



TNB INTEGRATED LEARNING SOLUTION - TNB ILSAS

4.5 BRIBERY RISK ASSESSMENT

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Executive Summary

As part of TNB ILSAS's corporate initiative to enhance governance and integrity, the Integrity & Spiritual Development Unit of TNB ILSAS has undertaken the implementation ISO 37001: Anti-Bribery Management System. The project begins in October 2020 and expected to be implemented in January 2022.

As part of implementing the Anti-Bribery Management System, corruption risk assessment was carried out to:

- a) Identify, measure and rank critical corruption risks that has potential influence over the overall operation and management of TNB ILSAS
- b) Evaluate suitability of existing anti-corruption controls and develop suggested new controls
- c) Identify risk areas which will be used to scope as prescribed in ISO 37001
- d) Gather information to develop TNB ILSAS high level bribery risk profile (consisting of Risk Map, Summary of Risks and Risk Register)

The corruption risk assessment was done during workshop involving all departments in TNB ILSAS held on 10-12 November 2021.

The objectives of corruption risk assessment

The objectives of corruption risk assessment are:

- To identify, measure and rank critical corruption risks in TNB ILSAS that has the potential influence over the overall operations and management.
- Discuss high-level corruption prevention solutions and implementation plans.

Risk Assessment register was prepared during Documentation Development workshop on 10-12 November 2021. Details of the workshop is as follows:

Workshop	ABMS – Bribery Risk Register and Documentation Development
Date of workshop	10-12 November 2021
No of participants	20 participants

COMPOSITION OF PARTICIPANTS

FUNCTION	DEPARTMENT	PARTICIPANTS
Training & Consultancy	Asset Management Training & Engineering Consultancy	2
	Business Training & Consultancy	2
	Strategic Leadership Training & Consultancy	2
	TNB ILSAS Consultancy Group	2
	Learning Design & Assessment Centre	1
Technology & IT Related	Strategic Digital & Innovation	1
Strategic Business	Strategic Management	1
	Business Development & Marketing	2
	Finance	1
Operational Support	Operational Support	6

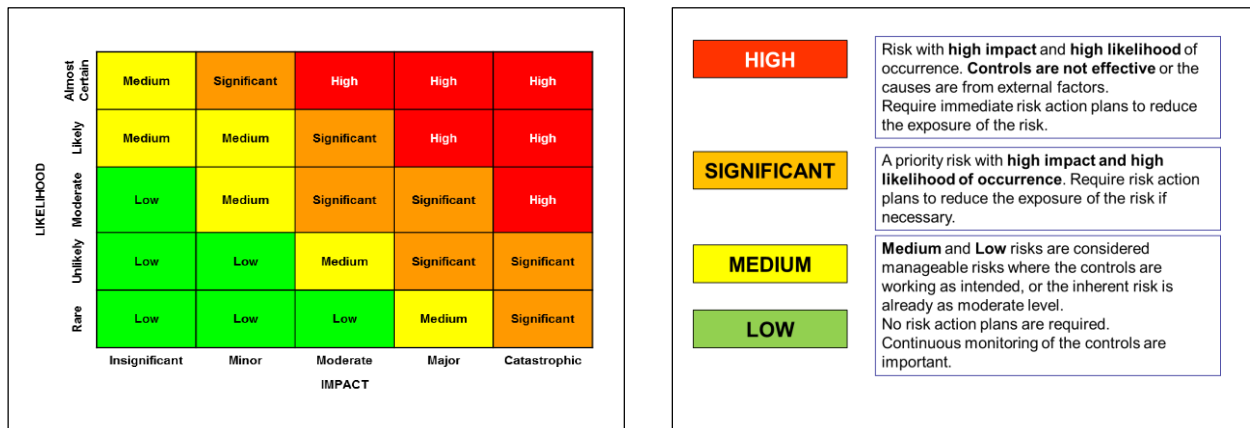
Approach and methodology

The participants were asked to conduct the following:

- Identify corruption risks and corrupt practices in TNB ILSAS
- Discuss the root causes
- Outline the impact and likelihood of corruption risks
- Determine the rating of the risk:
 - HIGH
 - SIGNIFICANT
 - MEDIUM
 - LOW
- Assess strength versus weakness of existing controls
- Populate new controls to determine appropriate risk action plans

The impact and likelihood rating are derived based on a risk matrix as below.

Risk Matrix 5x5



The approach to corruption risk assessment as highlighted above, was developed to fulfil the requirements of Section 4.5 : Bribery Risk Assessment of ISO 37001: 2016 Anti Bribery Management System.

Section 4.5.1 & 4.5.2 of the ISO requires that an organization shall establish criteria for evaluating its level of bribery risk, which shall take into account the organization’s policies and objectives.

In conducting the bribery risk assessment, the organization shall:

- a) *identify the bribery risks the organization might reasonably anticipate, given the factors listed in 4.1 : Understanding the organisation and its context;*
- b) *analyse, assess and prioritize the identified bribery risks; and*
- c) *evaluate the suitability and effectiveness of the organization’s existing controls to mitigate the assessed bribery risks.*

Section 4.5.3 also recommended that the bribery risk assessment shall be reviewed:

- a) *on a regular basis so that changes and new information can be properly assessed based on timing and frequency defined by the organization; and*
- b) *in the event of a significant change to the structure or activities of the organization.*

The output of corruption risk assessment

The output was derived from the results of bribery risk assessment workshop participated by representatives from all departments in TNB ILSAS.

