FIGHTING FRAUDS

Legislative framework and models of governance against frauds and corruption

Padova, May 5th 2015

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Whistleblowing and ALAC system: how stakeholders and citizens can lift the cover of indifference and take action to combat fraud and corruption

Padova, May 5th 2015

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Whistleblowing and ALAC system: how stakeholders and citizens can lift the cover of indifference and take action to combat fraud and corruption

ABSTRACT

Fraud and corruption are devious crimes, in fact citizens and the European Community have no immediate perception of the crime that is made against them. Several cases are discovered after long time, the authorities often cannot intervene in time and the authors of the crimes themselves, in many cases, do not risk the punishment that they deserve. One of the few effective actions - and at the same time able to realize deterrent action - is the so called reporting system - whistleblowing. In many countries, a triple action is needed: legislative, cultural and structural. Reporting in the interest of common good is a different action from deletion that it is instead a target action aimed to damage individuals or to obtain personal benefits. In Italy there have been positive developments thanks to the the law 190/2012, to the supporting action of the national anti-corruption authority (ANAC) and the work and advocacy of Transparency International. In 2015, started big projects of whistleblowing system with the City of Milano (involved 15.000 employees) and revenue Agency (involved 35.000 employees) and this can be considered a important success. Private Companies are questioning the failure of the ineffective reporting system model 231 and are more interested in the more structured Whistleblowing system that can guarantee the anonymity of the whistleblower. The establishment and opening of a whistleblowing system and an ALAC within an agriculture can support further the fight against corruption and improve further the management of the European funds.

OVER 100 NATIONAL CHAPTERS

Transparency International is a non-governmental organization, leader in its action devoted to combating corruption and promoting ethics.

The international network, consisting of over **100 associations** organized on a national basis, was born in 1993 and is based in **Berlin.**

The Italian chapter **Transparency International Italy (TI-It)** was born in 1996 and is based in **Milan.**

Introducing Transparency International Italy

Transparency International Italy aims at curbing corruption with actions mainly devoted to prevention and education.

Transparency International Italy directs its actions and programmes towards an ethical change of the civil society, through:

- ✓ Advocacy

- ✓ Awareness

- ✓ Training

- ✓ Tools

Programmes and Projects:

- ✓ Culture and Education
- ✓ Research, Advocacy, Networking
- ✓ Building relationships with Italian government
- ✓ Building relationships with other institutions
- ✓ Spreading the Tools

- ✓ Training and workshops for Public and private Sectors
- ✓ Integrity, Transparency, Anticorruption programmes

Index and Research:
CPI Corruption Perception Index

CPI is the CORRUPTION PERCEPTION INDEX, that is published every year by Transparency International.

It ranks 150 countries in the world based on **how corrupt the public sector is perceived to be**, on a scale of 0 (highly corrupt) to 100 (very clean).

