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CORPORATE FRAUD & CORRUPTION

Financier Worldwide canvasses the opinions of leading professionals around the world on the latest trends in corporate fraud & corruption.





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Since 2000, Alan Mark has practiced exclusively in forensic accounting with a particular focus on financial disputes and investigations, as well as economic loss quantification. He is a partner and the national practice leader of forensics at BDO Canada LLP. He holds professional accountancy, valuation and investigative designations in Canada, the US and Hong Kong. He has provided expert testimony before provincial and federal courts in Canada, and in quasi-judicial proceedings, on complex commercial litigation and civil and criminal matters. He also serves as an independent expert in resolving accounting disputes.

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Q. To what extent are boards and senior executives in Canada taking proactive steps to reduce incidences of fraud and corruption from surfacing within their company?

A. Proactive risk management has become a higher priority for many Canadian companies in recent years, particularly with respect to cyber threats. Fraud risk and compliance effectiveness assessments are more commonly found on board agendas. However, in my experience, corporate risk registers tend to underestimate fraud risks. The impact of fraud may be assessed as ‘high’, but the probability of occurrence is assessed as ‘low’. Corporate governors and executives seem to take the view that their organisations are unlikely to encounter fraud. Unfortunately, in today’s environment, it is more likely a matter of ‘when’, and not ‘if’. Despite high-profile enforcement actions in recent years, corruption is not seen as a significant risk for Canadian businesses. However, even if domestic corruption risks are comparatively low, operating in foreign jurisdictions means exposure to local risks. Certain industries, such as global financial

institutions (FIs) and natural resources and mining companies, tend to have more mature anti-corruption programmes.

Q. Have there been any significant legal and regulatory developments relevant to corporate fraud and corruption in Canada over the past 12-18 months?

A. From a regulatory perspective, the 2023 federal budget introduced various measures to strengthen reporting requirements for sanctions-related information and suspicious transactions. More types of businesses are required to report suspicious transactions and reporting obligations have been clarified. Additionally, requirements for criminal background checks and whistleblower protections were introduced. Most importantly, the Canadian regulatory regime now requires the disclosure of beneficial ownership of federally incorporated companies. The beneficial ownership information is recorded in a federal registry. This is a significant step toward greater transparency, allowing greater visibility into previously secretive networks of companies. There is still room for improvement, as provincial ownership

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The main risk is supply chain fraud, including bribery, bid rigging, overpricing, breaches of labour standards or worse. In my experience, the risk is real and persistent.

disclosure requirements are lagging behind.

Q. When suspicions of fraud or corruption arise within a firm, what steps should be taken to evaluate and resolve the potential problem?

A. The first order of priority is to secure assets. Lock down the bank or trading accounts in which the suspected fraud occurred and disable access to accounts or authorisations of suspected bad actors. Once assets are secure, the next task is to preserve the evidence. With the assistance of forensic professionals, secure the business and accounting records related to the fraud. Physical and digital records should be copied, preferably forensically imaged, and safely stored. Companies should also engage legal and investigative professionals as soon as possible. Time is of the essence when recovering stolen funds. The odds of recovery are higher if funds can be quickly traced and involved FIs are put on notice. Similarly, timely notification is usually required by insurance policies related to financial crime. This urgency is one reason why

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having a well-designed fraud or cyber breach plan is so important.

Q. Do you believe companies in Canada are paying enough attention to employee awareness, such as training staff to identify and report potential fraud and misconduct?

A. Awareness and training are certainly strong in some respects, such as cyber security risks. Most companies have regular training for phishing and similar threats. Formal reporting frameworks, such as whistleblower programmes, are also common. However, training for other threats such as money laundering, corruption and modern slavery tends to be minimal. Even where robust policies and programmes exist, training may only be limited to certain departments within an organisation, such as finance. Broader awareness across the organisation is needed to ensure programme effectiveness.

Q. How has the renewed focus on encouraging and protecting whistleblowers changed the way companies manage and respond to reports of potential wrongdoing?

