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ANNEX 28

**ANNEX**

**UNITED KINGDOM**

*to the*

**EU Anti-Corruption Report**

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# UNITED KINGDOM

## 1. INTRODUCTION – MAIN FEATURES AND CONTEXT

### *Anti-corruption framework*

**Strategic approach.** Government efforts to control corruption have not produced a centralised strategy. However, the United Kingdom has had laws against corruption since the 19<sup>th</sup> century. Anti-corruption plans in the public sector tend to be statements of intent, rather than comprehensive programmes. The Civil Service Management Code contains advice for reducing corruption risks.<sup>1</sup> In February 2013, the government outlined its policy on making public services simpler, clearer and faster for users, in an effort aiming mainly at efficiency but also at transparency and accountability in the delivery of public services.<sup>2</sup>

**Legal framework.** The Bribery Act 2010 is considered stringent as it exceeded the requirements of the OECD Anti-Bribery Convention.<sup>3</sup> There is no statute of limitations in UK criminal law, and no general immunity from criminal prosecution for Members of Parliament, judges or prosecutors. Corruption provisions in the Bribery Act 2010, Fraud Act 2006, and offences such as perverting the course of justice and misconduct in public office have different requirements for conviction and sanctions.<sup>4</sup> This legislative framework allows for nuanced targeting of prosecutions and thorough consideration of the appropriate penalty for different types of corruption. However, it also makes it difficult to gauge whether a given action is prohibited and what the potential consequences are. For example, misconduct in public office, often invoked to prosecute corruption, has a broad legal interpretation without substantive guidance for public servants on behaviour deemed corrupt or acceptable.<sup>5</sup> The legislative framework also complicates the collection of data on corruption, such as the number of convictions, and contributes to a lack of information on corruption risks within the UK.<sup>6</sup>

**Institutional framework.** There is effective cooperation among the Committee on Standards in Public Life, the Parliamentary Commissioner for Standards, the Adviser on Ministerial Interests, and the Advisory Committee on Business Appointments.<sup>7</sup> The Cabinet Office houses the International Anti-corruption Champion who coordinates activities across government. A wide, and potentially confusing, variety of channels exist for citizens to report suspected corruption, including a secure online platform at the Serious Fraud Office,<sup>8</sup> a police central point of contact on fraud,<sup>9</sup> sector-specific reporting mechanisms (such as healthcare<sup>10</sup> and tax and customs<sup>11</sup>), as well

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1 <http://www.civilservice.gov.uk/about/resources/civil-service-management-code>.

2 <https://www.gov.uk/government/policies/transforming-government-services-to-make-them-more-efficient-and-effective-for-users>

3 <http://www.oecd.org/daf/anti-bribery/anti-briberyconvention/41515077.pdf>

4 Fraud Act at <http://www.legislation.gov.uk/ukpga/2006/35/contents>; Bribery Act at <http://www.legislation.gov.uk/ukpga/2010/23/contents>.

5 The offence is committed when a public officer acting as such wilfully neglects to perform his duty and/or wilfully misconducts himself to such a degree as to amount to an abuse of the public's trust in the office holder, without reasonable excuse or justification. 'The failure to meet standards must occur without justification or excuse, a further requirement, though not one which has been the subject of detailed submissions' Attorney General's Reference No. 3 of 2003 [2004] EWCA Crim 868, §60.

6 The creation of the National Criminal Agency in October 2013 could improve the collection and availability of data.

7 See <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmpublicadm/c1762-i/c176201.htm>, Q79.

8 <http://www.sfo.gov.uk/bribery--corruption/where-should-i-report-corruption.aspx>

9 The information is then passed on to the National Fraud Intelligence Bureau <http://www.actionfraud.police.uk/home>

10 <http://www.reportnhsfraud.nhs.uk>

11 <http://www.hmrc.gov.uk/reportingfraud/>

as mechanisms at local level.<sup>12</sup> There has not yet been a systematic effort by the government to streamline corruption reporting channels and raise public awareness of their existence.

### *Opinion polling*

**Perception surveys.** In the 2013 Special Eurobarometer, 64 % of respondents think that corruption is widespread in the UK (EU average 76 %), and 16 % feel personally affected by it in their daily lives (EU average 26 %). In addition, 63 % think that high-level corruption cases are not sufficiently pursued (EU average 73 %).<sup>13</sup>

**Experience of corruption.** The UK has the EU's lowest proportion of respondents who say they have been asked or expected to pay a bribe over the previous 12 months (0 %), or that they know someone who has taken bribes (7 %).