Highly Corrupt									Very Clean
0-9	10-19	20-29	30-39	40-49	50-59	60-69	70-79	80-89	90-100
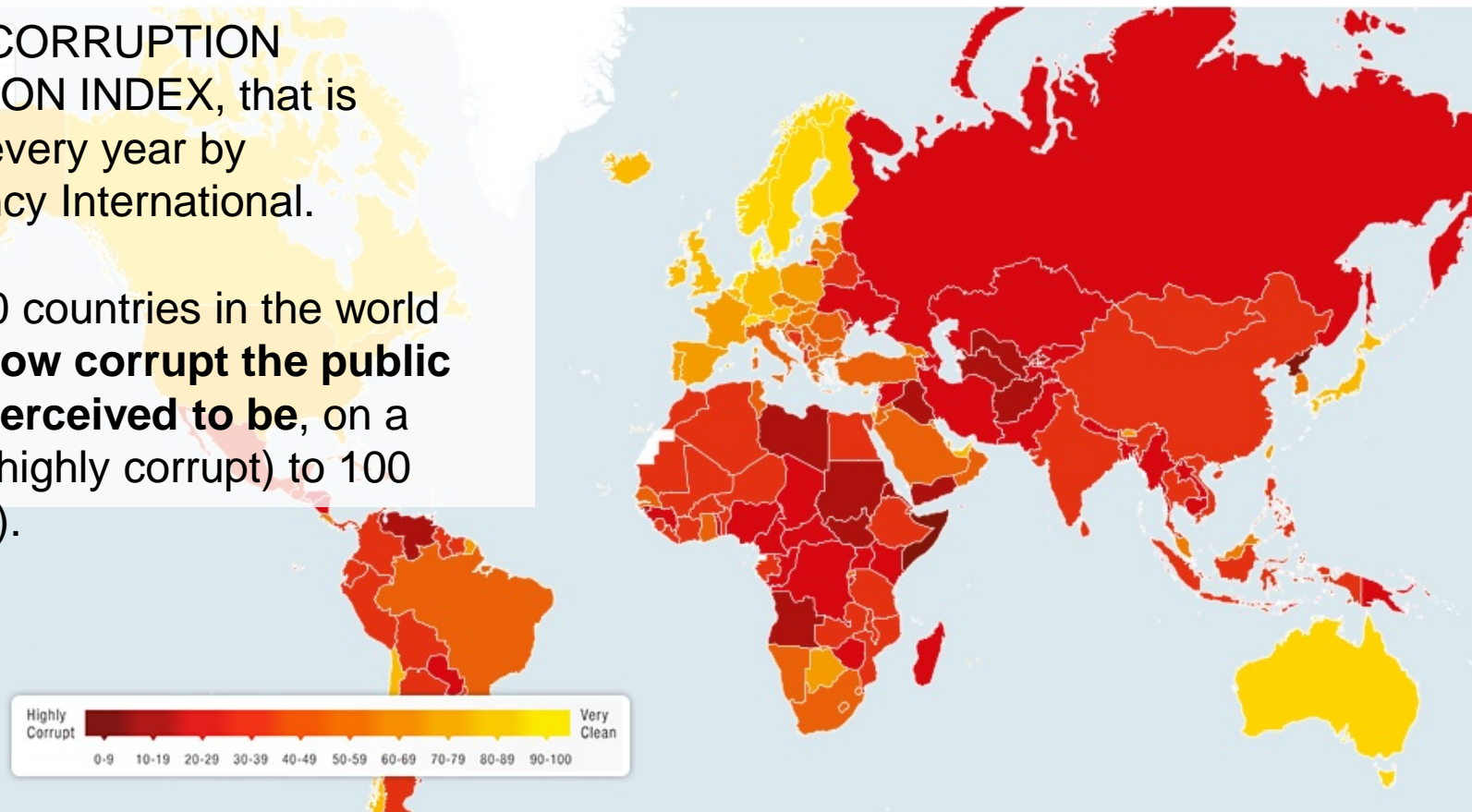
Index and Research:
CPI Corruption Perception Index

In 2014 **Italy** was ranked only **69°
on 175**, with a score of **43 out of
100** clearly inadequate.

The top scores of the list were for
Denmark, New Zealand, and
Finland, (90 out of 100), while the
lower score was for Somalia and
North Chorea (8 out of 100).