A. Key points from the workshop

The following are the key points to TNB ILSAS towards achieving its aspirations to become a respected subsidiary of TNB with an integrity-based culture.

- **Meaning of “integrity” in TNB ILSAS**
 - Integrity means “for employees of TNB ILSAS to deliver what was promised”
 - Demonstrated in all areas where TNB ILSAS fulfil their responsibilities
 - Uphold the rules of laws and regulations
 - Corruption and fraud can derail TNB ILSAS’s growth plan
- **Reputation of TNB ILSAS is utmost important**
 - Tone from the top is key in driving integrity initiatives
 - Management has the responsibility to develop and implement the integrity framework to guide employees and stakeholders to stay on the correct course of integrity. Management cannot put the blame solely on individuals who have committed wrong doings; everyone has a part to play.
 - Challenges on how to cascade down the commitment and expectation – in particular, to the operational level
- **Key areas of concern include: Training & Consultancy Departments, IT Related, Strategic Business and Operational Support Department.**
 - Corrupt practices may involve collusion, false claims, favouritism, overriding, abuse or misuse of positions/ authority
 - Root causes include lack of monitoring, non-compliance, a culture of acceptance and compassion for the perpetrator, poor enforcement
 - Changes in the political landscape, economy status, social, technology and the environment create new areas of potential exposure
- **Key controls including:**
 - Strong corporate governance – transparency, disclosure
 - Ethical review should be included as evaluation criteria in due diligence
 - Whistle blowing channel
 - Check and balance – independence of the board, internal audit, compliance audit, effective supervision.
 - Swift actions against the wrong doers – stern enforcement regime
- **Ways forward:**
 - Driving towards an integrity based culture – leading by example, respect the rules and laws, continuous education programme
 - Use digital platforms to enhance corruption prevention, detection, and investigation
 - Take in the right kind of people into TNB ILSAS – they will do the right things for TNB ILSAS; human governance.

B. Key corruption risks

Broadly, these are the corruption risks that have been highlighted and discussed in detail during the workshops:

Bribery

- Leakage of confidential information
- Leakage of tender information
- Staff asking for “tips” to expedite process
- Legal advice which favours the other party
- Loss of document- bribery to destroy document/ evidence
- Manipulation of product acceptance process

Collusion

- Collusion between initiators and suppliers
- Selective tendering – manipulation of procurement process
- False claims by contractors
- Contract monitoring

Abuse of power

- Splitting of tender
- Political interference
- Board members’/ Top management interference
- Misuse of authority

Fraud

- Theft of assets
- False medical certificates
- False claims
- Evaluation Committee mislead information to Approval Committee

C. Key corruption schemes and corrupt practices

Procurement and tendering process

- Leakage of information by insiders to gain advantage
- Bid rigging amongst vendors or suppliers for projects via collusion with initiators
- Direct negotiation of contract with pre-determined contractor chosen without following procedures
- Sub-contracting of work
- Intentionally include non-standard technical evaluation criteria so that the criteria can be biased towards a favoured bidder

Influences over projects and procurement process

- Use of influence to obtain approval for projects which has personal interest
- Favouritism/ Cronyism – initiators proposed members of Evaluation Committee who has same personal interest
- Evaluation committee propose a non-compliant/favoured bidder to the Approval Committee
- Political involvement and interference

Overriding of administrative procedures and approval

- Abuse of power/influence for project approval/override recommendation by technical evaluation committee for projects or procurements
- Corruption due to monopoly of services or discretionary power
- Overriding to approve false claims

Manipulation of the weaknesses in system and procedures, internal controls

- “Rushed/Emergency job” based approvals
- Inconsistency in approval criteria during product acceptance
- Avoiding audit or due diligence by splitting tender or issuing multiple small value projects or procurements
- Intentionally delay approval or causing difficulty to suppliers or customers, subsequently demand payment to expedite process
- Bribe accepted to destroy documents or evidence
- Provide legal advice or contract terms which favours the suppliers or contractors

False claims

- Collusion or misuse of power for progress payments over incomplete works and unjustified variation orders or other false claims

D. Summary of risk consequences

The participants acknowledged that the impact arising from corruption risk are significant and affect key areas of the business:

- Increase in procurement costs and overall project costs
- Unfeasible projects, project delay or failed projects
- Time factor - delayed projects due to non-performing contractors, resulted in increase of costs, failed to meet project objectives
- Safety and security – compromised
- Poor quality due to cutting corners and use of sub-standard materials to make up for corrupt money - reduce reliability and availability of electricity
- No level playing field amongst the suppliers/ contractors
- Non-compliance & lack of regulation present the possibility of guidelines having no impact or ensuring prescribed control
- Reputation damage – TNB ILSAS will be perceived as an organization of integrity issues
- More costs for compliance and investment, by parties such as bankers, investors or project partners - impose stringent conditions
- Potential legal implications – including legislations such as MACA and other laws and regulations

E. Common Root Causes

Root causes that were highlighted include:

Weak internal controls

- Lack of monitoring and supervision
- Weak SOP/ too many SOP
- Guidelines can be overruled due to lack of monitoring, reporting and enforcement.
- Conflict of interest escape unchecked
- Lack of check and balance – too much power in certain positions, discretionary power

Poor enforcement

- Suppliers or contractors with close relationship with insiders escape or receive waiver of terms for poor performance or non-delivery of contract
- Little or no anti-corruption contractual terms
- Integrity pacts – the terms and conditions are difficult for legal enforcement, also slow in the normal courts proceedings
- Collusion – hard to prove and culprits escape punishments

Acceptance culture

- Staff lack integrity – personal interest
- Rationalisation – “its ok to take”, accept bribes/ kickbacks
- Reporting or whistleblowing channels are generally perceived as not trustworthy - complaints are not handled, whistle-blower gets penalised.

