



CORRUPTION IN THE UK PART TWO

ASSESSMENT OF
KEY SECTORS

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1. INTRODUCTION, KEY FINDINGS AND RECOMMENDATIONS

1.1 INTRODUCTION

This study is one of three pieces of work commissioned by Transparency International UK (TI-UK) to assess the nature and extent of corruption in the UK. It investigates the different ways corruption manifests itself in the UK, and follows the publication in December 2010 of a national opinion survey on corruption (Part One in this 3-part series). This study is published together with an evaluation of 12 key UK institutions of governance responsible for enhancing integrity and combating corruption – the *National Integrity System (NIS)* (Part Three in this 3-part series)¹.

The areas chosen for investigation in this study are not covered by the NIS evaluation. They were selected by the TI-UK Research Advisory Committee to complement the NIS. They are: *Police; the NHS; the Legal profession; Prisons; Social housing; Procurement; and Sport*. In addition, the TI-UK Research Advisory Committee asked us to look at the influence of organised crime on UK corruption, and to review recent research in the *City of London; the construction sector; UK Border Agency; and local government*. Taken together, the three TI-UK reports offer a more comprehensive picture of corruption in the UK than has so far been available. They do not, however, cover every sector affected by corruption.

Defining corruption

For this research we have used TI's definition of corruption: *the abuse of entrusted power for private gain*. We have used this definition for the simple reason that many of the areas researched either have their own definition of corruption (for example the police), or concentrate on other areas of misconduct. For instance, the focus of both the NHS and social housing investigative agencies is on fraud rather than corruption, with the latter keeping no records on corruption. However, as this study demonstrates, many fraud cases within the NHS and social housing sectors also correspond to TI-UK's definition of corruption. We are not suggesting that fraud and corruption are equivalent concepts, but there can be an overlap between them.

Methodology

The methodology for this research consisted of desk-based research and key respondent interviews. The desk-based research assessed the current state of knowledge of UK corruption and included academic texts, reports from the media and policy literature. Interviewees were selected for their seniority within their respective organisations; their expertise on corruption; and their direct experience of combating corruption in their respective area. Questionnaires were not used in this study as it would have been impossible to utilise them for each sector/area. The methodology is consistent with that used in the NIS study, the only difference being that we make no attempt to quantify or score any of the areas under investigation.

Given the huge scope of the project, decisions had to be taken to drill down into some areas more than others. Also, some areas are so complex (eg sport; procurement) that we can offer only frameworks for future research. In each area, however, we have developed corruption typologies and also (where possible) identified the prevalence and impact of corruption.

For this research we have used TI's definition of corruption: the abuse of entrusted power for private gain.

1. http://www.transparency.org/policy_research/nis

1.2 KEY FINDINGS

1.2.1 The prevalence of corruption

There are very few prosecutions for corruption in the UK. Between 2003 and 2007 a total of 27 cases were proceeded against under the 1906 *Prevention of Corruption Act*, and a total of 33 people found guilty (including prosecutions begun before 2003). Even fewer cases were prosecuted under the 1889 *Public Bodies Corrupt Practices Act* – with only 14 cases proceeded against between 2003 and 2007, and only four convictions. The reasons prosecutions were so few are the difficulty in applying prosecution legislation, and the efficacy of other legislation to secure convictions, particularly the *Fraud Act 2006* and the common law offence of *Misconduct in Public Office*. The extent to which the 2010 *Bribery Act* (which comes into force in July 2011) alters this situation remains to be seen.

This report examines within each sector the prevalence of corruption, using interviews and data other than prosecution data.

International indicators suggest that the UK does not have a serious problem with corruption. In 2010, the UK was ranked joint 20th out of 178 countries, with a score of 7.6 on Transparency International's Corruption Perceptions Index (CPI). In 2008 the UK was ranked fifth out of 22 countries, with a score of 8.8 on TI's Bribe Payers Index. The World Bank's control of corruption index placed the UK in the highest percentile with a score of 91.4% in 2009.

1.2.2 Cross-cutting themes

Key findings for each of the sectors studied for this report are below. From them, four cross-cutting themes emerge:

- **Overseas corruption can have a significant impact on the UK.** Some activities have their origins overseas although the corrupt activity takes place in the UK (eg gambling and related corruption).
- **Organised crime underpins much corrupt activity.** Networks of organised criminals are facilitated by corruption (both domestically and internationally).
- **A lack of awareness of corruption in the UK** among both the public and within policy circles. Information is uncoordinated, or simply unavailable. More worryingly in some cases, there's an apparent reluctance to accept the possibility that corruption is an issue.
- **Abolition of key institutions** as public expenditure cuts bite. This has the potential to reduce UK capacity to investigate corruption, and also to educate and train those working in high corruption risk areas.

1.2.3 Summary of Corruption by Sector

Police

The main **types of corruption** within the police are:

- disclosure of information;
- abuse of authority;
- theft and fraud;
- misuse of IT systems;
- perverting the course of justice;
- supplying controlled drugs.

The environment for police corruption is changing and with it the **key risks**. Social networking, online dating and other new internet services open up new opportunities for corruptors to approach members of the police. The changing internet environment also enables corruptors to access greater levels of personal information than was once possible. New subcultures have

emerged, particularly around bodybuilding and weightlifting, that have forged new associations between criminals and members of the police force.

The police service is much more proactive in fighting corruption than in previous years. Each police force has its own **anti-corruption team** which shares information with the Serious Organised Crime Agency (SOCA). SOCA not only acts on such information, but also conducts a tri-annual review to collate as much information as possible.

Despite continuing high-profile cases, the evidence strongly suggests that police corruption is increasingly focussed on individuals, and that systemic corruption is on the decline. This is undoubtedly helped by the integrity mechanisms that have been put in place in recent years.

National Health Service (NHS)

The NHS as an institution focuses on fraud rather than corruption. Types of fraud and corruption in the NHS can be classified according to the perpetrator:

- *Patients* (prescription fraud – use of aliases and fraudulent exemptions);
- *Professionals*: (ghost patients – false prescriptions);
- *Managers*: (payroll fraud; timesheet fraud; ghost employees)
- *Contractors*: (equipment fraud; falsifying work records; procurement).

Key risks in the NHS are the perverse incentives of performance management systems. More immediate key risks lie in new NHS management structures around GP commissioning, and the abolition of the Audit Commission.

Fraud and corruption cases are currently dealt with by the **NHS Counter Fraud Service**, which also conducts significant joint investigations with other agencies.

Legal profession

The Solicitors Regulation Authority, Bar Standards Board and Office for Judicial Complaints identifies these **types of corruption** in the legal profession:

- fraud, dishonesty and money laundering;
- receipt of gifts and inappropriate payments;
- conflicts of interest and misuse of judicial status.

A recent International Bar Association survey of lawyers suggests that approximately 40 per cent of UK respondents are concerned that there is corruption in the UK legal profession. But evidence suggests that cases of corruption in the UK legal profession are infrequent. There appears to be a disparity, therefore, between perceptions and the number of allegations and cases being reported.

Prisons

Corruption in Prisons principally revolves around smuggling (particularly drugs and mobile phones). There are two main **types of corruption**:

- *Implantation* (placing corrupt individuals directly within the prison service);
- *Manipulation* (threats; intimidation; inappropriate relationships; staff disaffection).

Both of these broad types of corruption affect serving officers and other staff. Official explanations for smuggling are that contraband is brought inside prison by family and friends. But this view can be disputed.

Key risks are the lack of training on how to deal with corruption, particularly among ancillary staff (teachers, social workers, cleaning staff, etc). Organised crime is a significant risk factor, as corruption facilitates the smooth running of criminal activity, which in turn provides an incentive for criminals to behave within the prison system. This good behaviour positively affects prison Key Performance Indicators, suggesting that performance management regimes can provide perverse incentives to corruption. An immediate concern is that in 2010 the prison service Corruption Prevention Unit (CPU) had its budget halved (from £700,000 to approximately £350,000) and its workforce reduced from ten to five. This undermines capacity in tackling prison corruption and also raises questions over the will to deal with it.

Social housing

This is another area that focuses institutionally more on fraud than corruption. The **Tenant Services Authority** (a regulatory agency) does not keep data on incidences of corruption. The main **types of fraud and corruption** are:

- tenancy fraud;
- abuse of position by social landlords;
- collusion and corruption in procurement.

