

Managing bribery and corruption risks

Corruption remains a significant fraud-risk for businesses across the world. The cost of corruption is estimated to be five percent of the global GDP (US\$3.6 trillion), with over US\$1 trillion paid in bribes each year¹. Corruption adds up to 10 percent of the total cost of doing business globally and up to 25 percent of the cost of procurement-contracts in developing countries². The United Nations has listed corruption as "one of the biggest impediments" to

achieving its 2030 Sustainable Development Goals.

In 2018, the average organisation lost about US\$250,000 to bribery and corruption schemes³. In our experience, about two-thirds of all frauds reported in India tend to have a corruption angle to them. Given the recent enforcement action across geographies, the failure to address bribery and corruption can result in business termination.



Since 2016, at least a dozen companies have been pulled up by the Securities and Exchange Commission (SEC) for alleged corrupt practices in their Indian units⁴. The total fine exceeds USD\$330 million.



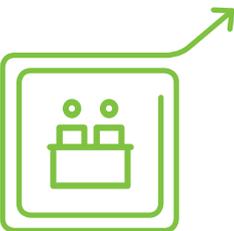
Enforcement agencies have increased their cooperation with agencies from other jurisdictions to facilitate cross-border enforcements and have been using technology tools to unravel corporate bribery.

Corruption in India has been a cultural issue compounded by historical events that skewed the level playing field for local businesses. After the country's independence, rampant corruption was seen as a way to legitimately compete for businesses in an otherwise closed and heavily regulated economy. After liberalisation in the 1990s, Indian businesses were finally able to compete on a relatively fair playing field in some sectors. Today, although many sectors have managed to

curb corruption, its prevalence can be seen in legacy businesses that are still enhancing their competitiveness. Although millennials tend to shun malpractices at the workplace, the lure of making quick money can push them towards accepting and giving bribes.

To ensure that the avenues for corruption are reduced, the government has taken several steps in the last decade. These include:

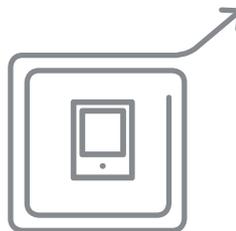
Making directors financially liable for malpractices under the Companies Act, 2013, including criminal prosecution



Amendment to the Prevention of Corruption Act in 2018 that penalises bribery of public officials and commercial organisations, and use of third parties for bribes; this has enhanced penal provisions and timelines to address cases



Digitisation of large scale public procurements



Introduction of Goods and Services Tax (GST), demonetisation, and other initiatives to minimise anonymity in transactions

¹ Source: <https://www.weforum.org/agenda/2018/12/the-global-economy-loses-3-6-trillion-to-corruption-each-year-says-u-n>

² Source: <https://www.oecd.org/g20/topics/anticorruption/oecdanactivepartneroftheg20andb20intheglobalfightagainstcorruption.htm>

³ ACFE Report to the Nations on Occupational Fraud and Abuse, 2018

⁴ Source: <https://economictimes.indiatimes.com/news/company/corporate-trends/uber-not-alone-in-facing-us-probe-for-india-graft/articleshow/68898109.cms> and <https://www.reuters.com/article/us-walmart-fcpa/walmart-to-pay-282-million-to-settle-seven-year-global-corruption-probe-idUSKCN1TL27>