**Business surveys.** In the 2013 Eurobarometer business survey, 15 % of respondents consider corruption to be a problem for their company when doing business in the UK (EU average 43 %) and 46 % think corruption is widespread (EU average 75 %).<sup>14</sup>

### *Background issues*

**Law enforcement and judiciary.** In 2013, UK law enforcement mechanisms were deemed adequate and in some ways exemplary for the purposes of the United Nations Convention against Corruption (UNCAC).<sup>15</sup> The Attorney General is the minister overseeing the Crown Prosecution Service and the Serious Fraud Office (SFO). The SFO is the lead agency for investigating and prosecuting cases of overseas corruption. Other national, regional and local authorities (including the Metropolitan Police, the City of London Police and others) have competence to deal with corruption-related offences, depending on the context or location. The wide variety of institutions dealing with corruption, with overlapping competences, calls for close coordination. The Serious Organised Crime Agency was replaced by a new National Crime Agency (NCA) in October 2013 as part of wider efforts to improve coordination in the fight against crime.<sup>16</sup> The NCA has a unit dealing with economic crimes (including fraud, bribery and corruption), which is to play a strategic and coordinating role. According to the Council of Europe's Group of States against Corruption (GRECO), the judiciary has an untarnished reputation of independence, impartiality and integrity, with no evidence of inappropriate influence on judges. GRECO also commended efforts to safeguard the integrity and impartiality of prosecutors.<sup>17</sup> Following the 2006 decision of the SFO director to cancel an investigation into allegations of corruption between BAE Systems and officials in Saudi Arabia, however, the OECD recommended that the UK strengthen the independence of the SFO Director by clarifying that the Attorney General may not give directions in individual foreign bribery cases.<sup>18</sup>

**Conflict of interests and asset disclosure.** The UNCAC review recommended that the UK consider expanding the current system of declarations of interest by public officials and parliamentarians to a system of asset declarations, to help detect and prove the existence of corrupt

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12 See, for example, [http://www.reigate-banstead.gov.uk/council\\_and\\_democracy/about\\_the\\_council/fraud\\_and\\_corruption/](http://www.reigate-banstead.gov.uk/council_and_democracy/about_the_council/fraud_and_corruption/)

13 2013 Special Eurobarometer 397.

14 2013 Flash Eurobarometer 374.

15 [http://www.unodc.org/documents/treaties/UNCAC/CountryVisitFinalReports/UK\\_Final\\_country\\_review\\_report\\_18.3.2013.pdf](http://www.unodc.org/documents/treaties/UNCAC/CountryVisitFinalReports/UK_Final_country_review_report_18.3.2013.pdf).

16 [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/97823/organised-crime-strategy.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/97823/organised-crime-strategy.pdf).

17 [http://www.coe.int/t/dghl/monitoring/greco/evaluations/round4/GrecoEval4%282012%292\\_UnitedKingdom\\_EN.pdf](http://www.coe.int/t/dghl/monitoring/greco/evaluations/round4/GrecoEval4%282012%292_UnitedKingdom_EN.pdf).

18 <http://www.oecd.org/daf/anti-bribery/anti-briberyconvention/41515077.pdf>.

payments.<sup>19</sup> Public service values are set out in the Civil Service Code and the Seven Principles of Public Life drawn up by the Committee on Standards in Public Life.<sup>20</sup>

**Public procurement.** In the 2013 Eurobarometer business survey, 18 % of companies that competed for public contracts in the last three years say that corruption prevented them from winning (EU average 32 %). A 2011 report by the National Fraud Authority on public procurement fraud highlighted the complex nature of the issue, and outlined case studies of supplier cartels, price fixing and false invoicing.<sup>21</sup> The report recommended a greater focus on prevention, centralisation and transparency, as well as a holistic risk management approach, training for public procurement officials, data analytics to detect anomalous behaviour, and the creation of a cross-government procurement fraud reporting service.

