Pushing Corruption and Money Laundering into Reverse Momentum: Echoes from the Corporate Governance Arena

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Abstract

In this article, the author emphasizes how corruption and money laundering have caused incalculable economic damage to society. The two problems are intricately linked and very difficult to separate. The board of directors should introduce an enhanced corporate governance mechanism(s) alongside other countermeasures in order to minimize weaknesses in the current system. In exercising their corporate function(s), aside from other committees, the board should focus more on the audit committees. It is very important that the board uses the services of competent non-executive directors (NEDs) on the audit committees. NEDs should monitor the authenticity of audit reports and minimize the occurrence of fictitious financial reports that aid fraud. Efforts at whistle-blowing should be encouraged with rewards by the board for curtailing fraud through such brave conduct. Fictitious and vexatious reports should not go unpunished. The time is ripe for boards to focus on corporate ethics and make sure that they are practised across the entity from 'the top to the shop floor'. The corporate culture should be seen to nurture the best behaviour in people. This approach has very strong potential to minimize fraudulent and dishonest behaviours that translate into corruption and, by implication, money laundering.

Keywords: corruption; money laundering; board of directors; whistle-blowers; non-executive directors; corporate ethics

1 Much of the research in this article was carried out while the writer was a PhD candidate of the University of London. Special thanks are due to an anonymous external reviewer for comments on an earlier draft. All remaining errors are entirely the responsibility of the author.

[A] INTRODUCTION

The enormous problems posed by corruption and money laundering have presented societal, economic and political dilemmas to the constituted authorities in a wide range of jurisdictions. The effects of these problems are experienced across many jurisdictions with a greater part of the impact arguably felt more in less developed countries. The extent of the damage is usually dependent on the robustness of the mechanisms adopted by the authorities. This also depends on the attitude the authorities exhibit towards confronting the above phenomena, with perhaps the larger share of the issues being laid on their doorsteps with more blame going to financial institutions, sometimes epitomized by the banks. It is partly due to the manner in which these legal persons are managed that corporate governance has become one of the important issues in efforts to reduce the problems of corruption and money laundering. The importance of the efforts to contain corruption and money laundering by means of enhanced corporate governance is that it will be beneficial to society as a whole. This is not lost in the minds of various policy-makers globally. They are aware that corruption and money laundering if allowed to continue unhindered will have a distorting impact on economic growth and the planning needed for such growth.

As a result, the robustness of the checks and balances in corporate circles has become important. When natural or legal persons as the case may be, in their respective commercial activities, make their 'illegal profits' they, in order to reintegrate their looted proceeds into the legitimate economy, will eventually want to avoid the established rules and regulations. When this is successfully accomplished, this money may be legitimately used in the formal economy. For the culprits, spending this loot legitimately without being detected by the long arm of the law is obviously important. This article argues that it is likely that the issue of corporate governance when robustly utilized has a strong potential to restrict corruption and money laundering. There are many firms that contribute to the economic wellbeing of the wider society, and it is important that corruption and money laundering be checked in companies to avoid undermining the economic order and economic growth.

Higher standards of corporate governance, characterized by an effective and robust board of directors, together with introduction of sound corporate ethics and sounder and stronger non-executive directors (NEDs) are necessary for dealing with problems of corruption and money laundering. Some corporate collapses were caused or brought about by the issues of fraud which likely involved serious cases of corruption. The eventual demise of the Enron Corporation and the Bank of Credit and Commerce International (BCCI) more than 15 years ago are examples of lax corporate governance that encouraged corruption and money laundering (Ekwueme 2020). Of course, corruption is amorphous in its outlook, and there is a consensus that it is one of the predicate offences of money laundering. In addition, the two are symbiotically connected. For most corruptly generated money to be legitimately reused, it has to go through the money laundering process.

This article is divided into five parts. The first will address some of the relevant definitional matters that are present in corporate governance. The second part addresses the effectiveness of corporate governance as a good tool to be used to reduce the issue of corruption and money laundering. The third part will focus on the essence of the role that an effective board of directors will input to reduce corruption and money laundering. Fourthly, the issue of corporate ethics, which possibly has been neglected, will be discussed to show its importance in checking the problem. Lastly, the paper will address the importance of NEDs in fighting the scourge and then offer brief conclusions.

