



# SHIELD DINING LIGHT ON CORRUPTION

The pressure is on for companies to put anti-bribery procedures in place. **Mike Betts**, from the City of London Police, talks about BS 10500, the standard leading the charge

## Bribery is a major issue

for businesses, putting them at risk of criminal prosecution, commercial costs and reputational damage. The Bribery Act, which came into effect in July 2010, outlines the criminal law relating to bribery and emphasises the need for prevention, which can only be achieved via a robust anti-bribery management system.

Developed by the British Standards Institute (BSI), City of London Police and 28 other organisations, BS 10500 is gaining real momentum despite being in its infancy (it was launched in December 2011).

The standard allows companies to respond to stakeholder and customer needs by creating a framework for prohibiting, preventing, detecting, reporting and dealing with bribery.

With 29 years' experience in the force and as one of the UK's leading specialists in the investigation of major fraud and corruption, Acting Detective Inspector Mike Betts – Head of Training in the Economic Crime and Fraud Training Academy at the City of London Police – is a key player in supporting the implementation of the standard.

He spoke to *QW* about the inspiration behind BS 10500, its benefits and how the police are helping organisations to develop anti-bribery strategies.

### WHAT SPARKED THIS CLAMPDOWN ON BRIBERY?

**MIKE:** Bribery used to be called the 'Cinderella of crime' because it was hidden away and hardly spoken about. Now, with events such as the phone hacking scandal and Arab Spring dominating the news, corruption is back in the spotlight with a big emphasis on two things; where it's occurring and how to prevent it.

“Bribery used to be called the ‘Cinderella of crime’ because it was hidden away and hardly spoken about”

### WHAT ARE THE RISKS ASSOCIATED WITH BRIBERY AND HOW ARE ORGANISATIONS REACTING TO IT?

You're never going to be able to completely stop bribery – it's an offence of the human condition. The economic downturn made the climate ripe for corruption and the majority of those who do it don't see it as a crime, they see it as a mechanism to gain a business advantage and better lifestyle. The payment of commissions has, in the past, been the real vehicle for bribes and organisations are investing in extensive risk management, as well as due diligence, financial controls and overarching policies, in order to prevent it.

In my experience, it's difficult to identify if bribery has taken place unless you have the right controls in place. Businesses are becoming increasingly aware of this. They're now considering everything from the best ways to seek work and the appropriateness of commissions paid to agents seeking the work on their behalf, to the controls in place around the person authorising the process and the agent who is paying the commissions.

### WHY WAS IT IMPORTANT TO CREATE THE BS 10500 ANTI-BRIBERY MANAGEMENT SYSTEM (ABMS)?

The City of London Police continues to work collaboratively with BSI and stakeholders to prevent bribery. Our mission was to help create a standard that was credible and realistic, and although businesses don't legally have to have the procedures within the ABMS in place, it's their only defence when under prosecution to demonstrate they had implemented adequate procedures to try and prevent the bribe from being paid.

Corruption is somewhat intangible and it's led to a lot of confusion in the business sector. It's evident that some managers don't appreciate the impact the Bribery Act is having and continue to stick their heads in the sand, just hoping it doesn't happen to them. The management system has been designed to help organisations do as much as reasonably possible, in line with the act, to prevent bribery from occurring, and brings the issue into the boardroom – stating that corporate governance, ethics and good business sense are the measures required.

### HOW DOES THE MANAGEMENT SYSTEM BENEFIT ORGANISATIONS?

We know bribery is a significant problem for organisations in the UK, particularly when

**Image: Mike Betts at the  
City of London Police  
headquarters, March 2014**



operating internationally. Corruption often allows fraudulent activity to prosper as the offences often go hand in hand.

Organisations applying an ABMS are demonstrating that they have taken the threat of corruption seriously and are implementing controls to prevent it. It also helps organisations better address markets, raise awareness from the factory floor to top management and enhance their internal and external reputation. Stakeholders demand sufficient anti-bribery measures because an organisation's corrupt actions can have ramifications in terms of their brand reputation, tarnishing them by association.

The standard gives vital details on the adequate procedures that organisations need to take in order to harden them against bribery, by doing all that is reasonably possible to avoid the disruption of complex, and usually quite lengthy, bribery investigations.

This extensive guidance allows those in charge to be able to prevent wrongdoing and have better systems to identify when something has been done improperly – ie to gain advantage. Although BS 10500 is quite flexible in nature depending on the bribery risks it faces, it does include a number of significant steps to help organisations implement an ABMS (see 'Powerful Principles', bottom right).



