Evolution of Corporate Integrity System Malaysia

CISM Lab at SC Jan 2010

Initial Briefing

Launching of CISM

Journey of CISM & CIAQ

Academic Group

Roundtable Discussions with stakeholders

Referral by Mr J Graham Joscely

STATUTORY PROVISIONS RELATING TO CORPORATE GOVERNANCE THAT PROMOTES INTEGRITY IN MALAYSIA

promotes corporate governance by providing the structure, basis and framework of governance that regulates and disciplines companies irrespective of the size and types of companies as provided in the Companies Act 1965 (CA 1965)

seeks to protect investors and to maintain the integrity of the market for trading of securities and derivatives.

Listing Requirements set out the corporate governance requirements that must be complied with by all public listed companies (PLCs) in Malaysia

Why CISM?

2014 Report to the Nations on Occupational Fraud and Abuse

By Association of Certified Fraud Examiners (ACFE)

why
Corporate Integrity

THE DRIVER

Corporate Integrity

INPUTS

CISM TRUST's VISION: High Accountability, Social Inclusiveness and Sustainability

OUTPUTS

Produce revenues + Socioeconomic growth + Human capital development

OUTCOME

* Building a resilient national economy + Raising competitiveness

* Developed Nation Status

* 4th Challenge VISION 2020: Society imbued with highest ethical standards

Cases

Loss of business due to bribery
(Source: Transparency International)
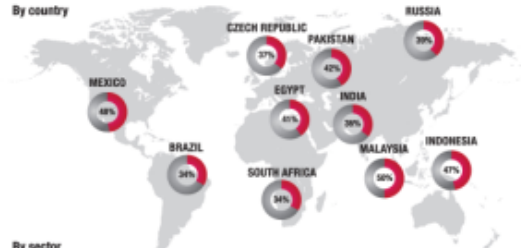
LOSS OF BUSINESS DUE TO BRIBERY

We interviewed more than: **3,000** business executive from **13** sector and in **30** countries about their views on business and library

More than **1 in 4 business people** worldwide believe that they have **lost business** because a competitor paid a bribe

Percentage of business people who believe they lost business due to bribery:

By country

- CZECH REPUBLIC 37%
- PAKISTAN 42%
- RUSSIA 39%
- MEXICO 48%
- EGYPT 41%
- INDIA 38%
- BRAZIL 34%
- SOUTH AFRICA 34%
- MALAYSIA 50%
- INDONESIA 47%

By sector

35%	Telecommunications
37%	Utilities
38%	Public Works Contracts and Construction

View the results for all countries and sectors here:
www.transparency.org/research/bpa2011

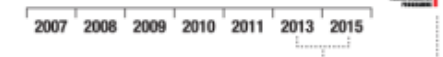**Acting under pressure**
(Source: CIMA)

