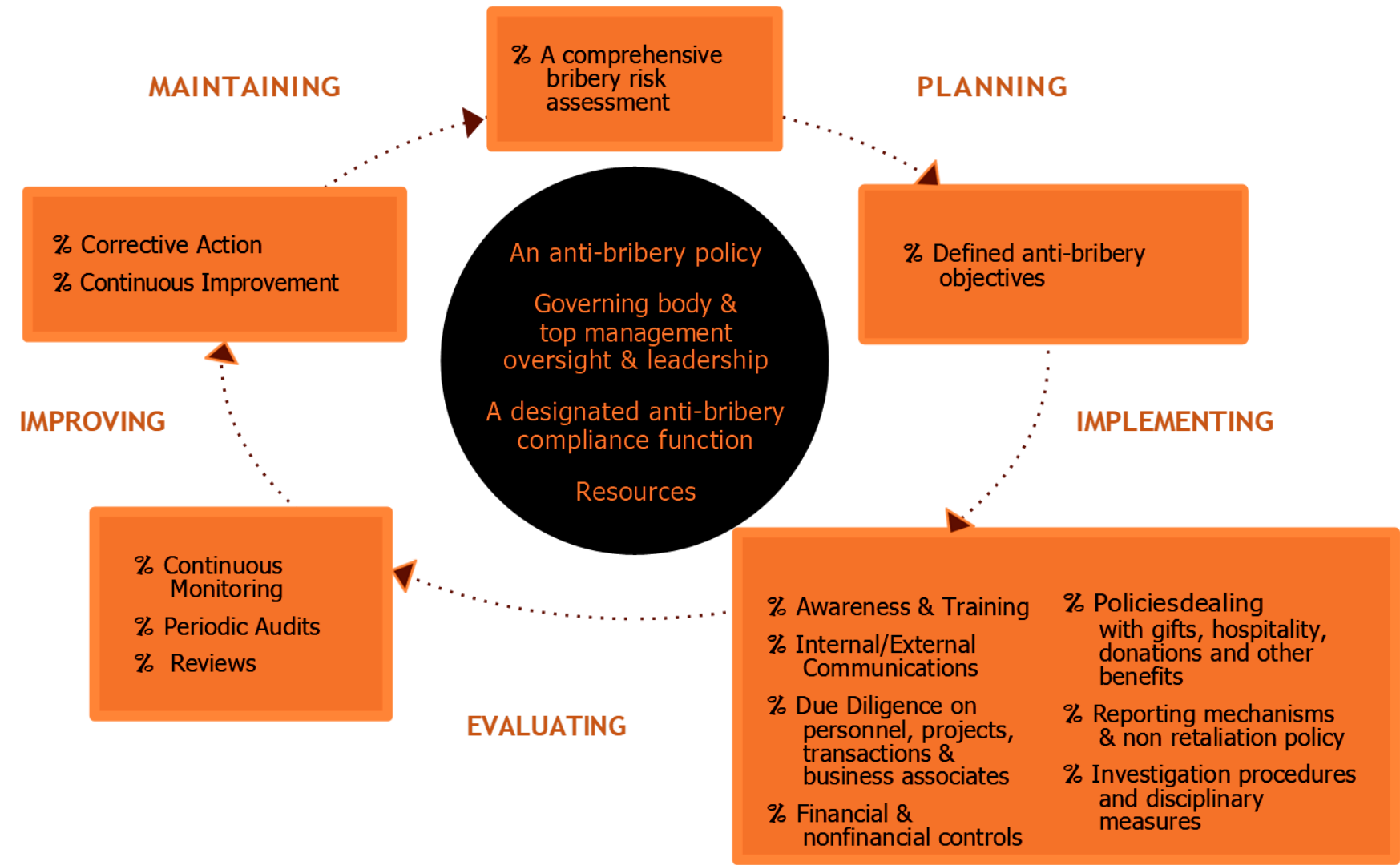
Can ABMS integrate with existing management systems in the organization?

ISO 37001 are designed to be integrated into existing management processes and controls.

ISO 37001 is based on the ISO High-Level Structure (HLS) for management system standards. This means it can be easily integrated into other existing management systems (such as quality, environmental and safety).