[B] DEFINITIONAL ISSUES ASSOCIATED WITH CORPORATE GOVERNANCE

The term 'corporate governance', and its everyday use in the financial press, is a relatively new phenomenon of the last two-and-a-half decades (Mallin 2015). The use of the term seems to have been on the increase since the last financial crisis of 2007/2008. Serious blame was aimed at corporate governance mechanisms in failing to prevent the fraud and corruption that were seen to be serious contributory factors to the demise of many companies.[2] The author does not necessarily anticipate that the definitions ascribed to the term in this article should be accepted by everyone. This is as a result of a non-conflating attitude to the term. It will not be unsurprising for divergent views to emerge and, more importantly, we should bear in mind that corporate governance is still 'evolving'.

A generally accepted definition of corporate governance has not yet evolved. Tellingly, there may be a plethora of explanations or definitions of what corporate governance is all about. In fact, traditional concepts describe corporate governance as a complex set of constraints that shape the *ex post* bargaining over the quasi-rents generated by a firm or as every device, institution or mechanism that exercises power over decision-

2 The corporate collapse of both Enron and BCCI readily fits this. Here, the looted funds were laundered by the culprits largely as a result of a weak governance setup.

making within a firm (Macey 2008). Briefly stated, corporate governance may be said to deal with decision-making at the level of board of directors and top management, through the different internal and external mechanisms that ensure that all decisions taken by directors and top management are in line with the objective(s) of a company and its shareholders respectively (Mulbert 2009).

A definition was also presented by Shleifer & Vishny (1977). They describe corporate governance as a process that deals with the ways in which suppliers of finance to corporations assure themselves of getting returns on their investment. An even wider definition was presented by the Organisation for Economic Co-operation and Development (OECD) Principles 2004, namely: a set of relationships between a company's management, its board, its shareholders and stakeholders. It also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide incentives for the board and management to pursue objectives that are in the interest of the company and its shareholders and should facilitate effective monitoring. It must be noted that one of the objectives is to curtail corruption and money laundering. This is very important.

Transparency International (TI), recognized internationally as one of the best anti-corruption non-governmental organizations, defines corporate governance to mean the procedures and processes on how private sector organizations are managed and controlled (Transparency International 2009). Tellingly, there may be a plethora of explanations or definitions of what corporate governance is all about. Nevertheless, Sir Adrian Cadbury makes the useful general observation that corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society (Cadbury 1999).

As we note, there are various understandings of what corporate governance stands for. It can also be seen as a set of arrangements through which organizations are accountable to their stakeholders. The author points out, however, that this is not yet a 'mainstream' topic approach. It must also be observed that, as the situation now stands, as a matter of accountability, corporations focus more on shareholders than stakeholders. Recently (2020), there has been heated academic debate about corporate purpose. The idea that firms should move from 'shareholder profit maximization' to a sort of 'stakeholder maximization'—'stakeholderism'—did not find support in the recent work of Bebchuk & Tallarita (2020). This attitude, the authors posit, is merely illusory, rhetorical and can best be described as a sort of public relations gimmick and cannot be practicable. This is irrespective of the fact that in the USA, as of summer 2019, the respected Business Round Table group (BRT)[3] announced a shift in corporate approach in the USA which possibly has a strong potential to rethink the corporate approach. In any case, the debate on 'stakeholderism' is still extant, as at the time of writing.

[C] EFFECTIVE CORPORATE GOVERNANCE AS AN ANTIDOTE TO MONEY LAUNDERING AND CORRUPTION

Of course, bribery, which has been classified as a subset of corruption processes (corruption also has other facets like extortion, embezzlement, fraud etc.), can be reduced by robust corporate governance. This will lead to a significant decrease in the level of money laundering. Good, effective, corporate governance encourages an environment that promotes economic growth by improving the performance of honestly managed and financially sound companies (Arsalidou & Krambia-Kapardis 2015). However, it does not necessarily follow that good corporate governance will definitely guide companies and their stakeholders from the consequences of bribery/corruption and money laundering. Indeed, corporate collapses happen for various reasons. But the consensus by academics is that there is little doubt that lax corporate governance plays some part in their downfall (Arsalidou & Krambia-Kapardia 2015). In truth, typical scenarios of corporate collapses that evidenced corruption in their demise as a result of lax corporate governance issues include but are not limited to Enron in the USA and Parmalat in Italy. Corruption and bad governance were evident in others like Satyam in India, Carillion in the UK and Petrobras in Brazil. In fact, it seemed to be the case (it was actually the case) that their anti-corruption policies and internal controls were not effective (Mallin 2015).

