PREVENTIVE LAW AND MANAGERIAL AUDITING

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Introduction
The corporate sector has learnt some expensive lessons in recent decades on the costs of inadequate auditing systems to ensure compliance with the law — the Lockheed bribery scandal, thalidomide, Bhopal, Allied Chemical and Kepone, A.H. Robins and the Dalkon Shield, asbestos; and these are just the high-profile cases which generate newspaper headlines. In more mundane ways, large corporations are confronted every year with instances of employees breaking the law on behalf of the corporation in their enthusiasm to achieve the goals they have been set by the organisation.

Of course, it is sometimes in the corporation’s interest to break the law, but most large corporations rightly take the view that to allow a culture of lawlessness to develop within the organisation will be to the long-term disadvantage of the corporation. The corporations which allow employees to play fast and loose with the law are the ones that end up with billion dollar legal disasters. Moreover, the American foreign bribery scandals of the 1970s taught us that corporations that turn a blind eye to slush funds find that while that eye is closed their own executives are helping themselves to the monies poured into off-books accounts. In short, corporations which have a climate of tolerance towards illegal means of corporate goal attainment in a variety of ways tend themselves to become victims of corporate crime.

The Corporate Response
The upshot of this realisation has been that many companies are now responding constructively with preventive law programmes which draw on the experience of managerial auditing. These have been devised in a variety of areas, notably the following:
- product liability;
- occupational health and safety;
- companies and securities law requirements;
- restrictive trade practices;
- revenue law;
- consumer protection;
- environmental protection, and
- data protection.

Why the importance attached to compliance controls? The main reason is clear: prevention is often more cost-effective than cure. The costs to be avoided are well known but bear repeating:
- heavy civil damages (eg. for products liability);
- product recalls or other corrective action;
- trading losses resulting from unauthorised acts of employees;
- disqualification of licence or authority to transact business;
- disruption and loss of morale as a result of involvement in litigation or a publicity crisis;
- fines, or, in some instances, even jail;
- legal costs in defending claims or prosecutions;
- increases in insurance premiums, and
- costs of increased regulation.

Beyond these obvious motivations for having effective internal controls, there is a trend towards enforced self-regulation, with the state delegating its enforcement role to private enterprise and coercing private enterprises to discharge that role on its behalf.

How, then, can large organisations respond to the challenge of making their self-regulatory systems work better to ensure compliance with the law?

The Essential Requirements of an Effective Self-regulatory System
One of the authors examined, largely on the basis of interviews with executives, the characteristics of the internal compliance systems of the five American coal mining companies with the lowest accident rates for the industry in the early 1980s, and also reviewed other empirical work on the organisational characteristics associated with safety in mining. A characteristic which consistently emerged was that companies with good safety records had detailed plans of attack to deal with identifiable hazards. This may be a characteristic which is not so relevant to determining the effectiveness of other kinds of internal compliance functions as it is for occupational health and safety. However, the other features which emerged from this empirical work seem to us of likely general relevance. Effectively self-regulating companies.
The lesson of the training program is to demonstrate the importance of effective and efficient systems and procedures, and to provide the necessary knowledge and skills to ensure that these systems and procedures are implemented properly. The program is designed to provide employees with the necessary tools and resources to ensure that the company's policies and procedures are followed correctly and consistently.

Teaching and Supervision for Compliance

Supervising the employees to ensure that they follow the company's policies and procedures is crucial for maintaining a high level of compliance. It is important to have a clear understanding of the policies and procedures to ensure that they are followed properly.

The importance of compliance

Compliance is a process of doing things correctly and consistently. It is important to have a clear understanding of the policies and procedures to ensure that they are followed properly.

Implementing a compliance program

The implementation of a compliance program is crucial for maintaining a high level of compliance. It is important to have a clear understanding of the policies and procedures to ensure that they are followed properly.

The implications of non-compliance

If the company does not have a clear understanding of the policies and procedures to ensure that they are followed properly.

Monitoring Compliance Performance

In conclusion, implementing a compliance program is crucial for maintaining a high level of compliance. It is important to have a clear understanding of the policies and procedures to ensure that they are followed properly.

Warning Systems

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