ISO 37001's Key Requirements & How They Work

ISO 37001's Key Requirements & How They Work



Adequate Procedure Principles : T.R.U.S.T

T op Level Commitment	R isk Assessment	U ndertake Control Measure	S ystematic Review & Enforcement	T rainning and Communication
<p>Directors, controller, officer or partners or who is concerned in the management to ensure the commercial organization:</p> <ol style="list-style-type: none">1) Practices the highest level of integrity;2) Complies with the applicable anti-corruption laws;3) Effectively manages the key corruption risks.	<p>Corruption Risk Assessment to be conducted at regular intervals to identify, analyse and evaluate corruption risks.</p> <p>The risk assessment should be used to establish appropriate processes, systems and controls.</p>	<p>Appropriate controls to address corruption risks which includes due diligence (e.g on personnel before hiring), confidential trusted reporting channel to raise concerns, development of policies and procedures.</p>	<p>Regular review and assessment on the effectiveness of policies, programs and procedures by top management . Conduct of internal or external audit to assess anti-corruption programs and performance. Enforce disciplinary proceedings against personnel found to be non-compliance.</p>	<p>The organization's anti-corruption policies, procedures and management system to be communicated to all personnel and associates. Regular and relevant training to be conducted.</p>

7 PRINCIPLES OF CISM



Managing Corruption Risk

National Anti-Corruption Plan (NACP)

Organizational Anti-Corruption Plan (OACP)

Top Level
Commitment

Risk
Assessment

Undertake
Control
Measure

Systematic
Review &
Enforcement

Training and
Communication

Anti-Bribery Management Systems (ABMS)

– PDCA, Risk Based, Preventive Approach, Continual Improvement

Corporate Integrity System Malaysia (CISM)

– Self-Evaluation Using Checklist

SUCCESS STORY OF ABMS

MALAYSIA

As at Aug 13, 2020, **60** organisations from various sectors including;

- **Ministries**
- **Government Departments**
- **Local Authorities**
- **Government-linked Companies**
- **Private Companies**

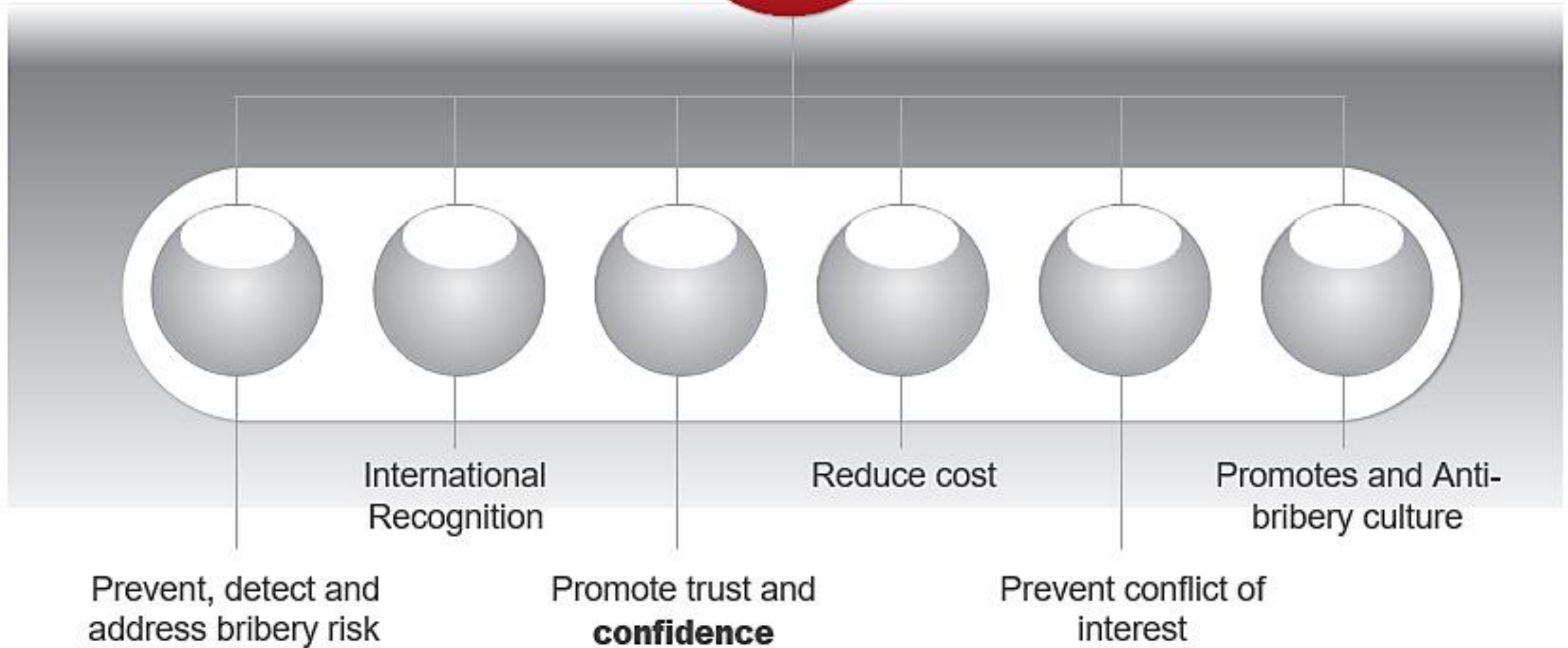
have obtained certification from SIRIM QAS International and many more in the pipeline.