ITALY

2014 Score	Rank
43	69/ 175

2013 Score	2012 Score
43	42
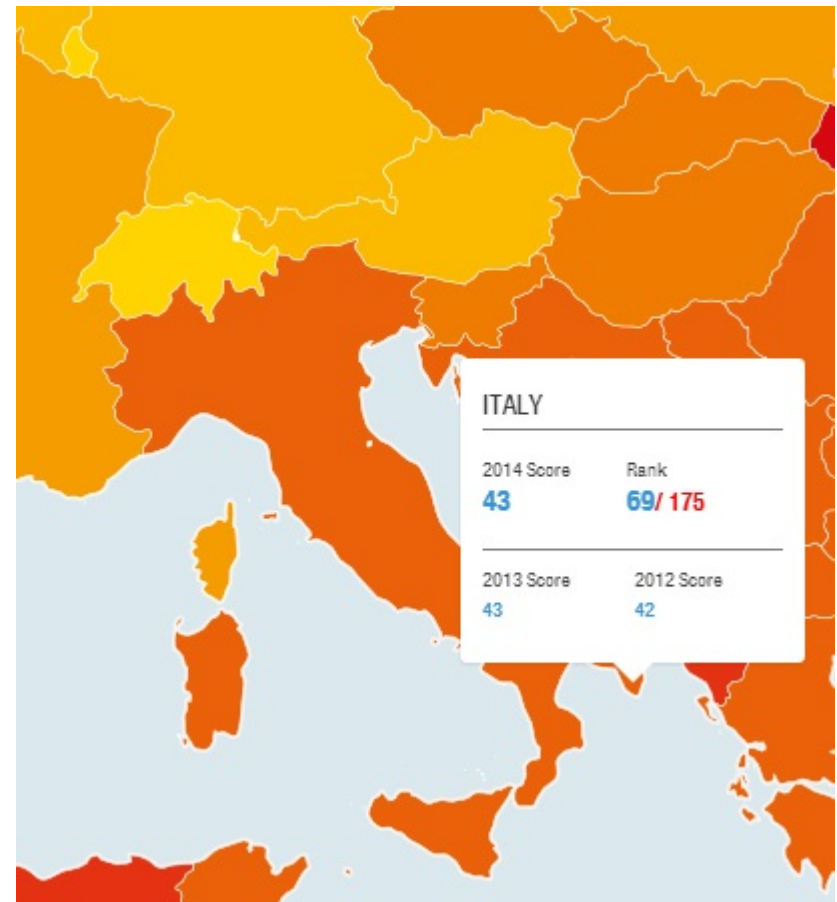
CPI Methodology

The CPI draws on data sources from independent institutions that are specialized in governance and business analysis. It is highly considered by economic and financial institutions.

Corruption Perceptions Index 2014: Full Source Description

12 data sources were used to construct the Corruption Perceptions Index 2014:

1. African Development Bank Governance Ratings 2013
2. Bertelsmann Foundation Sustainable Governance Indicators 2014
3. Bertelsmann Foundation Transformation Index 2014
4. Economist Intelligence Unit Country Risk Ratings 2014
5. Freedom House Nations in Transit 2013
6. Global Insight Country Risk Ratings 2014
7. IMD World Competitiveness Yearbook 2014
8. Political and Economic Risk Consultancy Asian Intelligence 2014
9. Political Risk Services International Country Risk Guide 2014
10. World Bank - Country Policy and Institutional Assessment 2013
11. World Economic Forum Executive Opinion Survey (EOS) 2014
12. World Justice Project Rule of Law Index 2014

Index and Research:
CPI Corruption Perception Index

Why perception?

Corruption (such as fraud) generally comprises illegal activities, which are deliberately hidden and for this reason difficult to be detected.

The nature of the issue itself makes it impossible to quantify objectively the levels of corruption.

Besides the countries have different laws and investigating and exposing capacities, so it would be very difficult to compare the results with an objective analysis.
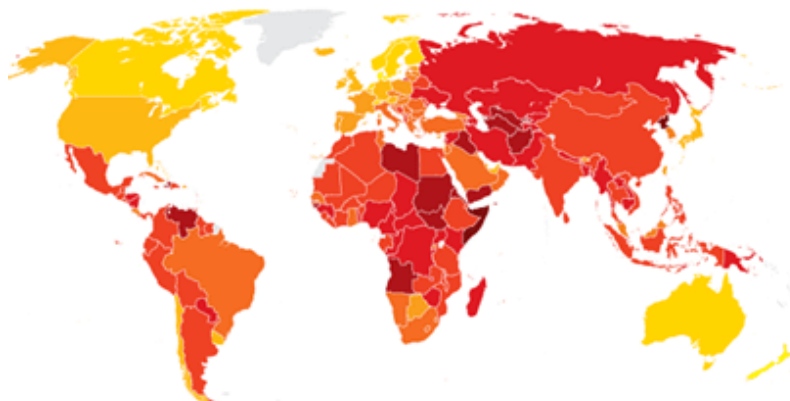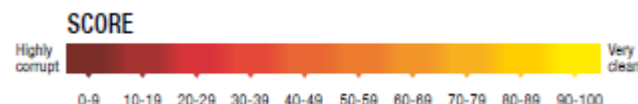
CPI Corruption Perception Index

The perceived levels of public sector corruption in 175 countries/territories around the world.