3 This is a very influential association of USA corporate chief executive officers from more than 180 major public firms. The market capitalization of these companies is not less than $13 trillion. In summer of 2019, they committed themselves to lead their firms for the benefit of stakeholders. By doing so, they effectively announced a revision of their earlier position. It must be noted that BRT, earlier in 1997, committed itself to 'shareholder maximization'. The World Economic Forum published a manifesto after December 2019 that urged companies to focus on this new paradigm.

The presence of an effective corporate governance system, within institutions and across economies, promotes a level of confidence that is fundamental for the purposes of appropriate functioning of the market economy (US Agency for International Development & Centre for International Private Enterprise 2009: 7). It reduces bribery and corruption, which, of course, usually converge and lead to money laundering. When companies embrace and enhance a good governance ethos, they have more chances of doing well by eliminating bribery and corruption. On the other hand, if firms/companies do not exhibit a very robust display of 'prudent checks and balances' this could lead to corruption, fraud and other negative activities, including laundering. The general public is likely to suffer, as funds meant for developmental projects would be frittered away as a result of lax monitoring apparatus in state-owned firms.

In point of fact, TI has indicated that a strong corporate governance system is a vital component of a company's efforts to reinforce appropriate incentives and practices and to address the corrupt practices they confront (TI Policy Position 2009: #3). We should also bear in mind that it has been shown that, without good corporate systems in place, the overall impacts of anti-corruption initiatives are reduced and the growth of companies and the countries where they operate is undermined (Wu 2005).

It is suggested that, where there is evidence of bribery and corruption, money laundering will, in most cases, be a natural sequential event. Generally, this will potentially drive away genuine investors willing to participate in economic ventures. Good corporate governance serves as a solid framework to secure investor confidence, enhance access to capital markets, promote growth and also strengthen economies. In fact, aside from providing for clear game rules and robust checks and balances, corporate governance systems help to lower company costs and evidently increase economic output (OECD Principles 2004). Bad governance encourages dirty money for laundering purposes and with likely negative consequences on the economy.

The corporate governance framework varies from country to country, each with its particular legal, regulatory and institutional environments. We need to note that there is never a one-size-fits-all mechanism for addressing the problems. However, there is something very similar in the various frameworks. They all define the responsibilities and behaviours that are needed of the company's owners and managers for the business to operate successfully. In fact, business momentum is usually slowed down when there are issues of bribery and corruption.

The processes that characterize strong corporate governance systems align in many respects with the key elements of anti-bribery tools. Most of these are encapsulated in TI's Business Principles for Countering Bribery, introduced in 2002, including effective risk management, integrity, transparency standards and accountability. The Principles are the products of collaborative efforts between companies, academics, trade unions and non-governmental organizations to combat bribery and corruption. We are aware that when bribery occurs in the private sector, it may happen in a company, between citizens, between companies, and in dealings with the public sector plus private citizens. Effective corporate governance prevents bribery and therefore also corruption or, at the very least, limits its negative effects. Additionally, good corporate governance is usually grounded on socially acceptable principles. It also promotes honest and responsible behaviour and, possibly, adheres to its practices and to the letter and the spirit of the law. Of course, collectively, these are antitheses to corruption (Krishnamurthy & Ors 2011).

[D] THE BOARD OF DIRECTORS' ROLE IN COUNTERING CORRUPTION AND MONEY LAUNDERING

The board of directors is a key aspect of promoting corporate governance. In most corporate setups, the board of directors plays a very significant part in making sure that the entity delivers on its corporate objectives. When there is an efficient board, this trickles down positively on to the corporate behaviour of that organization. In fact, the board of directors leads and controls a company. Therefore, an effective board is highly fundamental to the success of a company. It is the link between managers and investors, and it is very important for good corporate governance and investor relations.

The role of the board of directors was aptly captured by Sir Adrian Cadbury. It is his observation that the board of directors is responsible for the governance of its company. The shareholders role in governance is to appoint the directors and auditors and to satisfy themselves that an appropriate governance structure has been put in place. The responsibility of the board includes setting the company's strategic aims, providing the leadership to put them in effect, supervising the management of the business and reporting to shareholders on its stewardship. The board's actions are subject to laws, regulations and the shareholders in a general meeting (Cadbury Report 1992).

