Anti-Corruption Monitoring Guidelines

Why Monitoring is Important

Anti-corruption programs that are not monitored and tested are generally ineffective, no matter how well planned or implemented the programs otherwise may be. Monitoring essentially answers three key questions that are core to your program's success:

1. Is your program adequately documented?
2. Is it being followed?
3. Is it effective?

By providing the answers to these questions, monitoring provides valuable information to help you effectively and efficiently address known risks and direct future compliance efforts and resources. The results of audits or monitoring can also assist those who have responsibility for implementing and maintaining the program – and senior management – communicate key themes to employees and other stakeholders through training and other communication channels with maximum impact. Regular monitoring of your anti-corruption compliance program therefore is critical to reducing risk and to continuous improvement.

Key Considerations for Building an Effective Monitoring Program

Monitoring should be risk-based and tailored to your business. Other important considerations include:
- Who should do the monitoring – compliance? internal audit? an independent third party?
- What should be monitored? The program companywide? A particular geography? A business unit? A process?
- Whether it should be performed under privilege?
- What type of monitoring will be most effective?

Effective monitoring requires having experienced, trained people in place who understand the relevant anti-bribery laws; can recognize corruption red flags; and have good interviewing skills. While you may start with one business unit or one geography, over time you should monitor all aspects of your compliance program.

Below we set forth an outline of a monitoring plan that you can tailor for your use. This plan is applicable to internal monitoring or monitoring of third parties.

Building a Monitoring Program

1. **Develop a Scope and Work Plan:**
   - Use your risk assessment to determine the scope of the monitoring exercise.
   - If you have not conducted a risk assessment, first evaluate key risk areas. Start with discrete issues/processes and build up scope over time.
   - Consider whether to monitor internal processes, third party compliance, or both
     - o If monitoring will be internal, determine whether the monitoring will be company-wide or limited to a particular business unit or geography.

- Consider whether your anti-corruption monitoring will be carried out independently or in conjunction with more formal audits (which may be more effective for sampling and testing of specific transactions).
- Develop a monitoring protocol considering the factors below.
- Gain management approval.

2. **Appoint a team:**
   - Assign roles and responsibilities to those with appropriate training, skills and expertise including knowledge of relevant laws and company policies.
   - One approach is for the compliance team to conduct regular monitoring and for internal audit or the internal audit function to perform more formal audits on a periodic basis.

3. **Review Documents**
   - Review policies, procedures and controls relevant to the issue you will be monitoring. (For example, if you are monitoring your training program, you will need to review training materials, training logs and employee certifications.)

4. **Review Program**
   - Review policies, procedures and controls for adequacy and implementation.
   - Review training program for adequacy and implementation.
   - Review hotline processes for adequacy and implementation.

5. **Conduct Interviews**
   - Based on observation and organizational structure, select employees to interview to test general knowledge and understanding of the program.
     - Include onsite contractors.
     - Ask questions to gauge awareness of pertinent anti-corruption policies and procedures.
     - Ask questions to determine implementation of and adherence to procedures.
     - Identify gaps between the documented program and its level of implementation.
   - For senior management and functional area managers, ask questions related to business function.

6. **Test Transactions:**
   - Review and/or audit records of transactions, disbursements and payments, including related approvals, for violations or red flags. Transactions to review may include:
     - General ledger account review
     - Payments to third parties (agents, vendors, consultants, etc.)
       - Payments to consultants (scope of work vs. amount)
       - Distributor commissions
   - Payments related to licenses and permits
   - Gifts, travel, meals, entertainment
   - Cash transactions and disbursements
   - Charitable contributions
   - Political contributions
   - Reports of suspected violations via hotlines or other mechanisms

7. **Deliver Findings and Prepare Monitoring Report with Corrective Actions**
   - Present the preliminary findings to management and responsible parties.
     - Summarize findings both positive and negative
     - Discuss possible corrective actions and gain preliminary commitment
   - Prepare a written overview of the findings.

- o Include what was reviewed and who was interviewed.
- o Note specific gaps.
- o Present a conclusion about the current performance of the program.
- Present a corrective action plan that details specific actions to be taken and timelines for their completion with a plan for reporting to senior management.