SCORE

Highly corrupt → Very clean

0-9   10-19   20-29   30-39   40-49   50-59   60-69   70-79   80-89   90-100

RANK	COUNTRY/TERRITORY	SCORE
1	Denmark	92
2	New Zealand	91
3	Finland	89
4	Sweden	87
5	Norway	86
5	Switzerland	86
7	Singapore	84
8	Netherlands	83
9	Luxembourg	82
10	Canada	81
11	Australia	80
12	Germany	79
12	Iceland	79
14	United Kingdom	78
15	Belgium	76
15	Japan	76
17	Barbados	74
17	Hong Kong	74
17	Ireland	74
17	United States	74
21	Chile	73
21	Uruguay	73
23	Austria	72
24	Bahamas	71
25	United Arab Emirates	70
26	Estonia	69
26	France	69
26	Qatar	69
29	Saint Vincent and the Grenadines	67
30	Bhutan	65
31	Botswana	63
31	Cyprus	63
31	Portugal	63
31	Puerto Rico	63
35	Poland	61
35	Taiwan	61
37	Israel	60
37	Spain	60
39	Dominica	58
39	Lithuania	58
39	Slovenia	58
42	Cape Verde	57
43	Korea (South)	55
43	Latvia	55
43	Malta	55
43	Seychelles	55
47	Costa Rica	54
47	Hungary	54
47	Mauritius	54
50	Georgia	52
50	Malaysia	52
50	Samoa	52
53	Czech Republic	51
54	Slovakia	50
55	Bahrain	49
55	Jordan	49
55	Lesotho	49
55	Namibia	49
55	Rwanda	49
55	Saudi Arabia	49
61	Croatia	48
61	Ghana	48
63	Cuba	46
64	Oman	45
64	The FYR of Macedonia	45
64	Turkey	45
67	Kuwait	44
67	South Africa	44
69	Brazil	43
69	Bulgaria	43
69	Greece	43
69	Italy	43
69	Romania	43
69	Senegal	43
69	Swaziland	43
76	Montenegro	42
76	Sao Tome and Principe	42
78	Serbia	41
79	Tunisia	40
80	Benin	39
80	Bosnia and Herzegovina	39
80	El Salvador	39
80	Mongolia	39
80	Morocco	39
85	Burkina Faso	38
85	India	38
85	Jamaica	38
85	Peru	38
85	Philippines	38
85	Sri Lanka	38
85	Thailand	38
85	Trinidad and Tobago	38
85	Zambia	38
94	Armenia	37
94	Colombia	37
94	Egypt	37
94	Gabon	37
94	Liberia	37
94	Panama	37
100	Algeria	36
100	China	36
100	Suriname	36
103	Bolivia	35
103	Mexico	35
103	Moldova	35
103	Niger	35
107	Argentina	34
107	Djibouti	34
107	Indonesia	34
110	Albania	33
110	Ecuador	33
110	Ethiopia	33
110	Kosovo	33
110	Malawi	33
115	Côte d'Ivoire	32
115	Dominican Republic	32
115	Guatemala	32
115	Mali	32
119	Belarus	31
119	Mozambique	31
119	Sierra Leone	31
119	Tanzania	31
119	Vietnam	31
124	Guyana	30
124	Mauritania	30
126	Azerbaijan	29
126	Gambia	29
126	Honduras	29
126	Kazakhstan	29
126	Nepal	29
126	Pakistan	29
126	Togo	29
133	Madagascar	28
133	Nicaragua	28
133	Timor-Leste	28
136	Cameroon	27
136	Iran	27
136	Kyrgyzstan	27
136	Lebanon	27
136	Nigeria	27
136	Russia	27
142	Comoros	26
142	Uganda	26
142	Ukraine	26
145	Bangladesh	25
145	Guinea	25
145	Kenya	25
145	Laos	25
145	Papua New Guinea	25
150	Central African Republic	24
150	Paraguay	24
152	Congo Republic	23
152	Tajikistan	23
154	Chad	22
154	Democratic Republic of the Congo	22
156	Cambodia	21
156	Myanmar	21
156	Zimbabwe	21
159	Burundi	20
159	Syria	20
161	Angola	19
161	Guinea-Bissau	19
161	Haiti	19
161	Venezuela	19
161	Yemen	19
166	Eritrea	18
166	Libya	18
166	Uzbekistan	18
169	Turkmenistan	17
170	Iraq	16
171	South Sudan	16
172	Afghanistan	12
173	Sudan	11
174	Korea (North)	8
174	Somalia	8

CPI Corruption Perception Index

The perceived levels of public sector corruption in 175 countries/territories around the world.

SCORE

Highly corrupt — Very clean

0-9 10-19 20-29 30-39 40-49 50-59 60-69 70-79 80-89 90-100

| 35 | Poland | 61 |

| 39 | Slovenia | 58 |

| 43 | Malta | 55 |

| 61 | Croatia | 48 |

| 69 | Romania | 43 |

| 110 | Albania | 33 |

Scores of **countries** participating in the meeting today

Phenomenology of Corruption

Corruption is not a crime of passion. People tend to corrupt or to be corrupted when the **risks are low**, the **fines and punishments are low**, and the **gains are big**.