**Whistleblowing.** Whistleblowers are protected by the Public Interest Disclosure Act (1998) which covers both public and private sector employees. The Act sets out a ‘stepped’ approach and provides for three levels of disclosure, requiring under each step a higher threshold of conditions to be satisfied for the whistleblower to be protected.<sup>22</sup> The Public Interest Disclosure Act makes void any term in an agreement between a worker and his employer insofar as it purports to preclude the worker from making a disclosure in line with the Act. It also provides that a disclosure is not protected if the person making it commits a criminal offence by doing so. The exceptions are limited to the definition of official secrets now current in the UK which covers only disclosures that damage the national interest and relate to national security, international relations, or which would assist crime. Any whistleblower who makes a protected disclosure and suffers retaliation may claim compensation before an employment tribunal. The Public Interest Disclosure Act compensates for dismissal or any other detriment or retaliation including moral injury. Those who are dismissed can seek interim relief within seven days to continue in employment. Those found to have been unfairly dismissed for whistleblowing are compensated for their full financial losses (uncapped). The operation of the Public Interest Disclosure Act has been subject to an independent review, published at the end of November 2013, which recommends a number of further improvements.<sup>23</sup> The UNCAC review suggested raising public awareness about protection and mechanisms for reporting.<sup>24</sup>

**Transparency of lobbying.** A voluntary register of lobbyists is published by the UK Public Affairs Council.<sup>25</sup> In 2013, the government proposed a statutory register of lobbyists.<sup>26</sup> Under the Ministerial Code, former ministers are prohibited from lobbying government for two years after leaving office. They are also required to seek and abide by advice from the Independent Advisory Committee on Business Appointments (ACOBA) about any appointments within two years of leaving office. Senior civil servants must also seek ACOBA advice for outside appointments and lobbying tasks within two years of leaving office. GRECO has recommended a review of the

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19 [www.unodc.org/documents/treaties/UNCAC/CountryVisitFinalReports/UK\\_Final\\_country\\_review\\_report\\_18.3.2013.pdf](http://www.unodc.org/documents/treaties/UNCAC/CountryVisitFinalReports/UK_Final_country_review_report_18.3.2013.pdf)

20 See *Civil Service Code* (<http://resources.civilservice.gov.uk/wp-content/uploads/2011/09/civil-service-code-2010.pdf>), and *Seven Principles of Public Life* ([http://www.public-standards.gov.uk/About/The\\_7\\_Principles.html](http://www.public-standards.gov.uk/About/The_7_Principles.html)).

21 NFA (2011) Procurement Fraud in the Public Sector <http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/procurement-fraud-public-sector?view=Binary>

22 [www.opsi.gov.uk/acts/acts1998/ukpga\\_19980023\\_en\\_1](http://www.opsi.gov.uk/acts/acts1998/ukpga_19980023_en_1).

23 Public Concern at Work, Report on the effectiveness of existing arrangements for workplace whistleblowing in the UK: <http://www.pcaaw.org.uk/whistleblowing-commission-public-consultation>.

24 [www.unodc.org/documents/treaties/UNCAC/CountryVisitFinalReports/UK\\_Final\\_country\\_review\\_report\\_18.3.2013.pdf](http://www.unodc.org/documents/treaties/UNCAC/CountryVisitFinalReports/UK_Final_country_review_report_18.3.2013.pdf)

25 The Bond Anti-Corruption Group report on the UK’s compliance with UNCAC, prepared in parallel to the UK government’s self-assessment, recommended that: ‘Stronger regulations be enforced on private consultancies and lobbying of government and parliament. Legislation to require mandatory registration of lobbyists should be given a higher priority in parliament’s legislative programme’.

26 The Political and Constitutional Reform Committee raised concerns about the government’s response to their report into the introduction of a statutory register of lobbyists. UK Parliament, Introducing a statutory register of lobbyists: Government Response to the Committee’s Second Report of Session 2012-13 - Public Administration Committee, <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmpolcon/593/59303.htm> §9-10. <http://services.parliament.uk/bills/2013-14/transparencyoflobbyingnonpartycampaigningandtradeunionadministration.html>

codes of conduct applicable to MPs and Lords to improve guidance on managing contacts with lobbyists.<sup>27</sup>

## 2. ISSUES IN FOCUS

### *Foreign bribery*

The UK's record in prosecuting foreign bribery has evolved positively over time. The authorities published guidelines to help businesses adapt to the Bribery Act 2010. The Act largely addressed concerns raised by the OECD in 2008, in the absence of prosecutions for foreign bribery a decade after the UK ratified the OECD Convention.<sup>28</sup> In 2011, 23 foreign bribery cases were brought to the courts. The OECD commended the UK for efforts to raise awareness of the Bribery Act and the foreign bribery offence.<sup>29</sup>