Recommendations for action plan

The following sets out the key recommendations for improvement:

Improve monitoring

- To conduct due diligence by cross checking tender registration details with the initiator's details
- To consider checking the validity of asset declarations of suspected initiators
- To consider staff asset declarations to be conducted on a yearly basis
- To consider increasing the level of monitoring of high risk customers
- To consider using system automation for dealing with customers
- To develop a system checking on all repeat supplier orders

Improve internal controls

- Enhance IT controls – to prevent/ detect/ trace hacking activities as per TNB ICT Governance
- Policies and procedures restricting or prohibiting the use of smart devices for personnel involved in handling confidential information as per TNB ICT Governance
- To develop and use a standard e-Memo for tender approval
- To consider enhancing the checklist for completion verification and payment, involving an independent verifier
- To include job rotation polices, with mandatory rotation for positions which may be considered "hot jobs"

Improve enforcement

- To enforce Integrity Pacts, and include integrity declarations for all staff on yearly basis and on demand base involved in procurement process
- To enhance and enforce document control policies and procedures

Improve awareness

- To conduct an integrity awareness program for the related departments
- To regularly conduct corruption risk assessment workshops and focus group discussions

Risk Profile

5	Almost Certain	Medium (5)	Significant (10)	High (15)	High (20)	High (25)	
	4	Likely	Low (4)	Medium (8)	Significant (12)	High (16)	High (20)
		Moderate	Low (3)	Medium(6)	Medium (9)	Significant (12)	High (15)
	2	Unlikely	Low (2)	Low(4)	Medium(6)	Medium (8)	Significant (10)
		Rare	Low(1)	Low (2)	Low(3)	Low (4)	Medium(5)
		Insignificant	Minor	Moderate	Major	Catastrophic	
		1	2	IMPACT 3	4	5	

SCORE	RATING	ACTION
1 to 4	Low	No further action
5 to 9	Medium	Improve control and monitoring to respective department
10 to 14	Significant	For further action by respective department
15 to 20	High	Serious action by BoD/ Top management and respective

Risk ID	Risks	Rating
CF-001	Collusion between initiator and suppliers or vendors	Significant
CF-003	Leakage of confidential information	Significant
CF-005	Evaluation Committee mislead information to Approval Committee	Significant
CF-007	Staff asking for “tips” to “service provided” / to expedite process	Significant
CF-008	False claims by contractors	Significant
CF-011	Manipulation of product acceptance process	Significant
CF-012	Leakage of tender information	Significant
CF-013	Splitting of tender	Significant
CF-014	Selective tendering – manipulation of procurement process	Significant
CF-004	Political interference	Significant
CF-002	Board members / Top management interference	Medium
CF-006	Misuse of authority	Medium
CF-009	False medical certificates	Medium
CF-010	Theft of Training Kits / company assets	Medium
CF-015	Contract monitoring	Medium

Appendix

Appendix 1: Risk Summary

Appendix 2: Risk Register

Appendix 3: Risk Matrix

Appendix 4: Risk Parameters

Appendix 1: Risk Summary ordered by risk rating

No	Risk ID	Corruption risks	Impact	Likelihood	Residual risk rating	Risk Treatment?
1	CF-001	Collusion between initiator and suppliers or vendors	Major	Unlikely	Significant	Reduce
2	CF-003	Leakage of confidential information	Major	Unlikely	Significant	Reduce
3	CF-005	Evaluation Committee mislead information to Approval Committee	Major	Unlikely	Significant	Accept
4	CF-008	False claims by contractors / suppliers / vendors	Major	Moderate	Significant	Reduce
5	CF-011	Manipulation of product acceptance process	Major	Unlikely	Significant	Accept
6	CF-012	Leakage of tender information	Major	Unlikely	Significant	Reduce
7	CF-013	Splitting of tender	Major	Unlikely	Significant	Reduce
8	CF-014	Selective tendering – manipulation of procurement process	Major	Unlikely	Significant	Reduce
9	CF-007	Staff asking for “tips” to expedite process	Moderate	Moderate	Significant	Accept
10	CF-002	Board members/ Top management interference	Major	Rare	Medium	Accept
11	CF-004	Political interference	Major	Moderate	Medium	Accept
12	CF-006	Misuse of authority	Major	Rare	Medium	Accept
13	CF-009	False medical certificates	Minor	Likely	Medium	Accept
14	CF-010	Theft of Training Kits / company assets	Major	Likely	Medium	Accept
15	CF-015	Contract monitoring	Major	Rare	Medium	Accept