A. There is a greater awareness of the importance of whistleblower programmes, across companies and from the governance-level down. The importance of strong whistleblower programmes is reflected in a recent study of global trends by the Chartered Professional Accountants of Canada and the International Federation of Accountants. Organisations, including the federal government, have reviewed their policies and identified gaps in the protections offered to whistleblowers. The volume of complaints has also increased over time, causing companies to reconsider how reports are triaged. Initially, at least, third-party providers offering turnkey or white-label whistleblower programmes are often employed to manage and process complaints. Third-party providers can be a cost-effective solution that also creates a layer of independence from management. This independence can be a very important consideration for corporate governance.

Q. Could you outline the main fraud and corruption risks that can emerge from third-party relationships? In your opinion, do firms pay sufficient attention to due diligence at the outset of a new business relationship?

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A. The main risk is supply chain fraud, including bribery, bid rigging, overpricing, breaches of labour standards or worse. In my experience, the risk is real and persistent. Supply chain frauds often involve collusion between employees and suppliers or customers. They can involve kickbacks, diverted payments or products, and inflated invoices. Such fraud can occur at family-owned businesses and at multinational public companies. It is also a risk in the public sector, from universities to the federal government. Unfortunately, meaningful due diligence of business partners tends to be a limited and perhaps even uncommon practice in Canada. With certain exceptions related to regulatory requirements, such as lawyers or FIs, most companies do not conduct substantive background check verifications. The time and effort of due diligence is worth the price compared to the potential consequences of not knowing who you are dealing with.

A. The most important advice is to recognise the organisation is at risk of fraud and corruption. With that awareness, identify and prioritise the various types of risk to which the organisation is exposed. An organisation cannot protect itself against all risks, so efforts should be focused on designing controls to address risks in order of priority. Then, train staff so they are aware of their individual roles in the ‘fraud playbook’. Ongoing training, including periodic refreshers and compliance testing with feedback, is critical to ensuring that policies are effective. As a fraud investigator, there are few things more disheartening than to see a fraud scheme defeat a well-designed internal control because someone did not do their job.

Q. What advice can you offer to companies on implementing and maintaining a robust fraud and corruption risk management process, with appropriate internal controls?



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Q. To what extent are boards and senior executives in Colombia taking proactive steps to reduce incidences of fraud and corruption from surfacing within their company?

A. In recent years, boards and senior executives in Colombia have become more conscious of fraud and corruption risks in their organisations. In our experience, and from what we have observed in the business community, organisations have implemented several proactive measures to safeguard their reputations, ensure regulatory compliance and mitigate financial losses due to fraud. The strategies include supporting documentation review, transaction monitoring, communications overview, detection of anomalies and the use of governance, risk and compliance (GRC) solutions.

Q. Have there been any significant legal and regulatory developments relevant to corporate fraud and corruption in Colombia over the past 12-18 months?

A. Colombia has enacted the Transparency and Fight Against Corruption Act aimed at strengthening the prevention and

punishment of acts of corruption. This initiative, led by the National Commission of Moralization and coordinated by the nation's vice president, seeks to promote a culture of integrity and legality. The Act includes measures to identify the ultimate owners of companies doing business with the government and creates consolidated databases while promoting transparency. Regulations reinforce transparency by lifting the veil of secrecy and bringing to light a company's legal structure. By fighting corruption in this way, the government hopes to foster the population's trust in institutions.

Q. When suspicions of fraud or corruption arise within a firm, what steps should be taken to evaluate and resolve the potential problem?

A. When an allegation of fraud or corruption arises in a company, prompt action is key. Building a multidisciplinary investigation team is essential, preferably with external experts to ensure objectivity and independence. Collecting evidence with due care to preserve the chain of custody is important, and a thorough investigation should include interviews

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and document review. Once fraud is confirmed, corrective measures should be implemented, and the results communicated to relevant parties. Additionally, it is crucial to strengthen internal control systems to prevent future incidents. A systematic approach to address the current situation will strengthen integrity and trust in the company for the long term.

Q. Do you believe companies in Colombia are paying enough attention to employee awareness, such as training staff to identify and report potential fraud and misconduct?