The Act's provisions on extra-territorial jurisdiction entitle the SFO to prosecute any company, or person associated with it, with a UK presence, even if the company is based overseas. The accompanying guidance to businesses includes practical advice on compliance, including case studies.<sup>30</sup> In line with a previous OECD recommendation, the guidance clarifies that facilitation payments are considered illegal bribes and provides criteria to distinguish hospitality from disguised forms of bribery.<sup>31</sup> Commercial organisations are exempted from criminal liability if they can show they had adequate procedures in place to prevent bribery on the basis of six guiding principles: proportionality, top-level commitment, risk assessment, due diligence, communication, and monitoring and review.

#### ***Good practice: requiring companies to prevent bribery***

*The Bribery Act 2010 puts the UK among the countries with the strongest anti-bribery rules in the world. It introduces strict liability for a business that fails to prevent associated persons from bribing on its behalf in order to obtain or retain business or a related advantage. Commercial organisations thus commit the offence of failing to prevent bribery if employees or other associated persons commit offences of bribery. If the commercial organisation had adequate procedures in place, it can use this in its defence. In setting such strong incentives for companies to prevent bribery, the Act is considered to be an effective deterrent and has led companies to adopt comprehensive preventive procedures. UNCAC evaluators consider the measure a good practice that could be applied in other countries as well.*<sup>32</sup>

*In addition, the Bribery Act 2010 encourages whistleblowing. In the Government guidance accompanying the Bribery Act 2010 whistleblowing policies are recommended as part of the adequate procedures to prevent bribery.*<sup>33</sup>

Furthermore, the Crime and Courts Act 2013 introduced a new tool, the Deferred Prosecution Agreement.<sup>34</sup> Under this voluntary agreement between a company and a prosecutor, the company

27 See footnote 3, p. 18 para 53 of the Report.

28 OECD Working Group on Bribery, 16 October 2008, Phase 2bis Report on the application of the convention on combating bribery of public officials in international business transactions and the 197 recommendation on combating bribery in international business transactions.

29 <http://www.oecd.org/daf/anti-bribery/UnitedKingdomphase3reportEN.pdf>.

30 <https://www.justice.gov.uk/downloads/legislation/bribery-act-2010-guidance.pdf>.

31 The OECD Phase 3 Report of March 2012 recommended that the UK clarify, in relation to hospitality and promotional expenditures, the significance of 'reasonable and proportionate', including the reference to industry norms.

32 [www.unodc.org/documents/treaties/UNCAC/CountryVisitFinalReports/UK\\_Final\\_country\\_review\\_report\\_18.3.2013.pdf](http://www.unodc.org/documents/treaties/UNCAC/CountryVisitFinalReports/UK_Final_country_review_report_18.3.2013.pdf)

33 Guidance about commercial organisations preventing bribery: <https://www.justice.gov.uk/downloads/legislation/bribery-act-2010-guidance.pdf>.

34 <http://www.legislation.gov.uk/ukpga/2013/22/contents/enacted>.

is charged with a criminal offence but proceedings are suspended. The company agrees to conditions which may include payment of a financial penalty, payment of compensation, and cooperation with future prosecutions of individuals. If the conditions are not met, the prosecution may resume. This tool is expected to become available to prosecutors from February 2014.<sup>35</sup>

In certain circumstances, the SFO has discretion to consider civil recovery orders and settlements.<sup>36</sup> Self-reporting, if part of a genuinely proactive approach by corporate management, is taken into consideration but is no guarantee that prosecution will not follow.<sup>37</sup> The OECD report on the UK's implementation of the Convention criticised the use of civil recovery orders as they require less judicial oversight and are less transparent than criminal plea agreements.<sup>38</sup> It also pointed to the lack of publicly available information on settlements, including confidentiality provisions in some, that makes it hard to assess whether the sanctions imposed are effective, proportionate and dissuasive, as required by the Convention. The UNCAC review also suggested that the SFO consider providing more detail on civil settlements, for example concerning guidance on what factors are taken into account in determining the recoverable amount.<sup>39</sup>