Estimates of the cost of tenancy fraud in social housing range between £1 billion and £2 billion a year.

Key risks include the role of organised crime in the social housing sector (particularly through fraudulent subletting), and a perceived London-centrism about how such problems are tackled. Local authorities have begun to take a more active approach in dealing with risks arising from the involvement of private landlords. This includes the introduction of compulsory licensing of landlords where appropriate, and voluntary regulation elsewhere.

Procurement

The true cost of corruption in UK procurement is impossible to assess. Corruption can occur at any point in the supply chain:

- *pre-bidding stage* (needs assessments; defining requirements; selecting bid procedures; arranging time frames);
- *bidding stage* (invitation to bid; awarding bids);
- *post-bidding stage* (contract management; order and payment).

Key risks include the corruption grooming process, in which bribery is incrementally introduced into a business relationship. This begins with relatively innocuous gifts (such as lunch), then moves on to corporate hospitality and offers of event tickets. It subsequently heads into more blatant inducements, such as the use of holiday accommodation, with a clear understanding that this is linked to favouring a particular bidder. An even greater risk is the lack of information surrounding corruption in procurement. Although major procurement deals have a robust set of mechanisms to ensure that they are legitimately and fairly conducted, smaller-scale corruption further down the supply chain simply cannot be monitored.

Sport

This is a complex area where a broad range of different **types of corruption** appear. These range from:

- relatively low level cheating (such as the infamous 'Bloodgate' case in rugby union);
- spot fixing;
- match fixing;
- use of illegal drugs;
- vote rigging;
- bribery.

Responses to corruption from within the sector are mixed and dependent on (a) the sport in question; and (b) the type of corruption. **Key risks** are that there is little co-ordination of responses across the sport sector; and that self-regulation is the usual mechanism for dealing with corruption.

One important exception, however, is the development of the UK Sports Betting Integrity Unit (SBIU), following recommendations in the Parry Report (2010). The SBIU brings together a range of different sporting bodies to focus on spot fixing and match fixing more generally. A further risk is that due to the self-regulation of many sports bodies, there is a distinct lack of transparency on anti-corruption activity. Finally, the corruption risk in UK sport is frequently transnational, and can be traced to activities overseas. It is also interesting to note how sports corruption is publicised by the media. UK investigative journalism is to be commended for exposing corruption in sport.

This research clearly demonstrates that there are substantial gaps in our knowledge of UK corruption.

1.4 RECOMMENDATIONS

This research clearly demonstrates that there are substantial gaps in our knowledge of UK corruption. This is due partly to the restricted nature of some information, and because there is often no meaningful data at all. Future research should therefore move away from the snapshot approach towards longitudinal studies. They would be able to chart the ebb and flow of corruption and anti-corruption influences, by using a more subtle mixture of methodologies. Researchers could then look more closely at the relationships that connect different areas through corruption. The police and prison chapters, for example, show how the growth of organised crime has created new relationships, and a new environment, in which corruption takes place.

To that end we make the following recommendations:

General recommendations

1. The Bribery Act 2010 is a significant step forward in modernising the UK's anti-bribery law. Adequate resources should be allocated for its effective enforcement.
2. Wherever possible anti-corruption activities should be co-ordinated and the excellent joint working that has been identified in this study should be developed as broadly as possible.
3. To gain a better understanding of UK prosecutions, cases involving fraud, misconduct in public office, etc. need to be assessed to see if (and how many) include some elements of corruption, as defined by TI.

Sector-specific recommendations

4. *Law enforcement agencies* must keep track of any changes in capacity for individual forces to tackle corruption. The current co-ordinated approach has been very successful and it is vital that joint working continues.

5. Further information is needed from the *NHS* to understand how many cases of fraud involve corruption, as defined by TI.
6. There should be a frank debate about the true scale of corruption in *prisons*, and further research must be conducted in prisons to ascertain
 - a. the adequacy of training (both prison officers and ancillary staff);
 - b. the rigour of current corruption prevention strategies;
 - c. the general environment for breeding corruption.
7. Data should be collected within the *social housing* sector to determine how many cases of fraud involve corruption, as defined by TI.
8. *Sporting regulatory bodies* need to be transparent and aware of the dangers of self-regulation in tackling the many forms of corruption (both systemic and in competition) within their field.
9. The coordinated approach of the Sports Betting Integrity Unit (SBIU) is a useful model to show how cross-functional approaches can be developed across a range of sports, brought together through a common understanding of key corruption risks.
10. *Local government* is facing a number of potentially serious issues with the abolition of the Audit Commission and the dismantling of the local government standards framework. It must be ensured that whatever replaces these accountability and integrity mechanisms must protect against future corruption risks.

Research recommendations

11. Future research on UK corruption needs to be longitudinal and take into account the current changes (particularly within the public sector). It should focus on changes to the police service; local government; the NHS; and social housing.
12. Such longitudinal studies should pay particular attention to the possible lack of capacity from lower resources, and the perverse incentives that some performance management regimes seem to offer.
13. Further research should be conducted into corruption in the legal profession, in order to investigate the mismatch between the perception that corruption is an issue and the small number of cases recorded by legal bodies.
14. The scale of low-level procurement corruption is currently unknown. Research should therefore be undertaken to gain a fuller understanding of its extent, from which anti-corruption strategies can be developed.
15. Corruption in sport needs to be researched in a systematic and rigorous way. The research must take into account the sheer varieties of sport, and the myriad ways corruption manifests itself.
16. Sport corruption research would benefit from a longitudinal approach that would allow for meta-analyses to be conducted giving clear indications of trends and corruption activity.
17. Longitudinal analyses should be conducted to evaluate the medium and long-term impacts of the 2010 Bribery Act on firms in the City of London.

2. ABOUT THE RESEARCH

"I have no idea who fights corruption in the UK... I don't see anybody taking a lead"²

While many people and organisations express concern that corruption exists, there is little evidence of a systematic and coordinated attempt to measure it

This quote neatly demonstrates the central problem for research on corruption in the UK: while many people and organisations express concern that corruption exists, there is little evidence of a systematic and coordinated attempt to measure it. This apparent contradiction applies at a policy level as well as an academic level. Much of the research on corruption in the UK has been sector-specific and has not looked more broadly at the problems of corruption across the country. This research is an attempt to begin to fill this gap.

This research aims to investigate how corruption manifests itself in different areas of UK life. In so doing, it will identify examples of corruption in a number of sectors. In addition it will, where possible, suggest the extent of corruption in that sector, its key risk areas, and current attempts at combating corruption. It will also identify a number of cross-sectoral issues that, we will argue, provide a broader context in which UK corruption takes place.

2.1 SCOPE OF THE RESEARCH

This study is one of three pieces of work commissioned by Transparency International UK to assess the nature and extent of corruption in the UK. It investigates the different ways corruption manifests itself in the UK, and follows the publication in December 2010 of a national opinion survey on corruption (Part One in this 3-part series). This study is published together with an evaluation of 12 key UK institutions of governance responsible for enhancing integrity and combating corruption – the *National Integrity System (NIS)*³ (Part Three in this 3-part series).

The areas identified for this project were partly derived from a scoping study conducted by TI-UK in 2009 and were selected by the TI-UK Research Advisory Committee after an initial list was developed by Teesside University. The selected areas were:

- Police
- NHS
- Legal profession
- Prisons
- Social Housing
- Procurement
- Sport

2. Interview R16 – a member of a law enforcement agency

3. http://www.transparency.org/policy_research/nis

In addition, and after a public consultation meeting, we were asked to incorporate a number of recent research projects to provide a more complete picture. These focused on:

- The City
- Construction
- Local government
- UK Border Agency

We were also asked to investigate organised crime⁴, which has been identified as having a significant impact on the rise of corruption in a number of different areas.⁵ The Serious Organised Crime Agency (SOCA), for example, recently highlighted the links between organised crime and corruption: "organised criminals use corruption to secure assistance from those with information or influence in order to protect or enhance their criminal activities"⁶ Section 11.2 specifically tackles organised crime, and it is also commented upon where appropriate throughout the report.

2.2 LAYOUT OF THE REPORT

This report has three main sections. The first provides a short background and introduction to the report, its methodology and the problems of defining corruption. The second section looks at each of the identified areas for research and outlines the following information:

- the types of corruption prevalent in each area
- the prevalence of corruption
- recent cases
- responses to corruption
- key risks.