Citizens are "shadow" victims as they do not perceive themselves in the real way, and they are often not aware of the **economic and social implications that the crime produces in their lives, too**.

The crime is difficult to be detected, because it does not have immediate and tangible consequences. **Under-reporting** at a lower level than the spread of the phenomenon is perceived to be.

Phenomenology of Corruption

SYNTHESIS AND SOLUTIONS

✓ **Laws** (in Italy: Law 190/2012 after Legislative Decree 231/2001)

✓ **Commitment to ethical advocacy**: awareness, information, training, motivation

✓ **Collective commitment**: actions coordinating Public and Private Sector

✓ **Tools**

Phenomenology of Corruption

SINTESI E SOLUZIONI

- ✓ Laws (in Italy: Law 190/2012 after Legislative Decree 231/2001)

- ✓ Commitment to ethical advocacy: awareness, information, training, motivation

- ✓ Collective commitment: actions coordinating Public and Private Sector

- ✓ **Tools**

    - ✓ Integrity Pacts (in 2015: important Project EU DG Regio + Transparency International in 12 member states)

    - ✓ Whistleblowing

Whistleblowing

WHAT IS WHISTLELBLOWING? WHO IS THE WHISTLEBLOWER?

Whistleblower is any person who detects a misconduct, a wrongdoing or an irregularity or a risk for the public interest in the context of his/her workplace, and decides to report and disclose it to a recipient who can act effectively in this regard.

Whistleblowing

ADVANTAGES FOR AGENCIES AND COMPANIES GENERATED BY WHISTLEBLOWING

- ✓ Risk situations harmful to the company or to the institution are disclosed in time.

- ✓ The company or the institution can take the adequate action within the right time.

- ✓ It increases the sense of participation and affection to the company or institution.

- ✓ It helps create a climate of transparency and support to the reputation of the company or institution itself.

- ✓ Negative behaviours and subjects can be faced.

Whistleblowing

* Data from Global Corruption Barometer TI S

Would you disclose a case of corruption?

ITALY

YES
56%

EUROPE

YES
71%

WORLD

YES
69%
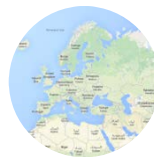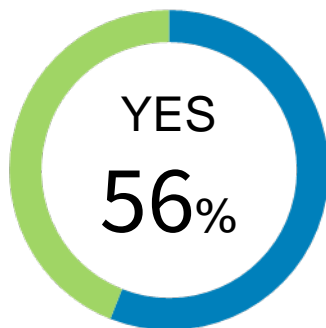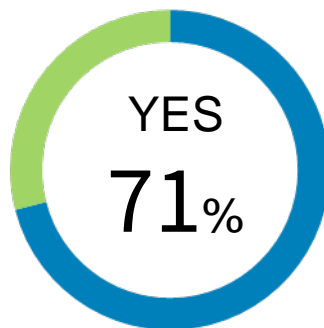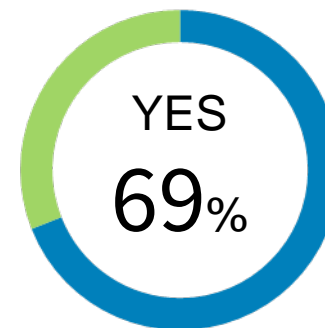
Whistleblowing
*Data from Global Corruption Barometer TI S

Which are the reasons why you would not disclose a case of corruption?