Appendix 2: Risk Register

Risk ID	CF-001		
Risk title	Collusion between initiator and suppliers		
Risk description	Collusion may occur between the initiators and suppliers, where personal interest is involved and the initiators take advantage of loopholes in the process.	Department	ALL

Causes	Consequences
<ol style="list-style-type: none"> 1. Lack of integrity by staff 2. Not all staff are required to sign the declaration for no collusion with supplier 3. Staff have personal interest (or conflict of interest) in the supplier / vendors companies 4. Lack of monitoring / supervision from management or higher authority 5. Staff asset declarations are not monitored. Asset declaration are only for initiators. 	<ul style="list-style-type: none"> ▪ Financial loss – increase in cost of procurement ▪ Reputation loss - Non-compliance, legal and regulatory punishment from local and international laws and regulations ▪ Reputation loss to parent company (TNB) - public listed company can be subject to regulatory punishment ▪ Low staff morale ▪ Project delay – due to having to use poor quality products, safety issues, poor service

Existing Controls	New controls/ Action Plans
<ul style="list-style-type: none"> ▪ Awareness or education program. ▪ Strict enforcement of code of conduct and disciplinary actions ▪ A complaints channel to handle feedback from suppliers who did not get the project ▪ Integrity Pact, and include integrity declaration for all staff involved in the procurement process 	

Impact	Likelihood	Residual risk rating
Major	Unlikely	Significant

	Terminate	Reduce	Accept
Risk Treatment Strategy		/	

Risk ID	CF-002		
Risk title	Board members/ Top management interference		
Risk description	Board members or top management may misuse their positions to interfere in decision-making for their personal interest.	Department	BOD & HOD

Causes

1. Personal interest (conflict of interest) – may include political, family members or relatives, own business, close acquaintances. Actions may include giving instructions to the management which are not following ethical guidelines.

Consequences

- Financial loss – increase in cost of procurement
- Reputation loss - loss of trust in Board/ top management due to inconsistency in decisions
- Reputation loss - public listed company can be subject to regulatory punishment
- Low staff morale

Existing Controls

- A policy to limit the service of Board members (governance policy)
- Whistleblowing channel

New Controls/ Action Plans

Impact

Major

Likelihood

Rare

Residual risk rating

Medium

	Terminate	Reduce	Accept
Risk Treatment Strategy			/

Risk ID	CF-003		
Risk title	Leakage of confidential information		
Risk description	Interested parties may be willing to pay a bribe to obtain confidential information. This includes trade secrets, tender prices, pricing, personal data.	Department	ALL

- Schemes/ Causes**
1. Personal interest (conflict of interest)
 2. Greed – luxurious lifestyle
 3. Staff in the “hot jobs”, may be facing financial pressure
 4. Taking advantage of the weaknesses in internal controls, for example, weaknesses in IT controls where hackers can launch cyberattack.
 5. Lack of monitoring:
 - a. Supervisor/competency
 - b. Too much “trust”
 - c. No SOP
 6. Insiders get kick-back from outsiders

- Consequences**
- Financial loss – increase in cost of procurement/ overpayment to suppliers/vendors
 - Reputation loss to TNB/TNB ILSAS – TNB/TNB ILSAS will be perceived as an organisation with integrity issues
 - Reputation loss to TNB - public listed company can be subject to regulatory punishment
 - Poor quality services - employ poor performance contractors / vendors
 - Low staff morale
 - Legal sanctions

- Existing Controls**
- Job rotation for “Hot jobs”
 - Internal audit
 - Conflict of interest declaration
 - Whistleblowing channel
 - Asset declaration
 - Education programme: Integrity program
 - Integrity pacts – signed by all staff / tender board members, related in procurement, all suppliers/ vendors/ contractors
 - Code of conduct for procurement

- New Controls/ Action Plans**
- To enhance and enforcement document control policies and procedures

Impact	Likelihood	Residual risk rating
Major	Unlikely	Significant

	Terminate	Reduce	Accept
Risk Treatment Strategy		/	

Risk ID	CF-004		
Risk title	Political interference		
Risk description	TNB ILSAS Board and top management are perceived to have political connections or taking instructions from political related persons	Department	BOD & HOD

Schemes/ Causes

1. Politician or person with political backing may use their influence to direct the decisions of certain projects to favour their personal interest (conflict of interest) or to return a favour by “awarding” a project to a favoured contractor/ supplier/ vendor
2. It may involve abuse of power – for example overruling of a tender awarding decision by awarding a contract to a favoured contractor.

Consequences

- Financial loss – increase in cost of procurement/ overpayment to suppliers
- Reputation loss to TNB/TNB ILSAS – TNB/TNB ILSAS will be perceived as an organisation with integrity issues
- Reputation loss to TNB - public listed company can be subject to regulatory punishment
- Poor quality services - employ poor performance contractors
- Low staff morale
- Legal sanctions

Existing Controls

- Job rotation for “hot jobs” including members of tender committees
- Practice of transparency in procurement process, include:
 - Open tender procedures
 - Integrity pacts – signed by all staff / tender board members, staff related to procurement, all suppliers/ vendors/ contractors
 - Code of conduct for procurement
- Group wide policies on:
 - Conflict of interest declaration
 - Asset declaration
- Education and awareness programme
- Whistleblowing channel