A. In the context of Colombian businesses, raising employee awareness about identifying and reporting possible fraud and improper practices requires great organisational effort. A culture of regulatory compliance promoted by international compliance standards alone is not sufficient to effectively address fraud. It is key to implement training programmes covering every level of a company. Being proactive, in addition to strengthening internal control mechanisms and fraud prevention, fosters

a culture of integrity and responsibility among employees, contributing to the safeguarding of assets and corporate reputation.

Q. How has the renewed focus on encouraging and protecting whistleblowers changed the way companies manage and respond to reports of potential wrongdoing?

A. Despite the lack of a comprehensive legal framework for whistleblower protection, organisations in both the public and private sectors have implemented strategies such as ethical frameworks for employees to report complaints and irregularities. However, whistleblowers continue to face retaliation, including the possibility of suspension, dismissal, job demotion, coercion, intimidation and risks to their physical integrity. Extending whistleblower protection to other stakeholders is also crucial, as they may be subject to retaliation that affects their reputations and financial livelihoods. This change reflects an effort to promote a culture of safe and effective reporting in Colombian companies.



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Q. Could you outline the main fraud and corruption risks that can emerge from third-party relationships? In your opinion, do firms pay sufficient attention to due diligence at the outset of a new business relationship?

A. Fraud and corruption risks mainly arise from relationships with third parties. These risks include influence peddling, bribery and money laundering. Additionally, there is a risk of compromising the financial integrity and legitimacy of third parties' business operations, as well as facing conflicts of interest that may negatively affect the business relationship. Companies often neglect the initial interactions necessary to get to know their partners. The due diligence process for third parties is essential to fostering ethical and sustainable business relationships, as well as to mitigating the risks of fraud and corruption, and should receive more rigorous attention from organisations.

Q. What advice can you offer to companies on implementing and maintaining a robust fraud and corruption risk management process, with appropriate internal controls?



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A. The following recommendations can help organisations implement and maintain a robust fraud and corruption risk management process. First, establish and communicate a fraud risk management programme that reflects the ethical values of senior management. Second, conduct comprehensive fraud risk assessments to identify specific schemes and assess their likelihood and potential impact. Third, implement preventive and detective control activities to reduce the possibility of fraudulent events occurring with a third party. Fourth, establish a communication process to obtain information about possible fraud and carry out coordinated investigations and corrective actions. Lastly, conduct ongoing assessments and report deficiencies in the fraud risk management programme to take corrective action.

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Q. To what extent are boards and senior executives in the Republic of Ireland taking proactive steps to reduce incidences of fraud and corruption from surfacing within their company?

A. In Ireland, company directors are usually appointed by the members to manage the affairs of the company on their behalf. The main legislative provisions concerning company directors are set out under part 4 in sections 128 to 167 and under part 5 in sections 219 to 255 of the Companies Act. The primary responsibility of directors is to ensure compliance with the Companies Act, which includes acting honestly and responsibly and maintaining proper books and records. Directors must sign a statutory declaration each year that the company is in compliance with its obligations. This legislative framework ensures boards and senior executives proactively reduce incidences of fraud and corruption by implementing anti-fraud and anti-corruption policies, by providing staff training, and by operating dedicated protected disclosure reporting channels in accordance with the legislation in Ireland.

Q. Have there been any significant legal and regulatory developments relevant to corporate fraud and corruption in the Republic of Ireland over the past 12-18 months?

A. In 2018, Ireland introduced the Criminal Justice (Corruption Offences) Act 2018, which requires a company to demonstrate it “took all reasonable steps and exercised all due diligence to avoid the commission of the offence” when faced with prosecution for bribery and corruption. This is considered by many to be a higher bar than the equivalent provisions in the UK Bribery Act, which requires companies in the UK to have adequate procedures in place, and the Foreign Corrupt Practices Act (FCPA), which requires companies to maintain an adequate system of internal accounting controls. More recently, all Irish companies with more than 50 employees are required by law to implement a protected disclosures reporting channel, which must be made available to all ‘workers’, which includes within its definition all current and former employees, volunteers, independent contractors, trainees and job candidates.



