

5. ORGANISED CRIME, CORRUPTION, AND THE PRIVATE SECTOR

Unlike data on public sector corruption, information on corruption in the private sector is not systematically collected in EU Member States.⁴⁹ The policy and legislative responses to private sector corruption are still developing. In 2007, the EC published a monitoring report on the transposition of Council Framework Decision 2003/568/JHA on combating corruption in the private sector. The EC concluded that it was “a source of concern” that the Decision’s transposition was at an “early stage among Member States” (p.12). For the application of the Decision in some Member States (Greece, Spain, Malta and Cyprus), the report stated, there was not even up-to-date information (EC, COM (2007) 328 final).⁵⁰ As the present report has demonstrated, this still continues to be the case in some of these, for instance in Spain.

International surveys by private fraud investigation firms like Kroll, the Control Risks Group, PWC, Ernst & Young (see section 2.8 above), represent potentially the most systematic collection of information on the phenomenon of private sector corruption. However, their focus is much broader, and unfortunately none of them has been analysed from the exclusive point of view of corruption. Some surveys, like the periodic PWC Global Economic Crime Survey, have adequate data to conduct such analysis with an EU focus, since about 3,000 base companies participated in 2007, when the survey was last published.

The interviewees contacted for the present report were primarily private fraud investigators (leading domestic or international law firms, auditing firms, or fraud investigation firms). Corruption related to organised crime constitutes only a small part of fraud in the experience of interviewees (NL, PL, MT).⁵¹ In addition, official information is scarce. Centralized anti-corruption bodies who were interviewed (MT, FR, NL, BG) for this survey did not cover the issue, did not collect systematic information, and were not able to provide any insight. The dearth of empirical knowledge is also explained with the fact that fraud, especially when involves a corrupt employee, is underreported by companies even if detected.⁵² Most companies try to protect their public image and prefer to deal with it internally (NL, PL).

Adding to the above is the fact that in continental EU Member States, the number of trained antifraud professionals (such as Certified Fraud Examiners) is quite low. Also, the share of companies that regularly use

⁴⁹ This problem of lack of data at a global level has also been noted by scholars (Rose Ackerman 2007).

⁵⁰ In the US, purely commercial bribery is not even a federal crime (Rose-Ackerman 2007, p.1).

⁵¹ Specialized ‘economic’ or ‘financial’ police interviewees who might have experience with such cases were not surveyed as part of this study.

⁵² The PWC shows that when the fraudster involved was someone outside the company, frauds were reported to a regulator in 38% of cases, and to law enforcement in 64% of cases, whereas when the perpetrator was an employee, the incident was reported to regulators in only 24% of cases, and to law enforcement officers in only 55% (PWC 2007, p. 14). This indicates that corruption cases are less likely to be reported.

financial intelligence or investigative consulting firms to vet their potential partners is lower in some Member States (e.g. Belgium, Bulgaria, Romania) compared to the Anglo-Saxon countries (BE, BG, RO).

5.1 Scope of private sector corruption

Corruption within private companies is usually referred to (especially by fraud investigators) as 'internal fraud'. As the present study focuses on how criminals outside the firm use corruption, the present report focuses solely on cases **of internal fraud but acting in collusion with a fraudster outside the company**. The following lay outside the scope of the report:

- Cases when criminals establish Legitimate Business Structures (LBS) (OCTA 2007, p.1-13) which they run as front companies to their criminal operations or use them to engage in criminal behaviour, or
- Cases when criminals abuse companies which are oblivious to their criminal intentions.

The study focused solely on cases when criminals corrupt managers or employees (but not the owners) of legitimate companies. Another issue that was considered to lie outside the study's scope was the corruption of foreign offices of EU headquartered companies.

Corruption objectives

There are three main reasons why criminals might corrupt an employee of a private company:

- to facilitate their criminal activities;
- to launder profits from other crimes;
- to facilitate the commitment of a crime against the company itself.

The first two goals coincide to a large extent with the reasons for which organised crime might **collude** with the owners of a legitimate company, or acquire full control of a company, or establish their own (front) company.

Depending on the types of criminal activities, different industries and companies are targeted. Some industries (e.g. transportation), though, are particularly vulnerable as they could be instrumental in a wide range of criminal activities. Below, each of the three main objectives is analysed separately.