Despite ethical support and guidance within organizations there are recognized pressure points within the business to compromise on the standards of ethical conducts. It ranges across markets.
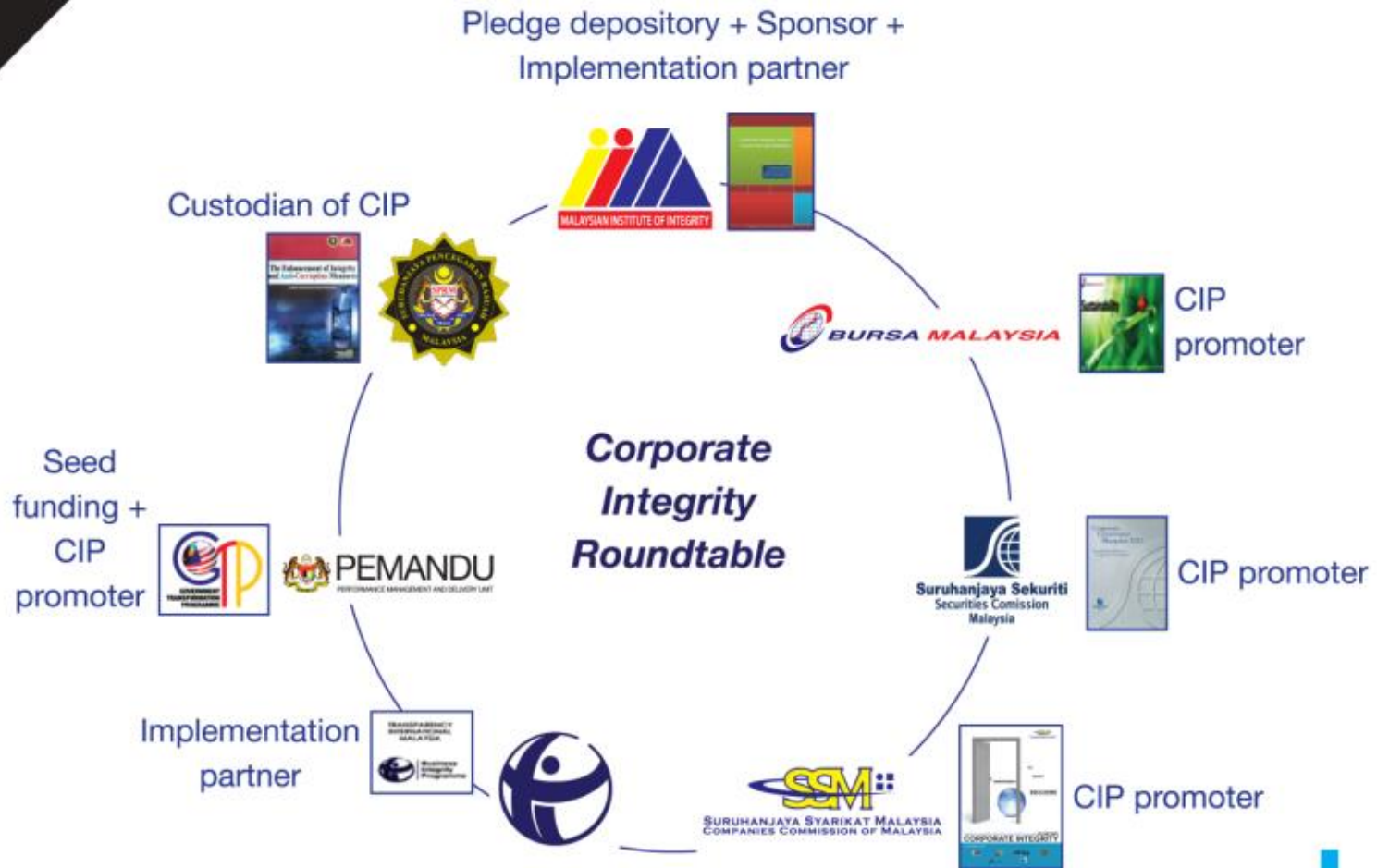
NATIONAL INTEGRITY PERCEPTION INDEX

from 6.5 (2011) to 7.0 in 2015

+0.5 % in 3 years

Institut Integriti Malaysia (IIM)

2007 2008 2009 2010 2011 2013 2015

why

Pledge depository + Sponsor + Implementation partner

Custodian of CIP

Seed funding + CIP promoter

Implementation partner

*New member

Corporate Integrity Roundtable

CIP promoter

CIP promoter

CIP promoter

who

CISM Roundtable Partners

Corporate Integrity Pledge (CIP)