## WHAT INDUSTRIES ARE AT GREATER RISK IN TERMS OF BRIBERY?

Transparency International (TI), a global coalition against corruption, has undertaken a lot of research into which industries are perceived to attract the highest levels of corruption. The construction sector came in quite high and this is due to a number of reasons. Firstly, the complexity of construction contracts can often involve many subcontractors and specifications, and are usually highly expensive. The regime of inspection and measurement by quantity surveyors makes them vulnerable to the offer of bribes. Secondly, it comes down to location. For example, if you're operating in a high risk

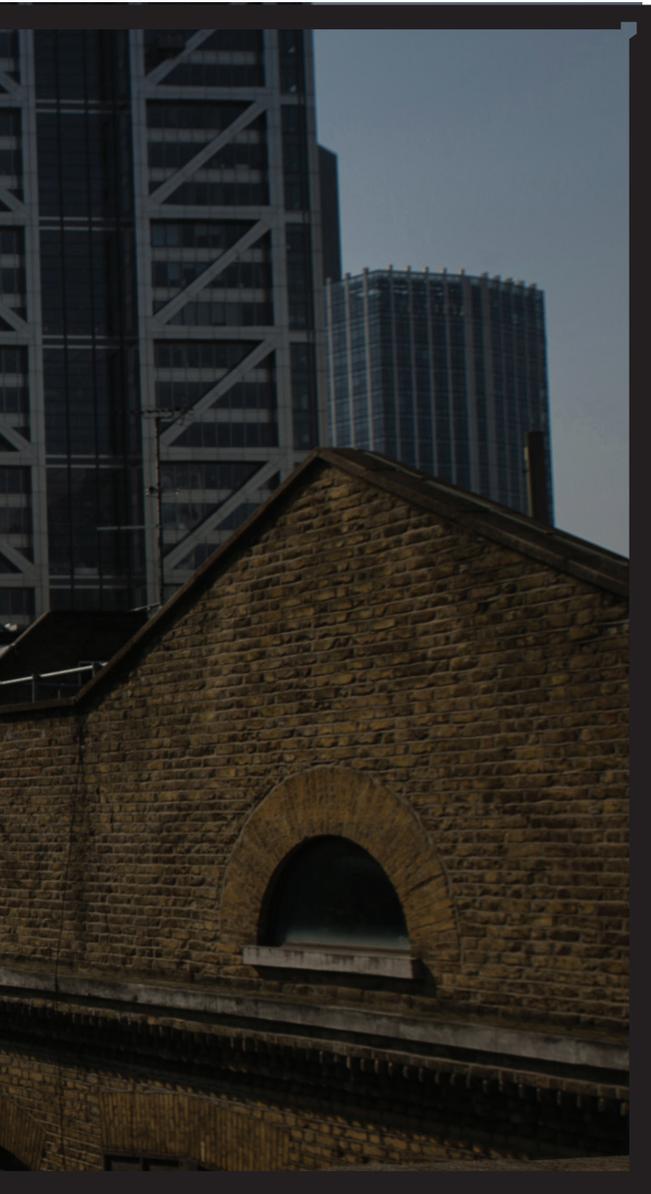
“The standard brings the issue into the boardroom, stating that corporate governance, ethics and good business sense are the measures required”

industry in a country with high levels of corruption, such as Afghanistan, then the combination is volatile enough that corrupt activity can be borne out of it.

## DO YOU THINK BS 10500 IMPROVES ALL AREAS OF THE BUSINESS, INCLUDING STAKEHOLDER CONFIDENCE AND REPUTATION?

What's important to remember is that the Bribery Act is good for UK organisations as it promotes ethical and fair business. It goes with businesses where ever they go in the world – it has extra territorial reach. So regardless of the culture of the country they're doing business in, organisations have to be aware of the act and put procedures in place to act accordingly. The cost of implementing a preventive management system is minimal compared to the reputational and financial harm caused by organisations and those associated with them falling foul of the law.

In order to implement the management system, organisations have to examine risks across the entire business, looking at risks everywhere from the financial and procurement sectors to sales and marketing. The risk assessment carried out will



## POWERFUL PRINCIPLES



“The Bribery Act is accompanied by extremely good guidance but organisations need more meat on the bones to ensure their procedures comply,” says Suzanne Fribbins, BSI's Risk Management Specialist (pictured left). “This is where BS 10500 comes to the fore. The standard takes a risk-based approach and requires reasonable and proportionate measures to prevent bribery.”