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Q. When suspicions of fraud or corruption arise within a firm, what steps should be taken to evaluate and resolve the potential problem?

A. A robust process, in accordance with fair procedures and the laws of natural justice, is crucial when suspicions of fraud or corruption are raised. Conduct a thorough investigation into the allegations, ensuring objectivity and confidentiality. Secure relevant documents, emails, financial records and any other evidence that may support the investigation. Interview employees, stakeholders or any individuals associated with the suspected wrongdoing to gather information and insights. Take appropriate action based on the investigation findings, which may include disciplinary actions, policy revisions or legal proceedings. Strengthen internal controls and monitoring mechanisms to prevent future occurrences of fraud or corruption. Keep stakeholders informed about the investigation process and outcomes while complying with legal and regulatory reporting requirements. And establish ongoing monitoring and auditing processes to detect and deter fraudulent activities in the future.



Developing a 'speak up' culture can contribute to a more resilient and trustworthy business environment.

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Q. Do you believe companies in the Republic of Ireland are paying enough attention to employee awareness, such as training staff to identify and report potential fraud and misconduct?

A. Irish companies vary in their attention to employee awareness regarding fraud and misconduct. While some companies prioritise training programmes to educate staff in identifying and reporting potential issues, others may not allocate sufficient resources to this aspect of risk management. There is a growing recognition of the importance of having an ethical culture within organisations, but implementation may vary based on factors like company size and resources. There is room for improvement across Irish companies to ensure that all employees are equipped with the knowledge and tools to speak up about fraudulent or unethical behaviour. Developing a ‘speak up’ culture can contribute to a more resilient and trustworthy business environment.

Q. How has the renewed focus on encouraging and protecting whistleblowers changed the way

companies manage and respond to reports of potential wrongdoing?

A. The European Commission has been the driving force for change and standardisation across the European Union, including Ireland, with respect to whistleblowing. The EU Directive on Whistleblowing – which has been transposed into Irish law by the Protected Disclosures (Amendment) Act 2022 – has made it a requirement for all companies with over 50 employees to implement a reporting channel. This is a significant change to Irish companies’ attitudes toward identifying and reporting potential fraud and misconduct. The new laws have brought about a renewed focus to update policies and procedures in relation to fraud, bribery and corruption, and have led to increased awareness across Irish companies about compliance with the legislation and enhancing corporate governance.

Q. Could you outline the main fraud and corruption risks that can emerge from third-party relationships? In your opinion, do firms pay sufficient attention to due



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diligence at the outset of a new business relationship?

A. Third-party relationships pose various fraud and corruption risks to firms, including bribery and corruption such as kickbacks, conflicts of interest and data breaches. These risks arise when companies engage with suppliers, vendors, agents or contractors who may operate with different ethical standards or engage in illicit activities. Insufficient due diligence at the outset of a new business relationship heightens these risks, potentially exposing firms to financial losses, reputational damage and criminal offences under Irish law. While some companies prioritise robust third party due diligence processes, including background checks and risk assessments, others may overlook these measures due to time constraints or cost considerations. Overall, firms should pay careful attention when entering third-party relationships to mitigate fraud and corruption risks. Furthermore, all companies involved in the cross-border movement of goods and services must have robust trade compliance programmes with comprehensive internal controls and

processes for managing import and export compliance and sanctions obligations.

Q. What advice can you offer to companies on implementing and maintaining a robust fraud and corruption risk management process, with appropriate internal controls?

A. Effective management of fraud and corruption risks should focus on prevention, detection and response. Robust anti-fraud and corruption policies should be clearly communicated to all employees. Supplier vetting should include stringent verification measures and suppliers should be required to adhere to the organisation's code of conduct, conflict of interest policy, gift policy, and anti-bribery and corruption requirements. Pre-employment screening can ensure new employees have not falsified or exaggerated qualifications. Early detection of fraud and corruption may be achieved through forensic data analytics. Conflicts of interest and gift registers need to be implemented through a declaration process, where declarations can be assessed and verified, and exceptions investigated. Responding to allegations of fraud, bribery or corruption

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in a timely and transparent manner in accordance with the laws of natural justice is crucial. A strong fraud response programme can help protect the reputation of the company and mitigate the associated financial, reputational and legal risks. □

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Q. To what extent are boards and senior executives in Switzerland taking proactive steps to reduce incidences of fraud and corruption from surfacing within their company?