The OECD recommended that, whenever the UK authorities conclude a foreign bribery enforcement action with a criminal plea agreement, they make public as much information as possible to demonstrate that the sanctions imposed are effective, proportionate and dissuasive. In 2012, the SFO's Director pledged to address OECD concerns regarding the transparency of civil settlements; the SFO's new policy when using its powers under proceeds of crime legislation is to publish its reasons, the details of the illegal conduct and the details of the disposal.<sup>40</sup> The UNCAC review also recommended that the UK consider measures to ensure transparency and predictability in out-of-court settlements involving the SFO.<sup>41</sup>

According to the OECD, the designation of the SFO as the lead agency for foreign bribery cases has improved enforcement.<sup>42</sup> However, the OECD also expressed concern about the SFO's resources and staff turnover.<sup>43</sup> The SFO's budget is forecast to be GBP 31.3 million in 2014-15, which represents a decrease of over 40 % from 2008-09. UNCAC reviewers also advised against cuts in SFO resources and staff.<sup>44</sup>

The prosecution of foreign bribery poses particular challenges in the arms trade. In 2006, the SFO dropped an investigation into defence contracts with Saudi Arabia, citing reasons related to 'national and international security'.<sup>45</sup> In 2008, a court ruled that the SFO had acted unlawfully in dropping the investigation,<sup>46</sup> a decision later reversed by the House of Lords upon appeal.<sup>47</sup> The OECD raised serious concerns about the dropping of the investigation.<sup>48</sup> More recently, the SFO

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35 <http://www.sfo.gov.uk/press-room/latest-press-releases/press-releases-2013/deferred-prosecution-agreements-consultation-on-draft-code-of-practice.aspx>.

36 According to the *Asset recovery powers for prosecutors: guidance and background note 2009*, 'Civil recovery is a form of non-conviction-based asset forfeiture which allows for the recovery in civil proceedings before the High Court of property which is, or represents, property obtained through unlawful conduct. Importantly, the proceedings are against the property itself (in rem) rather than against an individual (in person)' <https://www.gov.uk/asset-recovery-powers-for-prosecutors-guidance-and-background-note-2009>.

37 <http://www.sfo.gov.uk/bribery--corruption/corporate-self-reporting.aspx>.

38 <http://www.oecd.org/investment/briberyininternationalbusiness/anti-briberyconvention/50026751.pdf>.

39 [www.unodc.org/documents/treaties/UNCAC/CountryVisitFinalReports/UK\\_Final\\_country\\_review\\_report\\_18.3.2013.pdf](http://www.unodc.org/documents/treaties/UNCAC/CountryVisitFinalReports/UK_Final_country_review_report_18.3.2013.pdf).

40 <http://www.sfo.gov.uk/about-us/our-views/director%27s-speeches/speeches-2012/6th-annual-european-forum-on-anti-corruption-on-26-june-2012.aspx> <http://www.sfo.gov.uk/bribery--corruption/corporate-self-reporting.aspx>

41 [www.unodc.org/documents/treaties/UNCAC/CountryVisitFinalReports/UK\\_Final\\_country\\_review\\_report\\_18.3.2013.pdf](http://www.unodc.org/documents/treaties/UNCAC/CountryVisitFinalReports/UK_Final_country_review_report_18.3.2013.pdf).

42 The Serious Fraud Office is one of several bodies involved in foreign bribery prosecutions.

43 <http://www.oecd.org/daf/anti-bribery/UnitedKingdomphase3reportEN.pdf>.

44 [www.unodc.org/documents/treaties/UNCAC/CountryVisitFinalReports/UK\\_Final\\_country\\_review\\_report\\_18.3.2013.pdf](http://www.unodc.org/documents/treaties/UNCAC/CountryVisitFinalReports/UK_Final_country_review_report_18.3.2013.pdf).

45 <http://www.sfo.gov.uk/press-room/press-release-archive/press-releases-2006/bae-systems-plcsaudi-arabia.aspx>

46 [2008] EWHC 714 (Admin).

47 UKHL 60, 30 July 2008, <http://www.publications.parliament.uk/pa/ld200708/ldjudgmt/jd080730/corner.pdf>.

48 <http://www.oecd.org/daf/anti-bribery/anti-briberyconvention/41515077.pdf>.

started investigating payments to two companies based in the Cayman Islands, as part of a deal for communication and surveillance equipment for the Saudi National Guard.

The above cases highlight the vulnerability of the UK defence industry to foreign bribery. National security considerations may obstruct oversight and accountability for large contracts handled by small groups of brokers, dealers and officials. Balance can be achieved between ensuring secrecy for the purposes of national security and appropriate safeguards to prevent the abuse of such secrecy. To this end, stricter limits may be necessary on the transfer of senior personnel between the public and private sectors, which is widespread in the defence industry for reasons of security clearance.