The final section looks at broader themes that underpin corruption in the UK, and leads on to conclusions and recommendations for future research.

2.3 METHODOLOGY

The research strategy adopted for this project mirrors the NIS study (published as Part Three in this 3-part series), combining desk-based research with key respondent interviews. The major point of departure from the NIS study is that we do not try to quantify or score any of the areas. There are several reasons for adopting such a qualitative methodology. These are discussed more fully in the rest of this section, and include the study's exploratory nature and its attempt to map the state of corruption in the UK as broadly as possible.

4. This study adopts the SOCA definition of organised criminals as "those involved, normally working with others, in continuing serious criminal activities for substantial profit, whether based in the UK or elsewhere". Organised criminal activities are typically transnational and include Class A drugs, people smuggling and human trafficking, major gun crime, fraud, computer crime and money laundering.

5. See, for example, Gounev, P and Bezlov, T, (2010) *Examining the Links Between Organised Crime and Corruption*, Center for the Study of Democracy or Hughes, W, (2010) 'Corruption and Organised Crime – The Need for a New International Coalition', 14th IACC Plenary 2010, Plenary Discussion on Peace and Security, Bangkok. Other evidence is less conclusive. A European Commission survey from 2006 noted that 61% of UK respondents questioned believed that most corruption was caused by organised crime organisations: European Commission (2006) *Opinions on Organised Cross-border Crime and Corruption*

6. SOCA (2010) *The United Kingdom threat assessment of organised crime* p.5 SOCA (2010) *The United Kingdom threat assessment of organised crime* p.5

First, the study is essentially exploratory. There is comparatively little academic work on UK corruption as a whole, although there is an array of non-academic literature including memoirs⁷ and investigative journalism.⁸ All these sources are extremely useful but are sector-specific, and do not provide the overview set out in this study. The research we have undertaken (along with the NIS study) attempts to map the state of corruption in the UK as broadly as possible. Qualitative research has long been acknowledged as the most appropriate way to chart exploratory and emerging themes.⁹

Second, since many of our findings are emergent, they would be almost impossible to quantify in any meaningful way. TI-UK itself has long recognised the difficulties in quantifying corruption: “due to its nature, the scale of corruption is impossible to quantify with precision”.¹⁰ This is the reason why perception surveys can prove problematic; they can only measure people’s impressions of corruption rather than its actual occurrence. As our research demonstrates, even trying to find accurate existing data on the prevalence of corruption can be a difficult task. Trying to provide further quantification is not possible in this study.

Third, and directly connected to the point above, is that our research was so broad that it would simply be physically impossible to use quantitative surveys in all sectors. It could also be argued that, in some cases, it would also be conceptually difficult. For example, it would be challenging to survey “sport”. We could, of course, use surveys in a few selected areas (indeed, a survey instrument was initially developed for the police force). But this would mean adopting an inconsistent research strategy.

A fourth reason for using a qualitative approach is that many respondents are more comfortable discussing corruption in conversation, rather than answering surveys about the subject. In this sense, qualitative research develops a more honest or authentic response.¹¹ It certainly allows for a nuanced analysis, particularly on a subject for which there is no agreed definition. Qualitative research allows for subtleties to be given meaning.¹²

In adopting a key respondent interview strategy we do, of course, face the inevitable questions of validity, reliability and generalisability. Have we interviewed a reasonable number of respondents? Are they representative of their respective sectors? Have we accidentally included any bias? Do any of our respondents have their own agenda that they may wish to put forward? These are serious issues and, in one sense, arise from the ambitious scope of the project. Interviewees were selected for their seniority within their respective organisations; their expertise on corruption; and their direct experience of combating corruption in their respective area. In addition we do not suggest that any views are definitive. The interview data is only one element (though obviously an important one) that is used to develop as full a picture as possible.

All interviews are strictly anonymous. It may have been preferable for respondents to be named but many of the discussions were around sensitive material. Where respondents indicated a preference these were digitally recorded. Respondents have been given labels in order to assist the reader in following their arguments:

7. For example Dawkins, J. (2005) *The Loose Screw* (Essex: Apex Publishing), which provides a very interesting, but partial, insight into the prison service.

8. This includes not only books but television journalism; film journalism; etc.

9. Flick, U. (2010), *Qualitative Research* (London: Sage)

10. <http://www.transparency.org.uk/corruption-data>

11. Flick, U. (2010), *Qualitative Research* (London: Sage)

12. Gray, D. (2010) *Research in the Real World* (London: Sage)

- R1 – a member of a law enforcement agency
- R2 – a member of a law enforcement agency
- R3 – a member of a law enforcement agency
- R4 – a former member of the Audit Commission
- R5 – a member of the Audit Commission
- R6 – a member of HM Prison Service
- R7 – a former member of HM Prison Service
- R8 – a former member of HM Prison Service
- R9 – a member of the House of Lords who has campaigned on prison reform
- R10 – a member of the NHS
- R11 – a local councillor with a social housing portfolio
- R12 – a member of the construction industry
- R13 – an anti-corruption officer in a law enforcement agency
- R14 – a member of the Gambling Commission
- R15 – a member a gambling trade association
- R16 – a member of a law enforcement agency

Quotes have been used to enrich the data and throughout the report real-life cases are used to illustrate specific instances of corrupt practices.

2.4. DEFINING CORRUPTION

There is no accepted definition of corruption, which can make research difficult. Corruption is either defined very broadly, or is labelled by distinct constituent practices – for instance, bribery, nepotism, collusion or conflicts of interest. Transparency International's own definition "*the abuse of entrusted power for private gain*" is inclusive and therefore incorporates a broad range of activities. However, the key terms in this definition may themselves each be contested, with "*abuse*", "*entrusted power*" and "*private gain*" all requiring further explanation or definition. Despite these concerns, we have adopted the TI definition for the reasons given in the rest of this section. They include the breadth of activities embraced by the TI definition, and its relevance along the 'sliding scale' from legal or accepted corruption to illegal or unacceptable practices.

First, the aim of this research is to investigate the different ways in which corruption manifests itself in the UK. Our starting position, therefore, has been that different forms of corruption are manifold. The research confirms that this is the case. Each area we investigated identified different forms of corruption, including bribery; nepotism; cronyism; collusion; conflicts of interest, trade in information, and so on. In addition, some practices, such as fraud, are commonly regarded as distinct from corruption. While we agree with this distinction, our research nevertheless touched on several areas where fraud and corruption collided (ie some frauds included elements of corruption, as defined by TI). Our findings reflect the key corruption concerns of each area investigated, regardless of what form they take. To restrict ourselves to investigating only one or two specific activities (eg bribery) would narrow the scope of our findings.

Second, it would not make sense to use a separate definition, if this would then make this research distinct from TI-UK's other research projects. It is much more sensible to be consistent. Third, we did not want to fall into the intellectual trap of the "Socratic fallacy", which suggests that a concept can only be properly understood once it is universally defined.¹³ As our report

13. Geach P (1966) *Logic Matters* (California: University of California Press).

shows, each sector defines corruption differently and in many cases different definitions are used within each area (eg the legal profession). It is only reasonable to allow these definitions to emerge rather than be imposed.

The use of the TI definition also allows us to perceive what may be termed the sliding scale of corruption. Some practices may be viewed as corrupt even though they are legal (eg tax minimization for corporations) or accepted practices in certain sectors (eg the use of gifts and hospitality). Such perceptions are well documented in the corruption literature. Johnston, for example, argues that "some systematic corruption problems might involve uses of wealth and power that are legal but still impair institutions and pre-empt the participation of others".¹⁴ Liberal democracies may therefore appear institutionally less corrupt than other regimes, but only because many activities are legally backed.

Our findings revealed a similar situation. For example, one of our interviewees observed that agents of corruption can take the form of "friend or foe." Friendly corruption may involve the use of social connections, hospitality and entertainment to create a corrupt relationship with a person who is in a position to influence procurement or other decision-making. These legal practices can be contrasted with demands for favours which may be backed up by threats and intimidation, sometimes accompanied by offers of bribery.¹⁵

2.5 RESEARCH LIMITATIONS

The main limitation of the research is its breadth, which only allows us to summarise key points for each area. Each area is worthy of its own individual research project: several areas will require many different pieces of research. Sport, for example, is a vast subject and we have barely scratched the surface here. This is the reason we have developed typologies and frameworks to promote future research. Inevitably, however, some readers may feel that (a) we have not gone into enough depth in a particular area; or that (b) we have omitted some areas altogether.