CISM Stakeholders

Government-linked Companies

Public-listed Companies

Multinational Companies

NGO, Government Agencies, Professional Bodies, Educational Institutions & Others

Private Limited Companies
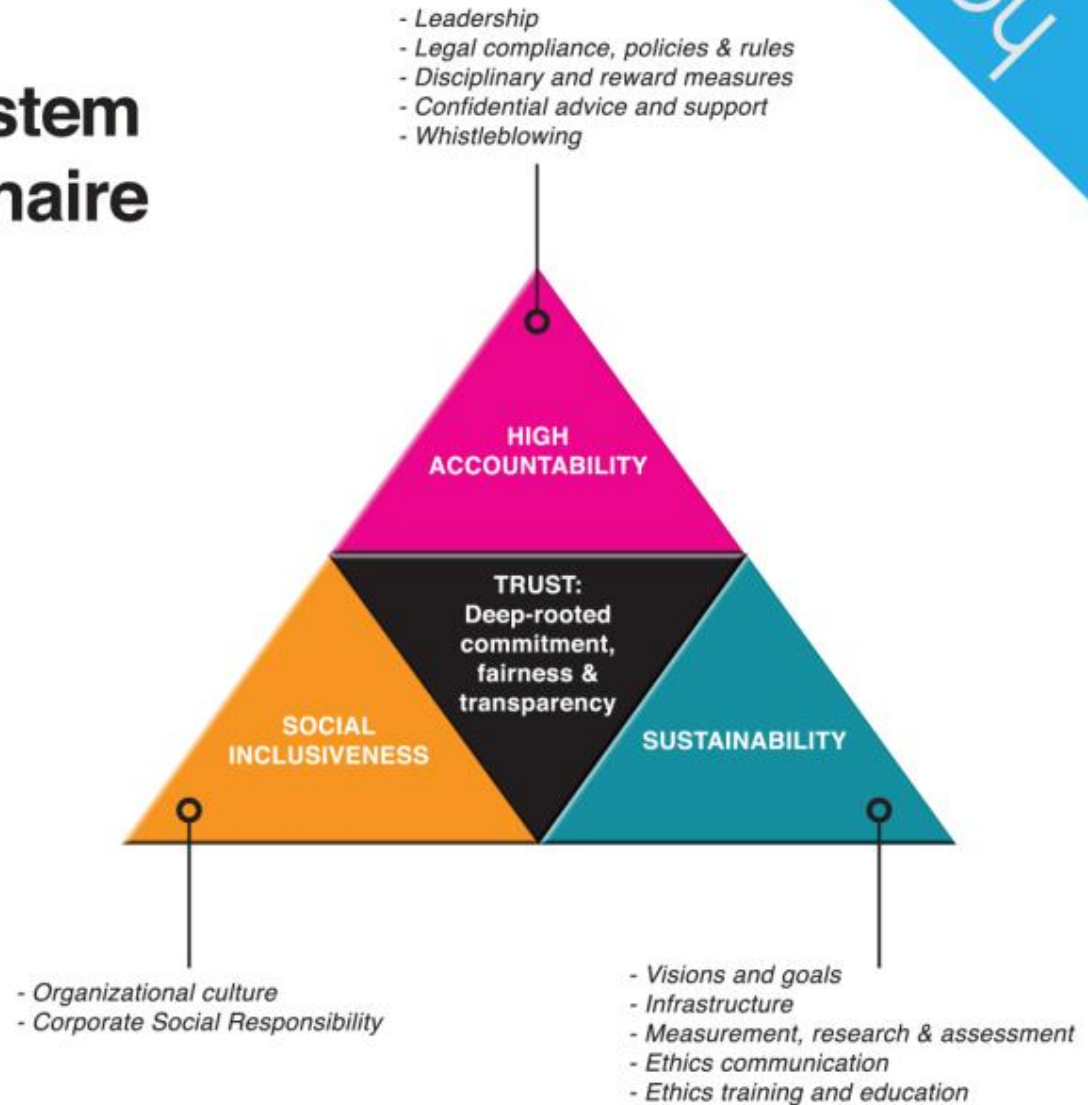
CORPORATE INTEGRITY PLEDGE

Public Sector	162
Private Sector	645
CSOs/Others	25
Total	**832**

Portal CISM: www.cism.my

how

Corporate Integrity System Assessment Questionnaire

www.iim.org.my/ www.cism.my

how

- Leadership
- Legal compliance, policies & rules
- Disciplinary and reward measures
- Confidential advice and support
- Whistleblowing

HIGH ACCOUNTABILITY

TRUST: Deep-rooted commitment, fairness & transparency

SOCIAL INCLUSIVENESS

SUSTAINABILITY

Corporate Integrity System Assessment Questionnaire

- Organizational culture
- Corporate Social Responsibility

- Visions and goals
- Infrastructure
- Measurement, research & assessment
- Ethics communication
- Ethics training and education

Integrity of the Public Service
Federation of Malaya
Taylors Commission Report 1955

Of all safeguards against the corrupt practice
the best and strongest is
unwillingness on the part of the officer
to accept any bribe or gift.

This attitude of mind is higher than mere honesty.