Foreign bribery cases are by no means limited to the defence sector. In 2011, a UK publisher was fined over possible bribes to win contracts for education materials in Rwanda, Uganda and Zambia.<sup>49</sup> In 2010, a London-based insurance broker was sentenced to imprisonment and a fine in a plea bargain, after admitting corrupt payments to Costa Rican officials.<sup>50</sup> The Financial Services Authority (FSA) fined other insurance brokers for failings in their anti-bribery and corruption systems and controls.<sup>51</sup> To help prevent such cases, in 2013 the Financial Conduct Authority published a financial crime guide setting out regulatory expectations for firms and including a chapter on corruption with examples of good and poor practice.<sup>52</sup>

### ***Financing of political parties and integrity of elected officials***

There is a substantial degree of control of financing of political parties in the UK. The Political Parties Elections and Referendums Act 2000 (PPERA) governs the registration and finances of political parties.<sup>53</sup> The Electoral Administration Act 2006 (EAA) extended the controls to loans and other credit facilities while the Political Parties and Elections Act 2009 (PPE Act) made further changes and increased the threshold for permissible and reportable donations.<sup>54</sup> GRECO considers the UK system ‘generally of a high standard’.<sup>55</sup> However a number of issues raised concern. GRECO referred in 2007 to three separate independent reports within the UK which ‘show a remarkable coherence in how the present system of political financing needs to be further developed.’<sup>56</sup> Limits on donations and spending feature prominently in these discussions.

In 2012, GRECO noted that the UK had complied with recommendations for a common format for party accounts and returns, to ensure coherence and comparability. The UK also strengthened the functions of the Electoral Commission (the regulator of political party finances) and introduced more flexible sanctions for less serious violations of the political financing rules.<sup>57</sup> The Commission is no longer restricted to either referring a case for criminal prosecution or taking no action at all. The Electoral Commission published a guidance document on its use of new powers and sanctions.<sup>58</sup>

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49 <http://cymraeg.sfo.gov.uk/press-room/press-release-archive/press-releases-2011/action-on-macmillan-publishers-limited.aspx>.

50 <http://www.sfo.gov.uk/press-room/press-release-archive/press-releases-2010/insurance-broker-jailed-for-bribing-costa-rican-officials.aspx>.

51 [http://www.fsa.gov.uk/pubs/final/willis\\_ltd.pdf](http://www.fsa.gov.uk/pubs/final/willis_ltd.pdf) <http://www.fsa.gov.uk/pubs/final/aon.pdf>.

52 Financial Conduct Authority, Financial crime: A guide for firms, April 2013 <http://fshandbook.info/FS/html/handbook/FC/link/PDF>.

53 <http://www.legislation.gov.uk/ukpga/2000/41/contents>.

54 <http://www.legislation.gov.uk/ukpga/2006/22/contents> <http://www.legislation.gov.uk/ukpga/2009/12/contents>.

55 [http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoEval3%282007%293\\_UnitedKingdom\\_Two\\_EN.pdf](http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoEval3%282007%293_UnitedKingdom_Two_EN.pdf)

56 Report of the Constitutional Affairs Committee (December 2006), the Report of the Committee of Standards in Public Life (CSPL January 2007) and the Hayden Philips report (March 2007).

57 Apart from fines of between £200 and £20 000, it can impose compliance and restoration notices, stop notices (to stop a particular action), enforcement undertakings (whereby a party may report an offence voluntarily) and propose remedial actions.

58 [http://www.electoralcommission.org.uk/\\_data/assets/pdf\\_file/0003/106743/Enforcement-Policy-30March11.pdf](http://www.electoralcommission.org.uk/_data/assets/pdf_file/0003/106743/Enforcement-Policy-30March11.pdf).

However, the UK had not yet complied with a recommendation to subject election candidates and third parties to transparency standards in respect of loans, comparable to those standards which apply to political parties. GRECO was also not satisfied that the UK had fully addressed allegations of a general reluctance on the part of the police to initiate investigations into political financing.<sup>59</sup>

The UK Committee on Standards in Public Life, in its 2011 report on the issue, insisted that political parties should obtain their funding in ways that do not raise suspicion that donors might receive favours or improper influence in return.<sup>60</sup> The Committee raised concerns about the reliance of some UK parties on funding from a relatively small number of individuals, trade unions or other organisations. The Committee made recommendations to restrict the amount an individual donor can give to one party, limit party expenditure, and increase public funding since it is a source which does not carry in its view a risk of improper influence. It proposed a limit on donations of GBP 10 000 and a cut of 15 % in allowed election campaign spending.