A further limitation is access to information. Some organisations were very open whereas others simply pointed us to publicly available information. Such a limitation is understandable given the sensitive nature of much of the research and is a useful finding in itself. It suggests that some sectors are much more willing to admit that corruption is a problem and are willing to tackle it, whereas others do not even record cases comprehensively.

Nevertheless these limitations must be put into context. Again the aim of this research is to provide an overview of how corruption manifests itself in the UK. Even though some areas are developed in more depth than others, each section of the report clearly identifies the types of corruption that the relevant area faces, and the prevalence of these corrupt practices.

Some sectors are much more willing to admit that corruption is a problem and are willing to tackle it, whereas others do not even record cases comprehensively

14. Johnston, M (2005) *Syndromes of Corruption* (Cambridge: CUP). p.12

15. Interview R13 – an anti-corruption officer in a law enforcement agency

3. PERSPECTIVES ON UK CORRUPTION

International indicators suggest that the UK does not have a serious problem with corruption, although in recent years its Corruption Perceptions Index ranking has declined steadily. In 2010 the UK was ranked joint 20th out of 178 countries, with a CPI score of 7.6.¹⁶ Yet as recently as 2006, the UK was joint 11th in the CPI table with a score of 8.6.¹⁷ In the 2008 Bribe Payers Index, the UK was ranked 5th among 22 countries (score 8.8).¹⁸ International reports find few major issues with the UK. A recent EU report found that "Corruption in the UK occurs mainly at the level of local government"¹⁹ even though the same report had praised local councillors: "the vast majority of councillors observe high standards of conduct".²⁰ Other measures indicate the UK's high standing in controlling corruption. The World Bank's control of corruption index places the UK in the highest percentile with a score of 91.4%.²¹ Despite its reduced CPI score, the UK still compares well with other countries in terms of corruption indicators.

The Bribery Act comes into force in July 2011. Until then, corruption legislation in the UK has been built around the 1889 *Public Bodies Corrupt Practices Act*; the 1906 *Prevention of Corruption Act*; and the 1916 *Prevention of Corruption Act*. More recently, the 2001 *Anti Terrorism, Crime and Security Act* has tackled aspects of overseas corruption and there remains on the statute books some rather obscure pieces of legislation, such as the 1925 *Honours (Prevention of Abuses) Act*, set up in the wake of Lloyd-George's cash-for-honours scandal (which has only led to one single prosecution).

There are few prosecutions for corruption in the UK. The figures made available to us from the Ministry of Justice show that between 2003 and 2007, a total of 27 cases were proceeded against under the 1906 *Prevention of Corruption Act*. A total of 33 cases were found guilty (these included prosecutions begun before 2003).²² Even fewer cases had been prosecuted under the 1889 *Public Bodies Corrupt Practices Act*. Between 2003 and 2007, only 14 cases were proceeded against, with only four convictions.²³

However, these figures are not necessarily an accurate reflection of corruption prosecutions in the UK. Cases involving corruption are frequently charged and prosecuted under other offences. In fact, not one of the cases cited in this study was prosecuted under any of the corruption acts identified above. A range of different offences exist that can include elements of corruption. They include: fraud (particularly sections 3 and 4 of the 2006 *Fraud Act*); false accounting; perverting the course of justice; and the common law offence of misconduct in public office. Indeed,

There are few prosecutions for corruption in the UK

16. http://transparency.org/policy_research/surveys_indices/cpi/2010

17. http://transparency.org/policy_research/surveys_indices/cpi/2006

18. http://transparency.org/policy_research/surveys_indices/bpi

19. EU (2007) *Study on corruption in the public sector in the member states of the European Union* p. 418

20. EU (2007) *Study on corruption in the public sector in the member states of the European Union* p. 414

21. http://info.worldbank.org/governance/wgi/sc_chart.asp

22. Ministry of justice – email exchange

23. Ministry of justice – email exchange

Misconduct in Public Office has been described as “one of the offences of choice for, *inter alia*, prosecutors with conduct of police and public official corruption cases in England and Wales”.²⁴ The 2006 *Fraud Act* is perhaps the most widely used law for prosecuting potential corruption cases. It was described by one interviewee as “the pragmatic solution to the insoluble problem” of corruption.²⁵ Corruption can also form significant elements of civil cases, such as *Ross River Ltd v Cambridge City Football Club Ltd* [2008] EWCA Civ 772; CA (Civ Div), in which a bribe of £10,000 was cited as evidence of a breach of good faith, and a valid reason to rescind a contract.

The problem is that potentially hundreds, if not thousands, of corruption cases go unreported because they are prosecuted as different offences. In 2009 alone, there were 10,090 prosecutions under the 2006 *Fraud Act*, with no indication as to how many may have included some elements of corruption.

The extent to which the 2010 Bribery Act will alter this situation is unknowable. But under current circumstances, there are strong indications that the majority of corruption cases are not prosecuted (or even recorded) as such. Clearly, more work needs to be done to assess the extent of corruption prosecutions in the UK. We hope the findings of this research will offer some ways forward.

Potentially hundreds, if not thousands, of corruption cases go unreported because they are prosecuted as different offences

24. Nicholls, C., Daniel, T., Polaine, M., and Hatchard, J. (2006) *Corruption and misuse of public office: Misconduct* (Oxford: OUP) p. 65

25. Interview R5 – a member of the Audit Commission

4. CORRUPTION BY SECTOR

4.1 Police

In the last ten years a trend towards individual corruption, rather than systemic corruption, appears to have emerged

Over the last few decades there have been a number of major enquiries into systemic police corruption in the UK – all with varying degrees of success. Operation Countryman in the late 1970s; and the “ghost squad” established to investigate corruption in the 1990s²⁶ are two examples. In the last ten years a trend towards individual corruption, rather than systemic corruption, appears to have emerged. Leading criminologist, Maurice Punch, has recently stated that “the old style corruption where groups of detectives had familiar relations with criminals and met in pubs to pass on information has gone because it’s too visible; it is too open to scrutiny. But new opportunities are always being created and exploited.”²⁷ Our research supports this finding.

There has certainly been a much more focused, direct and proactive approach to tackling police corruption. Each force now has its own dedicated anti-corruption team to investigate allegations of corruption and provide annual monitoring. These evaluations are subsequently subject to a meta-evaluation by the Serious Organised Crime Agency (SOCA) every three years.²⁸ A recent report on all EU countries acknowledged that this approach is at least partly responsible for the low levels of police corruption in the UK. The study found that in the UK no respondents claimed to have had actual personal experience of police corruption, although 21 per cent suspected that corruption and bribery did occur in the UK police service.²⁹ The TI-UK 2010 survey suggested that the police were perceived by the public to be one of the less corrupt sectors in UK life.³⁰

This chapter is based on academic literature and policy reports, as well as interviews with three senior police officers who are heavily involved in anti-corruption work within the police; the Independent Police Complaints Commission; the UK Border Agency; and HM Revenue and Customs.

4.1.1 Types of police corruption

Many previous typologies of police corruption were based on types of corrupt officer. Punch, for example, developed a typology of *meat eaters*, *grass eaters* and *birds*. Birds are those officers who deliberately set themselves above any kind of corrupt (or potentially corrupt) activity. Grass eaters (the majority of officers in Punch’s study) are reactive rather than proactive – accepting very low-level gifts in order to maintain the status quo. Meat eaters, on the other hand, are proactive and seek out opportunities for personal gain.³¹ Van de Bunt classified corrupt officers into four different categories: *donkeys*, *hawks*, *wolves* and *vultures*. He found that corrupt UK officers could be categorised primarily as hawks, and that police corruption could be understood primarily as an individual activity.³²

26. McLagan, G (2004) *Bent Coppers* (London: Weidenfeld and Nicholson)

27. *The Guardian*, Serious and Organised Crime Agency turns spotlight on police corruption 14 Feb, 2010)

28. Interview R1 – a member of a law enforcement agency

29. Gounev, P and Bezlov, T, (2010) *Examining the Links Between Organised Crime and Corruption*, Center for the Study of Democracy pp.80-81

30. Transparency International (2010) *Corruption in the UK Part One: National Opinion Survey*

31. Punch M (2009) *Police corruption: deviance, accountability and reform in policing* (London: Willan)

32. Van de Bunt (2004)

Miller's survey related to types of corrupt police activities. Of the 122 corruption allegations he looked at in six UK police forces, Miller found that 33 per cent related to disclosure of information, 13 per cent featured drugs, 12 per cent related to inappropriate association, and 10 per cent involved misuse of resources.³³ The full list of corruption types that Miller uncovered were:

- Disclosure of information (to criminals or generally);
- Inappropriate association (criminals or prostitutes);
- Obtaining sexual favours;
- Using position to obtain payment;
- Inappropriate use of IT and Police National Computer (PNC);
- Drug dealing;
- Drug possession.