There are two kinds of board structure: the unitary board and the dual board. The unitary board is the type that is found mainly in the UK, the USA and Nigeria. It is characterized by a single board comprising both the executive and NEDs. The unitary board is responsible for all aspects of the company's activities. All the directors are working to achieve the same goals. In a dual board structure, there is the presence of both a supervisory and executive board of management. However, there is usually a clear separation of functions. The supervisory board is responsible for the running of the business. Here, an interesting aspect of the scenario is that members of one board are prohibited from being part of the other board. There is a clear distinction between management and control (Mallin 2015). This varies from country to country.

For an effective corporate governance that will limit corruption and money laundering, the board of directors headed by the chair should make sure that 'strategic positive' corruption antidotes are in place in the company. One of these is the presence of sub-committees. Arguably, the most important is the audit committee. Others include the remuneration and the nomination committees. But for ease of analysis, this article will focus on the audit committee. In the UK, there was the Smith Review on Audit Committees. This was a group that was appointed by the Financial Reporting Council as far back as 2003. The committee was of the opinion that, while all the directors have a duty to act in the interest of the company, the audit committee has a particular role, acting independently from the executive, to ensure that shareholders' interests are properly protected in relation to financial reporting and internal control (Smith Review 2003: 186, paragraph 1.5).

What the review actually did was to define the audit committee's function in corporate governance in terms of explaining its role of 'oversight', 'assessment' and also 'review' in the corporate setup. In fact, the members of the audit committee must satisfy themselves that there is a robust and appropriate system of control in the company. It has to be recognized that the committee does not itself engage in monitoring activities. However, the writer is of the view that once there is a proper arrangement of capable corporate characters, this will provide an excellent check on the negative activities in the company. It has what is described as a 'positive trickledown effect'.

In truth, it is the role of the audit committee to make sure that it reviews the scope and the outcome of the audit. It must try to make sure that the objectivity of the auditors is always maintained. This will also involve the review of audit fees that are paid for non-audit work and the general independence of the auditors. In fact, the audit committee provides a very useful nexus between both the internal auditors and external auditors and the board. It must also ensure that all the relevant issues related to the audit are relayed to the board (Smith Review 2003).

The audit committee role may also include reviewing the arrangements that are put in place for staff members who raise concerns or complaints about the negative incidents going on in the organization. It is a fact that some of these incidents when eventually investigated do sometimes lead to uncovering of fraud in a particular company. These individuals are, of course, usually known as whistle-blowers. A whistle-blower named Sharron Watkins made her concerns known to Andrew Fastow, the chief financial officer at Enron, the defunct US energy company, and to the firm's auditors, Arthur Anderson (now also defunct). She reported on the fraudulent financial conduct and corrupt practices that went on in Enron. The US authorities responded and, after investigation, indicted Enron for its massive accounting fraud that was perpetrated by the directors in the company. The 'Enron Case' has been characterized as the biggest bankruptcy case in US corporate history. The directors created so-called special purpose entities, which they used to launder their ill-gotten wealth. Watkins was protected by the Whistleblower Protection Act 1989. This Act was made a federal law in the USA in order to protect whistle-blowers that work for the government and report agency misconduct. However, in the US as elsewhere, whistle-blowers are often placed in a difficult and vulnerable position by their act of reporting what otherwise might be seen as 'business secrets'.

It must be noted that for whistle-blowing to be considered legitimate it has to satisfy one of the following conditions: be made in the public interest; reveal a criminal offence (like fraud, miscarriage of justice) or that the company is breaking the law by not having, for example, the right insurance; the possibility of risk or actual damage to the environment; or it is believed something is being covered up.[4] In the UK, this is covered by the Public Interest Disclosure Act 1998. This has been copied across various jurisdictions as a model in protecting whistle-blowers (Stephenson & Levi 2012), but it has come under serious criticisms as lacking the ingredients necessary to encourage robust whistle-blowing reportage. It is therefore suggested that, for corporate governance to be more effective, the legislation be amended to include the provision that anyone who blows the whistle should be entitled to 50 per cent of the recovered money if the information is successful. Also corporate governance should be made a

4 Gov.uk (2020) Whistle Blowing for Employers.

compulsory subject in tertiary institutions with emphasis on whistle-blowing. Additionally, the international financial institutions like the International Monetary Fund (IMF) and the World Bank should include as a benchmark for granting their facilities that countries should have a robust mechanism of corporate governance in their firms. Moving forward, financial aids should be extended to countries that need them to strengthen the regulatory apparatus that oversees corporate governance.