5.2 Facilitating criminal activities

The type of private companies and type of employees that could be corrupted depends on the criminal activity in question. With the privatisation of security and public services across the EU, vulnerabilities within the private sector have increased. The table below provides a range of possible corruption targets and schemes related to the procurement, smuggling, and distribution of illegal goods or services (drugs, prostitution, or stolen vehicles). While the industries and types of companies listed could be corruption targets, they could also be established with a criminal purpose or their owners could collude with the criminal group (without the need for corruption).

TABLE 15. PRIVATE SECTOR CORRUPTION RELATED TO PROCUREMENT, TRAFFICKING OR SALE OF ILLEGAL COMMODITIES (DRUGS, STOLEN VEHICLES, ILLEGAL CIGARETTES OR ALCOHOL, COUNTERFEIT PRODUCTS)

Criminal activity	Corruption practice
Production/ procurement of illegal goods	Managers of cigarette/alcohol distributing companies could be corrupted into selling quantities clearly understanding that they would be re-exported as contraband.
	Cigarette factory managers could be corrupted into organising 'second shift production' in which additional quantities are produced for the illegal market. The production of brand clothing or medicine is exposed to same risks.
	Car dealership sale staff could be bribed into providing 'spare' keys to facilitate the theft of vehicles.
	Store staff of major retail stores could collude with organised retail theft gangs to facilitate or even engage in the theft of store inventory.
Trafficking of illegal goods	Drivers or managers with transport companies including international bus, truck companies, airline staff could be paid off to transport any illegal commodity (drugs, cigarettes), including illegal migrants or prostitutes.
	Security staff at sea-ports and air-ports (often operated by private companies) could be bribed to 'look the other way', or to be actively engaged in transporting the illegal commodity. The staff at such facilities is also knowledgeable of the operation details of customs and border posts, and could be bribed into providing such information.
	Service staff (airport luggage staff, or sea-port cargo operators) could be bribed into facilitating smuggling.
Distribution of illegal goods	Club bouncers of private security firms could be bribed into allowing drug dealers inside clubs, or allowing the distribution of drugs inside clubs.
	Used-car dealerships – sale staff could be bribed into selling stolen vehicles. Similarly, parking lots or car mechanic shops could be used as temporary storage facilities or sales outlets for stolen vehicles.
	Entertainment industry (bar or restaurant) staff or store sales staff could be corrupted into selling contraband cigarettes or alcohol, or even drugs. This type of activity very rarely goes on without the venue manager's knowledge.
	Distribution of illegally smuggled oil. ⁵³ Although the majority of smuggled oil is distributed through smaller outlets that are willing to collude, corruption scheme could penetrate and ensure the sale even through established brands, where gas-station managers/employees are corrupt.
	Small 24-hour stores could be used to distribute stolen or illegal goods.
	Luxury-brand retail sales or management staff could be corrupted into distributing counterfeit brand goods.

The **transportation industry** (as discussed in the literature review) was mentioned throughout the interviews as the one industry that is most often targeted by organised crime. Shipping companies and freight forwarders are sometimes also involved as intermediaries in facilitating corruption between transport companies and criminals. Corruption there could be related to any type of smuggling activity. (BE, SE, IR, AU, RO, PL)

⁵³ Oil smuggling and the 'oil mafia' were mentioned as particular issues in most East European countries and Greece (EL, AU, RO, BG, CZ, and PL). Most corruption cases mentioned focused on political and customs corruption, but indications of private sector corruption were present in Bulgaria and Greece, indicating that distribution of smuggled oil feeds also private sector corruption as well.

The **private security industry** is another case in point. While the industry itself is an attractive cover up to protection rackets, corruption does not play a role (RO, BG, CS-FR). On the other hand in big cities with thriving clubbing and drugs culture, security firms could be instrumental in regulating the distribution of drugs in clubs (UK, ES). While in the majority of cases, the owners of such private security firms are directly involved or collude with drug dealers, on some occasions drug dealers could simply pay off bouncers to get their protection (UK).

Construction industry: although the participation of organised crime in the construction industry was much discussed, construction companies themselves are usually vehicles, rather than targets, of corruption. One exception could involve the case of cartels. Research on the construction company cartels in Germany has shown that they are formed on a horizontal principle – as when a number of companies in geographic area (region or town) form a cartel, as well as on a vertical principle – as when the supplier or sub-suppliers are integrated within a chain. To disguise the cartel, companies need lots of document manipulation and fake invoices. Therefore, corruption is used in other construction firms to supply the companies in the cartel with fraudulent invoices to disguise the cartel and to make it seem that the cartel companies deal with other companies as well (NL, DE).

