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■ **INDEPTH FEATURE** Reprint April 2021

CORPORATE FRAUD & CORRUPTION

Financier Worldwide canvasses the opinions of leading professionals around the world on the latest trends in corporate fraud & corruption.





KINGDOM OF SAUDI ARABIA

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Respondents



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Gihad Al-Amri is the managing partner and has been driving the success of BDO in Saudi Arabia for the last 15 years. He has extensive experience in the fields of audit, taxation, forensics, business valuation, review and implementation of ERP solutions, and management consultancy services. He is also involved in providing training courses to clients in the fields of financial accounting standards, IT audit, and taxation. In addition, Mr Al-Amri is also an audit committee member for certain entities in Saudi Arabia. Mr Al-Amri has been actively contributing to the profession through his involvement in various professional activities.



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Aakash Bassi is a partner with BDO UAE, and the forensic practice leader for BDO in the UAE and Kingdom of Saudi Arabia. He has over 15 years of experience across India and the US assisting leading organisations in the prevention, detection and response to integrity breakdowns. He delivers specialised forensic advisory services, including leading and managing complex international investigations into fraud and misconduct with a focus on bribery, corruption and third-party risk, among others. He has also assisted clients across industry sectors in relation to financial reporting and disclosure issues.

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Q. Have there been any legal and regulatory changes implemented in the Kingdom of Saudi Arabia designed to combat fraud and corruption? What penalties do companies face for failure to comply?

A. Saudi Arabia has instituted numerous measures over the last decade to combat fraud and corruption, as a signatory to the United Nations Convention against Corruption (UNCAC) and the G-20 anti-corruption action plans. This has included the creation of the National Anti-Corruption Commission, which has jurisdiction over the public sector and all companies owned 25 percent or more by the state. The Commission is an independent body which reports directly to the King. Further, the country has also seen improvements in its ranking in the Transparency International Corruption Perceptions Index over the last several years. The kingdom has also established an anti-money laundering law, and guidelines have been prescribed by the Saudi Arabian Monetary Authority (SAMA) for detecting money laundering. Companies engaging in fraud and corruption can face investigation and prosecution by the

Public Prosecution Office. For example, in 2018, the country convicted individuals, including government officials and private sector employees, of bribery, fraud and abuse of office following an investigation by the Public Prosecutor. Lastly, Saudi Arabia became the first Arab country to be granted full membership of the Financial Action Task Force (FATF) in 2019. This has led to increased cooperation between regulatory and enforcement agencies. For example, in January 2021, the National Anti-Corruption Authority, along with the Saudi Central Bank, uncovered a corruption scheme involving bank officials and private businesses. This further demonstrates that anti-corruption monitoring and enforcement is on the rise.

Q. In your opinion, do regulators in the Kingdom of Saudi Arabia have sufficient resources to enforce the law in this area? Are they making inroads?

A. In recent years, the National Anti-Corruption Commission has intensified its efforts to combat fraud and corruption. Furthermore, the Capital Markets Authority has instituted a system of internal controls designed to reduce risks

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and ensure that listed companies and their employees comply with applicable laws and regulations. Furthermore, they have instituted procedures to carry out inspections and reviews into the financial affairs of companies listed on the local stock exchange, if required.

Q. If a company finds itself subject to a government investigation or dawn raid, how should it respond?

A. It is critical for any organisation to have formalised protocols that provide guidance around what needs to be done during a government investigation or similar situation. Among other things, organisations should have a response plan in place, including a team that comprises external counsel, wherever necessary, that could assist with the response. Additionally, a coherent communications strategy around media inquiries should be formulated. Finally, it is important to conduct internal investigations, if permissible, to proactively identify misconduct. Companies should have protocols in place to effectively respond to dawn raids, including clarity around specific roles and responsibilities, and

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when to seek external help from counsel and communication experts. Specifically, there should be clearly laid down procedures.

Q. What role are whistleblowers playing in the fight against corporate fraud and corruption? How important is it to train staff to identify and report potentially fraudulent activity?

A. We believe the government is determined to combat corruption. To that extent, there has been an increase in the acknowledgment of and importance assigned to the notion of whistleblowing as a means of mitigating fraud and corruption. Furthermore, attitudes toward whistleblowers are changing. For example, the government has instituted provisions governing the adequate protection of every employee of an organisation who submits a complaint against corrupt practices to prevent retaliation against them for raising concerns in good faith. It is fair to say that a significant proportion of financial misconduct is uncovered through tips provided by employees. It is critical that employees understand that they have an

affirmative obligation to report issues or concerns in good faith.

Q. What advice can you offer to companies on conducting an internal investigation to follow up on suspicions of fraud or corruption?

A. All organisations should plan for, devote and deploy resources to carry out an effective investigation into potential financial misconduct. Obtaining the most qualified professionals to perform the investigation, including setting up appropriate protocols, is one of the keys to an effective investigation. We often see organisations embark on internal investigations without having the appropriate in-house capabilities and realise they need external expertise halfway through the process, which can lead to the potential compromise of both data and evidence. A poorly conducted investigation can be as damaging as if the organisation did nothing at all. Seeking assistance from external subject matter experts, including assessing privilege considerations and data privacy protections, are critical in responding to and remediating misconduct.

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Q. What general steps can companies take to proactively prevent corruption and fraud within their organisation?

A. It all starts with the right governance structure. Often the most overlooked factor of all is the company's fraud prevention programme and its related ethical culture. The board should set the agenda for the overall fraud prevention programme, including the related roles and responsibilities at the senior management level, and provide the necessary authority and autonomy across the three lines of defence in relation to fraud prevention, detection and response. The agenda should be supplemented by designing, implementing and evaluating policies, programmes and controls to prevent, detect and respond to integrity breakdowns and enhance overall governance and responsible business conduct. Lastly, there is no 'one size fits all' approach to preventing corruption and fraud within an organisation, and all policies, programmes and controls to help build and enhance the overall culture of ethics and integrity should be based upon the fraud risk profile of the organisation.



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Since its founding in 1963, the **BDO** story has been one of continuous response to our clients' and our peoples' ever-changing needs. BDO's history is relevant today because our clients value the continuity and stability of a global organisation that has developed so successfully over more than 50 years. We are proud that, in these 50-plus years, BDO has grown into a US\$10bn business operating in 167 countries. Our forensic capabilities include dedicated in-country resources experienced in fraud and corruption investigations, due diligence, compliance and dispute resolution all supported by international resources including state of the art technology and industry insights.

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