The UK addresses conflict of interest issues by imposing extensive disclosure obligations (for instance of financial interests) that are open to public scrutiny, rather than by placing restrictions on the activities that MPs can carry out outside their parliamentary duties.<sup>61</sup> However, according to GRECO the thresholds for the reporting of financial holdings are rather high at GBP 60 000. The same approach of favouring transparency over restrictions applies to gifts but while the reporting threshold is also rather high at 1 % of the current parliamentary salary (in 2012, 1 % amounted to about EUR 850), no guidance exists for MPs on what gifts are acceptable and at which point they could become a form of bribery.<sup>62</sup>

### ***Police-media relations***

The Leveson Inquiry set up in 2011 in response to allegations of phone hacking concluded that the presence of inappropriate links between the media and the police ‘was far more than a covert, secret activity, known to nobody save one or two practitioners’ but at the same time found no evidence to suggest that ‘corruption by the press in the police is a widespread problem.’ Recommendations by the Leveson Inquiry include clearer guidance to police officers, both junior and senior, on acceptable behaviour (including contacts with the press), and a 12 month ‘cooling off’ period, during which former senior police officers would not be allowed to work for the press.<sup>63</sup> Operation Elveden overseen by the Independent Police Complaints Commission to investigate inappropriate payments to the police or public officials by journalists, has thus far resulted in over 70 arrests of media employees and police officers suspected of making or receiving corrupt payments. In February 2013, the Home Secretary announced police integrity measures in response to recommendations by the Leveson Inquiry.<sup>64</sup>

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59 [http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoRC3%282012%297\\_Second\\_UnitedKingdom\\_EN.pdf](http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoRC3%282012%297_Second_UnitedKingdom_EN.pdf).

60 Political Party Finance, Ending the big donor culture, see: [http://www.public-standards.org.uk/Library/13th\\_Report\\_\\_Political\\_party\\_finance\\_FINAL\\_PDF\\_VERSION\\_18\\_11\\_11.pdf](http://www.public-standards.org.uk/Library/13th_Report__Political_party_finance_FINAL_PDF_VERSION_18_11_11.pdf).

61 MPs and Members of the Lords must declare any financial or non-financial benefit received which might reasonably be thought by others to influence their actions, speeches or votes in Parliament or influence their actions taken in their capacity as a Member. Register of Members’ Financial Interests: <http://www.publications.parliament.uk/pa/cm/cmregmem/contents1314.htm> Register of Lords’ Interests: <http://www.parliament.uk/mps-lords-and-offices/standards-and-interests/register-of-lords-interests/> In addition, the Independent Parliamentary Standards Authority regularly publishes online individual expense claims submitted by every MP, as well as annual totals. (Claims relating to security and disability assistance are published only in aggregate form). <http://www.parliamentary-standards.org.uk/>.

62 [http://www.coe.int/t/dghl/monitoring/greco/evaluations/round4/GrecoEval4%282012%292\\_UnitedKingdom\\_EN.pdf](http://www.coe.int/t/dghl/monitoring/greco/evaluations/round4/GrecoEval4%282012%292_UnitedKingdom_EN.pdf).

63 Paragraphs 85-101 of the Executive Summary, An Inquiry into the Culture, Practices and Ethics of the Press, November 2012, <http://www.official-documents.gov.uk/document/hc1213/hc07/0779/0779.pdf>.

64 Home Secretary Theresa May speaks about police integrity on 12 February 2013, <https://www.gov.uk/government/speeches/speech-by-the-home-secretary-on-police-integrity>.



### *Corruption within financial institutions*

Recent controversy involving the financial sector, notably major banks accused of fixing interest rates has raised concern about the extent of regulation and enforcement of existing rules. In 2012, the FSA reported that investment banks had taken inadequate measures against bribery and corruption, and senior managers were not sufficiently knowledgeable about relevant laws.<sup>65</sup> The report highlighted further weaknesses relating to a lack of vigilance against potential corrupt practices.<sup>66</sup> In 2010, the Authority had come to similar conclusions regarding commercial insurance broking: it found weak governance of anti-corruption efforts and a poor understanding of corruption risk among senior managers.<sup>67</sup> A former Nigerian state governor was sentenced to 13 years in prison for funnelling Nigerian public funds through UK banks. None of the banks in question has yet been held to account for their role in allowing the transfers; the financial regulator must wait for criminal proceedings to be completed.

Corruption-related controversies in the finance sector have resulted in fines, including the Libor rigging case which dates back to 2005.<sup>68</sup> Two UK banks played central roles in the controversy regarding the Libor interest rate benchmark, which underpinned trillions of pounds worth of loans, mortgages and financial contracts in Europe and the US. Both banks were fined.<sup>69</sup> A March 2013 report by the FSA into Libor rigging concluded that the Authority had been too narrowly focused in its handling of related information.<sup>70</sup>

In June 2013, the Government announced its intention to introduce a central registry of beneficial owners of companies (information on who owns and controls a company). This information is to be held by Companies House, a governmental agency responsible for maintaining the existing companies register. The information about the beneficial owners will be accessible to the public. This measure, in the opinion of the government, would help to overcome the current lack of clarity about who really owns, controls and benefits from companies and consequently make it harder to launder money, evade and avoid tax, finance terrorism, bribe officials, hide stolen assets and evade financial sanctions. In 2011, a third of banks sampled by the FSA did not take adequate measures to understand and verify their customers' ownership and control structure, and address money laundering risks in cases of 'politically exposed' clients.<sup>71</sup>

### **3. FUTURE STEPS**

Petty corruption does not appear to pose a challenge within the United Kingdom. Moreover, the UK has made strides in encouraging its companies to refrain from bribing officials abroad, through stringent legislation and detailed guidelines. Traditionally, the UK promotes high ethical standards in public service. To ensure continued success, further efforts are necessary to address foreign bribery risks in vulnerable industries, and ensure that out-of-court settlements and the financing of political parties are fully transparent. The integrity of elected officials, police-media relations and corruption within financial institutions also merit additional attention.

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65 <http://www.fsa.gov.uk/pubs/other/anti-bribery-investment-banks.pdf>.

66 These included insufficient consideration of FSA rules covering bribery and corruption; inadequate and incomplete risk assessment; lack of senior management oversight; and insufficient visibility and monitoring of gifts, hospitality and expenses

67 Financial Services Authority, Anti-bribery and corruption in commercial insurance broking, May 2010, [http://www.fsa.gov.uk/pubs/anti\\_bribery.pdf](http://www.fsa.gov.uk/pubs/anti_bribery.pdf).

68 <http://www.fsa.gov.uk/library/communication/pr/2011/066.shtml> In March 2012, the FSA fined the private bank Coutts GBP 8.75 million for failing to follow standards intended to prevent money laundering. In December 2013, the European Commission fined eight banks a total of EUR 1.7 billion for forming illegal cartels to rig interest rates. [http://europa.eu/rapid/press-release\\_IP-13-1208\\_en.htm](http://europa.eu/rapid/press-release_IP-13-1208_en.htm)

69 <http://www.cftc.gov/PressRoom/PressReleases/pr6289-12>.

70 <http://www.fsa.gov.uk/static/pubs/other/ia-libor.pdf>.

71 FSA, Banks' management of high money laundering risk situations, June 2011, pp. 2-25, [http://www.fsa.gov.uk/pubs/other/aml\\_final\\_report.pdf](http://www.fsa.gov.uk/pubs/other/aml_final_report.pdf).

The following points require further attention:

- Taking further preventive measures to effectively address risks of **foreign bribery** and providing sector-specific guidelines to companies in areas which may be at increased risk, such as defence. Ensuring transparent and dissuasive sanctions in out-of-court settlements.
- Further strengthening accountability in the governance of **banks**, including stricter enforcement and ensuring that the **beneficial owners** of UK-registered companies are declared.
- Capping **donations to political parties**, imposing limits on electoral campaign spending and ensuring proactive monitoring and prosecution of potential violations. Considering lower thresholds for the reporting of financial holdings and for the registration of received gifts, and providing clear guidance on acceptable gifts for **Members of Parliament**. Addressing issues identified by the Leveson Inquiry regarding the legitimate interaction between the **press and the police**, such as time limits on the employment of former police officers by the media.