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News release

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Senior managers failing to set right tone on business ethics, finds EY Fraud Survey

- **51% of all respondents still perceive that corrupt practices happen widely in business in their country**
- **77% of board members or senior managers say they could justify unethical behavior to help a business survive**
- **Only 21% of respondents are aware their company has a whistleblowing hotline**

LONDON, 5 APRIL 2017. Despite sporadic progress in tackling bribery and corruption across Europe, the Middle East, India and Africa (EMEIA), 51% of respondents to the biennial EY EMEIA Fraud Survey still perceive the problem to be widespread in their country.[1] Twenty-seven percent of all respondents state that it is common practice in their business sector to use bribery to win contracts, including 14% of respondents in Western Europe. The report, *Human instinct or machine logic – which do you trust most in the fight against fraud and corruption?*, surveyed 4,100 employees from large businesses in 41 countries.

Senior management are failing to foster a culture of ethical behavior finds the survey: 77% of board directors or senior managers say they would be willing to justify some form of unethical behavior to help a business survive, with one in three willing to offer cash payments to win or retain business. Nevertheless, 28% of respondents believe that regulation has had a positive impact on deterring unethical behavior, an increase of 4 percentage points from the 2015 survey, with 77% of respondents agreeing that the prosecution of individuals would help deter fraud, bribery and corruption by executives.

[1] Refer to table below for individual country breakdown – "Bribery/corrupt practices happen widely in business in this country"

The Generation Y cohort (25 to 34 year olds), who constitute 32% of respondents, demonstrate more relaxed attitudes toward unethical behavior the survey finds. Seventy-three percent state that such behavior is justified to help a business survive, compared with 49% of 45 to 54 year olds (Generation X) surveyed who hold this view. Furthermore, 68% of Generation Y respondents believe their management would engage in unethical behavior to help a business survive, and 25% of this age group would offer cash payments to win or retain business. Generation Y also show a heightened distrust of their co-workers, with 49% believing that their colleagues would be prepared to act unethically to improve their own career progression, compared with 40% across all age groups.

Jim McCurry, EY EMEIA Fraud Investigation & Dispute Services Leader, says:

"Despite positive signs of improvement in some emerging economies, more than half (51%) of respondents across EMEIA still perceive bribery and corruption as a major challenge. Furthermore, there is worrying evidence of a lack of leadership from senior executives to tackle these issues, which may be negatively influencing the younger generation workforce.

"Companies need to take steps to create a culture in which it is in employees' interests to do the right thing. Training and awareness programs can play a big role in helping individuals understand the consequences of fraud and corruption, and encourage them to come forward if they have concerns over unethical conduct."

Failure to establish a culture of reporting unethical behavior

Despite the fact that whistleblowing hotlines are now considered an important part of a company's compliance program, only 21% of respondents were aware of such a channel in their company, while 73% would consider providing information directly to a third party such as a law enforcement agency or regulator. Moreover, 52% of respondents had concerns about misconduct within their organization. Of those respondents, 48% felt pressure to withhold information, leading to 56% of this group choosing not to report.

Respondents in emerging markets such as India (27%) and Nigeria (24%) agree that they are now offered more protection to blow the whistle in comparison to three years ago. However, more limited improvement has been seen in developed markets such as Italy (11%) and France (4%).

McCurry says: “For many companies, limited progress appears to have been made in providing an effective mechanism for highlighting wrongdoing. Employees are either unaware of the correct channels, or more worryingly, feel pressured to withhold information, which shows a lack of leadership from senior management to tackle the issue. Companies need to invest in effective whistleblowing channels and communicate appropriate processes to help ensure employees who witness wrongdoing know where to go.”

Appropriate monitoring of employees’ data important in preventing insider threat

The survey reveals a tension between the use of technology and the monitoring of employees’ private data. Seventy-five percent of respondents say their companies should monitor sources such as emails, calls or messaging services. Despite this, 89% feel monitoring data, such as instant messenger accounts, would constitute an invasion of privacy. When asked if they support the routine collection and analysis of their data from email, telephone, security systems or the public record, respondents from Western (42%) and Eastern (49%) Europe were less supportive in comparison to India (87%) and Africa (80%).