New Controls/ Action Plans

Impact	Likelihood	Residual risk rating
Major	Unlikely	Medium

	Terminate	Reduce	Accept
Risk Treatment Strategy			/

Risk ID	CF-005		
Risk title	Evaluation Committee provide misleading information to Approval Committee		
Risk description	Tender Evaluation Committee may provide misleading information to Tender Approval Committee so that a favoured contractor can be selected	Department	ALL

Schemes/ Causes

1. Personal interest among the evaluation committee members
2. Initiator propose the members of the evaluation committee (with the same interest)
3. Intentionally include non-standard technical evaluation criteria so that the criteria can be biased towards a favoured bidder
4. Evaluation committee propose the non-compliant/favoured bidder to the Approval Committee

Consequences

- Financial loss – increase in cost of procurement
- Reputation loss to TNB/TNB ILSAS – TNB/TNB ILSAS will be perceived as an organisation with integrity issues
- Reputation loss to TNB - public listed company can be subject to regulatory punishment
- Poor quality services
- Project delay

Existing Controls

- Policies and procedures - as the guidelines for detecting and preventing personal interest.
 - Integrity pact signed by all staff
 - Declaration of assets
 - Follow SOP on evaluation activity
- Centralised procurement including centralized tender evaluation committee
- Procurement Policy & procedures - to comply
- Job rotation for “hot jobs” including members of tender committees
- SOP in place to develop standardized criteria
- Whistleblowing / we hear you channel

New Controls/ Action Plans

Impact
Major

Likelihood
Unlikely

Residual risk rating
Significant

	Terminate	Reduce	Accept
Risk Treatment Strategy			/

Risk ID	CF-006		
Risk title	Misuse of authority		
Risk description	Personnel with authority may misuse the authority for personal gain. This includes access to passwords, issuance of completion certificates for projects, finance and accounting records, usage of company properties, and payment receipts.	Department	ALL

Schemes/ Causes

- Personnel with personal interest taking advantages of internal control weakness:
 - there is a lack of segregation of duties in certain processes
 - SOP is weak
 - Lack of monitoring as too much trust placed on single authorized person, eg. Certain passwords are shared
- Certain manual processes are being taking advantage of by staff who lack of integrity
- Acceptance culture where culprits are not reported and escape any punishments

Consequences

- Financial loss
- Reputation loss to TNB/TNB ILSAS – TNB/TNB ILSAS will be perceived as an organisation with integrity issues
- Reputation loss to TNB - public listed company can be subject to regulatory punishment
- Legal actions
- Low staff morale

Existing Controls

- Code of conduct
- Put in place limit of authority (LOA)
- Use of system automation
- Proper HR staffing planning
- Integrity awareness program by Integrity Department & ILSAS Integrity Unit

New Controls/ Action Plans

Impact

Major

Likelihood

Rare

Residual risk rating

Medium

	Terminate	Reduce	Accept
Risk Treatment Strategy			/

Risk ID	CF-007		
Risk title	Staff asking for “tips” to expedite process		
Risk description	Staff work at position where involving in processing customers application, or close to some staff who has that position, may ask for “tips” or “facilitation” money in exchange of expediting the process.	Department	ALL

Schemes/ Causes

1. Staff with the authority or position to process or approve customer application or transactions, may misuse that position to ask for “tips” as an exchange for expediting the process - taking advantages of internal control weakness:
 - there is a lack of segregation of duties in certain processes
 - SOP is weak in particular where manual process is still in use
 - Lack of monitoring as too much trust placed on single authorized person
2. Staff may face financial pressure
3. Loopholes in the processes are being taken advantage of by staff who lack integrity
4. Acceptance culture where culprits are not reported and escape any punishments

Consequences

- Reputation loss to TNB/TNB ILSAS – TNB/TNB ILSAS will be perceived as an organisation with integrity issues
- Reputation loss to TNB - public listed company can be subject to regulatory punishment
- Low staff morale

Existing Controls

- Code of conduct
- Put in place: limit of authority (LOA)
- Proper Job description
- Proper HR staffing planning for better monitoring
- Integrity awareness program by Integrity Department & ILSAS Integrity Unit

New Controls/ Action Plans

- To include job rotation polices, the position which considered “hot jobs”
- To consider using system automation for dealing with customers

Impact
Moderate

Likelihood
Moderate

Residual risk rating
Significant

	Terminate	Reduce	Accept
Risk Treatment Strategy			/

Risk ID	CF-008		
Risk title	False claims by contractors / suppliers / vendors		
Risk description	Collusion may happen in project or supply contracts where claims or payment made before actual work done or products / services are completed.	Department	ALL

Schemes/ Causes

1. Staff who lack of integrity takes advantage of a rush tendering or emergency purchase
2. Improper dealings with contractors including collusion with contractors in falsifying documents, on-site certification, or acceptance of work/products/services, for submission for payments.
3. Staff who lack of integrity takes advantage of loopholes in the payment processes
4. Poor management monitoring or lack of direct involvement by senior management

Consequences

- Reputation loss to TNB/TNB ILSAS – TNB/TNB ILSAS will be perceived as an organisation with integrity issues
- Reputation loss to TNB - public listed company can be subject to regulatory punishment
- Financial loss – incomplete project but full disbursement made / double payments
- Project delay
- Low reliability / availability
- Low staff morale

Existing Controls

- Standard checklist for inspection with multiple approval
- Whistleblowing / we hear you channel and reward for whistleblowers
- Continuous briefing by management during executive meetings / staff gathering

New Controls/ Action Plans

- To consider enhancing the checklist for completion verification and payment, involving an independent verifier.