In fact, readers may be familiar with what went wrong with the liquidated BCCI when the bubble burst as a result of numerous incidents of fraud, corruption and money laundering. It has been suggested that, had there been an earlier whistle-blowing mechanism in that bank, the numerous frauds could have been discovered much earlier. The bank collapse put in jeopardy, some US$8.7 billion in international trade because it complicated payments for export contracts managed by that bank. In BCCI, there was an autocratic corporate governance environment.

[E] CORPORATE ETHICS AS ANTI-CORRUPTION AND MONEY LAUNDERING THERAPY

A good area that the board of directors are encouraged to focus on in the corporate setup to reduce the incidence of corruption and money laundering is corporate ethics. We should be aware that underlying the very foundation or the root of corporate governance and the provision of moral compass is simply good ethical behaviour. And yet, surprisingly, the ethical behaviour of companies is rarely recognized as a solid cornerstone of good corporate governance. However, in many ways, ethics underlines much of business behaviour around the globe. This is irrespective of the fact that it may be at the board or staff level, and also regardless of that company's geographical location, size, or industry. The manner business decisions are arrived at matters seriously from ethical and pragmatic standpoints. This is not only applicable to only the OECD companies but also inclusive of companies from developing countries that may be involved in regional trade (Sullivan & Ors 2020).

The truth is that there are robust anti-corruption laws in very powerful countries. The USA, for example, has the Foreign Corrupt Practices Act 1977. We should also bear in mind that, in the USA, there has been an enactment of the Revised US Sentencing Guidelines that is applicable to corporate defendants. More so, the UK has in place the Bribery Act of 2010. The above laws, one can point out, have possibly forced boards to take additional responsibility for directors' ethics compliance and training to reduce the liability risks.

Some of these laws have extraterritorial capability that has placed legal responsibility on both small and large firms for the attitude of their suppliers and distributors in the global supply chain. The after-effect of the enforcement of these laws has had the impact of putting hefty pressure on companies to seek effective non-corrupt companies to deal with in their business activities. This effectively has the impact of strengthening the internal anti-corruption and bribery mechanisms of companies. Internal compliance with the checks and balances has to be a key element of the board's approach to risk management. There are now embedded in company's compliance systems robust ethical codes that are against corruption and bribery and which are not just present for 'box-ticking.'

Most companies have started looking inwards and cultivating ways to make sure that they are not contributing to or encouraging the climate of corruption. And a way of demonstrating this is that the board of directors through the company's ethical codes sends out a strong message and also leads by example, demonstrating a 'top-to-bottom' attitude against corruption. The idea is simply that the board makes sure that the relevant national and international commitments for leadership against corruption trickle down through the whole company to the very last employee on the shop floor.

The writer takes the view that it was the 'surprising' demise of Enron more than-one-and-a-half decades ago that triggered very serious attention by more companies over the establishment of ethical subcommittees and ethics codes in companies. There was massive fraud and corruption in the Enron case. Indeed, the directors indirectly hid massive loses and laundered money to corruptly enrich themselves to the detriment of other stakeholders. Surprisingly, many corporate codes are silent on explicit mention of ethics committees. It is posited that this is not good given the frequent unethical behaviour and breaches (fraud is a typical example) perpetrated by some company employees.

It is possibly on account of the need for corporate leaders to behave in an ethical manner in business relationships that some institutional shareholders are being exhorted to engage more with their investee companies. They are expected to act more like shareholders. It translates to the fact that the management of ethical issues can be seen or viewed as a form of risk management. Bribery and corruption that eventually culminates in money laundering fit this template.

Companies that have actually been found to be negligent in respect of 'anti-corporate governance activities', or convicted of fraud or other such unlawful conduct, in actual fact do get a mitigated sentence. This is so in most situations on account of the fact that these companies had actually set up ethical committees and ethical codes in their organization. The truth is that ethical programmes may be seen to involve a very small financial cost, but in the long run this will save the company a lot of money. In the USA, for instance, corporations can significantly lower or reduce the fines that they have incurred judicially when found guilty in criminal matters. This is achieved by showing that an effective ethics programme had been present (Crane & Ors 2008).