It is a **standard of honour**,
founded on self respect,
sense of duty,
tradition
and discipline.
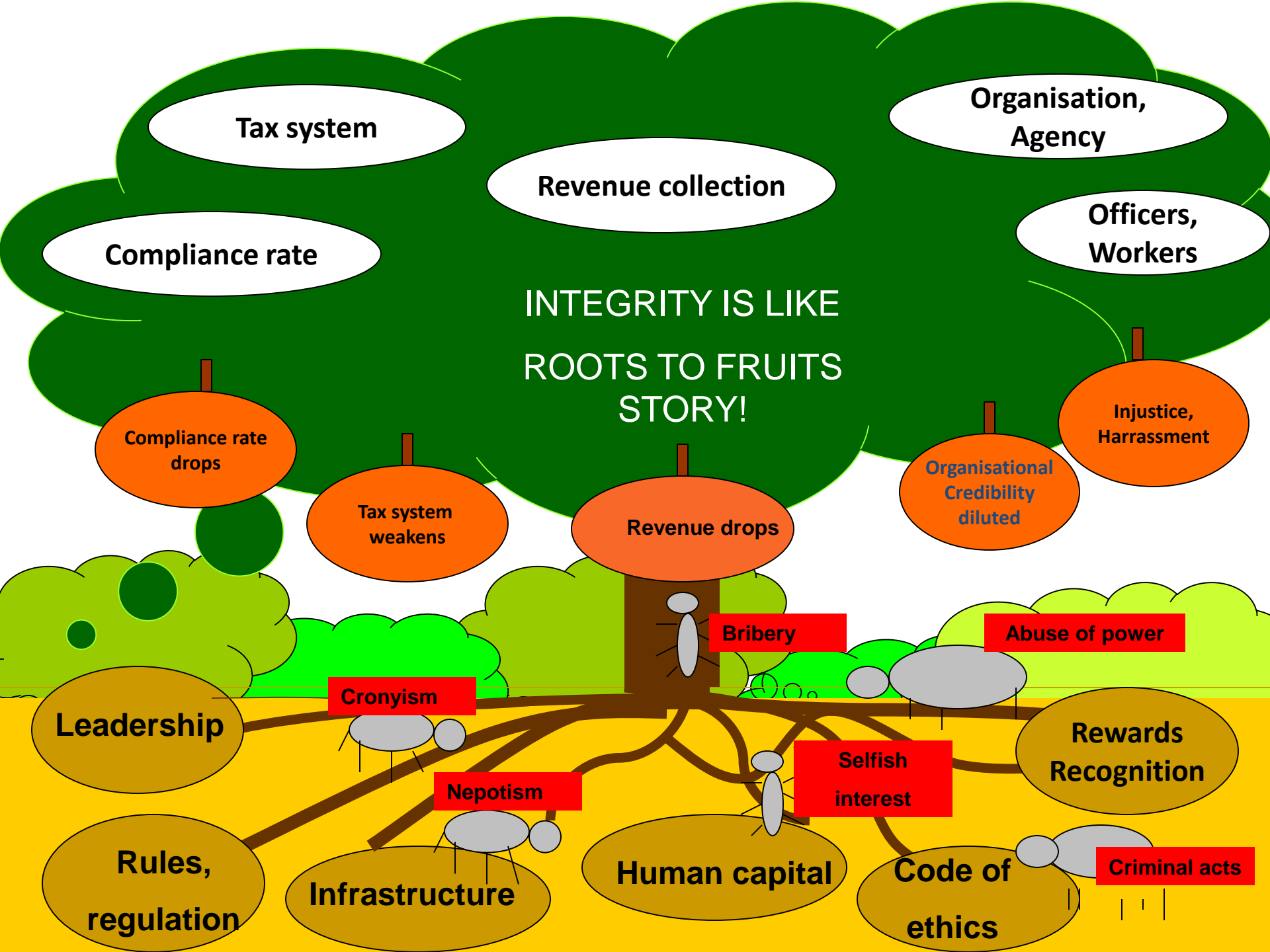
Conclusion

If the public wants corruption
it will get corruption,
no matter what action
the authorities may take.

If the public does not want corruption,
it can be more effective
in stopping corruption
than can any legislative or penal measures.

MEN AT WORK

Ethics

- Greek 'ethos' – duty → 'good life'

- Socrates – 'the unexamined life is not worth living'

- Plato – 'the understanding of the Good, will enable the philosopher-rulers to organize their community so that it and its inhabitants are virtuous and happy'

- Aristotle – *Nichomachean Ethics*: happiness in moral and metaphysical virtues (or excellence)

Seven Deadly Sins
(Mahatma Gandhi)

- Wealth
- Enjoyment
- Knowledge
- Business
- Science
- Religion
- Politics

without

- Work
- Conscience
- Character
- Morality
- Humanity
- Sacrifices
- Principles

The Great Learning

- At its commencement is a description of what was said to be the process adopted by the ancient princes for promoting virtue throughout the Empire;

  'with this object they were careful to govern well their own States.