SOCA's 2010 meta-evaluation of UK police force annual monitoring shows that the key areas of corrupt activity still centre on disclosure of information; drugs; abuse of authority and misuse of IT systems. However, there are some slight variations³⁴:

- Disclosure of information;
- Abuse of authority;
- Theft and fraud;
- Misuse of IT systems;
- Perverting the course of justice;
- Supplying controlled drugs.

Disclosure of information remains the key corruption activity, and can be seen in different forms. It can involve general police activities – from current investigations to specific information on particular officers. Corruptors also seek information on rival criminal activities in order to gain what is essentially a competitive advantage.³⁵ Such information is rarely exchanged for financial reward and is principally brokered through close personal relations – linking unauthorised information disclosure to problems with inappropriate associations.³⁶

It has been suggested that the misuse of IT systems has become more widespread as the use of IT has grown in the last decade. Many different people (other than police officers) have regular access to police IT systems and information which expands the number of people potentially open to the influence of corruptors.³⁷ Misuse of IT can range from the trivial – such as finding out gossip about celebrities – to more serious acts looking for information about people's families and children.³⁸ IT systems have also been involved in thefts, with police equipment found for sale on internet auction sites and available for private sale.³⁹

Disclosure of information remains the key corruption activity

33. Miller (2003) *Police Corruption in England and Wales: An assessment of current evidence*. Police Research Series paper 11/03. London: Home Office

34. SOCA (2010)

35. Interview R1 – a member of a law enforcement agency

36. Interview R2 – a member of a law enforcement agency

37. Interview R2 – a member of a law enforcement agency

38. Interview R2 – a member of a law enforcement agency

39. Interview R2 – a member of a law enforcement agency

It has also been suggested that the way in which police corruption occurs is changing.⁴⁰ The rise of personal IT use through social networking, online dating, and so on, has opened new opportunities for corruptors to approach members of the police. It also enables corruptors to access higher levels of personal information than was once possible.⁴¹ New subcultures have emerged, particularly involving bodybuilding and weightlifting, forging new associations between criminals and members of the police force.⁴² All of these factors have contributed to increased risks of exposure to corruptors for potential police targets.

The motivations for police corruption can also be categorised – into *institutional*, *individual* and *social* factors.

- *Institutional* factors include levels of vetting, lack of supervision, and any pre-existing concerns over corruption
- *Individual* factors include disaffection or de-motivation, and personal vulnerability (eg addiction, debt)
- *Social* factors include social or family links outside the workplace.⁴³

Corruption is most likely to occur when these factors are clustered together.

4.1.2 Recent cases

- In March 2010, former Detective Chief Superintendent Phil Jones was jailed for eighteen months for misconduct in a public office and conspiracy to commit fraud by false representation. Jones persuaded former colleague David Lloyd to pass him information from police computer systems and also employed freelance investigator, Christopher Barnett, 37, to illegally pose as a customer to gain information from government and private institutions. Lloyd had also been supplying police information to Robert Morgan, a known criminal involved in drug dealing, and when Lloyd was arrested he was found to be concealing more than £200,000 of Morgan's money in his attic.
- In 2010 Metropolitan Police Commander Ali Dizaei⁴⁴ was sentenced to four years in prison for misconduct in a public office and perverting the course of justice. Dizaei was a former president of the Metropolitan Black Police Association, and had 24 years experience as a serving officer. He had previously been investigated for a number of allegations. One investigation examined claims of corruption, fraud and dishonesty and involved a multimillion-pound undercover operation. Dizaei had been accused of spending more than £5,000 on clothes and perfume during a trip to the US, but an inquiry by Dorset Chief Constable Martin Baker found no evidence of wrongdoing.
- In November 2010, PC Stephen Mitchell, of Northumbria Police was convicted of two charges of rape and three indecent assaults and was also found guilty of six counts of misconduct in a public office. Mitchell was able to become a police officer despite being accused of a serious sexual offence before applying to join. During his trial, it emerged that he had been disciplined when it was discovered he had sex with a woman he had met as part of his duties. Mitchell had also previously been disciplined for looking up his wife's new friends on the police computer after the couple had separated, and was fined three days wages.

40. *The Guardian Serious and Organised Crime Agency turns spotlight on police corruption* 14 Feb 2010

41. *The Guardian Serious and Organised Crime Agency turns spotlight on police corruption* 14 Feb 2010

42. Interview R1 – a member of a law enforcement agency

43. SOCA (2010)

44. In May 2011 Ali Dizaei won a retrial <http://www.bbc.co.uk/news/uk-13419319>

4.1.3 Prevalence of police corruption

In its recent meta-evaluation of UK police forces, SOCA defined corruption as "any activity carried out by an individual for gain, favour, advancement or reward that is inconsistent with the proper practice of their office, employment or responsibility".⁴⁵ This is broadly similar to the definition used by the Independent Police Complaints Commission (IPCC): "Corruption is the abuse of a role or position held, for personal gain or gain for others. This ranges from serious corruption (eg any attempt to pervert the course of justice; theft; criminal damage) to the less serious (eg misuse of warrant card)".⁴⁶ Both definitions encompass a range of activities, and an investigation into corruption may result in a finding on a different charge, so that it is not recorded as corruption.⁴⁷

It is very difficult to assess the number of cases of police corruption as the data from SOCA's 2010 evaluation is not publicly available. It has recently been reported, however, that 12 officers have served, or are currently serving, prison sentences for corruption.⁴⁸

Perhaps the most reliable indicators of the extent of police corruption are the IPCC's annual figures on all complaints and investigations. In 2007/08 the IPCC received 290 allegations of corruption, and in 2008/09 the number had increased to 368 allegations. The total number of all complaints about the police in those years were 48,280 and 53,534 respectively.⁴⁹ The IPCC shows that 152 out of the 368 corruption allegations put before the IPCC in 2008/09 were investigated. Out of these, only 11 were substantiated.⁵⁰

The reliability of these figures is an important issue. In 2010, the Home Affairs Select Committee looked into the work of the IPCC and concluded that it actually dealt with a minor number of these total complaints about the police: "It is true to say that 99 times out of 100 and despite the existence of the IPCC, the complaints procedure remains "police investigating the police".⁵¹ It may be tempting to infer, therefore, that the actual number of allegations and investigations into corruption can be multiplied nearly one hundred fold. However this would be inaccurate. All police corruption allegations are first investigated by the relevant police force, and once these have been substantiated they are automatically passed up to the IPCC for further investigation. It is not the case, therefore that the allegations arriving at the IPCC are solely from members of the public. The majority of complaints are generated from internal police investigations, although there are no definitive figures available to show what this percentage is.⁵²

The IPCC figures on corruption appear to be far more accurate than the Home Affairs Committee estimates, but they are still subject to caveats. Principally, we were informed that police corruption is often "collateral to other investigations"⁵³: In other words, it either emerges from an investigation into another allegation or generates another allegation that is then used as the official heading for the investigation.

45. SOCA (2010)

46. IPCC (2010) *Police complaints statistics for England and Wales 2009/10* pp. 9-11

47. Interview R1 – a member of a law enforcement agency

48. *The Guardian, Serious and Organised Crime Agency turns spotlight on police corruption* 14 February, 2010.