A. As in other parts of the world, in Switzerland effective leadership starts with good corporate governance, a culture of compliance and suitable control processes. Beginning by setting ‘the tone from the top’, there are clear instructions and training programmes in place for employees, backed by rigorous control processes. There are transparency and authorisation requirements, like the obligation to disclose gifts or non-cash benefits that exceed a certain value. For credit and other financial institutions higher standards apply when it comes to disclosures, power of attorney and other banking services. In addition, the culture of compliance also contains an established whistleblower policy and process.

Q. Have there been any significant legal and regulatory developments relevant to corporate fraud and corruption in Switzerland over the past 12-18 months?

A. According to Transparency International Switzerland, the most egregious forms of corruption are prohibited under criminal law. And despite the corresponding criminal offences having been in force in Switzerland for many years now, there have been relatively few convictions. This is unacceptable with respect to combatting corruption, as well as from a social and constitutional perspective, particularly when one considers the criminal liability of companies and other legal entities for serious offences such as corruption or money laundering, according to article 102 of the Swiss Criminal Code. While the financial markets authority aims to take account of advancing technical developments and concretise its supervisory practice, no significant legal and regulatory developments relevant to corporate fraud and corruption were implemented in Switzerland over the past 12-18 months.

Q. When suspicions of fraud or corruption arise within a firm, what steps should be taken to evaluate and resolve the potential problem?



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A. There are steps a firm should take even before an incident of fraud or corruption occurs. First, create a plan to handle such a crisis and test it with your employees. Second, set a clear IT and mobile phone policy for the firm. Third, invest in fidelity insurance to cover financial losses from white-collar crime committed by the firm's staff. Fourth, if you suspect fraud or corruption, do not start the investigation yourself. The risk of destroying evidence is too high and you may tip off the fraudster. Fifth, use professional investigative resources, either from within the firm or externally. Do not jeopardise any subsequent investigation by the authorities by stepping in yourself. Sixth, once the investigation is underway, evaluate the evidence of fraudulent behaviour, and what evidence must be collected and secured. Seventh, do not interview the suspect until the end of an investigation. Lastly, once you have the final investigation report, you can either try to reach a private settlement with the suspect, which is not recommended, or hand over the file to the relevant authorities.

Q. Do you believe companies in Switzerland are paying enough attention

to employee awareness, such as training staff to identify and report potential fraud and misconduct?

A. Philosophically speaking, you can never say it is enough. Companies operating in industries that are highly regulated, such as financial services or pharmaceuticals, or companies that are heavily export-oriented, such as manufacturing, place a lot of emphasis on employee awareness and training. In recent years, other industries have had to catch up, due to increased regulatory attention in Switzerland and also thanks to employees themselves, who are now much more aware of these topics and request training for their own protection. So, generally speaking, Swiss companies are well aware of their duties and requirements.

Q. How has the renewed focus on encouraging and protecting whistleblowers changed the way companies manage and respond to reports of potential wrongdoing?

A. Due to the lack of an actual specific legal basis, the protection of whistleblowers in Switzerland does not

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Due to the lack of an actual specific legal basis, the protection of whistleblowers in Switzerland does not come close to the protection afforded to whistleblowers by the European Union (EU) via member states.

come close to the protection afforded to whistleblowers by the European Union (EU) via member states. A whistleblower law has been under consideration in Switzerland for many years. However, in September 2015, the Swiss Parliament passed the ball back to the Federal Council. The upshot was that any punitive dismissal of a whistleblower would have to be covered under the regulations of the Swiss Code of Obligations for labour law. Despite the lack of a formal legal basis or requirement, many companies in the banking sector, insurance companies and industrial companies – often with a connection to the EU – with a strong corporate governance structure and culture of compliance have whistleblower policies and associated processes in place.