  In order to govern well their States, they first regulated their own families.

  In order to regulate their families, they first practised virtue in their own persons.

  In order to arrive at the practice of virtue, they first rectified their hearts.

  In order to rectify their hearts, they first sought for sincerity of thought.

  In order to obtain sincerity of thought, they first extended to the utmost their knowledge.

  The extension of knowledge lay in the investigation of things.'

- (…it means 'investigating the principles of all things which we come in contact' Great Learning, Com.v.2)

NATIONAL INTEGRITY SYSTEM: A GUIDING FRAMEWORK

Mohd Nizam Mohd Ali
(under tutelage of Jeremy Pope, Co-Director of TIRI)
UNDP IIM Capacity Building Project Secretariat

Integrity Training: Issues and Approaches

e.g. Anti-corruption centric modular approach

Module One:
The anatomy of Corruption

<u>Issues</u>
- What is corruption?
- Why are we concerned about it?
- Who does it hurt?

<u>Approaches</u>
- Ask your audience, each to write down, on one side of a sheet of paper
  - what they personally can do to follow up relevant aspects of the issues
  - a timetable for personal action
- Ask them to read these out to fellow participants, and hand the pledges in to you as their Trainer

Module Two:
Gifts and conflicts of interest

Issues

- When are gifts really bribes?
- What are conflicts of interest?
- When do they occur

Approaches

- Ask each person to write a single sentence, beginning with the words:…
  - A gift is really a bribe when…
  - No gifts should be received by a public servant when the giver…
  - A public official may only accept hospitality from a member of the public when the member of the public is…
  - When a public official accepts a gift from a member of the public, who is not a relative, the official should…
- then ask each to read their sentence to the class

Module Three:
The Malaysian National Integrity System

<u>Issues</u>
- Institutions of accountability
- Institutions of horizontal accountability
- Institutions of vertical accountability

"if men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary. In framing a government that is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed; and in the next place, oblige the government to control itself"

Module Four:
Building and maintaining institutional integrity

Issues:

- Who is responsible for building and maintaining institutional integrity?
- Can institutions be made corruption resistant?
- Can people be made to be honest?
- How are the core principles institutionalised in the departments with which you are familiar?
  - Through the personal conduct of senior management?
  - Through the conduct of all staff?
  - Through reforming existing procedures?
  - Through listening to staff concerns?
  - Through training?
  - Through increasing preventive measures?
  - Through improving appointments procedures?
    Through special attention to procurement reforms?
  - Through involving outside stakeholders (agency clients; outside suppliers, etc.)?

Module Five:
Raising Public Awareness and Building Political Will

Issues:

- Just what is civil society?

- Is it necessarily "good" and "on the side of right"?

- Does it practice what it preaches?

- Where does it gets its legitimacy?

- Can NGOs be a source of corruption themselves?

- Where is the political will at present?

- When we talk of "political will" are we only talking about politicians?

- If not, who else do we include?

Module Six:
The Right to Information

Issues:
- Is it a right?
- Whose information is it?
- Why is access important?
- Does it help both the citizen and the state?
- How are personal privacy and legitimate state confidentiality protected?
- Why do people need to know?
- What do they need to know?

Module Seven:
Measuring Corruption or Performance

Issues:

- The Transparency International's or World Bank's Indices – what can they tell us?

- Can we impact on the figures?

- How will the National Integrity Plan monitoring help us?

The Honest Civil Servant:
A reality or fantasy?

- In this exercise, one Master Trainer is asked to take the part of an Honest Civil Servant, and a second Master Trainer to take the part of a drugs salesman. Others in the audience can fill in the other roles (e.g. wife and son).

- The idea is for the script that follows to be performed one scene at a time. At the end of each scene there should be a discussion between the actors and the participants about the ethical issues that have emerged.

- The Master Trainers should argue strenuously against whatever line seems to be emerging from the audience to test the strength of their opinions or analysis.