49. IPCC (2010) *Police complaints statistics for England and Wales 2009/10*

50. IPCC (2010) *Police complaints statistics for England and Wales 2009/10*

51. Home Affairs Select Committee (2010) *The Work of the Independent Police Complaints Commission* HC 366

52. Interview R1 – a member of a law enforcement agency

53. Interview R1 – a member of a law enforcement agency

4.1.4 Police corruption risks

SOCA's meta-evaluation suggests that there are four categories of employees most at risk from corruption:

- Those who have been tasked by a third party;
- Those who are self-tasked;
- Those who have deliberately infiltrated the organisation;
- Those who are unwittingly involved in corrupt activities.⁵⁴

Although official data are not available to demonstrate how strong such risks are, the category identified as most at risk is those who have been tasked by a third party, such as family members, friends or partners. **Third-party corruptors** can be categorised into four different types:

- *Family member, partner or friend* with whom significant personal relationships already exist and often predate employment with the police.
- *Criminals* with whom no previous relationship exists. The majority of criminal corruptors are interested in information, whether to compromise an ongoing investigation, identify any leaks in their own organisation, or simply to increase their knowledge of police activities and law enforcement tactics.⁵⁵ The higher a criminal's standing (whether individual or organisation) at a national or regional level, the more likely it is that such information is important to their activities.⁵⁶
- *Private investigator* who sometimes has previous experience of law enforcement and knowledge of local police operations.
- *Journalist and commercial interests* (less frequent) who are more likely to seek information for their own professional gain than any attempt to corrupt the criminal justice system.⁵⁷

This risk of third-party corruptors is particularly high when a relationship is long-standing and, as in many cases, pre-dates employment with the police force.⁵⁸ Of further concern, because of difficulties in detection, is the use of intermediaries who act as buffers between the source of the corruption and its targets. Some investigations have uncovered not just one, but two or more intermediaries, being used in this way.⁵⁹ A further difficulty with third-party corruption is that the rewards for those involved are intangible. Cases of financial bribery or other forms of overt bribery are infrequent,⁶⁰ with individual motivations far more psychologically entrenched. These include misplaced loyalty; sense of personal obligation; love; sense of self-identity, etc. Under such circumstances, there is no easy way of removing the actual mechanism of corruption.

Self-tasked corruption occurs when an individual proactively seeks out a bribe or other form of personal gain, whether through direct acts or association with other criminals.⁶¹ Infiltration of by corrupt individuals – a problem in other sectors such as prisons – is extremely rare in the police and the least reported of all corruption categories.⁶² Unwitting corruption is clearly a

54. SOCA (2010)

55. SOCA (2010)

56. Interview R1 – a member of a law enforcement agency

57. SOCA (2010)

58. SOCA (2010)

59. Interview R1 – a member of a law enforcement agency

60. SOCA (2010)

61. SOCA (2010)

62. Interview R2 – a member of a law enforcement agency

Increased numbers of backroom staff, the growth of IT systems and the accessibility of information have changed the landscape of police corruption in the UK – expanding the areas in which corruption can occur and the numbers of people who can be targeted

problem inasmuch as the perpetrators do not know they are involved in any wrongdoing. Equally important is the fact that unwitting corruption can act as a gateway to more systematic and aggressive approaches by third parties.

Overall, police corruption threats appear to be different from what they once were, and are qualitatively different from perceptions in popular culture. The notion of the, predominantly male, senior officer working with a team of likeminded officers is simply not sustainable. The increased numbers of backroom staff, the growth of IT systems and the accessibility of information have changed the landscape of police corruption in the UK – expanding the areas in which corruption can occur and the numbers of people who can be targeted.⁶³

4.1.5 Conclusion

All the evidence points to a reduction in systemic corruption in the UK police force. This has undoubtedly been aided by the much stronger integrity mechanisms put in place in recent years. Each force makes continual checks on corrupt activities, information sharing is transparent (in terms of lines of accountability) and also well coordinated through the tri-annual meta-analyses.

However, an added concern for the future of police corruption is the reduction in public spending. English and Welsh forces will have four per cent and a further five per cent of their budgets removed in the next two years (£9.3bn in 2011/12, and £8.8bn in 2012/13). In real terms – after taking into account changes in purchasing power over time – this amounts six per cent in 2011/12 and eight per cent in 2012/13.⁶⁴ By 2014, police forces face a 20 per cent reduction in their budgets.⁶⁵ This may have a detrimental effect on anti-corruption work, because not only will it result in fewer officers, but also a shift in policing priorities.⁶⁶ While we should not speculate at this stage, it is fair to suggest that police corruption risks may become a red flag issue for the future.

63. Interview R1 – a member of a law enforcement agency

64. BBC Police budget cut details revealed <http://www.bbc.co.uk/news/uk-11984841>

65. BBC Police budget cut details revealed <http://www.bbc.co.uk/news/uk-11984841>

66. Interview R1 – a member of a law enforcement agency

4.2 National Health Service

Although some previous research alludes to corruption within the NHS in terms of 'revolving doors' or procurement,⁶⁷ the majority of problems in the NHS are associated with fraud rather than corruption. As is often the case, however, many such frauds entail the misuse of entrusted power and so can be assessed here. The NHS itself has a significant integrity system, with oversight and scrutiny coming from the Audit Commission and also the NHS Counter Fraud Service. One potentially significant problem is that with the abolition of the Audit Commission, and the reform of the NHS, there is now uncertainty over what type of integrity mechanisms may be in place in the future, and how effective they may turn out to be.

4.2.1 Types of NHS corruption

The NHS Counter Fraud Service predominantly deals with fraud rather than corruption, and makes no separate provision for specific cases of corruption. It distinguishes fraud cases by four categories of perpetrator:

- *Patients*: including prescription fraud, the use of aliases, and fraudulent exemptions;
- *Professionals*: including 'ghost' patients; and false prescriptions;
- *Managers*: including payroll fraud, timesheet fraud and ghost employees;
- *Contractors*: including equipment fraud and falsifying work records.⁶⁸

Many cases involve more than one of these fraudulent activities and therefore the categories are not entirely discrete. Many cases also involve the misuse of entrusted power.

4.2.2 Recent cases

- Fiona Tinman, a ward manager in a hospital in the Tees Valley, was found guilty of obtaining property by deception by misuse of her ward credit card. This credit card, given to all ward managers, was used for purchases under £500. The principle behind the card was to give managers flexibility and to reduce bureaucracy, allowing purchases for the ward to be made more quickly.⁶⁹ Tinman used the credit card for her own personal purchases and bought food, petrol, and DVDs. On one occasion she purchased items on a trip to Harrods with friends, and when questioned replied that purchases were "all for the ward".⁷⁰ At the same time, Tinman regularly altered timesheets, giving staff extra hours if they worked at short notice. Such practices were used as an unofficial incentive scheme, which created a feeling of distrust and of being implicated in wrongdoing. Colleagues subsequently contacted the NHS Counter Fraud Service and the case was investigated by the hospital's own counter fraud specialist, who responded by moving Tinman onto another ward where the same pattern of behaviour was repeated. Tinman was arrested and found guilty of obtaining property by deception. She was also struck off the NHS register. It transpired that as well as the fraudulent use of

67. *Cabs for Hire? Fixing the revolving door between Government and business* (Transparency International UK, 2011) p. 13 cites, for example, the case of Patricia Hewitt, the former Health Secretary and her appointment as a consultant for Alliance Boots. <http://www.transparency.org.uk/publications>

68. <http://www.nhsbsa.nhs.uk/CounterFraud.aspx>

69. Interview R10 – a member of the NHS

70. Interview R10 – a member of the NHS

the credit card (running up a £3,000 debt) and manipulation of timesheets, Tinman had also embezzled several thousands of pounds of charity and staff collection monies.

- In January 2011, 15 hospital workers were arrested at Guy's and St Thomas' NHS Foundation Trust following a joint investigation between the UK Border Agency (UKBA), the NHS Counter Fraud Service, and the Metropolitan Police. The men had fraudulently earned approximately £250,000. Three were found guilty, and three more are awaiting sentence from the Crown Court at the time of writing. Charges included obtaining a pecuniary advantage by deception; fraud by false representation; and possession of a forged instrument or possession of a false identity document.

These cases highlight both strengths and weaknesses in the NHS integrity system. Both cases illustrate the success of the investigation process, and that these integrity mechanisms are both proactive and can be effective for both internal investigations and when working with partner agencies, such as UKBA. The second case also suggests that partner working can reduce the length of time spent on investigations. However, the two cases also demonstrate the ease with which fraud and corruption can be carried out. Of more concern, is how performance management systems can create perverse incentives for individuals to act in a corrupt manner and create a complicit culture (whether through fear of arguing with the boss or the possibility of extra earnings). Performance management regimes have been highlighted in previous studies as creating a corrupt environment – schools manipulating examination results,⁷¹ for instance. They are also identified in this study as an area of concern in the prison service.

