
ANTI-CORRUPTION, BRIBERY & REGULATORY RISK

Guiding companies through complex challenges to integrity.





Protecting Integrity

What do you do when a whistleblower letter lands on your desk?

How do you avoid regulatory infringements?

How do you cooperate with a law enforcement agency investigating alleged FCPA transgressions?

How and when do you preserve evidence?

How do you control the cascading impacts of compliance breaches?

CNS Risk supports businesses seeking help with corruption, fraud and bribery situations:

- Global investigation and intelligence network
- Collection & analysis of detailed information
- Assistance with selection of external legal counsel
- Documentation and preservation of electronic & physical evidence
- Jurisdiction-specific expertise
- Verification & testing of compliance systems, processes and communications
- IT & accounting forensics; related security services
- Training & advice to help corporates design and deploy immediate response plans that protect their people, their brands and their bottom lines

A large iceberg floating in the ocean. The tip of the iceberg is above the water line, and the much larger, submerged part is below. The background is a clear blue sky and ocean. The text "COMPLIANCE" is written in large, white, bold, sans-serif letters across the top of the image, partially overlapping the sky and the tip of the iceberg.

COMPLIANCE

ALLEGATIONS

INTEGRITY

EXTORTION

LOBBYING

CORRUPTION

KICKBACKS

CRIMINAL

FRAUD

Case Study I: Global Collusion & Corruption

Client: An internationally recognized brand, manufacturing and distributing product worldwide.

Situation: The company hotline, set up to comply with US regulatory commitments, was bombarded with whistleblower complaints from one of the small European sales offices. The calls alleged collusion by local management and key accounts to inflate revenues and defalcate assets; scare tactics against employees were also described.

A very limited investigation by internal audit dismissed the complaints, but the firm's global auditor threatened to resign until the matter was properly evaluated.

Action: CNS Risk was appointed to independently investigate. Working with in-country legal counsel to establish legal privilege, CNS deployed investigators to review each complaint, and collected intelligence on the activities of various management and staff. Forensic accounting work and interviews with employees were also conducted.

Results: Intelligence activities uncovered the nationwide black market sale of product. Closer investigation revealed anomalies that spoke to a complex system of fraud.

- Evidence was extracted to prove that the MD and human resources manager - a married couple - were orchestrating a ring of theft with the collusion of national purchasing managers.
- Documentary evidence proved management's total disregard for control policies, and how kickbacks were paid through supplier relationships and bogus sponsorships of sporting events.
- CNS investigators also unearthed a system of coercion, which included the illegal monitoring of emails and video surveillance of staff.

The company's local management was fired, and the direct involvement of head office in the matter helped retain the confidence of the workforce. Realising the situation could be replicated in other jurisdictions, the client opted to replace the regional management and to review its processes as a preventative measure.

Duration of project: 12 weeks

Resources employed: Nine consultants: investigators, forensic accounting specialists, IT security experts, security advisors and surveillance teams. In collaboration with a local law firm.

Case Study II: Foreign Government Officials

Client: A large, publicly traded natural resources company from Canada.

Situation: The acquisition of a mining concession in Russia involved the hiring of a small local consultancy that would act as a 'fixer'; that is, an experienced and well connected advisor to ensure that regulatory requirements were met.

Local management officials met 'Ivan' on several occasions, but never got his last name. He was described as the second managing director and owner of the company.

Anomalies in the fixer's behaviour and his inability to move stalled talks with regional & local government left the Canadians concerned about his real capabilities.

Action: CNS Risk deployed a team of operatives to collect intelligence on the company with the purpose of assessing the fixer's credentials, reputation, and abilities.

Results: CNS discovered that the local company was actually a front for an elected member of public office.

- Our client had been instructed to make anonymous payments to the Seychelles accounts of the business entity.
- Although not directly involved in the concessions process, the fixer offered money to officials on behalf of his client, and was also taking a cut for himself.

The client maintained that payments were made without the knowledge of the management responsible for the Russian investment, but nonetheless they were replaced and all ties with the fixer were cut.

The company then conducted a full internal review of the matter to ensure that its exposure to the **Canadian Corruption of Foreign Public Officials Act (CFPOA)** was fully assessed and managed by in-house counsel.