Q. Could you outline the main fraud and corruption risks that can emerge from third-party relationships? In your opinion, do firms pay sufficient attention to due diligence at the outset of a new business relationship?

A. Relationships with third parties harbour a variety of fraud and corruption risks for companies. Third parties, such as

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suppliers, distributors or consultants, could offer or demand bribes or improper favours to influence business relationships or obtain contracts. Third parties could attempt to financially harm the company through inflated invoices, falsified shipments or other means. Undisclosed personal relationships of employees or other stakeholders could influence business decisions. Business relationships could violate applicable trade sanctions, embargoes or export control laws. Third parties could also gain access to sensitive company data and misuse or share it. A careful due diligence and ‘know your customer’ process at the beginning of a new business relationship, including background checks, can help companies properly assess risk. We see varying degrees of such assessments undertaken by corporates during their third party onboarding processes.

Q. What advice can you offer to companies on implementing and maintaining a robust fraud and corruption risk management process, with appropriate internal controls?

A. Companies looking to implement and maintain a robust fraud and corruption risk management process should consider the following actions to strengthen resilience and maintain the integrity of their business operations. First, foster ethical behaviour in the workplace anchored in a strong corporate culture. Second, outline and communicate clear policies and procedures for accountability. Third, undertake regular risk assessments and identify vulnerabilities. Fourth, provide regular training sessions and develop awareness of internal policies and procedures, as well as fraud and corruption risks in the particular industry. Fifth, institute a whistleblower programme that allows employees to confidentially report concerns about fraud or corruption without fear of reprisal. Sixth, develop internal monitoring mechanisms to identify and investigate suspicious activities. Lastly, engage external reviews on the effectiveness of internal controls and recommendations for improvement. □

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Q. To what extent are boards and senior executives in India taking proactive steps to reduce incidences of fraud and corruption from surfacing within their company?

A. Over the last decade, India has witnessed an unprecedented increase in the volume of corporate fraud cases, leading to a greater recognition of the importance of addressing fraud and corruption. While Indian companies are becoming more conscious of these risks, their proactivity in mitigating these incidents varies based on factors such as size, structure, operations and industry. With evolving business dynamics, increasing regulatory enforcement, higher costs of investigation and litigation, and greater reputational risk, boards and senior executives are taking proactive measures to mitigate these fraud and corruption risks. Their focus has shifted from simply putting policies in place to adopting a top-down approach that fosters a culture of ethics and integrity throughout the organisation, with a strong emphasis on effectively implementing policies, promoting a ‘speak up’ culture, developing ongoing training, and leveraging advanced

technologies like control monitoring and AI-driven red flagging tools to proactively identify potential risks.

Q. Have there been any significant legal and regulatory developments relevant to corporate fraud and corruption in India over the past 12-18 months?

A. India has recently amended the Prevention of Money Laundering Act, broadening the range of reporting entities to include professionals such as chartered accountants and company secretaries who handle financial transactions for their clients. According to the new regulations, accountants must complete the ‘know your client’ process before commencing any work for their clients, conduct thorough due diligence on their clients’ ownership and financial status, verify the sources of their funds, and document the purpose of the transactions. Additionally, the National Financial Reporting Authority (NFRA), an independent regulatory body overseeing the quality of financial reporting by specific types of companies, has issued a directive requiring auditors to report any instances of fraud directly to the NFRA if it exceeds a certain financial threshold,



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regardless of whether they come across it directly or indirectly.

Q. When suspicions of fraud or corruption arise within a firm, what steps should be taken to evaluate and resolve the potential problem?

A. Fraud investigations are complex and multifaceted processes that warrant a comprehensive approach. Many companies and owners find themselves in unfamiliar territory when faced with suspicions of fraud, unsure of the appropriate course of action. Initially, it is crucial to preserve all relevant information and inform key stakeholders such as the board, management, the legal department and compliance teams about any suspicions of fraud. Next, an initial assessment of the incident should be conducted to ascertain whether the suspicions are valid. If a thorough investigation is deemed necessary, an independent investigator with expertise in fraud or corruption cases should be engaged. This will ensure impartiality and help avoid potential conflicts of interest. Following the conclusion of the investigation, appropriate next measures should be



Engaging with sanctioned third parties can lead to regulatory violations. Despite these looming hazards, some firms fail to prioritise due diligence when forging new partnerships, often paying a high price for this negligence down the line.