5.3 Money laundering

The anti-money laundering systems of EU Member States mandate the cooperation of private sector more than any other law-enforcement area: notaries, financial institutions (banks, investment funds, brokerage houses, insurance companies, pension funds), whole-sellers, lawyers, accountants, real-estate companies, sports-clubs, and high-value dealers (e.g. of cars or jewellery).⁵⁴ Companies in these industries could be potentially used as money laundering vehicles. Consequently, corruption could play a role in preventing them from carrying out their obligation to report suspicious activities that may involve money laundering. Interviewees shared a number of examples of corruption of employees in such companies.

While some money-laundering schemes require complicity from the entire company, in other schemes the complicity of only some corrupt employees suffices. Interviewees mentioned the financial, the gambling, and the real estate sectors, as the primary targets of corruption.

Few of the interviewees were familiar with particular corruption cases. Representatives of financial intelligence units (FIUs) were not interviewed as part of this study.

5.3.1 Financial sector

Interviewees found that corrupting bank employees not to report financial transactions related to money laundering was a fairly rare phenomenon.

⁵⁴ These categories are specified in the Third Anti-Money Laundering Directive (Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, Official Journal L 309, 25/11/2005 P. 0015 – 0036).

A real estate broker was killed by a hit-man in the centre of Amsterdam in 2004. Starting in the 1980s, the broker had built a real estate empire estimated to be worth around 300 million Euros. Part of his wealth was from the investments of the proceeds of drug crimes of several known criminals. Since 2000, police reports and journalistic research have revealed that his symbiosis with several criminals allegedly led to extortion and attempts by criminal elements to take control of his business. Excerpts from his diary, published after his assassination, show how he was forced by threats as well as physical violence to hand over large sums of money to his former criminal business partners. (CS-NL)

Bank collusion or insufficiently effective anti-money laundering measures were far more often the reason for successful money laundering schemes (SE, NL, MT, CZ). Launderers come up with schemes whereby bank complicity is difficult to prove or not needed: using off-shore companies, shell companies, trusts and foundations.⁵⁵ Some interviewees outlined that money exchange offices (SE, CZ) are targeted as government oversight is much weaker (SE, AU). Small locally owned banks were identified as more frequent targets, because they usually have less internal controls than big international banks (SE). A 2008 survey found that 12.5% of financial industry companies worldwide (higher than any other industry) reported to have suffered from money-laundering in the preceding three years (Kroll 2009, p.9).

5.3.2 Real estate

The second most often mentioned sector in which criminals use corruption or have investment interests was real-estate, especially related to tourism and the night-time economy (CZ, RO, IR, NL, BG, SI, FR, MT, DE, AU, PT, BE, PL, SE, ES). The purpose of acquiring real estate is two-fold: first, to launder the proceeds of crimes already committed, and secondly to acquire cash-intensive businesses⁵⁶ (bars, restaurants, retail outlets,⁵⁷ and entertainment venues) that would allow continuous money laundering of criminal proceeds in the future. Corruption could be used only in the process of acquisition or disposal of real estate.

The types of companies involved in real-estate deals (particularly commercial real estate) could vary widely, and potential for corruption or collusion exists when dealing with any of them. A study on money laundering in the US commercial real estate market found that property management companies, real estate investment companies, and realty companies were the top ones involved in money laundering schemes. Other businesses, such as construction companies, title companies, mortgage or loan brokers, and real estate agents were also involved but on a much smaller scale (FCEN⁵⁸ 2006). In the residential market, corruption targets are different, as the builder/developer, escrow companies, or real estate companies, and title companies were much more often implicated (FCEN 2008).

⁵⁵ *British banks are usually more complacent about money coming from the British Virgin Islands, which is now used more often to launder the money of the Italian organised crime (IT).*

⁵⁶ *In order for properties, e.g. bars, restaurants, dance clubs, or hotels, to be used as money-laundering vehicles, criminals need full control of the business. In other words, corrupting some employees of such establishments is insufficient to carry out money laundering. Several interviewees mentioned the well known money laundering scheme of 'Chinese restaurants' (BE, NL, DE), where restaurants with very few customers declare high-revenues usually from laundering proceeds from illegal immigration schemes.*

⁵⁷ *Some interviewees mentioned 24-hour shops or other small service outlets (beauty salons, mobile phone shops) (BE), or music record stores and pizza chains (DE) that usually use only cash, have little oversight, and could be used to launder money.*

⁵⁸ *Financial Crimes Enforcement Network (USA).*

5.3.3 Gambling

The gambling industry was mentioned as one of the sectors most often targeted by organised crime. Many interviewees stated that criminals either use corruption to penetrate legal gambling establishments (IT, BE) or that there are suspicions of criminals themselves being involved in the gambling business (CZ, DK, NL, PT).