Duration of project: Three weeks

Resources employed: Four operatives; two analysts; and one senior advisor.

Case Study III: Unseen Risk in South America

Client: A US based Private Equity fund preparing for a significant investment in a South American country.

Situation: The director of the PE fund contacted CNS Risk to carry out additional due diligence. The director suspected that initial legal and financial due diligence work had missed relevant details important to the acquisition of a strategic asset.

Action: CNS Risk reviewed the due diligence and commenced a thorough analysis of the personal and business networks of the key players in the target company. Clandestine information through confidential sources was also collected around these individuals, the company's clients, and those known to have had business relationships with the owners.

Results: Information returned by CNS attested to a very complex array of contacts, many of whom were involved in positions of public office.

- We revealed intelligence confirming that municipal contracts were closely linked to varying degrees of patronage received from the company owner.
- Intelligence confirmed that the owner had used at least two aliases. According to trusted police sources one of these identities was associated with several organized crime figures.

In collaboration with the client's legal counsel, CNS analysts were able to demonstrate precisely which contracts were linked to the dubious elements of the business.

The client opted to re-open negotiations and succeeded in significantly reducing the purchase price of the asset; our work also ensured that the owner could be removed from the relationship without harm to the company's future financial performance.

Duration of project: Four weeks

Resources employed: Three investigators; two analysts.

Case Study IV: Fallout from a crisis

Client: A publically traded Central European heavyweight manufacturing operation with subsidiaries in seven countries.

Situation: Following a dawn raid at the company's head office and arrests on the suspicion of involvement in a large scale VAT carousel fraud, the company's big-4 auditor recommended an internal investigation and requested outside assistance to safeguard against aftershocks.

Action: Working independently and under attorney-client privilege, CNS Risk conducted a thorough review of the case matter to determine the extent of exposure to further fallout from the original police investigation.

In addition, CNS conducted research & analysis of relationships around the alleged participants in the fraud, carried out interviews with staff and management, and reviewed internal policies to pinpoint the failings in corporate procedures and processes that had exposed the company to unwitting involvement in such a potentially damaging situation.

Results: Our investigation report formed the basis of a roadmap to reviewing processes and putting more stringent policies in place. We worked closely alongside the internal audit leader to ensure corrective steps were implemented in a way that allowed the company to display a more credible level of corporate resilience, which in turn led to increased protection of shareholder value and better adherence to the company's obligations as a publically traded entity.

Duration of Project: Three weeks.

Resources Employed: Three consultants, two analysts, one investigator. In cooperation with the firm's legal counsel.

Case Study V: The Intricacies of Corporate Criminal Liability

Client: A privately owned global services company with a highly visible and valuable brand. Headquartered in Germany, the company also has significant presence in the US & UK.

Situation: The new country manager at one of the client's southern European subsidiaries was asked to sign off on a government-funded project led by his predecessor. The project involved a consortium of local companies, and the subsidy ran to several million euros; when the new MD inquired about the project it became clear it was a sham. The country manager brought the initial evidence to the attention of the group CEO.

Action: Acutely aware of the severity of treasury fraud penalties and the criminal liability of the new MD and the company, CNS Risk introduced independent counsel to establish legal privilege. We then collected and documented evidence in a secure data room, carried out forensic accounting work, interviewed employees, and began an in-depth investigation into the former CEO and the consortium.

Results: Our investigation revealed four instances of large-scale treasury fraud. As the local subsidies were co-funded by the European Union, the company was also exposed to a possible OLAF investigation.

- CNS intelligence work showed a complex network of graft and fraud presided over by the former CEO and the MD of one of the consortium companies.
- Evidence gathered by us formed the basis of several claims and litigation to recover damages stemming from the fraud.

Working with counsel, we prepared detailed evidence to self-report to local authorities. The subsidies were repaid in full; with the guidance of legal counsel the firm exited without additional financial penalty, and sidestepped the threat of penalization for a fraud in which it was the victim.

Further Action: At CNS Risk's suggestion, jurisdiction change under the Brussels Convention was instigated, and the client is seeking significant damages from the former CEO in a German court.

Duration of Project: 12 weeks

Resources Employed: Six consultants; investigators, forensic accounting and IT specialists. In collaboration with the local office of an international law firm.



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