McCurry says: “The threat posed by employees is very real but remains difficult to detect without gathering and analyzing data from a variety of sources. By focusing on behavioral patterns and the use of unauthorized external storage devices, companies can identify individuals who may pose a higher risk.”

Bribery/corrupt practices happen widely in business in this country					
Rank 2017	Country	% 2017	% 2015	L4L Rank*	Rank 2015
1	Ukraine	88	80	1	7
2	Cyprus	82	N/A	N/A	N/A
3	Greece	81	69	2	12
4	Slovakia	81	78	3	8
5	Croatia	79	92	4	1

6	Kenya	79	90	5	2
7	South Africa	79	78	6	9
8	Hungary	78	73	7	10
9	India	78	80	8	6
10	Egypt	75	64	9	15
11	Slovenia	74	87	10	3
12	Nigeria	73	72	11	11
13	Italy	71	67	12	14
14	Bulgaria	68	N/A	N/A	N/A
15	Turkey	67	63	13	16
16	Russia	66	60	14	18
17	Spain	64	69	15	13
18	Czech Republic	63	61	16	17
19	Portugal	60	82	17	5
20	Serbia	57	84	18	4
21	Jordan	53	N/A	N/A	N/A
22	Latvia	51	55	19	19
23	Ireland	47	50	20	20
24	Lithuania	47	45	21	21

25	Germany	43	26	22	30
26	Saudi Arabia	43	44	23	22
27	Poland	38	43	24	23
28	Belgium	36	34	25	27
29	Austria	32	42	26	24
30	Estonia	32	21	27	33
31	Romania	31	39	28	25
32	France	28	29	29	28
33	UAE	27	24	30	31
34	UK	25	27	31	29
35	Netherlands	23	13	32	34
36	Oman	19	36	33	26
37	Sweden	18	10	34	37
38	Switzerland	18	12	35	35
39	Finland	16	11	36	36
40	Norway	10	21	37	32
41	Denmark	6	4	38	38

Source: EY EMEIA Fraud Survey 2017 *Human instinct or machine logic – which do you trust most in the fight against fraud and corruption?*
Table shows percentage of respondents answering yes.
*Average of all respondents: 2017 51%, 2017 L4L, 2015 51% (L4L = Like for Like – countries that were surveyed in both 2015 and 2017).

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Notes to Editors

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Dealing with complex issues of fraud, regulatory compliance and business disputes can detract from efforts to succeed. Better management of fraud risk and compliance exposure is a critical business priority — no matter the size or industry sector. With more than 4,500 fraud investigation and dispute professionals around the world, EY provides the analytical and technical skills needed to quickly and effectively conduct financial and other investigations, and gather and analyze electronic evidence. Working closely with you and your legal advisors, we will assemble the right multidisciplinary and culturally aligned team, and bring an objective approach and fresh perspective to challenging situations, wherever you are in the world. And because we understand that you require a tailored service as much as consistent methodologies, we work to give you the benefit of our broad sector experience, our deep subject matter knowledge and the latest insights from our work worldwide.

About the survey
Between November 2016 and January 2017, 4,100 interviews were conducted in 41 countries across EMEIA by Ipsos MORI on behalf of EY. The interviews consisted of both face-to-face and online interviews in local languages on an anonymous basis covering a mixture of company sizes, job roles and industry sectors.

For the purposes of this survey, emerging markets are defined as including: Bulgaria, Croatia, Cyprus, Czech Republic, Egypt, Estonia, Hungary, India, Jordan, Kenya, Latvia, Lithuania, Nigeria, Oman, Poland, Romania, Russia, Saudi Arabia, Serbia, Slovakia, Slovenia, South Africa, Turkey, UAE and Ukraine.

Developed markets are defined as: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the UK.