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taken, including implementing disciplinary measures for those involved, enhancing internal controls to prevent future incidents, and reporting the matter to law enforcement authorities.

Q. Do you believe companies in India are paying enough attention to employee awareness, such as training staff to identify and report potential fraud and misconduct?

A. In India, while many corporations recognise the significance of fostering employee awareness to mitigate fraud and misconduct, there is still room for improvement. While certain organisations have implemented robust training initiatives, others have yet to make such measures a priority. Effective training should encompass the dissemination of ethical principles, offer practical guidance on detecting fraudulent activities, and cultivate a culture of transparency and accountability, where employees feel empowered to report suspicious behaviour without fear of reprisal. Regular evaluations of training efficacy are vital to ensure alignment with evolving risks.

Q. How has the renewed focus on encouraging and protecting whistleblowers changed the way companies manage and respond to reports of potential wrongdoing?

A. The growing emphasis on safeguarding individuals who expose misconduct is redefining how businesses react to potential wrongdoing. This transition is predominantly driven by heightened regulatory mandates, increased public consciousness, and the acknowledgement of the pivotal role whistleblowers play in uncovering and preventing unethical behaviour. Organisations are aware that the focus on whistleblower protection not only encourages more disclosures but also enhances accountability, strengthens trust and improves early detection of misconduct, ultimately fostering ethical corporate cultures and regulatory compliance. Accordingly, stakeholders are demonstrating commitment and spreading awareness among employees about the benefits of a robust whistleblowing mechanism. Many organisations provide anonymous reporting channels, such as hotlines or online platforms, to encourage employees

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who might be hesitant to come forward due to fear of retribution. Additionally, organisations are allocating resources toward conducting comprehensive and impartial investigations, often involving external third parties to ensure objectivity and credibility.

Q. Could you outline the main fraud and corruption risks that can emerge from third-party relationships? In your opinion, do firms pay sufficient attention to due diligence at the outset of a new business relationship?

A. Third parties are a primary conduit to bribery and corruption. The involvement of external parties introduces considerable hazards such as corruption, collusive bidding, misappropriation of assets and illicit financial activities. These risks have the potential to damage a company's reputation and jeopardise its ethical standing and financial stability. Furthermore, engaging with sanctioned third parties can lead to regulatory violations. Despite these looming hazards, some firms fail to prioritise due diligence when forging new partnerships, often paying a high price for this negligence

down the line. Implementing thorough third party due diligence and risk evaluation from the outset of new business relationships can be advantageous for companies in the long term, serving as a cost effective and efficient way to manage inherent risks associated with third parties.

Q. What advice can you offer to companies on implementing and maintaining a robust fraud and corruption risk management process, with appropriate internal controls?

A. For a robust fraud and corruption risk management process, it is imperative to have top-level commitment, reflecting an overall company-wide pledge to ethics and integrity. The essential steps to implement such a programme include establishing effective policies and procedures, conducting regular fraud risk assessments to identify vulnerabilities, providing ongoing training, promoting awareness of fraud, implementing required internal controls, and staying informed about changes to relevant laws and regulations. This process should encompass a thorough review of all business processes, transactions and relationships with

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third parties. Continuous monitoring of potential fraud red flags and updating fraud detection methods are essential for staying ahead of evolving threats and safeguarding companies from the damaging consequences of fraud and corruption. It is also advisable to undergo periodic independent assessments to gauge the efficacy of fraud and corruption prevention efforts. □

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BDO INDIA builds on foundations of quality and a business focused and result oriented approach to serving clients. The firm's partners are known as subject and industry experts and take pride in a work culture that is both client-centric and knowledge driven. The firm's expertise lies in developing innovative, business-oriented solutions delivered consistently to clients across industries and borders. As the Indian regulatory landscape has many complexities, BDO India tries to break down and prioritise requirements to propose business friendly and dynamic solutions to clients.

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