Impact
Major

Likelihood
Moderate

Residual risk rating
Significant

	Terminate	Reduce	Accept
Risk Treatment Strategy		/	

Risk ID	CF-009		
Risk title	False medical certificates		
Risk description	Staff bribe / buy false medical certificates to make use of the time off for personal interest.	Department	ALL

Schemes/ Causes

1. Collusion between clinics and the staff – unethical medical practitioners. Clinics not reporting the issues because allow staff request.
2. Workload – too much workload causing too many medical leaves
3. Staff attitude – looking for ways to avoid working
4. Unhealthy life style
5. Lack of monitoring

Consequences

- Reputation loss to TNB/TNB ILSAS – TNB/TNB ILSAS will be perceived as an organisation with integrity issues
- Business interruption
- Low staff morale

Existing Controls

- Appointment of panel clinics
- Manpower planning
- Staff brief on code of conduct and clear on the enforcement
- Attendance monitoring system

New Controls/ Action Plans

Impact
Minor

Likelihood
Likely

Residual risk rating
Medium

	Terminate	Reduce	Accept
Risk Treatment Strategy			/

Risk ID	CF-010		
Risk title	Theft/Misuse of training kits / company assets		
Risk description	Theft of training kits / company assets	Department	ALL

- Schemes/ Causes**
1. Poor inventories system
 2. Lack of monitoring by IM, & Management on training kits inventories
 3. Putting too much trust to staff
 4. Lack of integrity
 5. Opportunity to misconduct action

- Consequences**
- Reputation loss to TNB/TNB ILSAS – TNB/TNB ILSAS will be perceived as an organisation with integrity issues
 - Financial loss – loss revenue

- Existing Controls**
- Improve inventories system – centralised to control
 - Approve issuance of inventories by IM
 - Integrity and awareness training

New Controls/ Action Plans

Impact	Likelihood	Residual risk rating
Major	Likely	Medium

	Terminate	Reduce	Accept
Risk Treatment Strategy		/	

Risk ID	CF-011		
Risk title	Manipulation of product acceptance process		
Risk description	Keen competition among the suppliers / contractors – involved high value products.	Department	ALL

Causes

1. Collusion may occur between the evaluators and suppliers when personal interest is involved or accepting bribe to certified a poor-quality / unqualified product.
2. Contractors will try to negotiate with QA – may resort to bribing or giving kickbacks to the QA
3. QA who lack integrity may threaten to hold back certification unless payment made to them

Consequences

- Use of defective – quality compromised
- Financial loss
- Reputation loss to TNB/TNB ILSAS – TNB/TNB ILSAS will be perceived as an organisation with integrity issues
- Business interruption
- Safety may be compromised

Existing Controls

- Awareness or education program on topics of integrity, corruption prevention, related laws and regulations to suppliers
- Job rotation
- Strict enforcement of code of conduct and disciplinary actions
- A complaint channel where complaint on integrity issues are channel to Procurement Department

New controls/ Action Plans

Impact

Major

Likelihood

Unlikely

Residual risk rating

Significant

	Terminate	Reduce	Accept
Risk Treatment Strategy			/

Risk ID	CF-012		
Risk title	Leakage of tender information		
Risk description	Suppliers / contractors will try to obtain tender information for gain advantages in a bidding, through bribing or provide kickback to insiders.	Department	ALL

Causes

1. Collusion between initiators (insiders) and suppliers/ contractors when personal interest is involved or accepting bribe to sell the confidential information.
2. Staff get hold of confidential information for selling to suppliers/ contractors.
3. Staff lack integrity
4. Bidders' price information leakage to the colluded contractor – insider with authority, allowed the colluded contractor's last minutes submission; win the bidding with low price, follow by extensive variation orders.

Consequences

- Use of low quality products or services
- Safety may be compromised
- Financial loss – increase in procurement cost
- Reputation loss to TNB/TNB ILSAS – TNB/TNB ILSAS will be perceived as an organisation with integrity issues
- Reputation loss to TNB - public listed company can be subject to regulatory punishment
- Low staff morale

Existing Controls

- Integrity pacts with suppliers and staff enforced
- A whistleblowing channel in place where complaints on integrity issues are channel
- Disciplinary action against staff with integrity issues
- In place:
 - Code of conduct – staff and contractors/ suppliers
 - Document control policy
 - Disclosure of confidential information policy
 - E-Tender system – all procurement procedures in IT system
- Awareness or education program on topics of integrity, corruption prevention, related laws and regulations to suppliers and procurement division
- Integrity pact as legal enforceable

New controls/ Action Plans

- To make

Impact

Major

Likelihood

Unlikely

Residual risk rating

Significant

	Terminate	Reduce	Accept
Risk Treatment Strategy		/	

Risk ID	CF-013		
Risk title	Splitting of tender		
Risk description	A large value contract is split to smaller packages so to fall within the limit of authority for approval of the colluded initiators and the contractors or suppliers.	Department	ALL

Causes

1. Collusion between initiators (insiders) and suppliers/ contractors – benefits or favours returned; or when personal interest is involved or accepting bribe to approve the contract.
2. Smaller value packages – avoid having to go through the higher authority.
3. More lenient where poor performance may not be evaluated because “small value” and less chance to attract internal audit.
4. Intentionally create a “rush” projects or needs – “force” to decide in short period of time
5. Intentional develop improper planning – creating last minutes’ jobs or emergency shortages.

Consequences

- Use of low quality products or services
- Safety may be compromised
- Financial loss – increase in procurement cost and not able to determine the correct costs
- Budgets spend on less priority areas as split tender normally by passed the involvement of top management
- Reputation loss to TNB/TNB ILSAS – TNB/TNB ILSAS will be perceived as an organisation with integrity issues
- Reputation loss to TNB - public listed company can be subject to regulatory punishment

Existing Controls

- Policy in place restricting splitting of tender – if found, staff will face disciplinary action; contractors penalized.
- Proper planning in place and follow through – monitor closely and audit/compliance audit
- A whistleblowing channel in place where complaints on integrity issues are channel to an independent department

New controls/ Action Plans

- To develop a system checking all repeating suppliers

Impact
Major

Likelihood
Unlikely

Residual risk rating
Significant

	Terminate	Reduce	Accept
Risk Treatment Strategy		/	

Risk ID	CF-014		
Risk title	Selective tendering – manipulation of procurement process		
Risk description	Tendering procedures may be manipulated to accept selective tenderers, which often involved personal interests or kickbacks.	Department	ALL

Schemes/ Causes

1. Unfair tendering or Selective tendering practiced by tailoring contract specifications to qualify awards to favoured parties or to benefit the favoured contractors
2. Impose of unpractical timeframe, often too short notice (eg. 2 weeks), for submitting a tender, while the favoured contractors are supplied with tendering information in advance. As a result, other contractors prepared less detailed and less competitive tender, and lost the tender.
3. Imposition of unfair requirements which favoured only few contractors.
4. Bid rigging amongst cartels, with collusion involving insiders
5. Direct negotiation without adhere to guidelines, or by providing false or misleading information.
6. Award of contracts to suppliers/ contractors who subcontract the work.
7. **Root causes:**
 - Lack of enforcement
 - Lack of monitoring
 - Low or no priority given to anti-corruption measures
 - Application of discretionary powers leading to conflict of interests

Consequences

- Reputation loss to TNB/TNB ILSAS – TNB/TNB ILSAS will be perceived as an organisation with integrity issues
- Reputation loss to TNB - public listed company can be subject to regulatory punishment Financial loss – higher procurement costs
- Safety compromised – poor performance contractors
- Failed / delayed projects
- Legal actions
- Low reliability / availability
- Low staff morale

Existing Controls

- Centralised procurement division – more independent with separate Open Tender Committee, Evaluation Committee and Approval Committee
- Procurement policy and procedures, procurement code of conducts
- Project audits to make sure compliance
- Integrity pacts signed by staff and contractors/ suppliers
- Integrity pacts legally enforceable.

New Controls/ Action Plans

Impact
Major

Likelihood
Unlikely

Residual risk rating
Significant

	Terminate	Reduce	Accept
Risk Treatment Strategy		/	

Risk ID	CF-015		
Risk title	Contract monitoring		
Risk description	Non-fulfilment of contract terms or false claims for incomplete work may occur when there is personal interest involved or bribery in monitoring of suppliers' or project contracts.	Department	ALL

Causes

1. Taking advantage of situation of lack of monitoring or poor enforcement due to handling too many contracts.
2. Unjustifiable management overwrite for non-fulfilment of the terms or approval of false claims: because certain management personal may have personal interest in the project or in the vendor company.
3. Smaller contracts or small contract values may escape the radar screen of internal audit or compliance audit, thus the intended staff take advantage.
4. Contract terms intentionally very loose / unfavorable to TNB. Staff may intentionally provide legal advice which favours the suppliers/ vendors.

Consequences

- Financial loss – increase in cost of procurement
- Reputation loss to TNB/TNB ILSAS – TNB/TNB ILSAS will be perceived as an organisation with integrity issues
- Reputation loss to TNB - public listed company can be subject to regulatory punishment Financial loss – higher procurement costs
- Low staff morale
- Project delay – due to use of poor quality products, safety issues

Existing Controls

- Project management team closely monitoring the progress and delivery against the contract terms
- Independent audit by internal audit – including project audit and smaller contracts
- Whistle blowing channel provides venue for complain
- Legal department has SOP in place for review of contract terms
- Enforce Integrity Pact, to include declaration for all staff involved in procurement process

New controls/ Action Plans

Impact
Major

Likelihood
Rare

Residual risk rating
Medium

	Terminate	Reduce	Accept
Risk Treatment Strategy			/

Appendix 3: Risk Matrix

5x5 Matrix

LIKELIHOOD	Almost Certain	Medium	Significant	High	High	High
	Likely	Medium	Medium	Significant	High	High
	Moderate	Low	Medium	Significant	Significant	High
	Unlikely	Low	Low	Medium	Significant	Significant
	Rare	Low	Low	Low	Medium	Significant
		Insignificant	Minor	Moderate	Major	Catastrophic
		IMPACT				

Corruption risks are measured and ranked against the above risk matrix:

- Impact
- Likelihood

Risks are compared against a set of pre-defined risk parameters which coincide with the **RISK TOLERANCE** of TNB ILSAS. Examples include:

- Financial loss
- Safety
- Quality
- Reputation
- Legal
- Project delay
- Reliability
- Availability

Appendix 4: Risk Parameters

Likelihood Parameters

Almost Certain	Possibility of occurring more than once in the next 12 months.
Likely	Possibility of occurring once within the next 12 months.
Moderate	Possibility of occurring at least once in the next 3 years.
Unlikely	Possibility of occurring at least once in the next 3 to 5 years.
Rare	Possibility of occurring at least once in the next 5 to 10 years or more.

Likelihood	Quantitative	Status of actual cases of the scheme	Complexity
Almost certain	High probability, is expected to occur in most circumstances Approximately above 95% chance of occurring in the next 12 months	Incident has been reported and is currently under investigation	Very easy to perpetrate without controls in place.
Likely	Will probably occur in most circumstances Approximately below 95% but above 50% chance of occurring in the next 12 months	Incident is in the process of being contained	Easy to perpetrate without controls in place.
Moderate	Some probability, might occur half of the time Approximately below 50% but above 25% chance of occurring in the next 12 months	Incident has been contained.	Moderately complex to perpetrate without controls in place
Unlikely	Little probability, could occur at some time. Approximately below 25% but above 5% chance of occurring in the next 12 months	Root cause of incident is in the process of being remediated.	Difficult to perpetrate even without controls in place.
Rare	Low probability, occur only in exceptional circumstances, Approximately below 5% chance of occurring in the next 12 months	Root cause of incident has been remediated (reducing the chance of repeat occurrence).	Very difficult to perpetrate even without controls place

Impact Parameters

Factor	Consequences				
	Insignificant	Minor	Moderate	Major	Catastrophic
Example Risk measurement					
Image/ reputation	Not substantiated, low impact, no news item. Attention quickly contained, short term recoverability.	Substantiated, low impact, low news profile	Substantiated, public embarrassment, moderate local news profile. Escalating customer implications.	Substantiated, public embarrassment, high news profile, third party action. Long term damage to public image.	Substantiated, public embarrassment, highly widespread news profile, third party action/ Global media coverage.
Project costs - Financial loss	Additional costs/ funding/ wastages/ revenue < 5% of initial funds	Additional costs/ funding/ wastages/ revenue Between 6 to 10%	Additional costs/ funding/ wastages/ revenue Between 11 to 20%	Additional costs/ funding/ wastages/ revenue Between 21 to 30%	Additional costs/ funding/ wastages/ revenue Above > 30%
Legal/ compliance	Minimal penalties. Notice of violation/ warnings requiring administrative action.	Moderate fines. Routine governing body litigations subject to moderate fines and penalties may be subject to regulatory proceedings and/ or hearings	Substantial penalties. Routine litigation subject to substantial fines or penalties, subject to regulatory proceedings and/or hearings.	Substantial, may include criminal charges. Potentially a significant governing body scrutiny, investigations subject to substantial fines and penalties, which may include some criminal charges, subject to regulatory proceedings and/or hearings	Major scrutiny and investigation. Major scrutiny, investigations subject to substantial fines and penalties including criminal charges, and/or cease-and-desist orders, possible regulatory action.

Factor	Consequences				
	Insignificant	Minor	Moderate	Major	Catastrophic
Example Risk measurement					
Stakeholders customers	Minimal customer Complaints and recovery costs.	Minimal decline in customer relationships and some recovery costs.	Loss or decline of customer relationships and moderate recovery costs	Strained key customer relationships and significant recovery costs and threat to future growth.	Loss of major customer relationships and serious threat to future growth.
Stakeholders employees	Insignificant impact on ___Department's ability to recruit and retain employees	Some impact on ___Department's ability to recruit and retain employees.	Significant impact on ___Department's ability to recruit and retain top performers.	Major impact on ___Department's ability to recruit top performers.	Sustained impact on ___Department's ability to recruit and retain top performers.
Risk consequences/management effort	<ul style="list-style-type: none"> Negligible effects Impact can be readily absorbed through normal activity <p><i>STRATEGIC VIEW: NORMAL IMPACT ASSOCIATED WITH PROGRAM PLANNING & OPERATIONS</i></p>	<ul style="list-style-type: none"> Normal administrative difficulty An adverse event which can be absorbed with some management effort <p><i>STRATEGIC VIEW: DELAY IN FULFILLING THE MANDATE OF THE INSTITUTION</i></p>	<ul style="list-style-type: none"> A serious event which requires additional management effort <p><i>STRATEGIC VIEW: DELAY IN ACCOMPLISHING PROGRAM OR PROJECT OBJECTIVES</i></p>	<ul style="list-style-type: none"> Program or project re-design, re-approval and re-do required. Fundamental rework before objective can be met. A critical event which requires extraordinary management effort <p><i>STRATEGIC VIEW: STRATEGIC PLAN REQUIRES MAJOR REVAMP, APPROVAL, PROGRAM RE-WORK</i></p>	<ul style="list-style-type: none"> Project or program irrevocably finished, objective will not be met. Disaster with potential to lead to "collapse " <p><i>STRATEGIC VIEW: MANDATE OF THE ORGANISATION OR ORGANISATION ITSELF, IS FINISHED</i></p>