In some countries, like France or Sweden, organised crime has sought direct ownership, particularly of gaming machines. In Sweden, Hell's Angels often control gambling machines in restaurants, and use violence threats against owners to allow them to place the machines there (SE). In some parts of France, the situation is similar, as criminals have tried to partition territories of operation and control of gaming machines in restaurants.

A recent FATF (2009) report on the vulnerability of casinos and the gaming industry to money laundering identified a number of ways in which corruption is used in facilitating the latter. Some money-laundering schemes do not require the complicity of casino staff, while for others only high-level complicity or corruption of several employees is needed. Most casinos and gaming facilities have very sophisticated monitoring and surveillance systems that exclude the possibility of certain money laundering schemes unless the casino management or company is itself involved. These cases and schemes are not discussed here, as they lie outside the scope of this paper.

FATF (2009) identifies the following schemes in which it is reasonable for organised crime to corrupt employees:

- **Avoiding detection:**
 - employees might be bribed into not filing a suspicious transaction report (STR) or threshold transaction report.⁵⁹ Cases from the US authorities provided to the FATF exemplify how corrupt networks are formed within casinos, including poker room supervisors, dealers, and bartenders, with the purpose of not filing STRs.
 - Destroying documents/transactions reports related to due diligence or reporting processes.
- **Facilitating money laundering:**
 - **Falsifying player ratings** and other gambling records to justify the accumulation of casino chips/gaming machine credits. One scheme has been related to bribing IT personnel to re-programme some gaming machines into giving repeated wins. Corruption could be related not only to the operators but also to the suppliers of the gaming machines.
 - **Junket programmes:**⁶⁰ The main vulnerability of companies that organised gambling trips is that 'junket operators' organise not only

⁵⁹ An example would be if someone goes to a casino and makes a cash-purchase of 100,000 euro worth of chips. After playing for 1 hour and losing 10,000 euro, the person goes back to the counter and converts the remaining 90,000 euro worth of chips back into cash. For this transaction the person obtains a receipt, and the 90,000 is now clean money. They could be deposited in a bank, as the person has proof that the money has been won while gambling at a casino.

⁶⁰ Casino junkets or casino-based gaming tours are derived from casino marketing programs; 'junket' is an organised gaming tour for people who travel to gamble in casinos, usually in another country. (FATF 2009, p.47)

the trip, but they move the clients' money to the travel destination, and then from one casino to the next. Corrupt employees could assist criminals in blending their funds with the legitimate funds, as tracing of the criminal cash across jurisdictions becomes complex.

5.4 Professional services

The previous chapters (on judicial, customs, and police corruption) already outlined the intermediary role of corruptors that lawyers play. The professional services industry, in particular law-firms, accounting firms, and trust and company service providers (TCSPs) might play an important role in facilitating money laundering and white-collar crime.

In the majority of cases, the role of such professionals is collusive rather than corrupt (particularly when they are sole entrepreneurs). On occasions, though, when such professionals are employed at a large law or accounting firm, they might act against the established principle and rules of their company. The interviews showed that in the majority of cases, the professional services firms or individual professionals (lawyers, accountants, etc) that engage as intermediaries of corruption are of a specific type. The firms are usually smaller, and specialized in corruption brokerage.⁶¹

In the case of reputable auditing firms, the cases of corruption are equally difficult to conceptualise. If a partner or managing partner in a national country office decides not to qualify an opinion for an audit of a key client who is committing fraud, this could be interpreted as corruption. The case of Arthur Andersen and Enron is one of the well known ones. Even though only some Arthur Andersen partners were involved in the Enron fraud, the US court decided to hold the entire company responsible, which eventually led to its demise (Freidrichs 2007, p.13). On the other hand the corrupt partners had acted in the financial interest of Arthur Andersen (even though the headquarters might not have been aware of it). Lawyers in international law firms face similar dilemmas when in the course of legal due diligence of important clients they come across contracts that could raise suspicions of money laundering. Again such decisions are usually taken at the partner level, thus blurring the line between collusion and corruption.