Legend:
- I don't know to whom I can report (blue)
- I am scared of the consequences (green)
- Nothing changes anyway (orange)
- Other (grey)
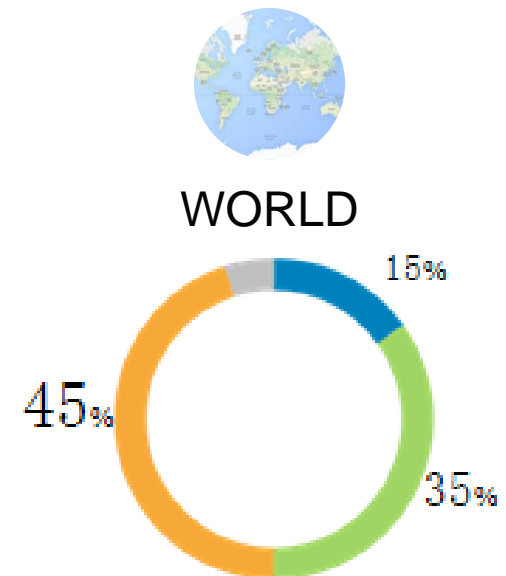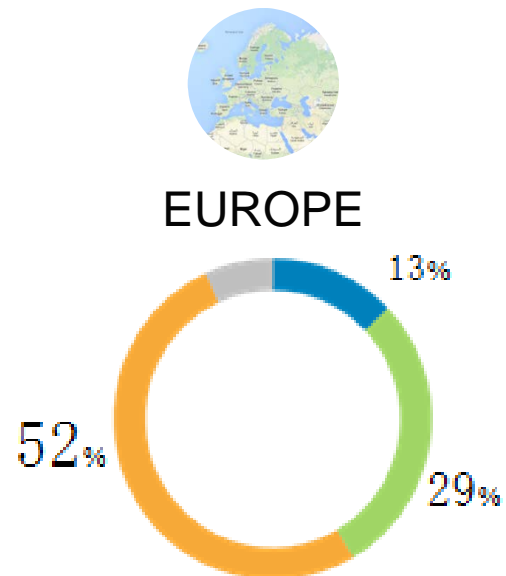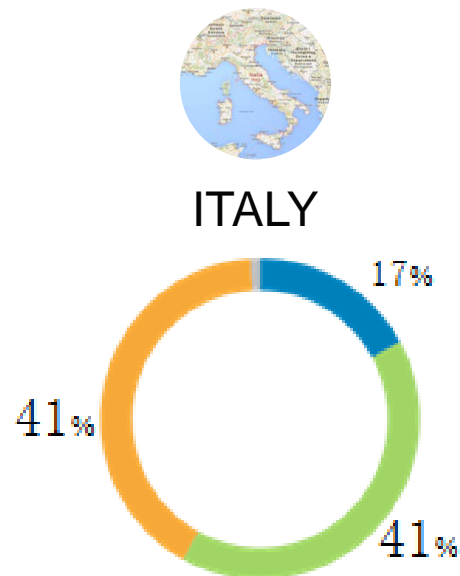
ITALY
- 17%
- 41%
- 41%

EUROPE
- 13%
- 52%
- 29%

WORLD
- 15%
- 45%
- 35%

Whistleblowing

OPEN PROBLEMS

FEAR	DISTRUST	DISINTEREST
whistleblower protection	cultural problem	organizational problem

✓ Whistleblower protection laws (they change depending on the country: good, absent, to be checked)

✓ cultural taboo: the person who discloses a wrongdoing is seen as informer (spy)

✓ it doesn't exist an effective reporting system (no good italian reporting system "231" model)

✓ Disciplined by government bodies or companies

SOLUTIONS?

Whistleblowing

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Structured whistleblowing system and ALAC system

What are ALAC?

ADVOCACY AND LEGAL ADVICE CENTRES

✓ free service

✓ confidential service

✓ assistance to victims and witnesses of corruption

Involvement of citizens in the fight against corruption

What are ALAC?

ADVOCACY AND LEGAL ADVICE CENTRES

- ✓ first ALAC centers opened in **2003**

- ✓ assistance to over **140,000 citizens**

- ✓ **60 national chapters** of Transparency International (out of 116 total) work on ALAC

- ✓ there are **90 ALAC** centers in the world

ALAC experience in Italy

WHAT ALAC DOES

✓ It helps the whistleblower to detail the report

✓ It identifies the most appropriate and competent recipient

✓Possibly it accompanies the whistleblower

WHAT ALAC DOESN'T DO

✓ It doesn't substitute itself to institutions

✓ It does not have contacts with everyone
(ex. "You must report to Renzi that…") -Renzi is the Prime Minister-

✓ No surveys

✓ It doesn't guarantee that the whistleblower won't in any way be identified (although it guarantees the protection of the anonymity)

✓ It doesn't guarantee the resolution of every issue reported

ALAC experience in Italy

Confidentiality and security parameters

First contact:
Not by e-mail
Not by telephone

Right contact:
ON-LINE PROTECTED PLATFORM

GLOBALEAKS advantages

Contact with the whistleblower in anonymous form

NOT traceability of the whistleblower

Further guarantee: ability to use the TOR browser (unidentifiable IP address)