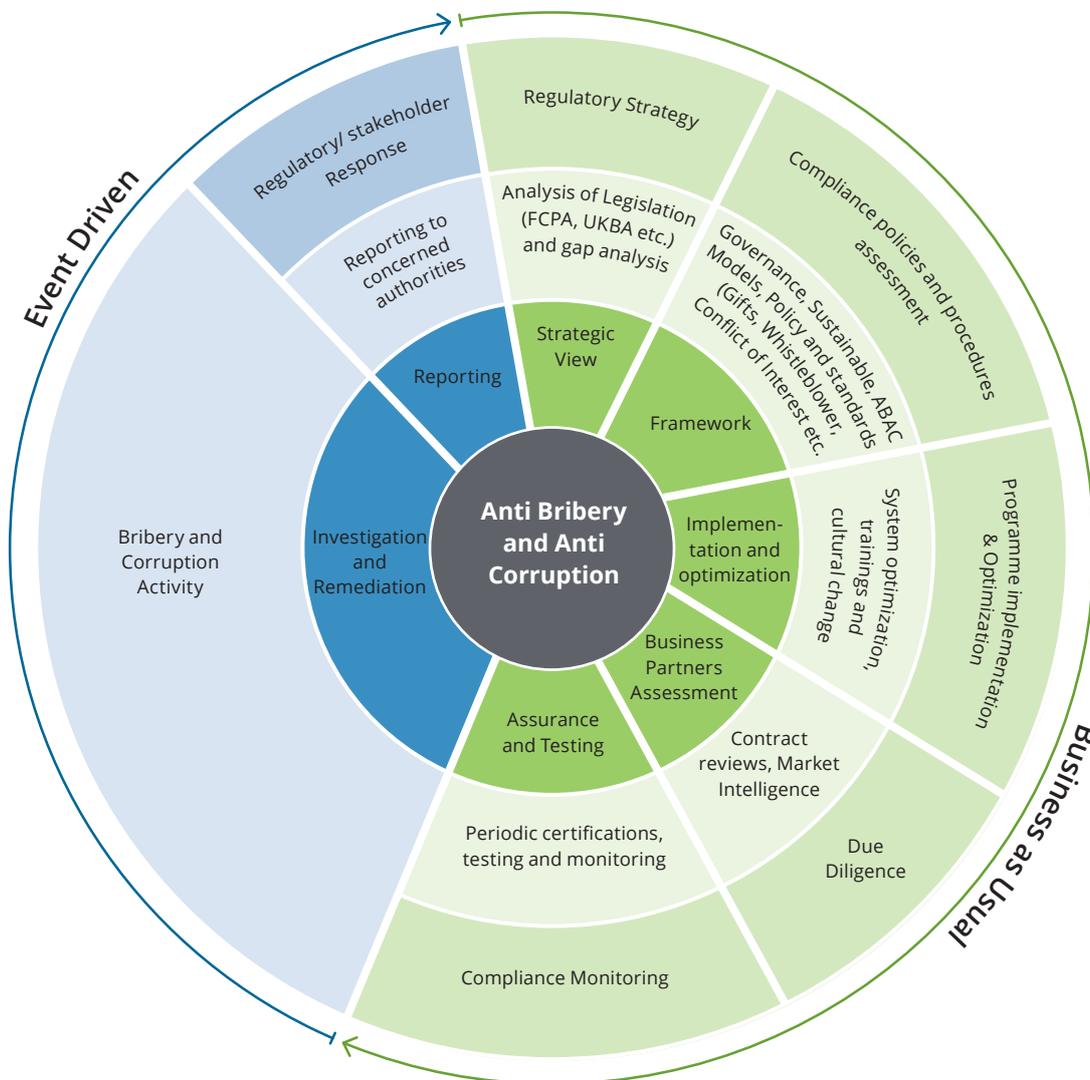
Corporates are required to set up a comprehensive anti-bribery and corruption (ABC) compliance programme to ensure that a level playing field is offered to all players in the private sector, and that ethical business practices are followed. The consequences of not having such a programme can be a violation of the legislation. A robust compliance programme can be a key factor taken into account by a regulator at the time of responding to allegations or suspicions of corrupt activities. This can help mitigate

organisations from enforcing actions and consequent damage to reputation through negative publicity.

We, at Deloitte, have been working with organisations in India since many years to help them build robust ABC compliance programmes, identify suspicious activities, and respond to regulator queries. We work on the globally acknowledged 'Adequate procedures' guidelines to build and review programmes. Our key services include the following:

Deloitte's Anti-bribery and Anti-corruption ('ABAC') compliance framework

Our team of experienced forensic accountants, investigators, business intelligence professionals, and former law enforcement officers work closely with clients, their outside counsel, and regulators to help them navigate concerns. Below are some of our key services:



The Deloitte differentiators

Deloitte professionals have been engaged on some of the largest and most complex global anti-bribery and corruption engagements over the last few years. Our team in India brings significant experience in delivering anti-bribery and corruption compliance solutions. This includes investigations, compliance programme implementations, operating

effectiveness and gap assessments, trainings, and acquisition due-diligence for some of the world's leading companies. Through our global network of anti-bribery and corruption specialists across multiple countries, we are able to seek the right people to address our clients' specific needs.

For more details, please contact:

Nikhil Bedi

Partner and Leader
Forensic – Financial Advisory
Deloitte India
nikhilbedi@deloitte.com

Aakash Sharma

Partner
Forensic - Financial Advisory
Deloitte India
aakashsharma@deloitte.com

Amit Sharma

Director
Forensic – Financial Advisory
Deloitte India
amitshar@deloitte.com

Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

This material is prepared by Deloitte Touche Tohmatsu India LLP (DTTILLP). This material (including any information contained in it) is intended to provide general information on a particular subject(s) and is not an exhaustive treatment of such subject(s) or a substitute to obtaining professional services or advice. This material may contain information sourced from publicly available information or other third party sources. DTTILLP does not independently verify any such sources and is not responsible for any loss whatsoever caused due to reliance placed on information sourced from such sources. None of DTTILLP, Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the “Deloitte Network”) is, by means of this material, rendering any kind of investment, legal or other professional advice or services. You should seek specific advice of the relevant professional(s) for these kind of services. This material or information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser.

No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person or entity by reason of access to, use of or reliance on, this material. By using this material or any information contained in it, the user accepts this entire notice and terms of use.