Organised crime groups or individual criminals tend to seek out the services of professionals to benefit from their expertise in setting up companies that criminals then use for illicit purposes. Criminals may seek advice from trust and company service providers (TCSPs) who might collude in setting up corporate vehicles (off-shore companies, foundations, or trusts) that would be then used in money laundering or fraud schemes (FATF 2006).

Certain professional services, like real-estate surveyors and evaluators could be instrumental in **real-estate fraud schemes**. The overvaluation

⁶¹ *Corruption in the criminal justice system is facilitated by firms specialized in criminal defence, while the corrupt exchanges with politicians or administration could be facilitated by accounting firms or corporate law firms.*

of real-estate property by corrupt evaluators and surveyors is key to successful mortgage loan fraud schemes.

In all of the above categories it is very **difficult to determine professional services' degree of awareness of or involvement in the illicit purposes underlying their client's activities**. These range from some firms (or professionals) unknowingly facilitating illicit activities and others having greater knowledge of their clients' illicit purposes (FATF 2007, p.5). The line between **'complicity' and 'corruption'** is blurred and is a matter of interpretation.

Therefore, if one were to provide an accurate account of corrupt behaviour of such professionals in all possible, this would be redundant with the description of the various detailed money-laundering or white-collar schemes in publications such as FATF 2006, where their roles are outlined in detail.

Notaries can abuse their position by helping shield criminal activities and their proceeds. The corrupt activities of notaries include transactions on the property market, the establishment of legal entities. In one case, 'a notary linked his name and account to an advanced fee fraud. As a result, a swindler was able to persuade investors to transfer huge sums of money to the account (Nelen and Lankhorst 2008, 139). Notaries (but more often law-firms) could act as fronts to criminal companies, allowing these for instance to use their address as an official one (ES).

Various **(court) experts** usually, used by the defence or courts to provide expert assessment on evidence, are also susceptible to corruption. The particular issue of corruption of health professionals is discussed in a separate section, because although they are sometimes based in private companies, on many occasion they are public-sector employees.

5.5 Abusing a company

The third main reason why criminals corrupt company staff refers to the cases when they intend to abuse the company for their own financial gain. The most frequent type of fraud refers to cases where a purchase or procurement officer purchases a service or product that is not in the best interest of the company owners. The officer, though, receives a kickback. Some of the interviewees stated that this type of behaviour is a normal business practice in their countries: i.e. even if the service or product purchased is cost-effective to the company, the purchase officer still expects to receive a kickback from the provider (PL).

The provision of construction services is one of the areas where this type of fraud is quite frequent for the same reasons, for which the construction industry engages in corrupt practices with governments: the value of construction service is difficult to estimate, and oversight/management companies themselves may be collusive or corrupt. For this reason, construction is one of the business sectors attracting criminals (CZ, SE, NL, UK, IT, MT, EE, AU, PT, SI, LT, CZ, IT). In these cases, as the illustration from the Netherlands shows, the owners could be defrauded of millions

of euro. In addition, construction work could not only be overpriced, but also substandard.

One respondent described a recent fraud case in the Netherlands involving one of the largest construction companies. The Rabo Bouwfonds property company, (owned by Rabobank, one of the largest banks in the country, and formerly by ABN Amro), concluded a real estate development deal with the Phillips Pension Fund. The total amount of the deal related to the fraud was 350 million euro. Over a period of more than ten years corrupt managers at the Phillips Pension Fund gave contracts to Robobouffons, which were inflated by millions of euros. According to the respondent, the reason why the construction sector is susceptible to corruption is because there is no transparent pricing mechanism, and oversight, especially at high levels, is often difficult. (NL)

A high-level manager of the franchise of a major multinational corporation (MNC) in Greece appointed procurement managers with whom he colluded in ensuring the 'right' suppliers were used'. After moving to another company, the high-level manager continued to play the role of intermediary in corruption deals. Suppliers willing to do business with the MNC were directed to him to negotiate corrupt supply arrangements'. (EL)

The fraudulent services purchased by corrupt officers could also relate to complex financial frauds. Interviewee from the Netherlands pointed out another example, stating that fraudulent investment brokerage firms frequently use corruption to convince an investment manager in firm to make an investment in their securities which later turn out to be fraudulent (NL).

