
KPK

Corruption Eradication Commission

CEK

A guide to

prevent

corruption

FOR THE BUSINESS WORLD

PROFIT

professionals with integrity

KPK

Komisi Pemberantasan Korupsi

CEK

A guide to

prevent

corruption

FOR THE BUSINESS WORLD

PROFIT
profesional berintegritas

CORRUPTION PREVENTION GUIDE FOR BUSINESSES

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FOREWORD

The issuance of Supreme Court Regulation (Perma) No. 13/2016 on Procedures for Handling Criminal Cases by Corporations followed by the high involvement of business actors in corruption cases is the main basis that encourages the Corruption Eradication Commission (KPK) to compile a corruption prevention guidebook for the business world.

Based on Article 4 paragraph (2) point c of Perma No. 13 of 2016, one form of corporate misconduct related to criminal liability is if the corporation does not take preventive measures, prevent greater impact, and ensure compliance with applicable legal provisions to avoid criminal acts. Therefore, this guide containing steps to prevent corruption is designed to be simple and practical so that it can become a minimum reference and guideline for corporations that can be adopted and developed according to corporate needs.

In the end, it is hoped that this guidebook can encourage the implementation of corruption prevention efforts in the private sector so as to create a business climate with integrity, fairness and high competitiveness. It should be underlined that the application of this guideline in corporations is not a guarantee of the loss of criminal liability to corporations if corruption crimes still occur. However, this corruption prevention guideline will be taken into consideration by the judge in determining his decision.

We would like to thank KPK's partners from the Supreme Court, the Indonesian Chamber of Commerce and Industry, national and multinational companies, business and industry associations, as well as legal experts and compliance practitioners who have participated and contributed to the development of this guideline.

Jakarta, November 2018

KPK Leader

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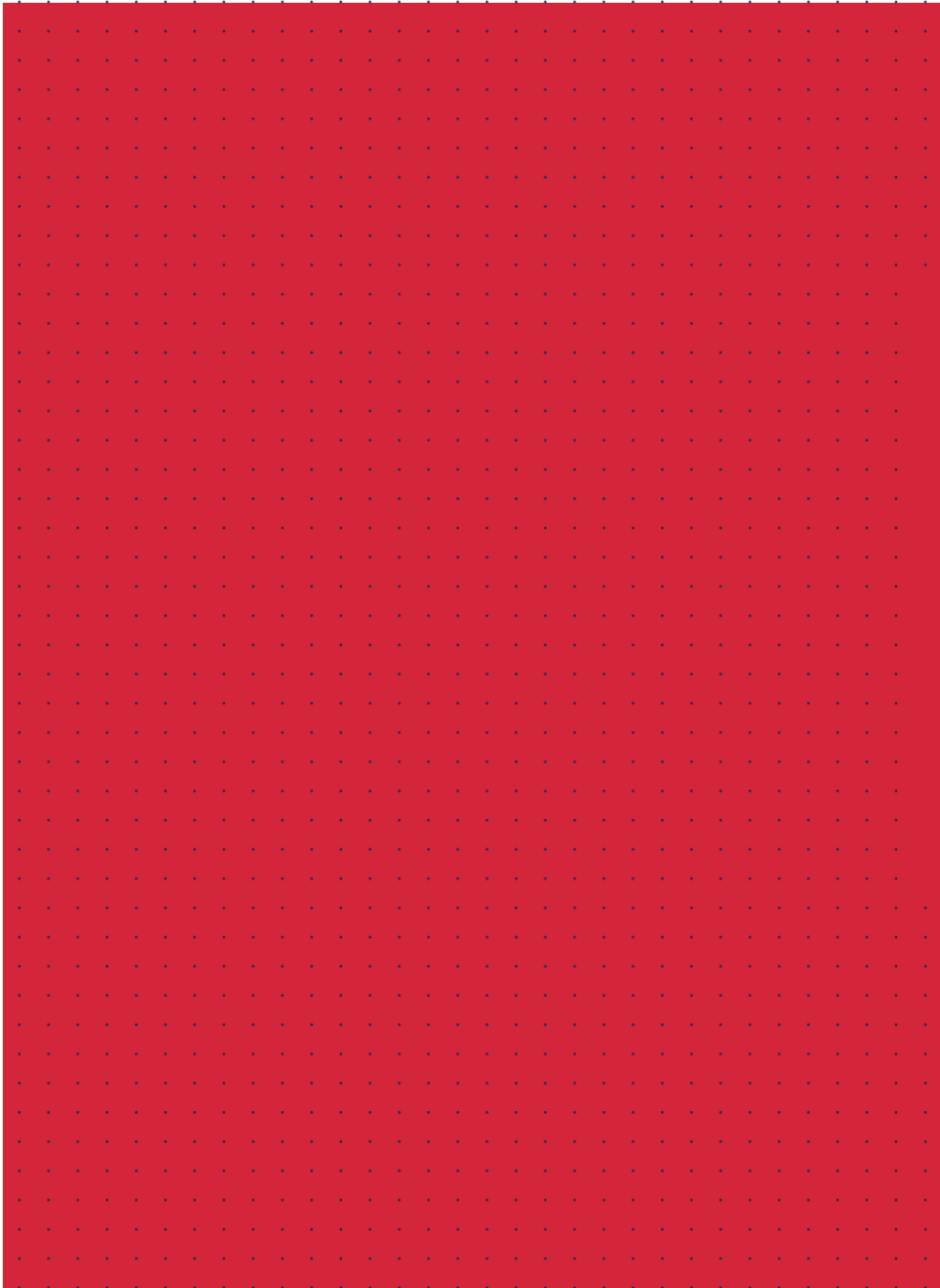
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To reduce the
potential for
corrupt
practices in
corporations
Prevention efforts
are needed
adequate.

01



Guide Preventing Corruption

WHAT ARE ADEQUATE CORRUPTION PREVENTION GUIDELINES FOR CORPORATIONS?

According to the *Black Law dictionary*¹, *fraud* is an act that aims to benefit oneself, which is carried out in a way that violates the law and harms other people/parties. Then as introduced by the *Association of Certified Fraud Examiners* (ACFE) in one of its popular publications, the *fraud tree*, one form of *fraud* is *corruption*².

In Indonesia, corruption is understood in a limited way as a form of criminal offense related to State finances in the public sector (government) and involving public officials. However, corrupt practices can be found anywhere, both in the public and private sectors, and the perpetrators range from staff to directors, leaders or even owners of corporations. In addition, the mode varies from simple to complex, such as hiding the proceeds of crime in various countries. As planned amendments to the Corruption Act related to the adoption of UNCAC that in the future *fraud that* occurs in the private sector will be included in the definition of corruption.

To reduce the potential for corrupt practices in corporations, adequate prevention efforts are needed. In order for prevention efforts to be carried out comprehensively, the Corruption Eradication Commission together with the Indonesian Chamber of Commerce and Industry (Kadin), experts and practitioners in the field of *good governance* published the Corruption Prevention Guidelines for the Business World. This guide contains general steps to be implemented by a corporation in preventing corruption. The steps designed in this guide are simple and practical, so they can be adopted according to the needs of the corporation.

1 Bryan Garner, ed., *Black's Law Dictionary*. 8th Ed. (2004)

2 <http://www.acfe.com/fraud-tree.aspx>

WHAT ARE THE BENEFITS OF A CORRUPTION-FREE CORPORATION?

Business practices that are clean from corruption will protect the corporation and every corporate person, from employees to leaders. By preventing corruption, it can prevent corporations and corporate people from negative impacts such as imprisonment (body), financial losses, damage to good name (reputation), loss of clients / customers, as well as the high cost of investigation and litigation if the case is brought into the realm of law enforcement.

WHAT are the risks if my company is corrupt?

Corruption must be understood as a form of fraud that can harm the corporation. The risks that arise if a corporation commits corruption or is involved in corruption are not only financial risks but also such as loss of public trust (investors, consumers, regulators), damage to reputation, and legal risks.

WHO IS THIS GUIDE FOR?

This guide is intended for all corporations, as in accordance with the definition of a corporation referred to in Article 1 of Supreme Court Regulation Number 13 of 2016, hereinafter referred to as Perma 13/2016, namely:

- A corporation is an organized collection of persons and/or assets, whether or not it is a legal ^{entity}³ A *parent company* is an incorporated company that has two or more subsidiaries called *subsidiary companies* that also have their own legal entity status Subsidiary companies or *sister companies* are companies that are controlled or owned by a parent *company*.
-

3 This is also in accordance with Law No. 31 Year 1999 *in conjunction with* Law No. 20 Year 2001 on the Eradication of Corruption, Chapter I General Provisions, Article 1 Paragraph 1.

OTHER PARTIES

Other parties are people outside the corporate environment who receive special authorization from the corporation to carry out certain actions. The definition of other parties refers to Article 1 paragraph 12 of Perma 13/2016, namely:

- Another relationship is the relationship between the management and/or corporation and other persons and/or corporations so as to make the other party act for the benefit of the first party based on an agreement, either written or unwritten.

GUIDE FOCUS

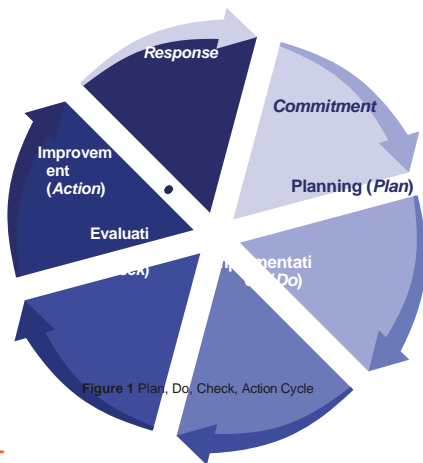
This guide contains corruption prevention measures that adopt concepts and examples of good practice at the national and international levels. Furthermore, the general steps contained in this guide must be implemented by corporations in preventing corruption and building compliance in corporations.

The steps designed in this guide are simple and practical so that they can be adapted according to the size and capacity of the corporation.

SYSTEMATIZATION OF CORRUPTION PREVENTION GUIDELINES

This guide is organized using the PDCA (*Plan, Do, Check, Action*) approach followed by a *response* stage to complete the cycle. Thus, this guide is iterative or continuous in a cycle.

However, this PDCA cycle can run effectively if there is leadership commitment. Therefore, commitment is laid as the foundation in carrying out corruption prevention efforts.



COMMITMENT

Leadership commitment is fundamental to the successful implementation of corruption prevention efforts. Leadership commitment will determine the direction of corruption prevention efforts in a corporation, which is reflected in corporate policies and strategies.

PLAN

In order for corruption prevention efforts to be carried out effectively and thoroughly, corporations need to carry out planning. In planning, corporations must:

- Understand the laws and regulations governing corporate criminalization⁴
- Identifying corruption risks that can impact corporations in corruption prevention planning is carried out using a *risk-based* approach.
- By knowing the corruption risk map, corporations can make regulations regarding the things needed to prevent corruption in accordance with the goals that have been set.

⁴ Among others, you can refer to the laws and regulations on the reference page

IMPLEMENTATION (DO)

In this stage, the corporation carries out various activities to prevent corruption in accordance with the plan that has been prepared. Broadly speaking, this guide contains forms of activities that must be carried out by corporations in preventing corruption. Corporations can carry out these activities according to the needs and capabilities of each corporation. Various forms of corruption prevention activities include:

- a. Anti-corruption clause;
- b. Due diligence;
- c. Regulating the practice of giving/receiving facilities, gifts, sponsorship and gratuities;
- d. Regulation of political contributions and donations;
- e. Provision of grievance services;
- f. Conflict of interest arrangements;
- g. Control of financial transactions;
- h. Communication;
- i. Continuous training;

EVALUATION (CHECK)

At the evaluation stage, the corporation will recheck the stages that have been carried out, from planning to implementation. The evaluation is carried out to ensure that the efforts made by the corporation are in accordance with the predetermined goals and objectives. If deficiencies or discrepancies are found, they can be followed up in the next stage, namely *improvement*.

IMPROVEMENT (ACTION)

The focus at this stage is the corrective function. If the previous stages are implemented well, then the planning-implementation-evaluation cycle can be repeated. However, if there are discrepancies, deviations or changes that affect efforts to achieve goals and objectives, it is necessary to make improvements or adjustments. With corrective measures, it is expected to achieve consistency and continuity in corruption prevention.

RESPONSE.

Response is an important stage of this cycle because it is an optional solution to the challenges of uncompetitive business competition faced by corporations that have carried out this entire corruption prevention cycle.

The response stage through collective action and reporting is expected to support law enforcement in Indonesia so as to create a conducive business climate.

WHY IS THIS GUIDANCE NEEDED AND SHOULD IT BE IMPLEMENTED?

Data shows that almost 70% of corruption cases handled by the KPK involve business actors, public officials and legislators⁵. As for the types of cases, almost 80% of cases are related to bribery and procurement⁶. Looking at this data, it can be concluded that the involvement of corporations in corruption in Indonesia is quite significant.

In line with the statistics above, the results of *Transparency International* research show that only 38% of corporations have corruption prevention programs⁷. Then the results of the assessment of competitiveness between countries conducted by the *World Economic Forum* (WEF), also states that corruption still ranks first as one of the obstacles to ease of doing business in Indonesia⁸.

Therefore, it is time for corporations to be actively involved in corruption prevention efforts in Indonesia. If you want to do business easily, cleanly and competitively, corruption prevention must start from within the corporate environment. A corporation that strives to comply and build a business with integrity should not bear the burden of other corporations that act fraudulently and corruptively.

5 <https://acch.kpk.go.id/id/statistik/tindak-pidana-korupsi/tpk-berdasarkan-profesi-jabatan>

6 <https://acch.kpk.go.id/id/statistik/tindak-pidana-korupsi/tpk-berdasarkan-jenis-perkara>

7 <https://www.transparency.org>

8 <http://reports.weforum.org/global-competitiveness-index-2017-2018/countryeconomyprofiles/#economy=IDN>

LAW NUMBER 31 OF 1999 CONCERNING THE ERADICATION OF THE CRIME OF CORRUPTION

The provisions contained in Law No. 31 of 1999 as amended by Law No. 20 of 2001 on the Eradication of Corruption (hereinafter referred to as the Anti-Corruption Law) indicate that corporations can be perpetrators of corruption crimes and/or parties who benefit from such crimes. In the event that a corruption crime is committed by or on behalf of a corporation, criminal charges and sentences may be brought against the corporation and or its management.