Business ethics and good corporate governance, one can surmise, are deeply rooted in the foundations laid out in global universal values. A global consensus on the applicability of shared morals across nations is embedded in the Universal Declaration of Human Rights 1948. Many of these principles are now reflected or found in some landmark documents on ethical business behaviour. They include but are not limited to the following: the OECD Anti-Bribery Convention 1997; the United Nations Convention Against Corruption 2003; and the International Chamber of Commerce Rules of Conduct to Combat Extortion and Bribery Rules 2005.

It is a fact that when companies adhere to the ethical codes or principles devoid of bribery and corruption the effect is that these companies attract investors. The truth is that most investors are willing to pay extra for well-governed companies. In fact, the Global Investor Opinion Survey—carried out by McKinsey among over 200 professional investors that collectively manage approximately US$2 trillion in assets in 31 countries, including Russia—revealed that a significant majority of investors are more than happy to pay a premium for well-governed companies.[5] On the other side of the spectrum, we must also note that some well-managed or governed corporate entities are also not necessarily the ones that one would point to as having very high ethical standards. In other words, it is possibly right to indicate that ethical behaviour is not necessarily a condition precedent in a well-governed company. But on balance, it is right to have a good ethical culture. When corporate entities

5 It is good to note that fundamentally, what gave impetus to this survey which started in the USA was as a result of the 'shareholders' activism.' The willingness of investors to pay a higher premium will be dependent on the jurisdiction that the said firm is. The belief is that in sophisticated corporate environments like the USA and the UK, robust corporate governance exists, and this attracts considerable amount of investors willing to pay higher premiums. The chances of corporate fraud with better governance mechanisms are significantly lower as a result of 'better checks and balances.'

embrace good governance ethos, they have more chance of doing well by eliminating bribery and corruption, the author surmises.

Additionally, the UK Institute of Business Ethics found that companies that were involved in implementing ethics training programmes did better than those that just professed only business ethics devoid of implementation (Ugoji 2007). It is the submission of the writer that it is a fact of corporate life that when companies are publicly associated with bribery and corruption, it seriously corrodes their reputational value. And one of the outcomes is simply this—a very high propensity for loss of commercial deals or businesses.

When there is adherence to ethical corporate behaviour, it reduces the incidence of corrupt behaviour. This is definitely a sign of prudent corporate governance. It can translate into very palpable benefits for the firm as it is an important risk mitigation tool. Interestingly, this was revealed in a study of Standard and Poor 500 firms that was carried out by Deutsche Bank. It showed that companies with strong and improving corporate governance actually outperformed those with poor or declining governance practices. This was by 19 per cent over a period of two years (Grandmont 2004).

The author is convinced that currently there is a growing recognition that, when there is sound corporate culture that encapsulates and encourages ethical behaviour and integrity, the effect of this would be to enhance sound corporate governance. This will naturally translate into reducing the incidence of sharp practices. Of course, it is recognized that this could fuel money laundering by the actor(s) to hide the 'gains' on account of the fact that the money was acquired through illegitimate means. But, frankly, on the flip side of the issue, the commercial world has already suffered or witnessed cases of corporate collapse and massive financial loses, a situation mainly caused as a result of weak or non-existent corporate culture as indicated above.

[F] THE PIVOTAL ROLE OF NON-EXECUTIVE DIRECTORS IN COMBATING CORRUPTION AND MONEY LAUNDERING

In any corporate set-up, all directors are jointly responsible in the eyes of the law for any shortcomings in the firm. This is the position in respect of their fiduciary duties (Companies Act 2006: section 172). Their loyalty, one can indicate, is to the company and not to the shareholders. From January 2019, directors in the UK began to include a statement in their strategic reports on how they considered their fiduciary duties as indicated in section 172. It is fair to infer that NEDs are simply the mainstay of a robust corporate setup. Competent ones have to be appointed by the company to make this happen. Of course, when there is corporate stability necessitated by the efforts of NEDs, this arguably leads to efficiency that translates into antidotes to fraud and corrupt activities in that company.

The role of NEDs is two-dimensional. Firstly, and most prominent in the last 16 years in the corporate world, is that they act as a counterweight measure to the executive directors. The importance is that this will help to ensure that no one person or group of persons has an over-bearing influence on the board. Secondly, they make serious contributions to the overall leadership and development of the company.