Factors of corruption

In terms of intermediaries and factors in facilitating corruption in the private sector, no particular patterns could be discerned from the available information. Unlike the case with public sector employees, access to private sector employees is much easier and more direct. There are few limitations (especially legal) on private sector employees regarding meeting representatives of other companies or individuals. In addition, any criminal intentions might become clear much later in the process, as might the need for corruption. Further to that, the fact that criminals might appear to be potential clients for a legitimate deal, means that professionals have an incentive not to immediately alienate them, but rather to try to 'work out' a solution.

Differences in business cultures and practices also play a big role (as described above in the case of Poland). The role of business and corporate cultures in EU-10E in facilitating private sector corruption is potentially a vast topic. Nepotism, clientelistic networks, and informal bonds of trust substituting formal legalistic business relations, are just a few of the characteristics that could facilitate corruption.

Lack of sufficient or effective regulatory oversight of the private sector also provides good grounds for the growth of organised crime: the maintenance of low standards of accounting practices, such as keeping off-the-books accounts and non-accountable funds encourages corruption in the private sector. Here, all industries are potentially concerned.

5.6 Anti-corruption measures

In several countries interviewees were of the opinion that not many private companies take specific anti-corruption measures. Private sector governance is weak and preventive anti-fraud measures are not much developed (BE). The exceptions are either the bigger companies, or the subsidiaries of US listed companies whose policies and procedures are driven by the 2002 Sarbanes-Oxley Act and by the Foreign Corrupt Practice Act⁶² (AU, BE, SE, MT). SMEs usually do not adhere to such anti-corruption standards as their implementation is too expensive. They usually naively assume nothing will happen until it does and then

⁶² *Following the Enron fraud scandal, in 2002 the US Congress passed the Sarbanes-Oxley law: legislation that created new standards of top-management responsibility for honest financial accounting and that increased penalties for defrauding investors in shares of corporate stock. Among other provisions, the act calls for increased oversight duties for corporate fraud, requires corporate CEOs and CFOs to certify corporate financial statements personally, and adjusts federal sentencing guidelines to implement longer prison sentences for high-level corporate executives convicted of corporate financial fraud. (Gerber & Jensen 2007, p.88)*

they have to deal with it (SE). Professional service companies in smaller Member States are usually SMEs, which means that often they do not have sufficient anti-corruption measures in place (DM, BG). Interviewees from Member States with perceived high-levels of public sector corruption (RO, IT, BG, EL) also reported that anti-corruption measures in the private sector were rare and were either implemented as damage control to their public image once fraud had occurred, or if EU regulation (e.g. anti-money laundering rules) required it. Most large auditing and fraud investigation firms provide a full range of advisory services on designing comprehensive corporate anti-fraud (corruption) mechanisms. There is much written about the merits of or best practices relating to the various measures (e.g. PWC 2007, E&Y 2008). Below we list some of the common anti-corruption measures that interviewees discussed, and some of the problems that they identified.

Best practices for procurement staff should clearly include:

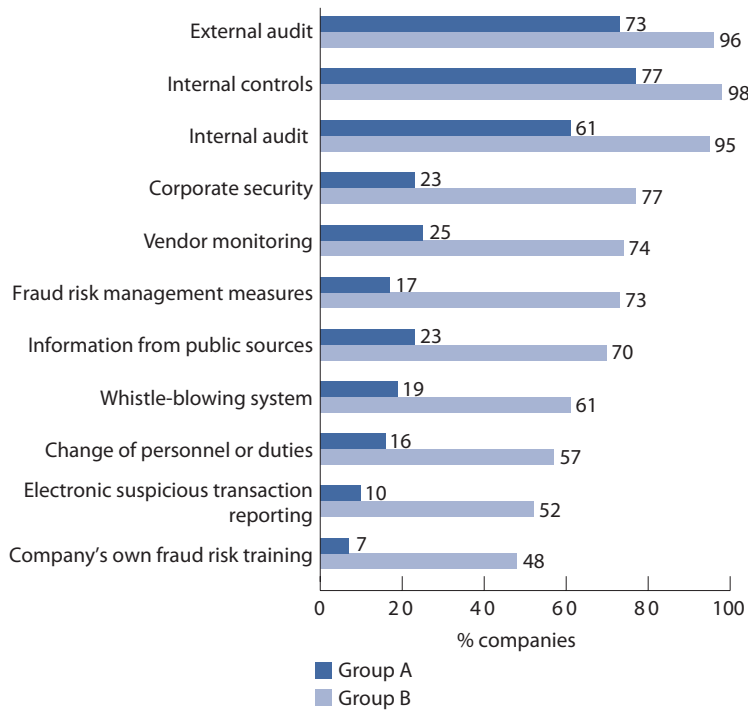
- Discouraging ‘facilitation payments’;
- Defining clearly what constitutes a conflict of interests;
- Requiring the presence of at least two persons for negotiations;
- Imposing limits for (token) gifts and benefits;
- And in-house appropriate controls of the above.