Customizable platform for ALAC

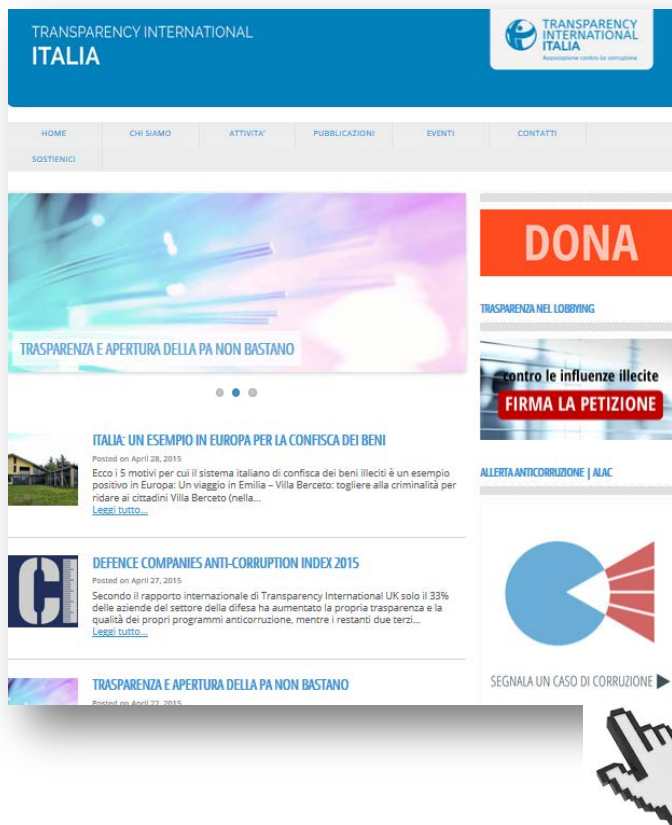… and possibly for specific projects within the Public Sector

ALAC experience in Italy

Why the online platform?

✓ Written and documented basis

✓ **Guided** path of reporting

✓ Easier management in matter of time and procedure, both for the whistleblower and for the recipient who collects the report (off-line contact)

✓ Greater openness towards **anonymous whistleblowers**

✓ Filter to reports of slander, denunciation; the guided path is made for reports that are sufficiently detailed and that affect the **public interest**

✓ Possibility to increase at different levels the value of the report (details, documentation in attachment) after the **acquisition of confidence** and the assessment of skills from the whistleblower

ALAC experience in Italy

information page

access to home page

browser choice
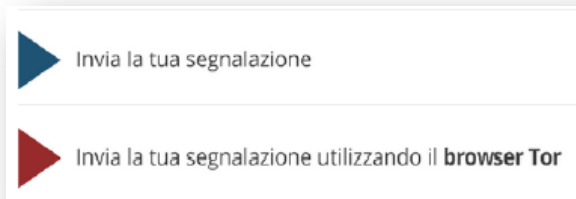
ALAC experience in Italy

leads to an external server

ALLERTA ANTICORRUZIONE | ALAC
RICEZIONE E GESTIONE DELLE SEGNALAZIONI DI CASI DI CORRUZIONE

choice:
1. first report
2. check feedback / contact / reporting prosecution
   inserting "ticket" provided by the system (automatic number) at the end of the first phase of the report

Se vuoi segnalarci un caso di corruzione clicca qui.

1.   Invia la tua segnalazione

2.   Hai già effettuato una segnalazione? Inserisci la tua ricevuta.
XXXX XXXX XXXX XXXX

ALAC experience in Italy

Before reporting

1. Public or private sector?

2. Have you already reported internally? What results have you received?

3. Have you already reported to the authorities? What results have you received?

(1)

Type of wrongdoing

1. Procurement and supplies

2. Appointments and work assignments

3. Economic and financial crimes

4. Corruption and bribery

(3)

Reporting

1. Identity and contacts (we don't encourage, sometimes they provide the personal data in a later phase)

surname | name | age | gender |city | email | phone | employment role

(2)
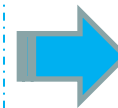
Customizable categories, other examples:
Frauds
Due Diligence Suppliers

ALAC experience in Italy

Description

1. Short (50-200 characters)

_____

2. Wide (max 500 characters)

_____

_____

_____

3. When the wrongdoing occurred?

4. Those who benefited?

4

5. Who has been damaged?

Economic dimension

• about contract / business
• about corruption act

Level of involvement of the incident

• Involved
• Victim
• Witness
• Story by third
• Hearsay

5

More information

Have you talked with others? What did they said?

