

Doing Something About Corruption

A monthly bulletin on developments in international accounting

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Those who oppose corruption should unify their efforts, arrive at a consensus about what must be done - and then do it', said Jim Wesberry, director of the Americas accountability/anti-corruption project, at the international anti-corruption forum held in Miami at the beginning of April.

Mr Wesberry warned of 'cybercorruption' - or corruption in cyberspace - and described 'a battle between Transparency International and Opaqueness Intergalactic which will be fought digitally with subatomic particles in a cyberjurisdiction never visited by humans which has no laws and is not any map'.

For those who thought they might be in the wrong meeting, Jim Wesberry had some frightening statistics for business people:

- electronic bank robberies average a quarter of a million dollars each and only 2% of the 'cyberrobbers' get caught and only 1% go to jail - in contrast old fashioned bank robbers average \$7,500 and 80% are imprisoned if not shot in the act
- old fashioned bank robbers grab about \$60m a year in the United States of which about \$10m is recovered - electronic robberies could be around \$10bn and nothing is ever reported or recovered
- 42% of Fortune 500 companies surveyed recently reported unauthorised penetration of their security systems - 75% of major business and public entities reported computer fraud losses in excess of \$100m.

Price Waterhouse's Bob Lindquist told a story about 'an amazing rogue, massive corruption and a fascinating investigation that recovered approximately \$7m for the government of Trinidad and Tobago'. It was a story that featured a deceased politician, kickbacks from foreign corporations, questionable signatures on passport applications and substantial cash balances in the Dutch bank accounts of a Guernsey corporation.

Bob Lindquist emphasised that a forensic accountant 'must know where to probe and how to identify all relevant details because they often become, much later, the critical details that crack a case open'. The accountant should 'seek out documents until satisfied they no longer exist' and 'use the existence of

documents to convince fearful and hesitant individuals to co-operate on investigations'. He also warned that accountants should see major policy shifts which are made at short notice as a 'red flag'.

Good Guys or Bad Guys?

Casinos, off shore companies and free zone trading were seen as the high risk areas in the fight against money laundering and corruption in the Caribbean island of Aruba according to Coopers & Lybrand's Edsel Lopez. New regulations and internal control standards are being implemented for the casinos and revised legislation for the free zone will soon be submitted to the government.

But the discussions on off shore companies had highlighted one of the inherent problems in tackling money laundering. 'How do you know the difference between the good guys and the bad guys?' asked Edsel Lopez.

Where Next?

World Bank president James Wolfensohn put corruption firmly on the accountancy profession's agenda at the 1997 world congress (*FTWAR*, November 1997, p 12) and IFAC responded by setting up an anti-corruption task force chaired by past president Juan Herrera. The Miami forum highlighted both the scale and the urgency of the task.

Jim Wesberry wants an 'integrated approach to improving those components of the governance system that promote integrity and discourage dishonesty'. His ideas include:

- a framework for internal control for the public sector
- strengthened financial management and internal audit in the executive branch of government
- a strong legislative oversight process supported by an independent, professional and apolitical legislative audit function located in a strong audit institution.

He concluded: 'We are all seeking the same holy grail - the honest state, the honest company, the honest individual. United we stand - divided we fall.'

David Cairns