Interviewees from international professional services firms also reported specific anti-corruption measures, such as:

- Obligations of auditing firms to **report corruption and fraud** (AU);
- **Staff rotation** for employees exposed to corruption: for smaller local firms (e.g. accounting or law-offices) this is not usually possible (AU). Many banks use rotation as an anti-corruption measure (MT);
- **Corporate security departments** could refocus their activities to spot or prevent internal corruption;
- **IT system** monitoring and control mechanisms could also be used whenever they are designed to detect fraud (AU, SE, MT);
- **Internal audits** (SE, SI, MT) could specifically target in-house corruption – some interviewees commented on their falling effectiveness (AU), something that the PWC survey (see below) also concludes;
- **Whistle-blowing** programs (SE) are increasingly effective, but need careful design and appropriate corporate culture;
- **Corruption awareness campaigns**, special training sessions, and codes of conduct, AML guidelines (PL);
- **“Four eyes principle”**: requirement that every decision needs to be approved by the CEO and that no decision is to be taken by any employee alone (AU);
- Obligatory external audits (MT), **even for the smallest companies is seen as positive, but costly measure.**

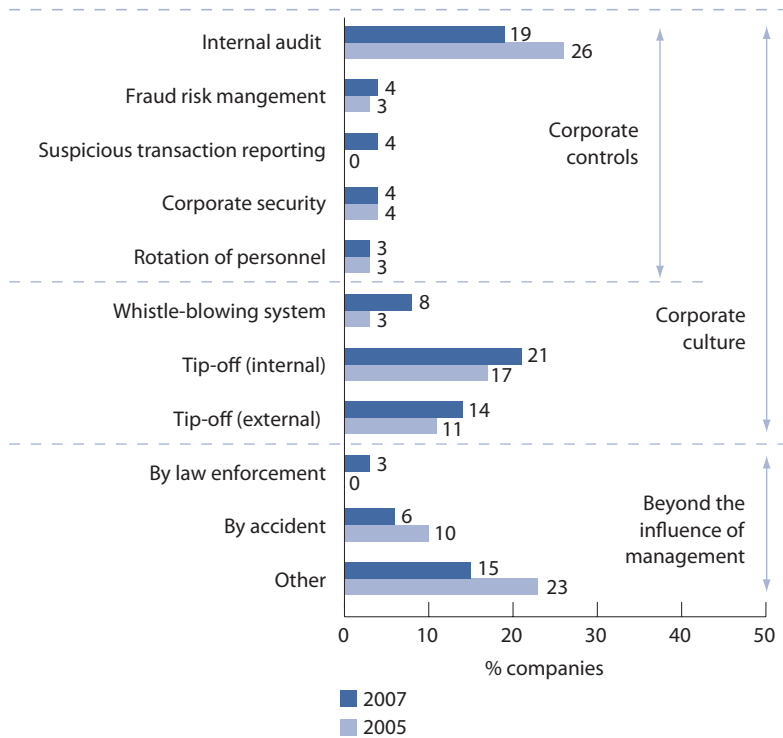
A 2007 PWC survey that included small and large companies listed a similar range of anti-corruption measures adopted by firms around the world. The survey nevertheless demonstrated that corporate controls contributed to the detection of fraud in only part of the cases. In the majority of cases it was factors related to corporate culture, or to outside bodies, or chance that contributed to the detection of fraud.

FIGURE 11. FRAUD RISK MANAGEMENT CONTROLS IMPLEMENTED BY COMPANIES IN GROUP A (UP TO FIVE CONTROLS) AND GROUP B (MORE THAN FIVE CONTROLS)



Source: PWC (2007, p.11).

FIGURE 12. DETECTION METHODS



Source: PWC (2007, p.10).