In accordance with the explanation of Article 20 paragraph (1) of the Anti-Corruption Law, what is meant by "management" is the corporate organ that carries out the management of the corporation concerned in accordance with the articles of a s s o c i a t i o n , including those who in fact have the authority and participate in deciding corporate policies that can be qualified as a corruption crime.

Furthermore, Article 20 paragraph (2) of the Anti-Corruption Law states that the criminal act of corruption is committed by a corporation if the criminal act is committed by persons either by virtue of employment relationship or by virtue of other relationships, acting within the corporation either alone or jointly. The explanation contains the doctrine of *vicarious liability*, which is a concept of criminal responsibility resulting from the existence of an employment relationship or other relationship that causes a person/corporation to be subject to criminal *liability* for the wrongdoing of others. If a corporation or c o r p o r a t e management does not want to be caught in the criminal act of corruption, then efforts to prevent corruption must be made.

LAW NUMBER 8 OF 2010 CONCERNING THE CRIME OF MONEY LAUNDERING

As mentioned above, corporations can be the perpetrators and/or beneficiaries of corruption crimes. The proceeds obtained from these criminal acts are often used, enjoyed and / or hidden so that the corporation can escape the law. However, by using, enjoying and/or hiding the proceeds of corruption, the corporation has committed (become the perpetrator of) the crime of money laundering⁹.

Not only limited to using and spending, even those who are aware of the fraud and receive a small portion of the proceeds of crime (for example: obtained from the manipulation of tenders in a corporation), have fulfilled the elements of the crime of money laundering¹⁰.

Then, in addition to being the perpetrator, corporations also have the potential to become victims of money laundering crimes. If there is a flow of funds into the corporation originating from a criminal offense, the corporation can still be held accountable for the criminal offense.

From the description above, it is clear that the crime of corruption is closely related to the crime of money laundering. Of course, a corporation does not want to be a victim by bearing the impact arising from criminal acts committed by other parties.

⁹ See articles 3, 4, and 5 of Law No. 8/2010 on the Prevention and Eradication of the Crime of Money Laundering (Law 8/2010).

¹⁰ Article 3 and 4 of Law 8/2010

SUPREME COURT REGULATION NUMBER 13 OF 2016

Based on Article 4 paragraph (2) point c of Perma 13/2016, one form of corporate misconduct that can be held criminally liable is if the corporation does not make efforts to prevent, prevent greater impact, and ensure compliance with applicable legal provisions to avoid criminal acts. Thus, if a corporation is involved in a corruption crime, a corporation can be held criminally liable if it does not make efforts to prevent corruption.

HOW CAN THESE GUIDELINES BE IMPLEMENTED?

Corporations can directly apply the elements contained in this guide according to the size and capacity of the corporation. If a corporation has implemented a guideline or standard for preventing corruption and / or bribery, this guide can be used as a complement.

In addition, this prevention guideline must be implemented and not just become a normative policy or a policy on paper. This needs to be considered, considering that even though all elements in this guide have been implemented, it will not guarantee that a corporation will be free from criminal penalties if it is proven guilty. The elements of prevention that must be fulfilled by corporations are discussed in the next section.

Leadership commitment is
fundamental to success
corruption
prevention efforts

02



COMMITMEN

T

Prevention of corruption in corporations starts with a commitment to anti-corruption values. This value must be embodied in a written commitment initiated by the top management of the corporation such as owners, directors, and commissioners. This top management position is a strategic key in implementing a corruption prevention system. Top management must declare their commitment to prevent corruption in the corporation they lead. In addition to the commitment of top management, corporations must require all employees to make and / or sign a statement not to carry out activities related to fraud, corruption and money laundering. Business associations should also encourage anti-corruption commitments and policies to be implemented in the corporations they support.¹¹

Top management can prepare an anti-corruption commitment declaration for internal and external corporate purposes. Internal anti-corruption commitment is a written commitment agreed upon by all levels of the corporation from top management to the smallest unit within the corporate organizational structure. External anti-corruption commitment is a written commitment agreed upon by the corporation together with third parties such as corporate vendors. In addition to the declaration, the commitment must contain a prohibition on all forms of corruption and an obligation to maintain legal, moral and ethical norms.

This anti-corruption commitment is implemented in the form of company policies and regulations.

11 In addition to creating an internal environment that supports the implementation of the corruption prevention system, corporations should also play a role in encouraging other corporations to create the same nuance so that corporations that work according to the integrity corridor are not burdened and competed by business actors who behave fraudulently. This collective action can be built by encouraging associations, associations, and/or business associations to include corruption prevention and integrity development agendas in their sectors. Business associations can establish compliance committee forums to share best practices. Corporations can also join forums initiated in the form of public-private or private-private partnerships that encourage the development of business integrity in the business sector.

TOP MANAGEMENT

WHO IS TOP MANAGEMENT?

Top management refers to the board of directors and the board of commissioners.

MANIFESTATION OF COMMITMENT

- The commitment can be stated in the form of an anti-corruption declaration that is written and announced publicly to all parties within the corporation (internal) and external parties (such as partners, government, community and other stakeholders). The commitment can be conveyed through various communication media used by the corporation.
Management requires all employees to make and/or sign a statement not to carry out activities related to fraud, corruption and money laundering.
- Management commitment must also be demonstrated by providing the resources needed in corruption prevention efforts, both human resources, infrastructure, financial and other needs that are considered relevant to corruption prevention efforts.

POLICY

Policies must be written, clear, firm and easy to understand. The policy must be a reference for all corporate people. The fundamental message in corporate policy is that there is no tolerance for corrupt acts/behavior committed by corporate people. The policy, at least, contains:

- a. Destination
- b. Scope
- c. Key principles
- d. Responsible party
- e. Other relevant references

FORM OF POLICY

- Policies can be organized according to hierarchies such as general policies, technical policies and implementation guidelines.
- In order to be implemented, general policies need to be supported by technical policies in accordance with their scope. For example: technical policies on the procurement of goods.
- Implementation guidelines can be prepared if the technical policy is considered too general. For example: guidelines for receiving goods from service providers.

CODE OF ETHICS

A code of ethics can be defined as written rules that are systematically compiled based on existing principles or norms, while reflecting the values and culture of the corporation. The code of ethics is prepared as a guideline for all corporate personnel in their daily actions.

In order to be implemented, the code of ethics must be communicated to all corporate personnel and be easily accessible. In addition, the code of ethics applies to all corporate personnel and all third parties affiliated with the corporation such as distributors, business partners, representatives, and others. The statement of agreement to implement the code of ethics must be approved and signed by all corporate personnel, and updated within a certain period of time (for example once a year).

BASIC PRINCIPLES

- The corporation prohibits all corporate personnel from offering or giving bribes and other payments that are not legally, morally, and ethically valid to other persons, bodies, and / or entities; The corporation prohibits all corporate personnel from conducting business activities in violation of universally accepted legal, moral, and ethical norms.
-

IMPLEMENTING FUNCTION

Prevention efforts in this corporation, depending on the scale and size of the corporation, must be overseen by an implementing function. The implementing function can be carried out by:

- Employee (*compliance/ethic/integrity officer/integrity builder*); or
- The work unit is led by someone who is in the top management, has access to the President Director, Board of Directors, Board of Commissioners and Audit Committee, and is guaranteed independence in designing and coordinating the implementation of corruption prevention in the corporation.

Case Study: Top Level Management Commitment in the Development of Rules, Policies, and Compliance Programs of a Multinational Company

Company A is a mid-level multinational company with its main office in Indonesia. Recently, Company A has been implicated in a bribery case against an official in Ministry B. The charges against the company are related to a conspiracy to give bribes to obtain tenders in Ministry B by an official in the company to an official in Ministry B. Company A is currently under investigation.

As soon as Company A's involvement in the bribery case was reported by the mass media, based on the decision of the company's board, Company A temporarily dismissed the company officials involved in the case and replaced them with new officials.

Prior to this case, Company A did not have a program on bribery prevention in the company, so the internal rules also did not regulate the bribery clause. Based on the advice provided by Company A's Lawyer Team, the company's risk management and compliance department agreed to work specifically to support the company in improving the company's organizational model, rules and policies and establishing a bribery prevention program in the company.

An independent compliance consultant collaborated with Company A's Counsel and senior management to conduct a detailed assessment of several business risk areas. As part of this process, the consultant conducted interviews with relevant employees in each risk area, from senior managers to staff. The CEO and advisory board were also directly involved in discussions with the consultant, enabling policy development to be thorough and tailored to the company's business model. Following the results of the risk assessment, a new organizational model was developed that included anti-corruption policies and procedures.

Company A's board quickly approved this new model. During the interviews, senior operational managers and stakeholders from each department explained their roles and daily operations to the consultant. Thanks to this transfer of information, the company was then able to draft relevant detailed procedures for each department. The board members even reviewed the draft policies and were actively involved in the process, and also the operational managers reviewed the procedures relevant to their areas.

As part of the new organizational model, Company A adopted a code of conduct, put in place policies and procedures, and established an independent oversight body with a mandate to ensure that the policies and procedures are respected. The code of conduct, policies and procedures were incorporated into its intranet and made available to all employees. In addition, the company through independent consultants conducts 20-hour training courses per high-risk business area for all relevant employees. Senior management accompanied the consulting firm during the training program, introducing them to Company A employees and explaining the importance of the "zero tolerance" approach to bribery and corporate crime in general.

Risk-based planning
helps
corporations to
knowing the areas
prone to corruption

03



PLANNING

UNDERSTANDING OF LAWS AND REGULATIONS

In planning corruption prevention efforts, corporations must study all laws and regulations in order to understand and avoid potential risks, including legal risks,¹² financial risks and reputational risks. For example, corporations engaged in the oil and gas sector must not only understand all laws and regulations regarding technical operations but also laws and regulations related to taxation, environment, labor, including laws and regulations governing corruption and money laundering.

LEGAL PRODUCT MANAGEMENT PLANNING/INTERNAL POLICY

Corporations are advised to have internal legal/policy product management, such as regulatory hierarchy within the corporation, regulatory format and regulatory publication. This legal product management aims for the corporation to have clarity and legal certainty over the rules that apply within the corporation and avoid overlapping regulations/policies. In addition, the division of duties, authorities and responsibilities of personnel who compile and authorize regulations/policies is important to be regulated in this legal product management function.

RISK-BASED PLANNING

In principle, risk-based planning helps corporations to identify areas that are at risk or prone to corruption, both internally and externally. Furthermore, corporations can make appropriate and effective efforts to manage these risks, to avoid or at least reduce the impact if the risk of corruption occurs.

12 Legal risks that may arise from corruption and money laundering offenses

RISK ASSESSMENT

In conducting a risk assessment, corporations need to pay attention to the following points:

NEED

The risk of corruption in each corporation will definitely vary because it is influenced by several factors including the size of the corporation, organizational structure, area of operation, business field, interaction with public officials, culture, etc. Therefore, planning is carried out according to the scope (context) and needs of the corporation.

FOCUS

Risk assessment contains identification and control of risks that arise such as legal risk, operational risk, reputation risk, financial risk and other risks that may arise. In identifying areas at risk or prone to corruption, corporations can conduct risk assessments based on:

- a. Industrial field
(e.g. banking, construction, healthcare, mining)
- b. Business activities
(e.g. procurement, sales, government relations, etc.)
- c. Business chain (*supply chain*)
- d. Work Unit
(e.g. marketing, production, human resources, finance)

EXECUTOR

Depending on the complexity of the risk assessment conducted, corporations can conduct risk assessments independently by adopting existing risk assessment guidelines/standards. In addition, corporations can also cooperate with other entities that have competence in the field of risk management.

In mapping the potential for corruption and money laundering in business processes, including the supply chain, and making mitigation efforts, the following are the main risks that corporations must be aware of:

- a. Conflict of interest
- b. Bribery and *facilitation* (*facilitation payment*)
- c. Additional expenditures such as: gifts, entertainment, sponsorship, hospitality, benefits, political fund contributions.
- d. Money laundering of the proceeds of crime, which includes:

- Efforts to avoid reporting by breaking up transactions made by several actors;

- An attempt to avoid reporting by breaking up transactions so that the transaction amount looks smaller;

- Efforts to disguise the source and origin of the proceeds of crime by rotating money into several transactions and then returned to the original account;

- Efforts to obscure the source and origin of the proceeds of crime by sending the money through other accounts (third parties) who do not realize that the funds are the proceeds of crime;
- Efforts to hide the proceeds of crime by purchasing assets so that the source of the proceeds of crime is disguised by the transferable ownership status of the assets without being detected by conventional financial systems; Efforts to hide the proceeds of crime by exchanging goods (barter) by avoiding cash or conventional financial systems so as not to be detected; Efforts to hide the proceeds of crime by involving third parties and/or using fake identities; and

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-

- Efforts to hide the proceeds of crime by mixing them into legitimate business transactions so that the distinction between legitimate and illegitimate sources of funds is blurred.

In general, a risk assessment should at least include:

- a. Risk identification process for material risk factors such as: Risk characteristics inherent to the corporation;
 - Risk profile of corporate business processes that have the potential for corruption and money laundering; and
 - Risks on high-risk products and business activities.
- b. Documentation of the results of risk assessments of threats, vulnerabilities, and consequences arising from corporate business processes;
- c. Updating the risk assessment process;
- d. Provision of information on risk assessment to relevant authorities such as KPK and PPAATK;
- e. Monitoring of the risk assessment process; and
- f. Evaluation and recommendations on the follow-up of the risk assessment process on a regular basis.

Specifically, the identification process should include, among other things, an assessment of:

- a. Risk assessment of the active supervision system (board) of directors and commissioners; Ensure the corporation has anti-corruption and anti-money laundering policies and procedures;
 - Ensure the implementation of anti-corruption and anti-money laundering policies and procedures;
 - Establish, build, and develop specialized work units for these policies and procedures; and
 - Supervise the implementation of these procedures and policies;
- b. Assessment of corporate policies and procedures that include efforts to monitor, analyze and recommend;
- c. Assessment of internal control;

- d. Assessment of risks in the corporate ownership structure:
 Complex corporate ownership structure and limited access to information;¹³
- The ownership of the corporation is incorporated in Indonesia but the composition of the majority ownership is foreign without complete identity supporting documents;
 There are indications of other people as *beneficial owners* who control the corporation but are not registered in the corporate structure;
 In the ownership and / or control structure of the corporation there is a PEP or a party affiliated with PEP¹⁴
- e. Assessment of information management systems and technology that could potentially be misused to commit fraud;
 This assessment at least includes an assessment of the use and development of technology for the corporation's products whether it has been used or is being or will be used.
- f. Assessment of corporate business locations classified as high risk, if:
 The location of the corporation's business is in an area designated as high risk by international and / or national institutions or bodies; and
 The corporation's business location is in a crime-prone area such as smuggling, terrorist crimes, illegal products, a culture of corruption, and others.
-
- g. Human resources assessment and training;
- h. Standard due diligence assessment of second and third parties related to the corporation, such as;
 Assessment of the process of requesting information, documents, document verification, and *beneficial owner* verification for each transaction and business activity to internal and external corporations (against third parties);
 Assessment of the mechanism for closing and terminating business activities with third parties that are indicated to be
- fraudulent;

13 For example, the ownership structure of the parent and/or subsidiary is registered in a country with a legal system that does not facilitate efforts to obtain ownership information such as *tax havens*.

14 Based on PPAHK Head Regulation No. IX: PER-02/1.02/PPATK/02/15 concerning Categories of Service Users with Potential to Commit Money Laundering Crimes, *Politically Exposed Person* ("PEP") is a person who has or has had public authority including state officials as referred to in the laws and regulations concerning state officials, people who are listed or have been listed as party members. Furthermore, this Regulation categorizes PEP's affiliated parties including PEP's immediate family up to the second degree, PEP's affiliated companies, parties who are generally known by the public to be close to PEP, and certain professions such as advocates, accountants (*public*), financial planners, tax consultants, and employees who work in the field.

DOCUMENTATION

Risk assessment results must be documented, updated and evaluated regularly. This is important to ensure that the corporation can allocate the right resources according to the risk profile that has been mapped.

...Corporation
carry out various activities
to
prevent corruption in
accordance with the plan
has been prepared ... in
accordance with the needs
and capabilities of the
corporation ...



04



Implementatio

n

DUE DILIGENCE

In this guide, due diligence is simply defined as an effort made by the corporation to ensure that partners (both individuals and corporations) who will work with the corporation are parties who have anti-corruption commitments, credibility and good track records.

Corporations can conduct due diligence on partners as needed, considering that not all partners are at risk of being involved / committing corrupt practices. By conducting due diligence, corporations can find out potential risks (such as legal risk, commercial risk, operational risk, reputation risk, financial risk) that can have a negative impact on the cooperation relationship with partners.

In addition, by conducting due diligence, the corporation can identify other matters such as: appropriate communication strategies with partners, necessary training and efforts that need to be made if there are risks.

WHEN TO CONDUCT DUE DILIGENCE?

In this guide, due diligence is carried out by corporations before carrying out corporate actions (merger process, acquisition), employee recruitment process, or working with partners in procurement activities, agent selection, consultant selection, contractor selection, and others.

DUE DILIGENCE ON PARTNERS

As mentioned above, due diligence is conducted on partners (both individuals and corporations) who will cooperate with the corporation. Thus, due diligence can be done on other individuals or corporations.

Corporations need to map out potential partners, including the following¹⁵:

Agent

A person or organization authorized to act for and/or on behalf of the corporation.

Joint venture

- An organization that works together with other organizations to realize mutually agreed upon goals.

Consortium

- A joint agreement between organizations to carry out a financing, or a joint agreement between organizations to do a job together with the portions of work that have been determined in the agreement.

Consultant

- A person or organization that provides/provides consultancy/advisory services to another person or organization.

Contractor/subcontractor

A person or organization that provides services, either services or goods, to another corporation and is bound by a cooperation contract.

Vendor/supplier

- A person or organization that supplies services to other corporations.

Service provider

- A person or organization that provides functional services to other corporations (e.g. telecommunications, logistics, internet services, etc.).

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15 <https://www.weforum.org/reports/good-practice-guidelines-conducting-third-party-due-diligence>

- **Distributor**
A person or organization that buys a product from another organization and sells it to users directly or indirectly.
- **Consumer**
People who buy / receive products, services from an organization,
- either as intermediaries (*resellers*) or end users (*end users*).

In conducting due diligence, corporations must consider aspects of risk that may arise in building relationships with third parties. Due diligence must ensure that third parties who carry out relationships with corporations are not in legal cases, involved in bribery, fraud, money laundering and / or indicated to have conflicts of interest. As a reference for due diligence, here are ten assessment points to conduct verification and analysis in building relationships with third parties:¹⁶

- a. Corporate organization and general information:
 1. Composition of directors and managers
 2. Corporate ownership structure (*background search*) until the *ultimate beneficiary owner (physical person)* is identified.
 3. Financial condition of the corporation
 4. Corporate reputation/bonafide
 5. Corporate business activities
- b. License related permits/regulations
- c. Assets, asset-related corporate documents, or asset inventory lists
- d. Historical corporate policy
- e. Details of all intellectual property rights of the corporation and copies of relevant registration documents with the Directorate General of Copyrights, Patents, Trademarks (if the commodity is registered with the Directorate General of Copyrights, Patents, Trademarks).
- f. Details/information on corporate debt and guarantees
- g. Tax information
- h. Periodic reporting/technical compliance reporting to relevant departments/institutions

- i. Interviews and *site visits* to corporations so as to obtain information related to corporate relations with various parties.

The following is an example of due diligence conducted on prospective service providers who register in a selection of goods and services procurement with a *considerable* value. In addition to documents that have passed administrative requirements and business registration according to applicable regulations, due diligence related to the corporate reputation of service providers is also required. The following items can serve as a *checklist* in conducting due diligence.

- a. The corporation's reputation in conducting business and its track record if it has cases of corruption, money laundering, or other violations of laws and regulations.
- b. Commitment of the leadership of the prospective service provider corporation to the prevention of corruption and bribery in business.
- c. Data on the *beneficial ownership* of the prospective service provider corporation, their business reputation and potential conflicts of interest.
- d. The relationship between the prospective service provider corporation and officials / state administrators and / or political parties that can lead to conflicts of interest.
- e. Data on other corporations that are also related to the prospective service provider, either as an agent or vendor and their track record.
- f. Qualifications of prospective service providers in working in accordance with the required technical specifications.
- g. The compatibility of the requested compensation with the qualifications of the prospective service provider and the likelihood that the gap will be used for bribery or other fraud.
- h. Payment mechanism with a corporate account that is authorized and in accordance with the corporate identity.

You can obtain these data through internet searches, or contacting the business associations that the prospective service providers belong to, confirming directly with the prospective service providers, and from other relevant and credible sources. You should assess the risks arising from the relationship with the prospective service provider and have appropriate risk mitigation in place based on the elements of that assessment.

EMPLOYEE DUE DILIGENCE

In addition to due diligence on partners as mentioned above, corporations must also conduct due diligence on their employees or in other terms called *Know Your Employees* (KYE). One of the objectives of employee due diligence is to reduce the risk of fraud and the risk of conflict of interest in corporate activities.

This is important for a corporation so that employee integrity is maintained and at the same time protects the interests of the corporation. For example, an employee of a corporation must convey / *declare* (*declare*) to his superiors if he has a family relationship with another party / corporate partner.

Due diligence can be carried out during the recruitment selection process or can also be carried out periodically as needed, for example in the process of mutation, promotion or during routine audits. Internal personnel due diligence must at least include:

- a. Verify employee identity data,
- b. Verification of criminal records from relevant public institutions,
- c. Verify references and employment history,
- d. Verify other data and information (education, certification, etc.),
- e. Verification of business ownership and business ownership structure,
- f. Financial credibility verification (Debtor Information System, BI Credit Information Bureau),
- g. Evaluation of social networking activities (social media groups that are not good legally, morally, or ethically), and
- h. Confirmation of employees' anti-corruption commitment,
- i. Identify any other important information.

HOW TO PERFORM DUE DILIGENCE

In conducting due diligence, corporations can use several approaches including:

- a. Ask partners or employees to *self-declare*;
- b. Work with other competent parties, such as consultants or auditors;
- c. The Corporation itself conducts due diligence on partners or employees;

In the appendix of this guide, there are some sample *checklists* that can be used in conducting due diligence on both partners and employees.

Anticorruption COMMITMENT CLAUSE

Commitment is one of the fundamental things in establishing a cooperative relationship. If at the beginning of this guideline it was mentioned about the commitment by the management to implement corruption prevention efforts in the corporate environment, then in this section the commitment is intended as a mutual agreement between the corporation and other parties/partners to strengthen the evidence of the absence of corporate misconduct. Conversely, the absence of an anti-corruption commitment in the corporation can be a sign of a careless attitude from the corporation.

SET FORTH IN THE AGREEMENT

The anti-corruption commitment clause must be agreed upon by both parties, namely the corporation and other parties/partners, both before and after cooperation. The clause must be stated in the agreement between the two parties, so that the burden and responsibility for implementing the clause lies with the parties who voluntarily bind themselves to the agreement.

Currently, there are several examples of anti-corruption clauses, such as integrity pacts. In general, this document must be signed by a corporation participating in goods and services procurement activities (auctions) in government institutions. Meanwhile, in business relationships between corporations and other parties/non-government partners, anti-corruption clauses must also be clearly stated in the contract or agreement.

CONSISTENT AND CONSEQUENT

To be effective, anti-corruption clauses should not only be contained in formal documents, but should also be implemented consistently. The clause also mentions sanctions for violations of the clause, both commercial sanctions in the form of termination of employment contracts, as well as exclusion from subsequent business opportunities (*debarment*). For example: if a corporation's business partner is involved in corruption, either directly or indirectly, the corporation can stop cooperation with the partner or *blacklist* it.

REGULATION OF THE PRACTICE OF GIVING / ACCEPTANCE OF FACILITIES, GIFTS, SPONSORS AND GRATITIES

LAWS AND REGULATIONS

In the Explanation of Article 12B of the Anti-Corruption Law, it is stated that gratification is a gift in a broad sense, which includes giving money, goods, rebates (*discounts*), commissions, interest-free loans, travel tickets, lodging facilities, tourist trips, free medical treatment, and other facilities.

Referring to the description above, in this guide the scope of gratuities is expanded not only for State Employees/State Administrators but also for corporations. This guide places the corporation as the giver and the corporation as the recipient.

CORPORATION AS PROVIDER

- a. The provision of facilities, gifts, sponsorship and gratuities are not allowed in forms that violate decency and the law.
- b. The provision of facilities, gifts, sponsorship and gratuities, both to public officials, other corporations and individuals affiliated with other corporations, is not intended to bribe or to obtain benefits.
- c. The practice of providing facilities, gifts, sponsorships and gratuities does not create the perception that the gift will influence decisions in the cooperative relationship between the corporation and other parties.
- d. Corporations must determine the limits on the value and form of gratuities, facilities, gifts, sponsorship that can be given to public officials, other corporations and individuals affiliated with other corporations.
- e. Corporations must know the limits of the value of gratuities, facilities, gifts, sponsorships that are allowed to be received by public officials, other corporations and individuals affiliated with other corporations.
- f. Corporations must develop rules and guidelines for the provision of facilities, gifts, sponsorships and gratuities which at least contain:
 1. Limitations on the value and form that can be given
 2. Granting procedures (e.g. supervisor approval, record keeping, etc.)
 3. Other parties outside the corporation who are allowed to receive gifts

CORPORATION AS RECIPIENT

- Acceptance of facilities, gifts, sponsorship and gratuities are not allowed in forms that violate decency and law. The provisions for receiving facilities, gifts, sponsorship and gratuities are not only
- limited to corporate personnel but also their family members. Corporations must determine the limits on the value and form of
- gratuities, facilities, gifts, sponsorships that can be received by corporate people. Corporations must develop rules and guidelines for accepting facilities, gifts, sponsorships and gratuities which at least contain:
 1. Limits on acceptable values and forms
Acceptance procedure
 2. (for example: supervisor approval, record keeping, etc.)
 3. Executor of the gratification control function (*managing gifts*) (for example: compliance section, internal control section, etc.)
 4. Procedures for reporting to the gratification control function implementer
 5. or to the superior of the utilization of facilities, gifts, sponsorships and gratuities received by and/or on behalf of the corporation
- Especially for corporations that are the legal subjects of the Anti-Corruption Law (such as BUMN / BUMD and their subsidiaries), the provisions governing the acceptance of gratuities refer to the Anti-Corruption Law.

Furthermore, all information related to the receipt and provision of facilities, gifts, sponsorship and gratuities must be documented. This must be done so that the practice of receiving and providing facilities, gifts, sponsorships and gratuities is carried out in a transparent and accountable manner.

REGULATING POLITICAL CONTRIBUTIONS AND DONATIONS

In this guide, political contributions and donations are not only limited to political parties, but also to individuals/corporations that are ^{affiliated¹⁷} either directly or indirectly with political parties.

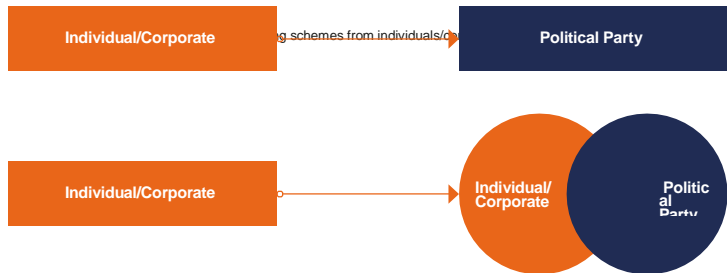


Figure 2 Illustration of giving schemes from individuals/corporations to individuals/corporations affiliated with political parties

17 Based on Article 1 Point 22 of Law Number 7 of 1992 as amended by Law Number 10 of 1998 concerning Banking. Affiliated Parties are (a) Members of the Board of Commissioners, Supervisors, Directors or their proxies, Officers or Employees of the Bank; (b) Members of the management, supervisors, managers or their proxies, Officers or Employees of the Bank, specifically for Banks in the form of cooperative law in accordance with applicable laws and regulations; (c) Parties who provide services to the Bank, including Public Accountants, Appraisers, Legal Consultants and other Consultants; (d) Parties who, according to Bank Indonesia's assessment, participate in influencing the management of the bank, including shareholders and their families, families of Commissioners, families of supervisors, families of Directors, families of management.

POLITICAL PARTIES AS RECIPIENTS OF POLITICAL CONTRIBUTIONS AND DONATIONS

In Indonesia, the rules regarding donations to political parties are regulated in Law Number 2 of 2008 as amended by Law Number 2 of 2011 concerning Political Parties (hereinafter referred to as the Political Party Law).

The Political Party Law states the following:

Article 34 paragraph (1) letter b that one of the sources of political party finance is lawful donations.

- Article 34 paragraph (2) states that the donations referred to in Article 34 paragraph (1) letter b can be in the form of money, goods, and/or services.

Article 35 paragraph (1) that donations as referred to in Article 34 paragraph (1) letter b received by political parties come from:

- 1. Individual members of political parties whose implementation is regulated in the Articles of Association and Bylaws;
- 2. Individuals who are not members of a Political Party, a maximum of Rp1,000,000,000.00 (one billion rupiah) per person within 1 (one) fiscal year; and
- 3. Companies and/or business entities, at a maximum of Rp7,500,000,000.00 (seven billion five hundred million rupiah) per company and/or business entity within 1 (one) fiscal year.

Article 35 paragraph (2) states that the donations as referred to in paragraph (1) are based on the principles of honesty, voluntary, fairness, openness, responsibility, and the sovereignty and independence of Political Parties.

INDIVIDUALS/CORPORATIONS AS RECIPIENTS OF POLITICAL CONTRIBUTIONS AND DONATIONS

In addition to political parties, individuals/corporations affiliated with political parties are also potential recipients of political contributions and donations. These individuals/corporations are considered as parties related to *politically exposed persons* (PEP) and PEP families.

The practice of giving political contributions and donations is often carried out due to the influence of individual recipients. In order for this practice not to become a means of committing criminal acts, either corruption or money laundering, the provision of political contributions and donations to individuals/corporations must be regulated.

Referring to the Regulation of the Head of the Financial Transaction Reports and Analysis Center Number PER-02/1.02 / PPATK / 02/15 concerning Categories of Service Users with Potential to Commit Money Laundering, what is meant by PEP is a person who has or has had public authority, including state administrators, and / or people who are registered or have been registered as members of political parties that have influence on the policies and operations of political parties, both Indonesian and foreign nationals.

As a party related to PEP and PEP's family, individuals/corporations receiving political contributions and donations must disclose the political contributions and funds received and their utilization.

PRINCIPLES

In line with the provisions stipulated in the Political Party Law, in making political contributions and donations, corporations must adhere to the principles of honesty, voluntariness, fairness, openness, responsibility, and the sovereignty and independence of political parties. Thus, in making political contributions and donations, corporations:

Must not use political contributions and donations as a way to obtain benefits.

Must not influence decisions made by recipients of political contributions and donations, either directly or indirectly affecting the corporation.

- Must disclose to the public, the form, value and other relevant information related to political contributions and donations on a regular basis
- Must not use intermediaries, whether affiliated with the corporation or not, on behalf of the corporation

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- Must not be given during or at least before, during and after *political decision making processes*.
Must not violate the provisions stipulated in the applicable laws and regulations in Indonesia
-

BOUNDARIES AND GOVERNANCE

In terms of political contributions and donations, corporations must:

- Determine the forms and limits of allowable values Determine the forms of contributions/donations that are allowed or not allowed
- Determine governance mechanisms for political contributions and donations, such as recording, reporting, etc.
-

COMPLAINT SERVICE

In this guide, the *whistle-blowing system* is a form of service organized by the corporation that can be used to report corrupt behavior committed by corporate personnel. The complaint report is one of the ways used to reveal the occurrence of criminal acts of corruption within a corporation.

Complaint services must be provided for whistleblowers who come from within the corporation or externally. In organizing the complaint service, the corporation must:

- a. Provide a grievance service system, which more or less includes:
 1. devices (infrastructure)
 2. procedure
 3. independent service management function
- b. Maintain the security and confidentiality of the complainant, as well as the complaint material
- c. Follow up on complaint reports

- d. Provide feedback to the complainant on the follow-up of the complaint report
- e. Providing information to all corporate personnel and corporate partners on the grievance service policy organized by the corporation

CONFLICT OF INTEREST ARRANGEMENTS

Broadly speaking, conflict of interest can be defined as a situation/condition that allows every corporate person to utilize their position and authority in the corporation for personal, family, or group interests, so that the mandated tasks cannot be carried out objectively. Such a situation can be detrimental to the corporation and can even expose the corporation to greater risks.

Therefore, the efforts that must be made by corporations in preventing conflicts of interest are:

- a. Establish policies, rules and procedures governing conflict of interest.
- b. Require all corporate personnel to declare potential conflicts of interest that may harm the corporation in accordance with established rules and procedures;
- c. Identify the causes of conflicts of interest, such as:
 1. Giving gifts, facilities
 2. Relationships with public officials
 3. Relationship with corporate partners
 4. Nepotism in the employee recruitment process
 5. Concurrent positions

FINANCIAL TRANSACTION CONTROL

Financial reports on the economic activity of corporations are a vital component that is very useful for owners, creditors, fund owners (investors), and other stakeholders to see the financial condition of the corporation. Financial reports can be used by internal and external parties in seeing whether a corporation is in good financial and business condition or not. Financial reports can be made on a monthly and annual basis.

In general, financial statements consist of 3 parts, namely:

a. Balance Sheet

A balance sheet is prepared to represent a company's financial position at a particular time and consists of:¹⁸

1. Assets: examples include cash, accounts receivable, and fixed assets.
2. Liabilities: for example, trade payables and bank payables.
3. Capital: i.e. capital and retained earnings (losses).

b. Income statement and retained earnings

The income statement is prepared to represent the financial performance and movements in the profit and loss balance over a period of time, consisting of:

1. Income: e.g. cash and credit sales, and other income.
2. Expenses: examples include inventory expenses, labor expenses, electricity expenses, and water expenses.

c. Cash flow statement

The cash flow statement is prepared to represent the receipts and disbursements of cash and equivalents within a certain period of time. Financial statements should be prepared in digital format so that they can be processed and monitored more efficiently and effectively. Financial statements can be customized according to the circumstances and needs of the corporation; micro sector businesses can create simple format reports. In the long run, the creation of digital financial statements makes it easier for corporations when presenting financial statements as an object of audit, taxation, capitalization, and other matters.

¹⁸ Bank Indonesia. General Guidelines for Recording Financial Transactions of Non-Legal Entity Small Businesses 2015, pp. 17-18.

CASHLESS AND CENTRALIZED PAYMENT MECHANISM

The internal regulations of the corporation must regulate that all transactions with internal and external parties are paid electronically, and centralized to the official account or corporate account. Before preparing the financial statements, the corporation must first record the financial transactions that occur. We recommend that the records be managed in digital form. The simplest is in the form of a *spreadsheet* to using a simple financial system. Some things that must be considered in financial management include:

- a. Separation of responsibilities and authorities such as:
 - Personnel who approve the release of funds must not concurrently serve as personnel who release funds.
 - Personnel who carry out financial records must not concurrently serve as personnel who store/hold funds.
- b. Attach supporting documents for each transaction recorded.
- c. Avoiding the use of cash including the use of *petty cash* which makes it easier for staff to pay when requested (bribes).
- d. Avoid cash payments as much as possible, and use checks or electronic transfers.
- e. Consolidate the banking accounts of the company's personnel and parties working with them.
- f. Conduct risk management reviews for project-based account opening approvals.
- g. Save SMEs from face-to-face transactions in the payment of invoices, customs duties, fees, taxes, and so on, and replace them with electronic transfers directly to authorized bank accounts of government agencies, service providers, or business partners.
- h. Eliminate face-to-face communication required for formal approval, and replace it with electronic communication and documents.

PAYMENT THROUGH A THIRD PARTY

In conducting business relationships with third parties, corporations must always ensure that third parties implement their commitments to the prevention of corruption and money laundering. Corporations can be held liable for corruption committed by third parties if the corporation knows and/or does not know intentionally.

Willful ignorance such as not conducting reasonable verification and identification of indications of potential corruption and money laundering is not a defense that avoids corporations from liability for corruption and money laundering.

Realizing the role of third parties is important for business activities and corporations can also be held accountable for third party corruption, corporations need to build a comprehensive identification and verification mechanism. Matters that must be regulated by the corporation, among others, are:

- a. Corporations may not make illegal payments through third parties, agents, lobbyists or other intermediaries.
- b. Any decision to be taken by a third party must be approved by the corporation.
- c. Through due diligence, the appropriateness and reasonableness of the compensation received by the third party should also be assessed so that it is not used to make illegal payments.
- d. Third parties must also provide transparent and accountable financial records and transactions.

In doing business, corporations often work with business partners (third parties) so that corporate activities can be carried out easily and smoothly. In addition, working with third parties also helps corporations to be able to focus on the main business (*core business*) that is their flagship.

For example, a corporation engaged in transportation services wants to buy land for office expansion. It would certainly be easier for the corporation to use the services of a Land Deed Official (PPAT) to process the land certificate, rather than assigning one of the corporation's staff to take care of the related documents. By using the s e r v i c e s o f a PPAT, the corporation can still focus on services to its customers.

However, in addition to the benefits obtained, corporations should also be careful when cooperating with third parties considering that the party is acting on behalf of and/or for the corporation. Using the example above, it does not rule out the possibility that in processing the certificate, the PPAT uses corporate money for additional costs beyond official fees, for example to bribe officials authorized to issue land certificates. If a criminal offense occurs, the corporation can be held liable for the actions committed by third parties.

Taking into account the potential risks as mentioned above, the corporation must know the value and purpose of the costs incurred. Corporations are not allowed to make unauthorized / illegal payments to partners, either directly or through intermediaries. The corporation must ensure that corporate financial records (accounting) and documentation are carried out in accordance with applicable procedures and standards, such as the Statement of Financial Accounting Standards (PSAK). In principle, corporations must ensure that every expenditure must be recorded, transparent and equipped with adequate evidence. So that these financial records cannot be misused to support or hide corrupt acts.

Communication

Unbalanced (asymmetric) information illustrates the inequality of information control. One party enjoys more information (surplus) compared to the control of information by the other party (deficit). Asymmetric information can trigger the emergence of various types and risks of crime such as corruption, theft of natural resources and others (Haryadi, 2014).

ASYMMETRIC INFORMATION

In practices potentially found in a corporation, asymmetric information can also trigger corruptive behavior. For example: a corporate employee does not know the prohibition of giving gifts to public officials. If this is ignored, it is possible that the employee can be caught in a corruption crime, for example a bribery case.

Starting from the risk of corruption arising from asymmetric information, the corporation must inform all policies, rules, procedures, codes of ethics and other related matters to corporate personnel, business partners and all stakeholders, both inside and outside the corporation. Corporations must act proactively to convey information periodically and continuously.

TARGET

In order for information to be conveyed effectively, the corporation must map the target audience to be addressed, both internal corporate parties and external parties. By knowing the target, the corporation can compile the content of the message and the type of information to be conveyed, as well as the selection of appropriate communication channels and media. The way of delivery and the type of information conveyed must be in accordance with the target audience.

MEDIA AND CHANNELS

- a. Electronic mail (email)
- b. Intranet portal, website
- c. Posters, brochures
- d. Meetings (with employees, corporate partners, stakeholders)
- e. Library - videos, books, magazines
- f. Banner on laptop/computer
- g. Souvenirs/media - pens, mugs, calendars, key chains, umbrellas, t-shirts, etc.
- h. Official corporate social media-Facebook, Twitter, Instagram, etc.

DOCUMENTATION

In-order for communication materials to be adapted to changes, both inside and outside the company, communication materials must be documented and evaluated regularly. So that the communication materials delivered remain *up to date* and relevant to the topics faced in daily business activities.

CONTINUOUS TRAINING

In addition to communication, one of the efforts that must be made by the corporation is training for corporate people (commissioners, directors, management, employees) and corporate partners. In essence, training is intended so that policies, procedures, codes of ethics, codes of conduct, regulations that apply within a corporation can be understood and implemented.

Training must be carried out regularly to ensure that the knowledge of corporate personnel and corporate partners about policies, procedures, codes of ethics, codes of conduct and procedures remains adequate and has targeted all parties who are considered obliged to understand.

The training should provide an understanding of the do's and don'ts of corporate leaders and employees with regard to corruption prevention, money laundering prevention, and business integrity building. In addition, important messages and commitments of corporate leaders should also be conveyed in the training.

For training to be effective, corporations must design training based on the potential risks generated in the planning stage. Employees, work units, corporate partners with different risks will require different training. Similar to communication, training for internal corporations needs to be differentiated from training for external corporations.

TRAINING FOR INTERNAL PARTIES

For internal corporations, training can be conducted using the following approach:

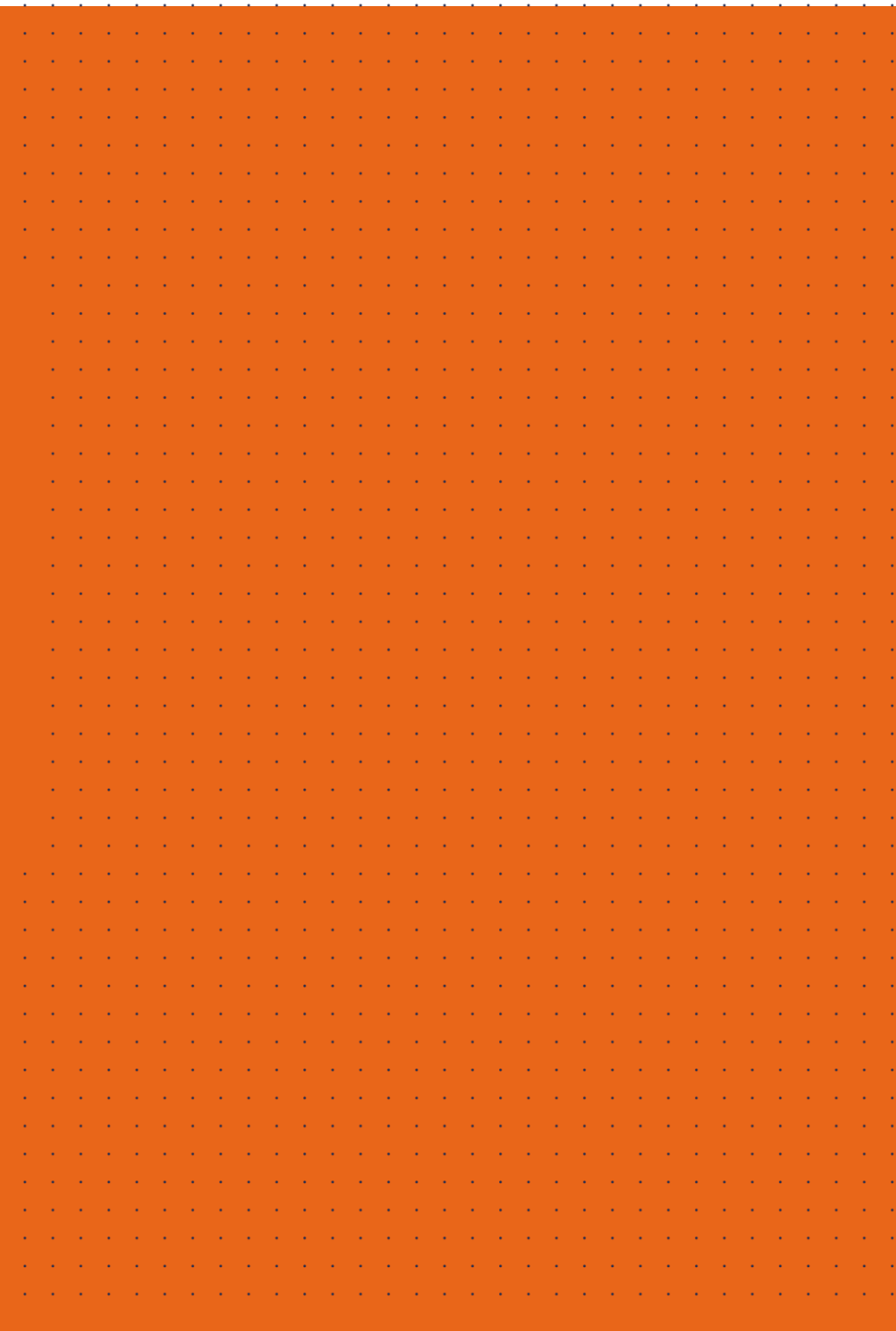
- a. Training according to the level of the organizational structure (for example: training for the board of directors, board of commissioners, management and employees)
- b. Training by considering the potential risks of personnel and work units in the corporation (for example: training for the marketing department will be different compared to training for the administration department)
- c. Training is required for general materials (e.g. code of ethics, code of conduct, company policies). While materials of a specialized/technical nature (for example: supervision of procurement processes, audits, financial records) can be provided in optional training.

TRAINING FOR EXTERNAL PARTIES

As for partners, training can be provided at the time of cooperation with the corporation. If the partner cooperates with the corporation for a long time (more than 2 years), then training must also be carried out periodically, for example once a year. The form can adjust to the needs and capabilities of the corporation. In principle, partners should know what is allowed and what is prohibited when working with corporations.

Furthermore, training to internal and external parties can be done in various ways such as face-to-face, *online*, *e-learning*. Then to facilitate understanding, various training methods such as case studies, role playing can also be applied.

Internal Audit shall be
conducted to
making sure it doesn't
there is fraud
committed
intentionally



05



Evaluation

AUDIT

MECHANISM

Corporations must have internal audit standards that ensure corruption prevention efforts are in place. Internal audits must be carried out periodically, usually once a year, and if needed incidentally with a specific purpose to ensure that no fraud is committed intentionally. The internal audit mechanism must also be ensured to be known by the organization as a whole.

At least three important things should be covered in this internal audit, namely:

1. Financial record keeping

United Nations Convention Against Corruption (UNCAC) Article 12 (3) emphasize the importance of maintaining books and records in order to prevent corruption by prohibiting all forms of actions such as the creation of *off-the-books* accounts, recording expenses that did not occur, or the use of fake documents. In terms of these financial records, corporations should have a standardized system that includes ^{elements¹⁹}:

The recording, documentation and archiving of finances, accounting, contracts and other administration must be ensured to be in good order, supported by original documents.

- All transactions must be recorded in the company's official record books and no *off-the-books recording* is allowed. Transactions, assets and liabilities must be recorded in a timely manner and in chronological order.
- Financial books and records must be protected from accidental or intentional damage, improper alteration or leakage.
- Financial books and records are not destroyed before the time limit set in regulations or laws.
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¹⁹ Referring to *An Anti-Corruption Ethics and Compliance Program for Business: A Practical Guide* (UNODC, 2013) and *ICC Rules on Combating Corruption* (International Chamber of Commerce, 2011).

- All transactions must be consistently recorded from inception to completion.
The transaction must have a true and legitimate purpose.
- Electronic records must also be kept in a form that cannot be erased and cannot be replaced, and compiled and immediately produced or reproduced.
- Additional expenditures that are illegal and involve bribery are not justified.

2. Compliance with the program

In addition to financial audits, audits are also conducted to assess compliance with the corporation's corruption prevention program. This audit assesses the achievement and effectiveness of the implementation of the forms of corruption prevention activities (as mentioned in the previous section). In addition, controls in the execution of business operations should also be implemented as soon as they are noticed such as double payments, or errors in payment amounts.

3. Behavioral Audit

Behavioral audits are conducted to assess the behavior of corporate employees through interview methods to uncover real issues in the corporation as perceived by the organization's employees. An example of the implementation of a behavioral audit that can be done is that the *auditor* contacts the *auditee* (employee) by telephone incidentally without the *auditee's* knowledge. The results of the behavioral audit assessment can provide an indication of potential deviations in *auditee* behavior. This behavioral audit does not test the effectiveness of corporate operations but is based on qualitative research based on the results of the behavioral audit.

EXECUTOR

The implementation of this audit must involve the full commitment and support of the board of commissioners and top management. Based on the scale and size of the corporation, this audit process can be carried out by internal auditors or invite expert consultants. Larger companies can also establish an audit committee along with an *Audit Committee Charter* that at least regulates the objectives, duties, and responsibilities of the audit committee within the organization.

FOLLOW-UP

After each audit is completed, the results of the assessment and recommendations for improvement must be submitted to the board of commissioners, top management and relevant work areas for follow-up.

MONITORING AND EVALUATION

The implementation of the corruption prevention system in corporations must be equipped with a monitoring and evaluation mechanism to assess its effectiveness and success. Evaluation is carried out periodically, the results are in the form of recommendations for improvement submitted to top management for follow-up. The results and follow-up/improvement of this evaluation must also be informed to all employees.

Monitoring efforts can be carried out independently or by involving other parties to conduct detailed monitoring, such as monitoring internal and external corporate corruption with a forensic *due diligence* mechanism.

Forensic due diligence activities are aimed at obtaining important information related to indications of corporate corruption and money laundering.

These activities include at least:

1. Analyze suspicious transactions, such as multiple claims or payments;
2. Identify unusual relationships, e.g. employee account numbers match vendor account numbers;

3. Assess the effectiveness of internal controls;
4. Identification of unusual patterns of certain schemes, for example, preferences for certain partners; and
5. Ability to analyze large and complex transactions.

With
corrective
measures expected
achieve consistency and
continuity in
corruption
prevention.

06



REPAIR

SANCTIONING AND REWARDING

Corporations must have a sanctioning mechanism for violations of company regulations, codes of ethics, procedures, policies, and other applicable rules. The mechanism regulates the types of sanctions that are adjusted to the form and impact of violations committed, ranging from giving verbal warnings, warning letters, to the harshest revoking employment, even processing to law enforcement officials to create a deterrent effect.

Conversely, employees and/or work areas that are active in encouraging corruption prevention and integrity building should receive awards from the corporation, both in the form of financial and non-financial awards with a reasonable amount. Awards can be made for example in board meetings or other corporate activities, it can also be in certain categories such as employees / units with the best gratification reporting, the highest level of compliance, or the best training participation.

This sanction and reward mechanism should be known by all employees, including management, and should be conducted using objective indicators. Business associations can also be encouraged to implement sanction and reward mechanisms for their members. For example, as an incentive or disincentive in accepting or renewing membership.

CONTINUOUS IMPROVEMENT

Continuous improvement is necessary in the management process. This is done to anticipate changes that occur, both internal and external, especially in the business sector which is very fast growing.

CONSIDERATIONS

Among the things that should be considered in the continuous improvement process is if there are any changes:

- a. Policies, regulations and laws relating to corporations

- b. Changes in corporate structure, vision, mission, goals and targets
- c. Partner conditions related to the corporation
- d. Other external conditions that can affect the corporation such as business competition, market developments, economic conditions

SOURCE OF INFORMATION

In designing improvements for corruption prevention programs, corporations can use both internal and external sources of information and data.

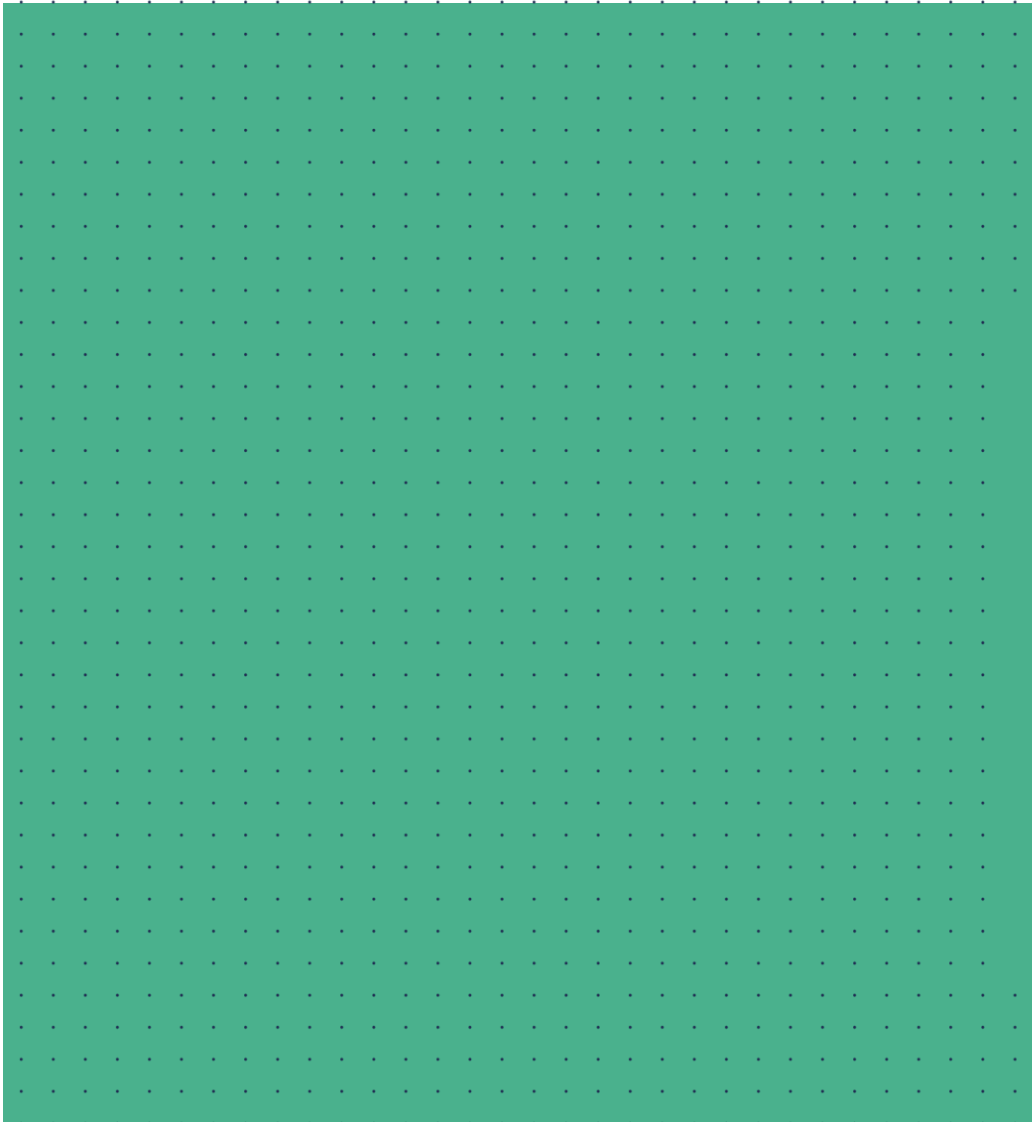
- a. Internal information sources
 - Latest risk assessment results
 - Internal audit results
 - *Monitoring* and evaluation results
 - Complaint service results
 - Results of direct feedback and suggestions from employees and management
- b. External sources of information
 - Due diligence results
 - *Benchmarking*
 - Information from business associations
 -
 -
 -

IMPROVEMENT ELEMENT

Improvements are made in order to increase the effectiveness, efficiency and sustainability of corruption prevention programs in corporations (which are discussed in the Implementation section). Forms of activities that are considered less effective, efficient and *sustainable* can be modified as needed.

FOLLOW-UP

These improvement proposals must involve top management commitment in order to be implemented. Changes resulting from the improvement process are also communicated to all employees so that adjustments to the forms of activities resulting from the proposed improvements are implemented.



Collective action
and Labor are
expected to
support
law enforcement in
Indonesia so that it
can create
a favorable business climate
conducive

07

Response

Doing business in an area where corruption is systemic is a challenge to implement corruption prevention efforts in corporations.

Although many corporations recognize that business with integrity without bribery is good business that can provide incentives for corporations, the concern of corporations losing business opportunities if they do not pay bribes in the process of winning tenders or granting business licenses that make business competition uncompetitive still often arises.

This needs to be responded to by taking the following practical steps so that corporations can continue to conduct business with integrity.

COLLECTIVE ACTION²⁰

WHAT IS COLLECTIVE ACTION? Collective action is a collaborative anti-corruption movement built on cooperation between stakeholders²¹ that is carried out in a sustainable manner.

Purpose of Collective Action:

- a. Strengthen anti-corruption commitment among stakeholders;
- b. Incentivize stakeholders to avoid bribery and corruption in transactions and eliminate abuses by individual members;
- c. Provide incentives to avoid corruption by individuals within companies and government organizations.

• Benefits of Collective Action:

- a. Increase the influence and credibility of individual actions;
- b. Make weak business individuals join forces so that they have the same level of ability to compete with competitors (level playing field);
- c. Collective action can complement existing anti-corruption practices and strengthen weak rules and policies.

²⁰ *Fighting Corruption through Collective Action: A Guide for Business developed by the World Bank Institute*

²¹ Business actors, Regulators, Independent institutions of a country, Non-governmental organizations (NGOs)

HOW DOES A CORPORATION INITIATE A COLLECTIVE ACTION?

1. Determine the stakeholders that can be engaged as collaborative working partners through:
 - Identify a suitable facilitator
 - Create a list of potential partners
Examples: National and multinational companies, non-governmental organizations, foundations, academia, government agencies, etc.
 - Prioritize the list of stakeholders needed to be involved in this collective action.
2. Build cooperation with facilitators
 - The facilitator is a neutral party whose function is to facilitate activities as well as a mediator who can bridge differences between private and public sector stakeholders.
Example: Independent institutions such as the Corruption Eradication Commission, non-governmental organizations.
 - Corporations as initiators of collective action can build cooperation with facilitators through initiation meetings to explain the purpose and objectives of collective action and request feedback/recommendations on the proposed collective action plan.
3. Building the concept of collective action:
 - Organizing workshops with designated partners to conduct discussions and *sharing sessions* on business climate conditions, corruption risks, the benefits of anti-corruption activities and examples of anti-corruption best practices.
 - Summarize the results of the workshop and summarize the aims and objectives of the collective action into an implementable activity concept.
 - The facilitator sends the draft to potential partners and conducts follow-up.

IMPLEMENTATION OF COLLECTIVE ACTION

Collective action can be implemented by establishing an inter-stakeholder communication forum which is an anti-corruption working group committed to working together to implement business compliance and voluntarily engage in corporate corruption prevention efforts that can encourage all homogeneous industry sectors to improve corporate transparency and accountability.

Agree with the working group on the principles, aims and objectives, and working mechanisms of collective action.

The facilitator can invite other stakeholders related to the working group discussions to join in any collective action activity. Examples: Law enforcement officials, experts in certain fields, etc.

KAN/D is a communication forum between regulators and business actors initiated by the Corruption Eradication Commission (KPK) in an effort to prevent corruption in the private sector that discusses and produces recommendations and action plans as solutions to business obstacles in the field of procurement of goods and services and licensing. The main elements of KAN/D consist of business actors from the Indonesian Chamber of Commerce and Industry (Kadin) and business associations and Regulators who are active at the national and regional levels, such as Ministries, Institutions, Local Government Inspectorates, One Stop Integrated Licensing Investment Offices, Goods and Services Procurement Bureaus, and other agreed Regional Apparatus Organizations (OPD). In addition, elements from Academia and Non-Governmental Organizations may take part in KAN/D if Business Actors and Regulators agree that such elements are necessary to support the sustainability of KAN/D.

KPK's role in KAN/D is as initiator and facilitator. As an initiator, KPK facilitates the organization of activities and provides direction on the concept of activities at the beginning of the formation of KAN/D.

Furthermore, KPK functions as a facilitator in a neutral position to bridge the *gap* between business actors and regulators. In other words, KPK becomes an *oversight party of KAN/D* that will monitor and ensure that the purpose of KAN/D, which is to carry out corruption prevention efforts in the private sector, runs according to applicable laws and regulations.

The recommendations and action plans from KAN/D are implemented by regulators to improve the system in the procurement of goods and services or licensing processes that have caused corporations to lose business opportunities.

REPORT

Corporations must report indications of criminal acts of corruption; bribery, extortion, or other forms of extortion committed by unscrupulous regulators and / or law enforcement. Reports can be submitted through:

A. Non-Law Enforcement Agency Reporting Channels

1. Internal corporate reporting channels

- Submit to the immediate superior/supervisor or special unit personnel (compliance/ethic/integrity officer/integrity builder) who have the duty and authority to receive and follow up the report.
- If any, report through the *whistle blowing system* channel corporation.

2. People's Online Aspiration and Complaint Service (LAPOR!)

LAPOR! receives social media-based reports/complaints from the public on allegations of corruption and other crimes at the central and regional levels.

LAPOR! is managed and developed by the Ministry of Administrative Reform and Bureaucratic Reform together with the Ministry of Home Affairs, the Presidential Staff Office, and the Ombudsman of the Republic of Indonesia.

Reports can be submitted by accessing the following link:

<https://www.lapor.go.id/>

3. Ombudsman

The Ombudsman receives reports/complaints on allegations of maladministration in the implementation of public services organized by State and Government Organizers at the central and regional levels.

Email :

pengaduan@ombudsman.go.id Phone:

137 and 082137373737

www.ombudsman.go.id/pengaduan

4. Complaint channels owned by One Stop Integrated Licensing (PTSP) in Central and Local Government

- PTSP at the central level is managed by the Investment Information and Licensing Electronic Service System (SPIPISE) of the Investment Coordinating Board (BKPM).

The BKPM *Whistle Blowing System* reporting channel can be accessed through:

<https://www.bkpm.go.id/wbs>

- The PTSP Investment Office (DPMPTSP) can receive reports/complaints on allegations of bribery or extortion in the licensing process organized by each provincial and district/city government in Indonesia.

B. Law Enforcement Officer Reporting Channel

1. Indonesian Police

The Indonesian National Police can receive reports / complaints of indications of corruption through:

Come directly to

Office of the National Police

Headquarters (Mabes) Dit.

Tipidkor Bareskrim Polri ORI

Building Lt. 1 and 2 Kav. C-19

Jl. HR Rasuna Said Kuningan, South Jakarta

Indonesia 12940

E-mail: lapor@tipidkorpolti.info

Phone: +62 21 2205 7190

Fax: +62 21 2205 7079

<http://laporan.tipidkorpolti.info/>

2. Corruption Eradication Commission

Reports / Complaints on indications of corruption involving law enforcement officials, state administrators, and other people who are related, can be submitted through: Come directly to

Corruption Eradication Commission Office
Jl. Kuningan Persada Kav.4 - South Jakarta

Email : pengaduan@kpk.go.id

SMS : 08558575575 and 0811959575

<https://kws.kpk.go.id/>

APPENDIX

APPENDIX 1

Example of a Top Management Anti-Corruption Written Policy

ANTI-CORRUPTION POLICY

1. The Corporation is committed to conducting business on the values of integrity and guided by a code of ethics. The Corporation always strives to improve and refine every business process to be in line with the principles of integrity.
2. The Corporation practices *zero tolerance* for acts related to corruption, bribery and violations of relevant laws and regulations.
3. This corporation does not allow all levels of leadership, employees, and third parties who work for and on behalf of this corporation to lure, promise, or give something to state officials within the scope of work.
4. This corporation does not allow all levels of leadership and employees within the scope of corporate work to request a gift from individuals or organizations related to their duties in the corporation.
5. The corporation regulates the conflict of interest of each leader and employee. Any conflict of interest that could potentially pose a risk must be declared.
6. The Corporation is committed to providing regular socialization and training on corruption prevention and business integrity building to all leaders and employees.
7. The Corporation will supervise the implementation of this commitment and any violation of the code of conduct will be subject to sanction mechanisms.

Signed,

Corporate Leaders

APPENDIX 2

Example of Code of Conduct points in Corruption Prevention

ANTI-CORRUPTION CODE OF CONDUCT

1. We, the entire leadership and employees, promise to act in accordance with the law and regulations, as well as to uphold the value of integrity and avoid fraudulent and corrupt behavior.
2. We, all levels of leadership and employees, will avoid conflicts of interest and will act fairly and equally in interacting with colleagues, subordinates, superiors, including third parties related to work. Any potential conflict of interest will be declared and we are willing to mitigate to avoid integrity violations.
3. We, all leaders and employees, promise not to lure, promise, or give anything to state officials within the scope of work.
4. We, all leaders and employees, pledge not to solicit gifts from individuals or organizations related to the scope of our work duties.
5. We, the entire leadership and staff, will carefully manage the giving or receiving of gifts, sponsorships, compensation, hospitality, and/or contributions to political funds. We will report any giving and receiving of these things in a transparent and accountable manner.
6. We, the entire leadership and employees, are willing to participate in socialization and training programs on corruption prevention on an ongoing basis.
7. We, the entire board and employees, will report any violations that we witness to the competent authorities inside and outside the corporation with the aim of maintaining personal and corporate integrity.
8. We, all levels of leadership and employees are willing to accept the consequences if we violate the corporate code of ethics and applicable laws and regulations.

Signed,

Corporate Leaders and Employees

APPENDIX 3

Example of Anti-corruption Clause with Third Parties

ANTI-CORRUPTION CLAUSE

I.

Each party agrees that, at the time of entering into this contract, it, its directors, officers and employees have not offered, promised, given, authorized, solicited or received any undue or other advantage (or implied that they would or might do so in the future) in connection with the contract, and that sufficient measures have been taken to prevent any subcontractor, agent or other third party subject to its control or influence from doing so.

II.

All parties agree that, at all times relevant to the contract and thereafter, they will comply and will take sufficient measures to ensure that any subcontractors, agents or other third parties subject to their control or influence will also comply with Law No. 31 of 1999 *in conjunction with Law No. 20 of 2001 on the Eradication of Corruption*; and Law No. 8 of 2010 on the Prevention and Eradication of Money Laundering.

III.

If a party, as a result of exercising the right to audit stated in the contract, is found by the other party with evidence of accounting and financial records that show the party is involved in indications of misconduct, it will be notified and request the party to take corrective action as soon as possible and inform the other party of such action. If the party fails to take corrective measures or corrective measures are not feasible, and fails to explain that adequate prevention systems have been implemented as an organizational culture, the other party may suspend or cancel the contract.

IV.

Any entity, whether a court of arbitration or other dispute resolution body, rendering a decision in accordance with the contractual dispute resolution provisions, is authorized to determine the contractual consequences of alleged non-compliance with this Anti-Corruption Clause.

APPENDIX 4

What needs to be considered in Third Party *Due Diligence*

THIRD PARTY DUE DILIGENCE

DOCUMENTS

Certificate of Incorporation / Articles of

Association of the Corporation

- Articles of Association and if there are all amendments / changes to the articles of association
- Proof of ratification from the Ministry of Law and Human Rights
- Business license from the relevant authorized agency
- Proof of Publication in the State Gazette (if the legal entity is not a limited liability company)

Shareholding

Note on distribution of profit to Shareholders

- Stock Split Notes
- Assets held by Shareholders Affiliated shareholders

Finance

- Type of Sales
- Cost of Sales
- Gross Profit
- Financial Report
- Bank Statement
- Buy-Sell Transaction Details
-
-
-
-

EXPLANATION

It is the most fundamental document, so if the parties are unable to complete this requested file, it can be an early indication that the corporation is a fictitious corporation, or an indication of fraud. To find an overview of the corporation, you can look at the parties involved in the corporation. This information can help see the influence of the shareholders in determining corporate policy.

To see the details of financial flows. Financial rationality can also be seen from:

Financial report.

If there is a difference between the real costs incurred by the company, for example to obtain a business license, and the costs required according to applicable regulations, it can be an indication of bribery or extortion.

Sales and profit details.

If the profit earned is not balanced with the sales report and production report without any rational reason, it can be an indication of money laundering or an indication of fraud.

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APPENDIX

DOCUMENT

Notes/Report of the General Meeting of Shareholders

Meeting notes

- Options issued during the meeting Notes on 'voting'
- Options in the voting process Agreements that arise during the meeting
- Alternative solutions arising in the meeting
- Shareholders' resolutions/agreements arising outside the meeting (if any)
-

Corporate Ownership

The corporation determines the beneficial owner of the corporation

-

EXPLANATION

Regarding document retention, according to the Retention Law, companies are obliged to keep documents for 10 years. However, based on Article 78 - 80 of the Criminal Code, the expiration of prosecution is 12 years. Therefore, document retention should be extended to 12 years.

The *Ultimate Beneficial Owner* of a corporation is an individual who can appoint or dismiss the board of directors, board of commissioners, management, supervisor, or supervisor of the Corporation, has the ability to control the Corporation, is entitled to and/or receives benefits from the Corporation either directly or indirectly, is the actual owner of the funds or shares of the Corporation and/or meets the criteria as referred to in Presidential Regulation Number 13 of 2018 concerning the Implementation of the Principles of Recognizing Beneficial Owners of Corporations in the context of Prevention and eradication of criminal acts of money laundering and criminal acts of terrorism financing.

APPENDIX 5

Key points of Employee Due *Diligence*/Know Your Employee (KYE)

INTERNAL STAFFING DUE *DILIGENCE*/KNOW YOUR EMPLOYEE (KYE)

Employee Identity Verification

Due diligence conducts identification of:

- Employee identity documents or identity replacement documents stipulated in the applicable provisions.
- Employee data and information must match employee profiles and documents. For example, whether the employee identity document is fake or the employee document is genuine but the data and information are fake.

Verification of criminal offense records from relevant public institutions

Identification of public records such as police reports, court reports, and/or (legal) dispute reports related to employees.

Verify references, employment history, and other information

Identify employees whether they are classified as PEP (*politically exposed person*) or have direct or indirect relationship with PEP.

- Identify employees whether they have activities that are vulnerable to corruption and/or money laundering.
- Identification of employees not included in the terrorist list and/or list of suspected terrorists published by the Indonesian police and other agencies both domestic and international.
- Identification of employees on the national blacklist (DHN).

APPENDIX 6

Example of Risk Assessment and Mitigation Measures Form

RISK ASSESSMENT AND MITIGATION FORM

NO.	PROCESS	CAUSE	LIKELY TO HAPPEN (BEFORE MITIGATION)	IMPACT MITIGATION		MITIGATIONPOST
1.	Business License Renewal	Activities Operation Stalled	<input type="radio"/> Very Unlikely Unlikely <input type="radio"/> May <input type="radio"/> Very Likely <input type="radio"/> <input type="radio"/> Very Unlikely Unlikely	<input type="radio"/> Small <input type="radio"/> Medium <input type="radio"/> Large <input type="radio"/> Very Large <input type="radio"/>	<input type="radio"/> Careful planning <input checked="" type="checkbox"/> Team appointment responsible Document readiness <input type="radio"/> Careful planning	<input type="radio"/> Very Unlikely Unlikely <input type="radio"/> May <input type="radio"/> Very Likely <input type="radio"/> <input type="radio"/> Very Unlikely Unlikely
		Bribery of Regulators	<input type="radio"/> May <input type="radio"/> Very Likely <input type="radio"/> <input type="radio"/> Very Unlikely Unlikely	<input type="radio"/> Small <input type="radio"/> Medium <input type="radio"/> Large <input type="radio"/> Very Large <input type="radio"/>	<input checked="" type="checkbox"/> Document readiness <input type="radio"/> Understand the permit process <input type="radio"/> Code of Conduct Section Procurement of Goods and Services Integrity Pact	<input type="radio"/> May <input type="radio"/> Very Likely <input type="radio"/> <input type="radio"/> Very Unlikely Unlikely <input type="radio"/> May <input type="radio"/> Very Likely
2.		Acceptance of Gratuities	<input type="radio"/> May <input type="radio"/> Very Likely	<input type="radio"/> Small <input type="radio"/> Medium <input type="radio"/> Large <input type="radio"/> Very Large <input type="radio"/>	<input checked="" type="checkbox"/> Procurement of Goods and Services Integrity Pact <input checked="" type="checkbox"/> against the vendor	<input type="radio"/> Very Unlikely Unlikely <input type="radio"/> May <input type="radio"/> Very Likely
3.	Procurement of Goods/Services	Conflict of Interest	<input type="radio"/> May <input type="radio"/> Very Likely	<input type="radio"/> Small <input type="radio"/> Medium <input type="radio"/> Large <input type="radio"/> Very Large <input type="radio"/>	<input checked="" type="checkbox"/> against the vendor	<input type="radio"/> Very Unlikely Unlikely <input type="radio"/> May <input type="radio"/> Very Likely
	And so on...		<input type="radio"/> May <input type="radio"/> Very Likely	<input type="radio"/> Small <input type="radio"/> Medium <input type="radio"/> Large <input type="radio"/> Very Large <input type="radio"/>	<input checked="" type="checkbox"/>	<input type="radio"/> Very Unlikely Unlikely <input type="radio"/> May <input type="radio"/> Very Likely

APPENDIX 7

The Corruption Eradication Commission and its partners have developed the work competency of *Certified Integrity Officer*. These competencies have been stipulated through the Decree of the Minister of Manpower of the Republic of Indonesia Number 338 of 2017 concerning the Determination of the Indonesian National Work Competency Standards for the Category of Professional, Scientific and Technical Activities of the Principal Group of Other Professional, Scientific and Technical Activities in the Field of Compliance in the Job Title of Integrity Builder Expert.

A person who has been certified as an Integrity Builder can be used as a *focal point* in implementing a corruption prevention system in the corporation. In summary, the following table summarizes the competencies that must be possessed by an Integrity Builder Expert.

COMPETENCE OF INTEGRITY BUILDER EXPERT (API)

MAIN GOALS	KEY FUNCTIONS	MAIN FUNCTIONS	BASIC FUNCTIONS
Building the system national standard integrity in an effort to eradication corruption in government agencies, business actors and other stakeholders.	Building a system Integrity	Building Values	Design an organizational integrity policy
		Conduct an assessment against the system integrity	Implementing the organizational integrity program Conduct a corruption risk assessment
	Empower integrity system consistently	Doing examination of integrity system	Monitor the implementation of the corruption risk mitigation plan Examining violations of the organization's integrity policy
		consistent	Monitoring the follow-up of recommendations for improvements to the organization's integrity policy Monitoring the organization's integrity system
		Monitoring the organization's integrity system	Evaluate the organization's integrity system

APPENDIX 8

THIRD PARTY PAYMENT CASE EXAMPLE

In two months, the business license owned by PT XYZ, a corporation engaged in mining in Province Z will expire. To speed up the license extension process, PT XYZ, which is headquartered in Jakarta, authorizes the CV. ABC Service Bureau domiciled in Province Z to take care of the license extension.

Since the beginning, PT XYZ has publicly stated that the original AKTA PENDIRIAN KORPORASI and the President Director's Original KTP cannot be attached for certain reasons, even though these documents are mandatory management requirements.

One week later, the CV. ABC Service Bureau conveyed the following information:

1. The license renewal fee is IDR 5,000,000, including the cost of a site survey.
2. The proposed cost of management services by the CV. ABC Service Bureau is IDR 15,000,000.
3. The total proposed cost is IDR 20,000,000.
4. Processing time 1 week
5. Licensing services are determined based on the level of difficulty of the license.
6. A legalized copy of the document can actually be received by the Licensing Office.

The Accounting Department of PT XYZ provided information that the total cost of license renewal last year (carried out by CV. QRS Service Bureau) was Rp 5,500,000 consisting of services of Rp 500,000 and license renewal fees of Rp 5,000,000.

Question:

As an internal auditor of PT XYZ, if the Legal and Compliance Department consulted you, what would you do and recommend? Why would you do that?

Answer:

What an internal auditor must do include:

1. Determining Facts

Previous year's license renewal fee IDR 5,500,000 License

- expires in 2 months
- Processing time 1 week

2. Conduct Cost Analysis

DESCRIPTION	LAST YEAR	THIS YEAR
License renewal fee	5.000.000	5.000.000
Service Fee	500.000	15.000.000
TOTAL	5.500.000	20.000.000
COST DIFFERENCE	14.500.000	

3. Supplementing Information

Check out the Z Provincial Regulation on license renewal fees and process this year

- Check the standard cost of license processing in similar industries Obtain information from CV. QRS Service Bureau

4. Recommendation

The internal auditor can recommend the Legal and Compliance Section to question the difference in costs of Rp. 14,500,000 to the CV. ABC Service Bureau.

- The internal auditor recommends completing the AKTA PENDIRIAN and a legalized copy of the Director's ID card.
- Internal Auditor recommends the document be sent immediately

This was done because there was a very lame difference in tariffs. There are indications that the alleged excess costs are needed as bribery money to officials in the relevant agencies so that the license can be extended without completing the specified conditions.

APPENDIX 9

EXAMPLES OF IMPROPER BUSINESS ACTIVITIES

Here are some examples of improper business activities that are prone to fraud, corruption and money laundering:

- a. Corporations that have multiple accounts in the same bank or different banks to make transfers of significant amounts (either in a single transaction or multiple transactions broken down into smaller ones) on a regular basis that cannot be reasonably explained;
- b. Corporations that often deposit money into an account and take it back suddenly without any reasonable reason;
- c. Corporations often make purchases or payments with foreign currencies in cash even though the corporation has a bank account;
- d. Corporations often make large withdrawals of money in either foreign or domestic currency, using (various types of) checks;
- e. The corporation makes transactions such as transfers or receipts of very large value, out of the ordinary, without any reasonable explanation or rationalization of corporate finance;
- f. Corporate finances that increased drastically without any reasonable explanation;
- g. Corporate account activities are not synchronized with the corporate profile registered in the relevant public institutions, such as in SIUP, TDP, and others, for example:

Corporations with capital categorized as micro enterprises often conduct transactions above the reasonable value of a micro enterprise, e.g. IDR 100 billion;

Corporations registered to engage in the catering business conduct import-export transactions on non-catering related commodities with a very large value; and Corporations registered without foreign ownership but receive shipments from overseas with a very large value without reasonable explanation.

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- h. Corporations always use agents or third parties that are not equipped with sufficient actual information about the agent and the *beneficiary owner* or final recipient of the transaction;
- i. Corporations often make significant cash deposits using ATMs at night or at unusually scheduled times;
- j. Corporations that conduct cross-jurisdictional transactions with funding methods that are not synchronized with the business activities carried out, thus indicating money laundering. Some examples of these transactions include:
 - (1) The method of financing a corporation in Indonesia from a corporation in another country where the origin of the funds is actually owned by entities and/or individuals who both own or control these two corporations;
 - (2) Financing a very large transaction from country A to country B with a *letter of credit (LC)*, which turns out to be out of sync with the actual value of the commodity being traded;
 - (3) Withdrawals or deposits in very large values involving corporations either from domestic or offshore accounts without clear reasons; and
 - (4) In relation to point (3) above, a corporate transaction may also be made for a very large cash deposit which is withdrawn at the same bank but in a different location.
- k. The provisions and contents of the bank guarantee clause related to a dispute, accident, and/or compensation as a guarantee for a third party loan are not synchronized with the actual conditions of the commodity being traded and/or the actual conditions of the market at that time;
- l. External parties not related to the corporation often make large cash deposits to the corporation's account;
- m. The corporation periodically sends money to other parties unrelated to the corporation's business activities;
- n. External parties unrelated to the corporation periodically make check withdrawals on the corporation's accounts for no apparent reason;

APPENDIX 10

ASK/ ANSWER

1. Question:

I do not live and/or work in the US or UK, do the FCPA (*Foreign Corrupt Practices Act*) and UKBA (*UK Bribery Act*) apply to me? I am not a civil servant under Indonesian law, can I still not be corrupt in Indonesia?

Answer:

The FCPA is a United States (US) federal law that prohibits bribes and/or improper payments of any kind to (public) officials of foreign governments. The UKBA is a UK law that prohibits bribes and any other improper payments to anyone in the world. In terms of the FCPA, if your corporation meets the following elements then you are subject to the FCPA, namely:

- a. US-listed corporation;
- b. US citizen;
- c. The corporation and/or the corporation's shares are listed on a US stock exchange;
- d. The corporation and/or other entities associated with and representing the corporation conduct the transaction while in U.S. jurisdiction

Regarding the UKBA, if your corporation meets the following elements then you must comply with the UKBA, namely:

- a. UK nationality individual;
- b. Individuals registered or resident in the UK;
- c. A legal entity registered in the UK; and
- d. Any legal entity that carries on a business or businesses in the UK directly or indirectly, and wholly or partially.

- Even if you are not a civil servant or public official you can still be convicted of corruption. Under the Anti-Corruption Law, there are 13 articles that describe 30 types of activities that can be criminalized as corruption. The types of activities are narrowed down to 7 forms, namely state losses, bribery, embezzlement in office, extortion, fraudulent acts, conflict of interest in the procurement of goods and services, and gratuities. In addition, other activities that can also be associated with corruption are obstructing the examination process of corruption cases, not providing information or providing false information, banks that do not provide information related to suspect accounts, witnesses or experts who do not provide information or provide false information, holders of official secrets do not provide or provide false information, and witnesses who reveal the identity of the reporter. Based on the above explanation, even if you are a private employee, you can still be convicted of corruption if you fulfill the elements in the criminal provisions.

2. Question:

If my corporation is FCPA and/or UKBA compliant, but operates in Indonesia, do I still need to comply with the relevant Indonesian laws and regulations?

Answer:

You must comply with the FCPA and/or UKBA, and Indonesian laws and regulations. Where there are conflicts such as the FCPA allowing financing facilities and gratuities such as gifts with strict limitations, then you should prioritize the Anti-Corruption Law which prohibits them.

3. Question:

I still don't understand what a payment facility is, as it is not explicitly regulated in Indonesian laws and regulations.

Answer:

Basically, a facility payment is a payment that is paid beyond the official fee or normal value in general to facilitate a process or transaction. These payments do not go to the state treasury. Under the Anti-Corruption Law, financing facilities can fulfill elements of corruption such as bribery and gratuities. Simple examples include:

- a. Giving money to officials or employees directly so that the process of making a permit such as visas, kitas, iup, and others becomes faster; and
- b. Giving money, which under the law should be free of charge, to the police for protection costs or a thank you fee for a process.

4. Question:

I and/or my corporation use the services of an agent, consultant, or third party to make a payment as described in point 3 above to facilitate an arrangement such as a permit or certain process. Is this allowed?

Answer:

Anyone including third parties representing corporations who carry out activities as described in points 3 and 4 can be convicted of corruption.

Reference

ADEQUATE CORRUPTION PREVENTION SYSTEM IN CORPORATIONS

LAWS AND REGULATIONS

1. Law No. 7 of 1992 as amended by Law No. 10 of 1998 on Banking
2. Law No. 31 Year 1999 as amended by Law No. 20 Year 2001 on the Eradication of Corruption Crime
3. Law No. 8 Year 2010 on Prevention and Eradication of Money Laundering Crime
4. Supreme Court Regulation No. 13/2016 on the Procedure for the Regulation of Criminal Cases by Corporations
5. Capital Market Supervisory Agency Regulation Number IX.A.12 regarding Public Offering by Shareholders
6. Regulation of the Attorney General of the Republic of Indonesia Number: PER-028/A/ JA/10/2014 on Guidelines for Handling Criminal Cases with Corporate Legal Subjects
7. Head of PPAK Regulation No: PER-02/1.02/PPAK/02/15 on Categories of Service Users who Potentially Commit Money Laundering Crimes
8. Bank Indonesia Circular Letter No. 15/21/DPNP of 2013 on Standard Guidelines for the Implementation of Anti-Money Laundering and Terrorism Prevention for Commercial Banks

GENERAL GUIDELINES

1. *Anti-Corruption Ethics and Compliance Handbook for Businesses* (OECD, UNODC, World Bank, 2013)
2. *An Anti-Corruption Ethics and Compliance Program for Business: A Practical Guide* (UNODC, 2013).
3. Circular Letter to All Conventional Commercial Banks in Indonesia Indonesia Regarding the Implementation of *Good Corporate Governance* for Commercial Banks (Bank Indonesia, 2013)
 4. *Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and Related Documents* (OECD, 2011)
5. *ICC Rules on Combating Corruption* (International Chamber of Commerce, 2011)
6. *Guidance on Procedures which are relevant commercial organizations can put into place to prevent persons associated with them from bribing* (Section 9 of the *Bribery Act 2010*) (UK Ministry of Justice, 2011).
7. *Evaluation of Corporate Compliance Programs*, US Department of Justice
8. *PACT: A Practical Anti-Corruption Guide for Business in Singapore* (Corrupt Practices Investigation Bureau, 2017)
9. *French Guidelines for the Reinforcement of Prevention of Corruption in Commercial Transactions* (Central Service for the Prevention of Corruption, 2015)
10. *Anti-Corruption Guidelines for Companies* (Anti-Corruption and Civil Rights Commission, Republic of Korea, 2016)
11. *Designing an Anti-Corruption Compliance Program: A Guide for Canadian Business* (Global Compact Network Canada)
12. *Anti-Corruption Guide for Belgian Enterprises Overseas: Guide for Conforming to the Rules on Combating Bribery of Foreign Public Officials in International Business Transactions* (National Contact Point in Belgium for the OECD Guidelines for Multinational Enterprises, 2016)

THEMATIC SYSTEM PER ELEMENT

CORPORATE CODE OF CONDUCT

- 1. Guidelines for Corporate Business Ethics (National Policy Committee *Governance*, 2010)

