ADB Office of Anticorruption and Integrity

Seminar 2: Integrity Risk Management: Identifying Risks and Strengthening Controls

Anticorruption Initiative for Asia and the Pacific

REGIONAL SEMINAR

Chiawen Kiew
Advisor, Office of Anticorruption and Integrity
Asian Development Bank

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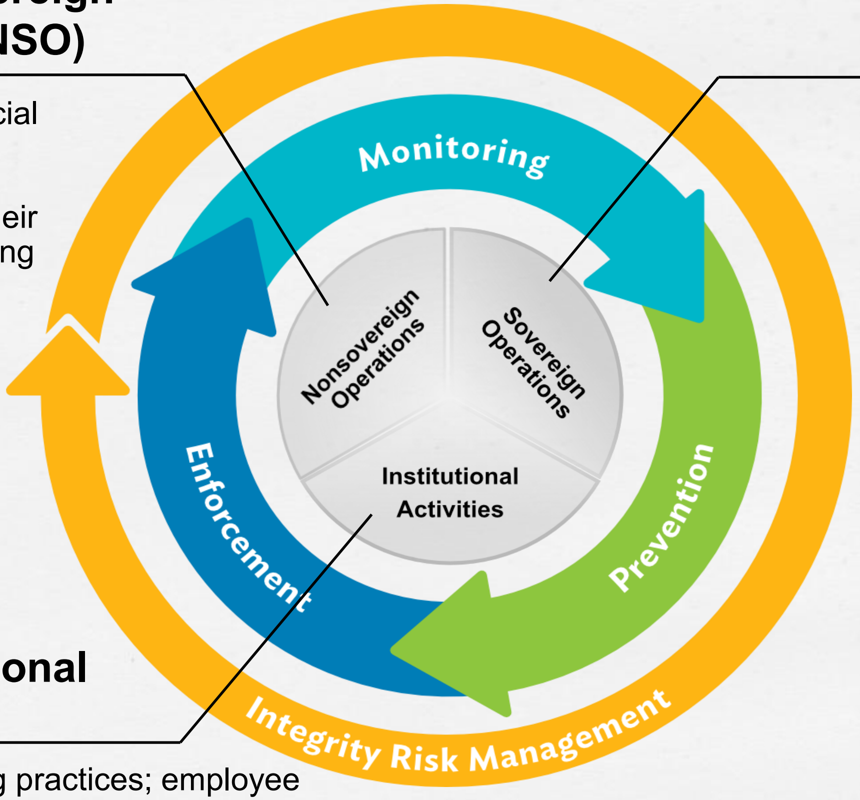
ADB Model for Integrity Risk Management: 360-Degree Approach

ADB

ADB Nonsovereign Operations (NSO)

Risk Areas: Financial or other ethical misconduct of ADB counterparties or their significant contracting entities



ADB Sovereign Operations

Risk Areas: Politically exposed persons (PEPs), conflicts of interest, limited integrity risk management capacity, poor internal control environment, weak tendering processes, poor personnel integrity of executing and implementing agencies.

ADB Institutional Activities

Risk Areas: Hiring practices; employee conduct; actions of contractors, consultants, and vendors; conduct of treasury banks and local banking service providers; outreach activities; etc.

Integrity Risk

is the risk that a person or entity involved in ADB activities is implicated in financial or other ethical misconduct, resulting in potential adverse impacts on ADB.

Such misconduct includes any act, which violates ADB's Anticorruption Policy, namely corrupt, fraudulent, coercive, or collusive practice, and other integrity violations as defined.

Such misconduct also encompasses other improper activity, including money laundering, terrorist financing, tax evasion, and predicate offenses as defined by international standards in relation to financial crime risks.

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We all play a role to protect integrity.

1 **Each department and office**

Primary responsibility for identifying and actively managing operational risk inherent in the products, services, activities, processes, and systems

2 **Office of Risk Management, Office of Anticorruption and Integrity**

Maintain the ORM Framework and assist in its implementation, by reviewing and, when needed, challenging the operational risk management activities of the first line of defense.

3 **Office of the Auditor General**

Provide independent assurance on risk management to Management and the Board.

Integrity Risk Factors

Party Risk

Country Risk

Sector Risk

Product and Activity Risk

Party Risk	Country Risk
Specific to the individual/entity	Reputation-based
Conduct-based	Slow to evolve
Nuanced and dynamic	Generalized (i.e., non-specific)

Factors in Conducting Counterparty Due Diligence

Beneficial ownership

Financial background and payment of contract

Competency of third party

Public records resources: History of corruption and adverse news

Reputation: Commercial references

Approach to ethics and compliance

MDB Harmonized Principles on Business Integrity Programs

Scan

Thank you!