4.2.3 Prevalence of NHS corruption

In the last three years the number of cases dealt with by the NHS Counter Fraud Service has risen by 37 per cent⁷² – from 351 in 2007/8, to 415 in 2008/9, and 482 in 2009/10. Despite this increase, the estimated cost of such cases has fallen from £16.3 million in 2008/09 to £10.9 million in 2009/10.⁷³ In 2008/09 the NHS Counter Fraud Service successfully prosecuted 69 cases, with a success rate of 96%. Over £2 million was recovered by the NHS Counter Fraud Service, with a further £2.7million collected through civil and voluntary recovery.⁷⁴ It could be argued that these sums are relatively small in respect of the overall annual NHS budget of £105 billion for 2010/2011⁷⁵ but nevertheless represent substantial sums.

4.2.4 NHS corruption risks

The NHS currently faces major administrative changes as a result of Government policies. These will bring new challenges in terms of the adaptation and implementation of internal controls to prevent fraud and corruption. The political and economic reasoning behind these changes is beyond the scope of this study. However, it is within our scope to highlight areas where good anti-corruption controls will be needed, and they include General Practitioner (GP) commissioning and direct payments to patients.

From 2013, the Government plans to abolish Primary Care Trusts in England and Wales and to

Major administrative changes... will bring new challenges in terms of the adaptation and implementation of internal controls to prevent fraud and corruption

71. UK NIS country study (2003), (London: Transparency International)

72. http://www.nhsbsa.nhs.uk/CounterFraud/Documents/CFS_08-09_report_26.10.09.pdf

73. http://www.nhsbsa.nhs.uk/CounterFraud/Documents/CFS_08-09_report_26.10.09.pdf

74. http://www.nhsbsa.nhs.uk/CounterFraud/Documents/CFS_08-09_report_26.10.09.pdf

75. Department of Health (2009) Annual Report Annex A, p. 213

transfer their responsibilities for commissioning services to consortia of GPs. Every GP practice which conducts NHS work will be included in a consortium. The new structure can be found in *Equity and Excellence: Liberating the NHS*, Cm 7881, 2010 and in the NHS consultation document *Liberating the NHS: Commissioning for Patients*.⁷⁶

GP consortia will be responsible for procuring hospital and community services on behalf of patients. The NHS Commissioning Board will be required to put in place a transparent mechanism to require GP consortia to provide information to the public to facilitate evaluation of the effectiveness of the healthcare they have commissioned. The new structure for ensuring value for money and the usefulness of the public information to be provided are as yet untested. This presents risks of anti-competitive behaviour and favouritism, both within the NHS and in the commissioning of services from the private and charitable sector. The risk of soft corruption of professionals through corporate hospitality and conference trips will need to be monitored within the NHS.

Another area that will require close controls is direct payments to patients, whereby patients receive money from Primary Care Trusts (or their successors) to manage their own health care. Again, it is not the purpose of this study to consider the policy reasons behind this change. However, controls will be needed to limit the possibility of patients themselves being offered inducements to select a particular provider – within or outside the NHS – or choosing care from a provider with whom they have an existing personal relationship. It must be remembered that if a patient chooses to spend money on a high-risk treatment which fails to provide value for money, they remain an NHS patient and will still be entitled to further NHS care. Controls and supervision will therefore be necessary to ensure that patients receiving direct payments seek to obtain best value from the care they purchase.

4.2.5 Conclusion

The NHS Counter Fraud Service clearly deals with frauds rather than corruption per se. Nevertheless the types of fraud it identifies entail the misuse of an entrusted power for private gain. While the scale and complexity of potential NHS corruption problems are clearly considerable, and the sums involved also large, the system provides a clear and proactive response to these challenges. At the minute, the NHS integrity system appears to be working well, but as in the case of the police, it faces a number of increased pressures. The abolition of the Audit Commission means that audit regimes must be arranged by practitioners, thereby promoting possible conflicts of interest. New NHS governance arrangements may well establish a new range of pressures, as well as possibly increase the likelihood of perverse incentives in the system. As with the police, it is too early to say what will happen and the situation will require close monitoring in future years.

76. <http://www.dh.gov.uk/en/Consultations>

4.3 Legal profession

The 2011 National Integrity System study (published as Part Three in this 3-part series) suggests that the judiciary is institutionally robust and well protected against corruption.⁷⁷ This chapter deals with the legal profession more broadly, and is based upon data from three organisations: the Office for Judicial Complaints; the Bar Standards Board, and the Solicitors Regulation Authority. Our research indicates that there are few cases of corruption in the UK legal profession, although it has been documented in other countries. Access for interviews proved difficult in this area, and the organisations identified above directed us towards their annual reports and publicly available data.

4.3.1 Types of legal profession corruption

There is no single definition of corruption that is common to the different organisations that look at misconduct in the legal profession. In other international studies a range of corrupt practices have been identified, including:

- Avoiding pre-trial detention;
- Delaying court action;
- Influencing trial outcomes;⁷⁸
- Leaking information to criminals about ongoing investigations.⁷⁹

Such studies have demonstrated that corruption in the legal profession is often closely linked to organised crime groups, with members of the judiciary targeted, principally through bribes, to consult or advise criminal networks on avoiding detection and investigations.⁸⁰ There is an added vulnerability in countries that allow a high degree of judicial discretion. However, there is little evidence of these behaviours occurring in the UK.

Types of corruption identified in the UK by Solicitors Regulation Authority (SRA), the Bar Standards Board (BSB) and the Office for Judicial Complaints (OJC) are more broadly defined, and include:

- Fraud, dishonesty and money laundering;⁸¹
- Receipt of gifts and inappropriate payments;⁸²
- Conflicts of interest;⁸³
- Misuse of judicial status.⁸⁴

77. Transparency International (2011) *Corruption in the UK Part 3: National Integrity System* (London: TI)

78. Gounev, P and Bezlov, T, (2010) *Examining the Links Between Organised Crime and Corruption*, Center for the Study of Democracy

79. Miller (2003) *Police Corruption in England and Wales: An assessment of current evidence*. Police Research Series paper 11/03. London: Home Office

80. Gounev, P and Bezlov, T, (2010) *Examining the Links Between Organised Crime and Corruption*, Center for the Study of Democracy

81. Solicitors Regulation Agency (2010) *SRA Summary of Performance Measures and Statistics* (September 2010)

82. Bar Standards Board (2010) *Complaints and Hearings Teams Performance Report 2009* (London: BSB)

83. http://www.judicialcomplaints.gov.uk/docs/OJC_Annual_Report_2009_-_2010.pdf

84. http://www.judicialcomplaints.gov.uk/docs/OJC_Annual_Report_2009_-_2010.pdf

In addition there is the possibility of members of the legal profession acting as facilitators of corruption by being involved in practices such as channelling money or in drawing up documentation in corporate corruption cases.⁸⁵

4.3.2 Recent cases

- In July 2010, Sarfraz Ibrahim, a senior Crown Prosecution Service barrister, was jailed for four years after being found guilty of corruption, attempting to pervert the course of justice and misconduct in public office. Ibrahim shared a £20,000 bribe to drop a case against a man he believed to be guilty. The bribe was paid to by an undercover police officer posing as a criminal guilty of assault as part of an elaborate sting set up by the Serious Organised Crime Agency. After Ibrahim's arrest, police discovered the lawyer had debts of almost £1 million.

4.3.3 Prevalence of legal profession corruption

Despite the high-profile nature of the above case, there is little evidence that corruption in the UK legal profession is prevalent and recorded incidences are very low.

Cases of corruption in the legal profession are documented by three different organisations: the Solicitors Regulation Authority, the Bar Standards Board, and the Office for Judicial Complaints. Each of these organisations defines corruption slightly differently, and the data from each organisation suggests that cases of corruption are comparatively low.

In 2009/10 the SRA performed risk assessments on 1,120 allegations of fraud, dishonesty and money laundering (out of a total of 6,709 allegations).⁸⁶ It is not possible to break these figures down into their respective categories, so it is not known how many allegations were for fraud, how many were for money laundering, and so on.