RISK MANAGEMENT

- 1. Guidelines for the Implementation of *Governance-Based Risk Management* (National Committee on *Governance Policy*, 2012)
- 2. *A Guide for Anti-Corruption Risk Assessment (UN Global Compact*, 2013).
- 3. Circular Letter to All Commercial Banks in Indonesia Regarding the Implementation of *Anti-Fraud Strategies for Commercial Banks* (Bank Indonesia, 2011)

WHISTLEBLOWING SYSTEM

- 1. Public Complaints Indicated Corruption (Corruption Eradication Commission, 2015)
- 2. *Whistleblowing System (WBS) Guidelines* (National Committee on *Governance Policy*, 2008)
- 3. *International Chamber of Commerce Guidelines on Whistleblowing*
- 4. *G20 Anti-Corruption Actin Plan, Protection of Whistleblowers: Study on Whistleblower Protection Frameworks, Compendium of Best Practices and Guiding Principles for Legislation*

GRATIFICATION MANAGEMENT

- 1. Introduction to Gratification (Corruption Eradication Commission, 2015)
- 2. Indonesia Clean Facilitation Payments: A Guidebook for Business Entity Joint Movement Organizations (*Transparency International Indonesia* and the Corruption Eradication Commission, 2014).
- 3. *ICC Guidelines on Gifts and Hospitality (International Chamber of Commerce*, 2014)

RELATIONSHIP ARRANGEMENTS WITH THIRD PARTIES

- 1. *ICC Anti-Corruption Third Party Due Diligence: A Guide for Small and Medium Size Enterprises (International Chamber of Commerce, 2015).*

INTERNAL AUDIT

- 1. *Guidelines for the Establishment of an Effective Audit Committee (National Committee on Good Corporate Governance, 2002)*

COLLECTIVE ACTION

- 1. *A Practical Guide for Collective Action against Corruption (UN Global Compact, 2015)*

CHECKLIST**ADEQUATE CORRUPTION PREVENTION PROCEDURES FOR CORPORATIONS**

No.	Indicator	Yes	No	Evidence in the form of documents	Description
I COMMITMENT					
K.1	<p>Show that the highest leadership of the corporation, such as owners, directors, and commissioners, have a written anti-corruption commitment such as the following:</p> <p>a. Written anti-corruption commitment.</p> <p>b. Evidence of declaration of anti-corruption commitment and who attended the declaration.</p> <p>c. Communication of written commitments through emails, discussion sessions, etc.</p> <p>d. Evidence that top leadership commitment has resulted in anti-corruption policies.</p>				
K.2	<p>Indicate the anti-corruption statement that must be signed by all employees of the corporation as stated in the employment contract or statement form as follows:</p> <p>a. Integrity pact/employment contract (sample from manager level).</p> <p>b. A pact prohibiting the provision of facilitation payments or bribes to policymakers.</p>				
K.3	<p>Show that the corporation's anti-corruption policy and/or regulations have a definition of corruption.</p> <p>a. The policy and/or regulation has a definition of corruption that has been compared with various sources.</p>				
K.4	<p>Show that the written anti-corruption policy and/or regulations have referred to the Anti-Corruption Law and must be adhered to by all corporate employees.</p>				

No.	Indicator	Yes	No	Evidence in the form of documents	Description
	a. The anti-corruption policies and/or regulations have referred to the Anti-Corruption Law.				
K.5	Indicate that the anti-corruption policy and/or regulations include an explanation of the areas where corruption is most likely to occur.				
	a. The policy and/or regulation contains a description of the corruption-prone map.				
K.6	Indicate that the corporation has specific units or individuals that ensure control efforts in preventing corruption.				
	a. The unit or individual that performs the compliance function.				
	b. The individual's letter of appointment and authorization.				
	c. The standard operating procedure (SOP) of the unit.				
	d. The ratio between the number of employees performing the compliance function and total corporate employees refers to best practice.				
	e. Evidence of competence of individuals handling compliance (e.g. auditor certificate, CCO, API, SPIP, etc.).				
K.7	Indicate that specific units or individuals are responsible for audit recommendations internal.				
	a. The scope of the unit's or individual's responsibility for the internal audit recommendation.				
K.8	Show that the unit or individual has contributed to the sanctioning and rewarding of corporate employees.				
	a. Written commitment to the mechanism of sanctioning and rewarding corporate employees.				

b. Evidence of sanctioning and rewarding corporate employees.				
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No.	Indicator	Yes	No	Evidence in the form of documents	Description
K.9	Indicate that the specific unit or individual conducts communication and training on corruption prevention.				
	a. Written commitment of the unit or individual to implement communication and training on corruption prevention (e.g. work plan, activity agenda, etc.).				
	b. Evidence of activity implementation (for example: activity implementation report, documentation, etc.).				
	c. Evidence of evaluation of activity implementation				
II Planning (PLAN)					
P.1	Show that the corporation has identified and mapped risks that include vulnerable points and modes of corruption.				
	a. Evidence of an implementing function that identifies and maps risks including hotspots and modes of corruption.				
	b. Evidence of risk mapping work papers that include hotspots and modes of corruption (risk register, mitigation planning, and monitoring and reporting). mitigation evaluation/money).				
	c. Determination of risk vulnerability level.				
P.2	Demonstrate that a corruption risk assessment has been conducted on all corporate activities.				
	a. Evidence of corruption risk assessments being conducted in all or some units.				
P.3	Demonstrate that corruption risk assessments are conducted regularly and updated based on developments in corruption modes.				

a. Evidence of risk assessments conducted regularly and updated based on modes of corruption and good practices (e.g. risk mitigation implementation reports and multiple updated risk registers).				
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No.	Indicator	Yes	No	Evidence in the form of documents	Description
III Implementation (DO)					
D.1	Demonstrate that the corporation conducts due diligence on corruption risk assessments on employees, customers, distributors, vendors and agents.				
	a. Documents demonstrating due diligence on the corruption risk assessment: - employee - customer - distributor/vendor/agent				
	b. Results of verification and due diligence analysis of corruption risk assessment: - employee - customer - distributor/vendor/agent				
D.2	Indicate that the anti-corruption policy and/or regulations are also binding on external parties, such as distributors, business partners, third parties (consultants, public accountants, lawyers), agents, and vendors who in relation to corporations.				
	a. Agreement or contract indicating regulations anti-corruption to bind external parties that related to the corporation (sample).				
D.3	Indicate anti-corruption policies and/or regulations that include supervisory systems, granting of sanctions, and evaluation to internal parties and external to the corporation.				
	a. A labor agreement indicating the regulations anti-corruption, which includes an oversight system, sanctioning, and evaluation for internal parties				

corporation (sample).

No.	Indicator	Yes	No	Evidence in the form of documents	Description
	b. Evidence of anti-corruption clauses in external party agreements or contracts that include supervision, sanctioning, and evaluation systems to external parties of the corporation (sample).				
D.4	Indicate the anti-corruption policies and/or regulations that contain:				
	-regulation of gratuities given to civil servants or state administrators (public sector);				
	-regulation of the practice of giving/receiving facilities, gifts and sponsorships both internally and externally;				
	-regulation of political fund contributions;				
	-regulation of conflicts of interest both internally and externally.				
	a. Evidence of anti-corruption policies or regulations for:				
	1. Regulation of gratuities given to civil servants or state administrators (public sector).				
	2. Regulating the practice of giving/receiving facilities, gifts, and sponsorships both internally and externally.				
	3. Regulation of political fund contributions.				
	4. Regulating conflicts of interest both internally and externally.				
	b. Evidence of clauses containing limits on the value and form of gratuities that may or may not be given to civil servants or state administrators.				

No.	Indicator	Yes	No	Evidence in the form of documents	Description
	c. Evidence of clauses containing limits on the value and form of gift and sponsorship practices that are allowed and not allowed both internally and externally.				
	d. Evidence of clauses that contain arrangements for permissible and prohibited political fund contributions.				
	e. Evidence of clauses containing conflict of interest arrangements both internally and externally.				
D.5	Demonstrate that the corporation applies the principle of recognizing the beneficial owners of the corporation.				
	a. Evidence of the determination of the beneficial owner of the corporation to the authorized agency through one of the following documents:				
	-the articles of association;				
	-the binding document of the establishment of the corporation;				
	-documents of resolutions of general meetings of shareholders, foundation organs, management meetings, or members' meetings;				
	-Authorized agency information;				
	-information on private institutions that accept placement or transfer of funds in order to purchase limited liability company shares;				
	- information of private institutions that provide or make available the benefits of the corporation to the beneficial owner;				
	- statements from members of the board of directors, members of the board of commissioners, supervisors, administrators, supervisors, and / or officers / employees of the corporation that can be accounted for the truth;				

No.	Indicator	Yes	No	Evidence in the form of documents	Description
	- documents owned by the corporation or other parties that show that the person in question is the actual owner of the funds for the ownership of the company;				
	- documents owned by the corporation or other parties that show that the person in question is the actual owner of the funds on other assets or participation in the corporation;				
	-and/or other information that can be accounted for (Article 11 of Presidential Regulation No.13/2018).				
D.6	<p>Show that the corporation has a reporting and complaint system for alleged corruption crimes that guarantees confidentiality, protection and security for whistleblowers, both internally and externally.</p> <p>a. Evidence of periodic socialization of the reporting and grievance system.</p> <p>b. Standard operating procedures (SOPs) for the reporting and complaints system.</p> <p>c. Existing reporting channels (e.g. app, call center, SMS, walk-in, etc.).</p> <p>d. Evidence of the function of internal or external implementers of the reporting and grievance system (for example: decree (SK)/job description document, and letter of agreement with external cooperation).</p> <p>e. Evidence of tiered handling.</p> <p>f. Evidence of incoming and resolved reporting statistics, as well as recommendations.</p>				

g. Evidence of periodic evaluation of the reporting and grievance system.				
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No.	Indicator	Yes	No	Evidence in the form of documents	Description
D.7	<p>Show that the corporation has met the standards of transparent and accountable financial records, documentation, financial filing, and other administration.</p> <p>a. Record keeping, finance, and documentation system policies.</p> <p>b. Arrangements on tiered approvals for operational and capital expenditures.</p> <p>c. Documents are stored properly in accordance with the established order.</p> <p>d. Document storage system in accordance with applicable regulations.</p>				
D.8	<p>Demonstrate that the corporation regularly socializes anti-corruption policies and/or regulations to all employees.</p> <p>a. Policy on the existence of anti-corruption socialization programs/regulations.</p> <p>b. Evidence of socialization activities (for example: activity reports and documentation).</p> <p>c. The media used reaches all employees (e.g. electronic mail, posters, etc.).</p> <p>d. The corporation does or does not receive feedback from employees on both the anti-corruption program and the facts on the ground (e.g. employee surveys).</p>				
IV Evaluation (CHECK)					
C.1	<p>Show that the corporation has a monitoring and evaluation system for anti-corruption regulations.</p>				

a. The Corporation has a monitoring and evaluation policy anti-corruption regulations (e.g. monitoring and evaluation regulations).

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No.	Indicator	Yes	No	Evidence in the form of documents	Description
	<p>b. The Corporation has determined the areas that need to be evaluated and determined how they will be measured.</p> <p>c. The unit that conducts monitoring and evaluation in the corporation.</p> <p>d. Schedule of monitoring and evaluation conducted by the unit conducting the monitoring.</p> <p>e. Monitoring results have been evaluated together and a follow-up plan has been determined.</p>				
C.2	<p>Demonstrate that the anti-corruption monitoring and evaluation system is regularly communicated to all corporate employees.</p> <p>a. Media to communicate the anti-corruption monitoring and evaluation system to all corporate employees on a regular basis (for example: meetings, meetings, electronic mail, etc.).</p>				
C.3	<p>Demonstrate that the results of corruption-related monitoring and evaluation are regularly communicated to all corporate leaders as lessons learned.</p> <p>a. Monitoring results have been conveyed to the leadership (e.g. meetings, meetings, e-mails, etc.).</p> <p>b. Evaluation is conducted to improve the efficiency and effectiveness of anti-corruption regulations through audit results.</p>				
C.4	<p>Indicate that the corporation has an audit charter (audit charter).</p> <p>a. Evidence of an audit charter.</p>				

b. Internal audit/inspection is independent (structure, budget, resources, etc.).				
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No.	Indicator	Yes	No	Evidence in the form of documents	Description
	<p>C. Internal audit/inspection is given broad authority to assess internal controls, in particular the corruption risk area (the audit program covers all operational activities of the corporation).</p>				
v Improvement (ACTION)					
A.1	<p>Show that the corporation has a sanctioning mechanism for violations of company regulations, codes of ethics, procedures, policies, and other applicable rules.</p>				
	<p>a. Sanctioning mechanism for violations.</p>				
	<p>b. Evidence of implementation of sanctions.</p>				
A.2	<p>Show that the corporation has a reward mechanism for employees who play a n active role in building a corporate culture of integrity.</p>				
	<p>a. Evidence of award recipient qualifications for employees who play an active role in building a corporate culture of integrity.</p>				
	<p>b. Awarding mechanism.</p>				
	<p>c Evidence of implementation of awards.</p>				
A.3	<p>Demonstrate that the corporation follows up on the results of the evaluation of the implementation of the program implementation corruption prevention.</p>				
	<p>a. Changes in regulations/policies/standard operating procedures (SOPs) for the evaluation carried out.</p>				

b. The Corporation has set new goals in corruption prevention.

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No.	Indicator	Yes	No	Evidence in the form of documents	Description
VI RESPONSE					
R.1	Indicate that the corporation belongs to a business association/professional society.				
	a. Proof of corporate membership in a business association/professional association.				
	b. Whether or not the business association/professional association has an agenda that addresses corruption issues.				
R.2	Show that the corporation is involved in collective action on anti-corruption collaboration.				
	a. Evidence of the corporation's active involvement in a communication forum between stakeholders in an anti-corruption working group (for example: reports, workshops, documentation, etc.).				
	b. Evidence of active corporate involvement in cross-sectoral communication forums including non-governmental organizations, foundations, academics, government agencies, and others that raise anti-corruption issues.				
R.3	Show that the corporation reported indications of corruption, bribery, extortion, or other forms of illegal levies committed by unscrupulous regulators and/or law enforcement.				
	a. Standard operating procedure (SOP) for reporting indications of corruption, bribery, extortion, or other forms of illegal levies committed by unscrupulous regulators and/or law enforcement.				

b. If available, show corporate statistical data on reporting indications of corruption, bribery, extortion, or other forms of illegal levies committed by unscrupulous regulators and / or law enforcement.

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