Companies certified to ABMS (2017-2020)

25 Government Agencies | 17 Private Companies | 18 GLCs

Benefit of Adopting ISO 37001

ABMS Benefits



Study on the Effectiveness of ABMS Implementation

Collaborations



OBJECTIVE 1

Identify issues and challenges in the implementation of the MS ISO 37001: 2016 ABMS for organizations certified in 2017;

OBJECTIVE 2

Evaluate organizational performance (cost savings, case complaints, reputation) in efforts to prevent corruption;

OBJECTIVE 3

Assess the *efficiency of organizational governance* (work culture and leadership) in efforts to prevent corruption

OVERVIEW ABOUT THE STUDY

METHODOLOGY

Quantitative

Online survey

Business Associates
115 respondents

Qualitative

Semi-structure Interview

Employees
24 respondents

PARTICIPANTS (SAMPLE)

Local Authority	2
Statutory Body	2
Government	2
Private	1
Cooperatives	1
Total	8

SUMMARY OF QUALITATIVE FINDINGS

EFFECTIVENESS OF IMPLEMENTATION

100%

EFFECTIVE

ORGANIZATIONAL PERFORMANCE

75%

COST SAVINGS

50%

INCREASED REPORTED CASES

100%

IMPROVED REPUTATION

ORGANIZATIONAL GOVERNANCE

77%

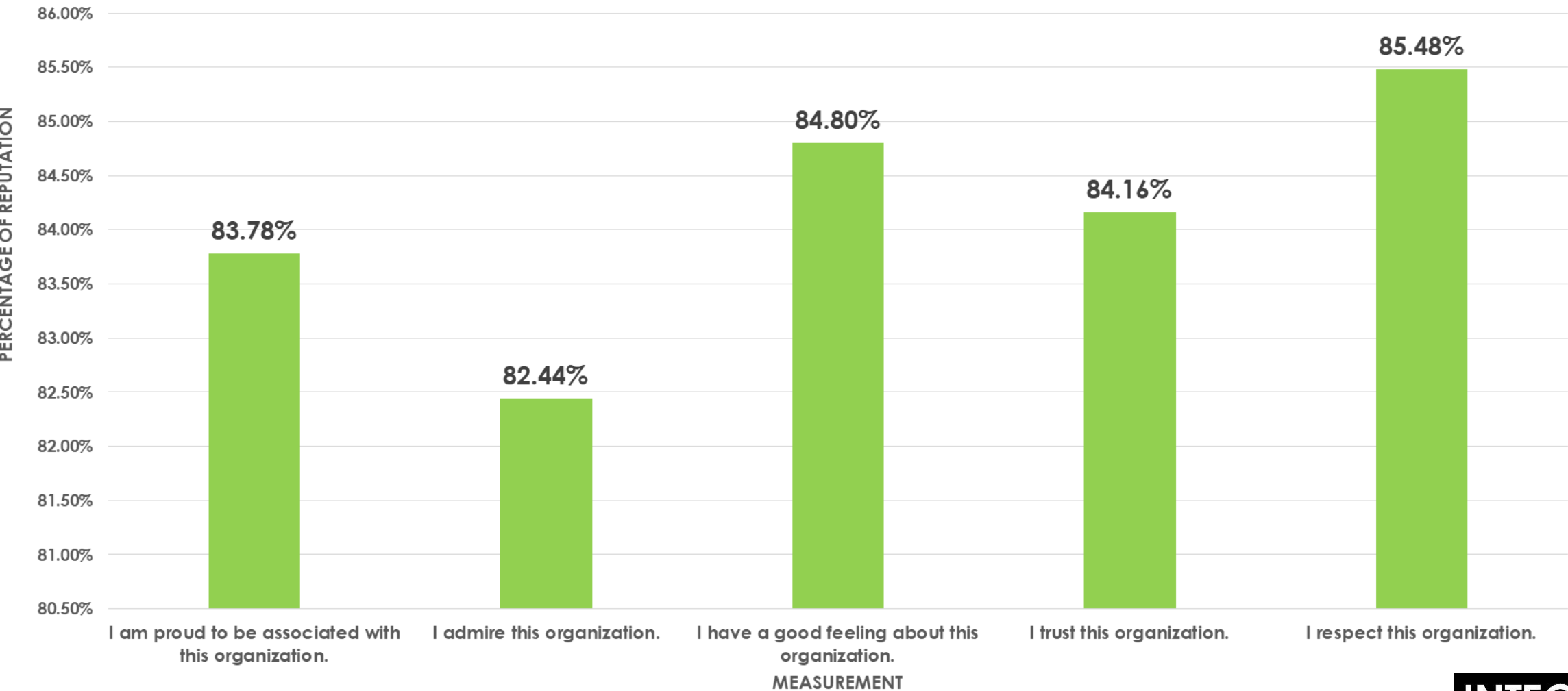
IMPROVED WORK CULTURE

100%

LEADERSHIP COMMITMENT

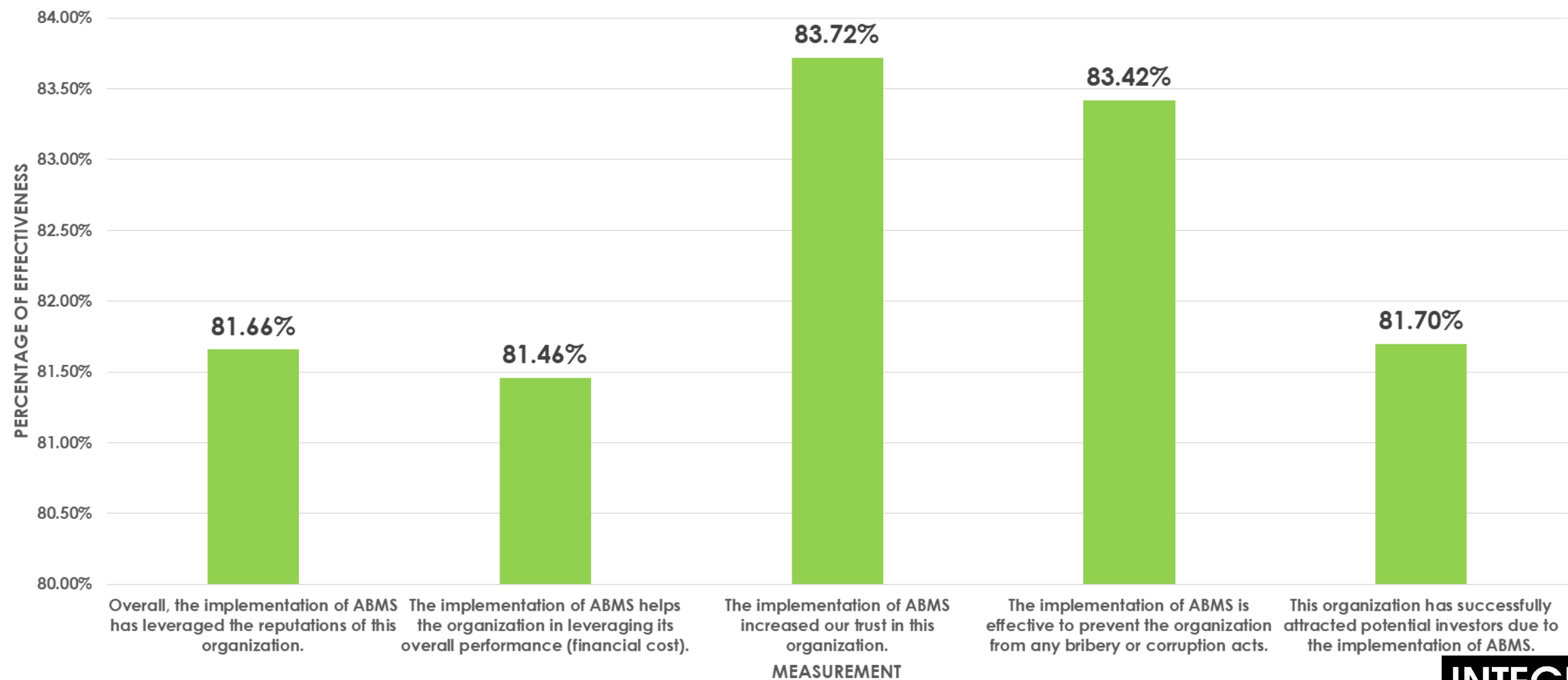
DATA ANALYSIS QUANTITATIVE

OVERALL REPUTATION OF THE AGENCIES



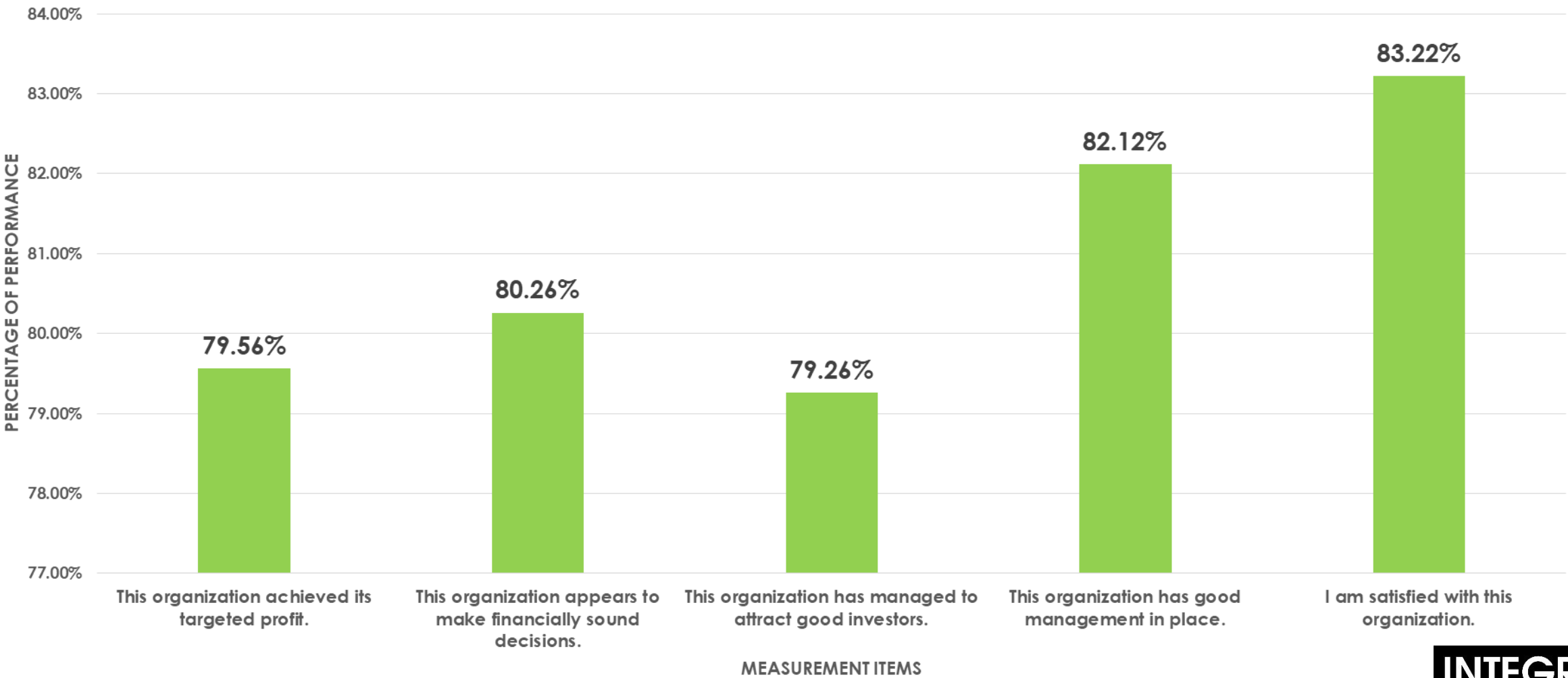
DATA ANALYSIS QUANTITATIVE

EFFECTIVENESS OF ABMS IMPLEMENTATION



DATA ANALYSIS QUANTITATIVE

OVERALL PERFORMANCE OF THE AGENCIES





Building Risk Culture

ATTITUDE

Individual personal
belief



BEHAVIOR

Individual action
towards the belief



CULTURE

Same beliefs and
actions among all
members in the
group /
organization

CONCLUSION:

How I can ensure my company is protected and corruption free?

Manage the risk of corruption using the readily available guidelines and standards as reference **such as ISO 37001, guidelines for adequate procedures or CISM.**

The role of governing body and top management is crucial in managing the risk of corruption – building the culture of high integrity and free from corruption.

IIM WEBINAR

S17A : WHO IS CRIMINALLY LIABLE IN BRIBERY CASES?

THANK YOU

ORGANISED BY:



SUPPORTED BY:

