



# The Role and Significance of the Compliance Control System in the Prevention of Corruption Risks in the Public and Private Sectors

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## ABSTRACT

This article discusses the role and importance of compliance control systems in preventing corruption risks in the public and private sectors. That the negative consequences of corruption are much more serious and larger than the positive ones. In the private sector, it may be more difficult for a multinational company to identify key bribery risks, especially if it operates in multiple jurisdictions and has multiple agents or intermediaries. Such companies often have high corruption risks as well as reputational risks. Keep in mind that it is easier to bribe a small intermediary organization than a large multinational company.

## Keywords:

Corruption, Public, Private Sector, Risk Of Corruption, Control System, Justice, Compliance Control.

"It is possible to govern a country with bad laws, but it is impossible to govern the country with undisciplined officials"

**Chancellor of the German Empire  
Otto Von Bismarck**

Since ancient times, power and corruption have been inseparable. Throughout history, parallel to the evolution of the state, corruption has evolved. If at the dawn of the formation of statehood, payment to a priest, leader or military commander for a personal appeal to their help was considered as a universal norm, then later, with the complication of the state apparatus, professional officials began to officially receive only a fixed income - which meant the transition of bribes to the shadow economy.

The first mention of corruption (and, accordingly, the fight against it) can be attributed to the second half of the 24th century. BC e., when Urukagina - the king of the ancient Sumerian city of Lagash in the territory of modern Iraq - reformed public administration in order to stop the numerous

abuses of his officials and judges. However, the fight against corruption in the ancient world usually did not bring the desired results, especially in the eastern despotisms. According to the author of the ancient Indian treatise "Arthashastra [1]", "it is easier to guess the path of birds in the sky than the tricks of cunning officials." Corruption reached its peak in the era of the decline of antiquity in the Roman Empire - and became one of the reasons for its collapse. The word "corruption" itself has a Latin origin - corrumpere means "to corrupt, spoil, damage."

The world has changed and so has the scale of corruption. Globalization and the formation of the world economy have allowed corruption to reach the international level and become one of the most massive and dangerous phenomena of our time[2].

Corruption is one of the most serious problems in the world today: according to Daniel Kaufmann, Director of Global Programs at the World Bank Institute, in 2007 bribes amounted to more than a trillion dollars[3] - more than 2% of world GDP[4]. About what corruption is, what are its causes and impact on the state, society and economy, and whether it is possible to successfully fight it in the 21st century - all this will be discussed in this work.

In the private sector, it may be more difficult for a multinational company to identify key bribery risks, especially if it operates in multiple jurisdictions and has multiple agents or intermediaries. Such companies often have high corruption risks as well as reputational risks. Keep in mind that it is easier to bribe a small intermediary organization than a large multinational company. Note that under the UK Bribery Act, a multinational company is liable for the actions of its intermediaries: it can be fined if the intermediary company commits corrupt acts. A corruption risk assessment can help a company identify specific transparency issues with intermediaries and find appropriate resources in developing an anti-corruption strategy.

Perhaps the most difficult task for a company is to prevent or eradicate corrupt activities within its own workforce. Recruiting and managing a local workforce can lead companies to corruption, nepotism and related risks. Companies need to strike a balance between accreditation and control of their local employees and trust in their work.

Once legally significant risks are identified, the corporation must act accordingly. To do this, it must approve two areas of work. On the one hand, knowing the specific risks in each workplace, it is important to select the right people who should fill these jobs. On the other hand, it is necessary for the corporation to approve a compliance program that will include all measures necessary to minimize foreseeable risks.

It is important that the management of the corporation is attentive to the process of appointing candidates (employees). They should be selected so that they can be expected to perform effectively and efficiently. It is

important to select competent people, but it is even more important that the company itself takes on the responsibility of properly training employees in accordance with the specific risks that may arise in the course of carrying out the functions assigned to them. This educational process, however, is not limited to teaching only what is needed to prevent specific risks that an employee may face and how to prevent these risks, it should also encourage the formation of a so-called "compliance culture".

Employees themselves are an important source of information about ongoing violations. Hotlines for receiving such reports are organized by companies and regulators welcome this practice. In some countries, including the United States, there are significant monetary rewards for reporting abuse. However, such mechanisms are not always effective. Certain barriers hinder their successful work, such as a sense of solidarity with colleagues suspected of fraudulent activity, bribery or corruption, or loyalty to the employer.

And although a company should have an anonymous reporting hotline, not all employees will want to use it so as not to set others up. But they all want to be asked if violations have been noticed. A good compliance manager will ask questions so that the facts of violations are known only to the person who noticed them.

A corruption risk assessment can help an investor identify a governance area where corruption may be a particular problem. It can also highlight general activities such as fraud and embezzlement on a small or large scale. A risk assessment can clarify local recruitment policies. This will reveal, for example, if an investor is likely to be under pressure to hire someone from a particular ethnic group or among people close to a political group or elite. The evaluation will not eradicate the problem, but it will help focus management's attention and maintain proper segregation of responsibilities between the main office and the field offices.

The main advantage of the integrity of the risk assessment is that the corruption risk assessment provides a deep understanding of

how and to what extent corruption can affect certain transactions and the reputation of the investor. A universal approach can distort this picture.

According to Transparency International [5], corruption is the abuse of entrusted power for private interests [7]. The Federal Law of the Russian Federation "On Combating Corruption" provides the clearest possible definition: "abuse of official position, giving a bribe, receiving a bribe, abuse of authority, commercial bribery or other illegal use by an individual of his official position contrary to the legitimate interests of society and the state in order to obtain benefits".

The United Nations considers corruption to be "a complex social, cultural and economic phenomenon affecting all countries[8]", without giving a more detailed explanation of the term. It is noteworthy that even the text of the United Nations Convention against Corruption (UNCAC) does not contain a definition of what the participating countries are called to fight. However, this is explained by the fact that the phenomenon of corruption is too complex and multifaceted to be able to give a comprehensive and at the same time sufficient detailed definition. According to the author, a more complete and correct idea of corruption can be obtained if all corruption phenomena are classified according to various criteria.

The second criterion is the forms of corrupt relations (how and why):

- bribery, obtaining illegal income (extortion, kickbacks);
- theft and privatization of public resources and funds;
- misappropriation (forgery, falsification, theft; misappropriation of money, property by fraudulent means), abuse in the use of public funds, embezzlement;
- nepotism or nepotism, favoritism (appointment of relatives and friends to posts and positions);
- promotion of personal interests, collusion (granting preferences to individuals, conflict of interest);
- accepting gifts to expedite problem resolution;

- protection and protection ("covering", perjury);
- abuse of power (intimidation or torture);
- manipulation of regulation (falsification of elections, decision-making in favor of one group or person);
- electoral violations (vote buying, electoral fraud);
- rent seeking - extortion (civil servants illegally set fees for services or artificially create shortages);
- clientelism and patronage (politicians provide material services in exchange for the support of citizens);
- illegal contributions to election campaigns (gifting gifts to influence the content of the policy).

Measuring corruption is an important part of anti-corruption strategies. The assessment of corruption in the country allows you to perform the following tasks:

- Government decision-making: identification of "hot spots" and factors that generate corruption in order to form an effective anti-corruption policy;
- Policy execution: raising public awareness of the dangers of corruption, putting public pressure on governments; supporting regular monitoring of corruption to strengthen policy enforcement mechanisms;
- Private Sector Decision Making: Advice on Investment and Other Decisions.

Despite the fact that corruption is often compared to hydra, there are quite effective methods of combating this phenomenon, which is successfully evidenced by world practice. Not fighting corruption means supporting it and given the devastating consequences of such inaction in all spheres of society, the problem of counteracting this "internal enemy" is in any state. Therefore, it is so important to study the causes of corruption - after all, it is necessary to fight not only the weed itself, but also its seeds. Understanding what corruption is, exploring this phenomenon and the experience of other countries in resisting it, we gain knowledge - and knowledge, as you know, is power. The main thing is that this force finds its proper use

- this requires not only political will, but also support from the whole society. Otherwise, the battle against corruption will be lost.

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