- An organisation's board of directors must take the leadership and adopt a zero tolerance approach to bribery.
- Responsibility for compliance has to be assigned.
- Staff must be trained so they understand what bribery is, what to do when faced with it, who to report to and how to avoid it.
- Implementation of the ABMS has to embed policies, procedures and controls required to prevent bribery.
- Organisations must conduct an appropriate level of due diligence on third-parties, including business partners and supply chain.
- If a failure in the ABMS occurs with a case of bribery taking place, the system needs to ensure the company acts to investigate and deal with the incident, and puts in place measures to ensure it does not occur again.

differ depending on each organisation but it's a necessary act to ensure everyone understands the dynamics of corruption. This not only prevents reputational damage but effectively increases stakeholder confidence.

BS 10500 also helps organisations mitigate these risks in order to improve sustainability and contribute to quality assurance. By putting various reporting channels in place, people who suspect bribery can report it without fear, and by creating effective hospitality policies, management can make sure the correct controls are in place in every area of the business. To be externally verified by a third-party auditor not only confirms that an organisation has met the standard's requirements but is a powerful demonstration of its commitment to battling bribery. The hard part is making sure that these things are living and breathing beyond the date of inspection and that can only happen if organisations make sure risk assessments are up-to-date.

#### **HOW CAN BUSINESSES LEARN TO IDENTIFY BRIBERY?**

The City of London Police has been delivering a series of training programmes with BSI about anti-bribery management and bribery investigations, to give businesses peace of mind about their

“The cost of implementing a preventive management system is minimal compared to the reputational and financial harm caused by organisations falling foul of the law”

anti-bribery strategies. The programme assists organisations in understanding what a bribe looks and feels like.

People need to be aware of corruption in every form, from inducements to influence bought, and that bribes can be anything from products that fail as a result of corrupt activity in the supply chain to people leading a lifestyle that is out of kilter with their income. These workshops show managers how to keep an eye on all parts of the business, from corporate entertainment and hospitality to what's happening in the supply chain.

#### **ARE MANY COMPANIES IN THE UK STILL FALLING FOUL OF THE BRIBERY ACT BY NOT HAVING ADEQUATE PROCEDURES IN PLACE?**

The UK is faring pretty well but on the TI Perception Index, which is a league table published each year to compare the perception of corruption around the world, we're failing to significantly improve our position.

People are hearing and seeing corruption more than ever before and one of the reasons is because our media are highly effective in getting the news out to the masses instantly.

The UK suffers from both styles of corruption. The first is grand corruption – which deals with procurement, contracts and large payments made to secure significant business. The second is petty corruption – routine bribery, normally of public officials who are usually low-ranking.

These creeping, corrosive levels of corruption need to be dealt with and the Bribery Act and ABMS are, in my view, the only effective mechanisms to help companies deal with the threat. Although both are relatively new, there are currently a number of cases under investigation that relate to corporate liability and adequate procedures. As more cases are prosecuted in the near future, we could see the real teeth of the act.

#### **WHAT DOES THE FUTURE HOLD FOR BS 10500, AND HOW MIGHT IT CHANGE?**

It's already evolving because the mechanisms for paying bribes are constantly changing. As people become more aware of the legislation, they're going to try to find new ways of concealing their criminality. It's absolutely crucial that the management system and legislation framework continue to evolve together. ■

## THE LAW OF THE CYCLE



**John Burbidge King (pictured left), CEO of Interchange Solutions, explains the importance of the Plan, Do, Check, Act (PDCA) approach in BS 10500**

“Based on a defined project plan and supported by the board, BS 10500 sets out a risk-based methodology for the

implementation of anti-bribery policies and procedures consistent with guidance to the Bribery Act. It provides substantive evidence of adequate procedures which are the key defence an organisation has against an allegation of failing to prevent bribery, and takes it further by putting procedures in place for reporting and investigating incidents, as well as a monitoring cycle to prevent further mishaps. The PDCA approach underpins best practice and adds value by cultivating a continual improvement and review process, which sits well with any organisation familiar with standards such as ISO 9001 or ISO 27001. Also, given the external certification and substance of the standard, it's possible it will become a differentiator in the pre-qualification of companies in supply chains or for providers to procuring agencies, by showing ethical and other relevant”.