Persons or authorities involved?

Information that can verify this report?
here any attachments
(REQUIRED FIELD)

What kind of help do you want to receive?
(REQUIRED FIELD)

Can we disclose the case guaranteeing your anonymity?
(REQUIRED FIELD)

How did you meet ALAC?

6

ALAC experience in Italy

The management of reporting

Internal analysis of reporting

Possible involvement of ALAC partners

First feedback to the whistleblower

Contacting the whistleblower

Configuration of the reporting that is complete

Identification of the best possible recipient

• Internal references (responsible prevention corruption, supervisory body)

• Sector regulators

• Judicial Authority (Attorney, Court of Auditors, National Anticorruption Agency)

• Media

ALAC experience in Italy

Some statistics (October 14 March 15)

69 reports
56 good, considerable
35 open

38 anonymous reports
31 confidential reports

by region:
15 Lazio
10 Campania
8 Lombardy

63% public sector

sector with more alerts:
appointments
procurement
economic crimes

ALAC/WB: after virtual tour …

FEAR	DISTRUST	DISINTEREST
whistleblower protection	**cultural problem**	**organizational problem**

FEAR

✓ protected system and anonymity are a protection, extend the issue with the commitment of the government body or the company (for example item in **Code of Ethics**)

✓ **Verify national law:** which protection provides? What is about the existing legislation?

DISTRUST

✓ informer is the one who is acting for personal purposes or to the detriment of third parties, the constant remind in the procedure of **reporting for the public interest** and the guided path generates reports of quality skimming poor and not sufficiently detailed report

DISINTEREST

✓confidential or anonymous reporting

✓ possibility of contacting the whistleblower to good configuration of reporting with more information and evidence for investigation

✓confidence and trust from the whistleblower

✓ statistical evidence

WHISTLEBLOWING IN ITALY

- ✓ Important cases in the public sector (City of Milan and Revenue National Agency, involved 15,000 and 35,000 employees)

- ✓ Interest from private sector (reports by email "231models" are almost not existent and ineffective, no anonymity, free writing without filters or guide)

- ✓ Transparency International Italy is proposing Whistleblowing system to wide companies starting from largely acquired experience and skills (design, implementation, informatics partners)

ALAC or WB for Agriculture Paying Organisms

✓ ALAC is simply a whistleblowing system implemented with criteria of Transparency International for the assistance to citizens

✓ in Italy for those without resources or power to implement its own system of WB, Transparency Italy offers its **know-how** and the **ALAC information technology platform** in exchange for a rental fee (only for public sector bodies)

✓ tips for all Agriculture Paying Organisms: adoption of a system of Whistleblowing or **evaluation to share ALAC national platform** (if it already exists or offer to TI national chapters to build it in partnership)

✓ as you can guess ALAC / WB systems are also adaptable to **fraud cases** offenses in addition to those of **corruption**

More Information about ALAC and WB in the world

ALAC units in the world have different operating procedures and comply with the socio-cultural characteristics of the country, in some cases they use telephonic instruments and not computer ones, in other cases they consist of mobile stations (Asia and Africa), in other cases there are more than one ALAC center in the same country (example: 6 in Russia)

On the Transparency International website, you can find the local ALAC centers in every country
www.transparency.org

More Information about ALAC and WB in the world

Here follows the interactive map that helps you localize the ALAC centers in all the countries.

More Information about ALAC and WB in the world

Whistleblowing systems are very widespread in the Anglo-Saxon countries.

P.I.D.A. Public Interest Disclosure (1998, UK) is considered the law model for the Whistleblowing

• Protected disclosure
• 3 levels of disclosure (internal, regulatory, wider)
• Ban on restrictive covenants
• Temporary re-employment and compensation
• Reverse burden of proof

Comprehensive Laws (public and private sectors)
United Kingdom | Japan | South Africa | South Chorea | Ireland

Sectorial Laws
France (private sector) and Romania (public sector)

Legal pluralism for different areas
United States

Whistleblowing

THANK YOU FOR YOUR KIND ATTENTION!

WWW.TRANSPARENCY.IT

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