It is very important that, when the NEDs are appointed to help stabilize the company, and check corruption and money laundering, it is crucial that these appointments are done on merit. More so, the NED(s) must have an excellent background in compliance-related matters. This is what they will use to checkmate fraud in the company. Aside their key roles in the company, NEDs must be assigned to a key committee such as the audit committee. This will assist them in monitoring the company's financial reports to detect fraud. It is from here that their expertise would be seriously felt and, as a result, a positive trickle-down effect that minimizes corruption will be noticed. Aside the above, the importance of NEDs was echoed as far back as 1992 when the Cadbury Report was published in the UK. It emphasized the huge importance of NEDs.

The OECD has also emphasized the importance of NEDs, especially in regard to monitoring financial reporting. It has implored boards to make sure that they assign a sufficient number of non-executive board members that have the ability to exercise independent judgement in respect of tasks that may prompt conflict of interests. Typical examples include financial reporting, nomination and executive remunerations (OECD Principles 2015). It is important to note that financial reporting can be manipulated to hide the fraudulent activities that help fritter funds away from the company through the laundering process.

The UK Code also recognizes the crucial importance of NEDs in companies, more particularly in monitoring financial statements. The Code emphasizes that they must be satisfied with regard to the integrity of the financial information. Additionally, the company's financial control and systems of risk management must be robust and defensible (UK Corporate Governance Code 2014).

The position taken in this article is that the message which the UK Code sent out is simple—fraud can be hidden in companies by the presentation of false financial statements by the accountants. The money that has been fraudulently made through corruption can then be laundered to camouflage the fraud. This will then enable the perpetrators to spend the money in the legitimate economy. However, the presence of NEDs that are financially very literate in the audit committee has a solid potential to detect this. Of course, the aim in reality is to reduce corruption in corporate circles.

Interestingly, a study of UK companies has found a positive link between the presence of NEDs that happen to be executive directors in other companies and positive accounting performance of those companies. The effect is stronger if these directors are executive directors in their previous companies. Indicatively, there is a positive effect when these NEDs are made members of the audit committee. The results proved to be largely consistent with the view that NEDs that are executives in other firms will always contribute to both the monitoring and advisory functions of the corporate board (Muravyev & Ors 2014). It is also important to note in this analysis by the author that, when you include the NEDs and audit committee to check for vices, the firm should also do a 'cost-benefit analysis'. It is admitted that there could be possible cost implications to the company, but on the balance of probability the devastating negative implications in allowing corruption to fester, in the author's opinion, is worth the cost. There could be divergent opinion on this, with the counterview taken that both NEDs and the audit committee could be burdened in acting outside their supposed remits.

[G] CONCLUSION

In point of fact, corporate governance as a discipline, as evident from the last two-and-a-half decades, can be said to have contributed significantly to reductions in the incidence of corruption and money laundering. However, this was and still is dependent on whether the legal persons involved made robust efforts through their respective boards of directors to inculcate significant 'anti-corruptions mechanisms'. Typically, the organization should be seen to have in place a robust 'whistle-blowing' facility and inculcate the habit of allocating the relevant personnel to the audit committee that are generally seen to have the ability to detect when financial reports are tampered with. Indeed, the issue of corporate ethics must be given its due attention in the companies and the days of 'box-ticking' to pretend to satisfy compliance-related issues must be relegated to the background to invigorate the corporate fight against the twin-like vice. Prudent NEDs will always add very significant qualitative anti-fraud value in companies, especially when they focus on the audit committee. This will definitely check the frittering of the firm's financial resources that often occurs through corruption and money laundering. It would be helpful for both the IMF and the World Bank to review their modalities in extending facilities by including tighter corporate governance compliance in firms as a condition.

Indeed, the combination of the above corporate governance ingredients will enhance the required 'checks and balances' needed and should present a significant platform in reducing the incidence of corruption and money laundering. Perhaps the issues noticeable in the demise of Enron and BCCI and other collapsed corporate entities could have been contained if properly robust anti-corruption mechanisms had been in place. While it is wishful to think that financial crime such as corruption and money laundering will be completely contained through enhanced corporate governance mechanisms, we can at least aspire to reducing incidents to the barest possible minimum.

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