The Bar Standards Board defines corruption as the receipt of gifts and inappropriate payments. The number of allegations in this category is extremely low, with only two allegations in each of the years 2008 and 2009. This corresponds to 0.4 per cent of all allegations in 2008, and 0.35 per cent of allegations in 2009.⁸⁷ The Office for Judicial Complaints received 647 complaints in 2009, of which 19 – three per cent – were over conflicts of interest and 9 – one per cent – related to misuse of judicial status.⁸⁸

4.3.4 Legal profession corruption risks⁸⁹

There are few recorded examples of corruption in the UK legal profession – and very little evidence to suggest that the UK legal profession is being targeted by organised criminals to the extent that happens in other countries. However, a recent survey by the International Bar Association (IBA), however, found that its UK members perceived a greater level of corruption: almost 40 per cent of UK respondents identified corruption as an issue in the legal profession (although corruption was not defined in the IBA survey).⁹⁰ Notwithstanding the previous caveats

There is little evidence that corruption in the UK legal profession is prevalent and recorded incidences are very low

85. For example, see the civil trial of *Zambian ex-President Frederick Chiluba*

Attorney General of Zambia for and on behalf of the Republic of Zambia (Claimant) – and – Meer Care & Desai (a firm) & Ors [2007] EWHC 952 <http://www.bailii.org/ew/cases/EWHC/Ch/2007/952.html>

86. Solicitors Regulation Agency (2010) *SRA Summary of Performance Measures and Statistics (September 2010)*

87. Bar Standards Board (2010) *Complaints and Hearings Teams Performance Report 2009 (London: BSB)*

88. http://www.judicialcomplaints.gov.uk/docs/OJC_Annual_Report_2009_-_2010.pdf

89. For information on corruption in the judiciary see *Transparency International UK (2011) Corruption in the UK Part Three: National Integrity System*

on the utility and accuracy of perception measures, it is interesting to note that the percentage of IBA respondents who consider corruption to be an issue was approximately double that of the UK public.

Another area of periodic suspicion is freemasonry. In 1998 a survey of the judiciary found that there out of 5,290 judges in England and Wales, 263 – five per cent – were freemasons.⁹¹ Similarly out of 29,054 magistrates, 1,465 – five per cent – were also freemasons. As a result of possible public concern, all judges and magistrates were subsequently required to declare whether or not they were freemasons. But in 2009 this requirement was withdrawn by Jack Straw who cited no evidence of any unacceptable or inconsistent behaviour among freemason judges and magistrates.⁹²

4.3.5 Conclusion

It would appear from this evidence that corruption in the legal profession is infrequent and is neither systematic nor organised. Perhaps the most interesting piece of data in this chapter is the IBA's perception survey, which indicates a higher level of concern over corruption in the UK legal and judicial professions than other evidence suggests.

90. International Bar Association (2010) *Risks and threats of corruption in the legal profession*

91. Home Affairs Committee (1999) *Freemasonry in Public Life* (<http://www.parliament.the-stationery-office.co.uk/pa/cm199899/cmselect/cmhaff/467/46703.htm>)

92. *The Independent*, Anger at 'cloak of secrecy' for judges 10 November, 2009

4.4. Prisons

In 2010, Nick Hardwick, former head of the Independent Police Complaints Commission, was appointed Chief Inspector of Prisons. In an interview shortly after his appointment he said:

"It will be important that resources are protected for dealing with corruption. It's often happening behind the scenes ... History has taught that it is very important that you have a real consistent pressure to deal with that"⁹³

Mr Hardwick's words echoed the recommendations of an independent report on drugs in prisons, which suggested that corruption was overlooked by current policy makers: *"there appears to be a huge degree of either indifference or complacency towards the issue within the Prison Service and the Ministry of Justice"*⁹⁴ The same report argued that as a first response, the budget of the Corruption Prevention Unit (CPU) should be increased to £5 million to begin to tackle the problem.⁹⁵

In January 2011 after an internal review, the National Offender Management Service (NOMS) announced that the Corruption Prevention Unit (CPU) would be subsumed under another branch of the security directorate, and that the post of Head of CPU would be abolished. This left no one with a senior operational background in what was already a very small unit, consisting of a junior prison manager, a seconded police officer and a handful of administrative staff. The CPU's budget had been significantly reduced since its inception some three years earlier.

This action causes concern. Previous research has indicated that corruption in prisons is both more widespread and deep-rooted than is officially acknowledged. Our research suggests that even these conclusions could underestimate the true extent of prison corruption, since they omit three key factors: the risk of non-prison officer staff being involved in corruption; the impact of organised crime within the prison population; and the symbiosis between corruption and performance management.

4.4.1 Types of prison corruption

Concerns surrounding prison corruption are inextricably linked with the smuggling in of contraband, particularly drugs and mobile phones. The National Offender Management Service (NOMS) estimates that the drug trade within prisons is worth approximately £100 million, with the price of drugs inside prison inflated to around 1,000 per cent of their street value.⁹⁶ Mobile phones (and SIM cards) are another extremely valuable commodity, and particularly crucial for the operation of organised crime within prisons. In what is highlighted as an under-reported area, official NOMS figures show that 3,473 phones and SIM cards were confiscated in 2006/07. This figure increased to 8,487 in 2007/08.⁹⁷

93. *The Independent*, Nick Hardwick: why have we put 85000 people in prison? 19 July 2010

94. Chambers, M (2010) *Coming clean: combating drugs misuse in prison* (London: Policy Exchange) p. 27

95. Chambers, M (2010) *Coming clean: combating drugs misuse in prison* (London: Policy Exchange) p. 28

96. Blakey, D (2009) *Disrupting the supply of illicit drugs into prisons* (NOMS)

97. Blakey, D (2009) *Disrupting the supply of illicit drugs into prisons* (NOMS)

"There appears to be a huge degree of either indifference or complacency towards the issue within the Prison Service and the Ministry of Justice"

Other staff... outweigh the number of actual officers, and are also likely to be approached by a potential corruptor

There are several different types of corruption that occur in prisons, which can be grouped into two broad categories – manipulation and implantation:

- *Manipulation* – includes threats, intimidation, inappropriate relationships (for example, sexual relationship), preying on staff disaffection. These types of corruption affect serving officers and other staff;
- *Implantation* – placing corrupt individuals directly within the prison service.

It is not just prison officers who are at risk of corruption. The numbers of other staff – teachers, social workers, maintenance workers, etc – outweigh the number of actual officers, and are also likely to be approached by a potential corruptor. In particular, it is this section of the prison workforce that is most targeted through implantation. Although there is no official data to demonstrate the extent of the problem, the Corruption Prevention Unit has intelligence of prison employees who have been working directly for gangs of organised criminals, usually in menial roles such as caretakers, cleaners, etc⁹⁸.

Of greater significance is the role of manipulation, which was repeatedly stressed in key respondent interviews as a key factor in prison corruption.⁹⁹ It was suggested that *"they (inmates) pretend to be your friend – but they're never your friend"*.¹⁰⁰ Manipulation occurs in significantly different ways: through inappropriate relationships; through threats; and through preying on general disaffection and de-motivated staff.¹⁰¹

Disaffection can itself take a number of forms, most obviously over low pay. The starting salary for a prison officer is £17,187 which, as the Policy Exchange report indicates, makes smuggling and other corrupt activities potentially very attractive.¹⁰² Threats and intimidation are particularly prevalent among new prison officers who have the benefit of a mere eight weeks' training.

4.4.2 Recent case

- In July 2010, Patricia Olivierre, 30, was convicted of possessing drugs with intent to supply at Wormwood Scrubs, where she had worked for several years. She was caught with 17g of heroin and a 51g block of cannabis stashed in her car. She also admitted misconduct in a public office after the investigation revealed she had been sent text messages and photos by a serving prisoner. Between July 28 and August 9, 2009, the prisoner used a smuggled mobile phone to call Olivierre 153 times. In return she made 29 calls to him and sent him four texts. Passing sentence Judge Andrew Goymer suggested that "The usual culprits are the family or friends of serving prisoners who are bringing drugs in while they are visiting. Those people who bring drugs into prison whether they are persons of good character or not must receive a substantial and immediate prison sentence". Olivierre was found guilty of two counts of possessing class A drugs with intent and one count of possessing class C drugs with intent. She was cleared of one count of misconduct in judicial or public office relating to taking the drugs into the prison, but earlier admitted misconduct in relation to sending and receiving messages and calls from the inmate.

98. Interview R8 – a former member of HM Prison Service

99. Interview R6 and R8 – member and former member of HM Prison Service

100. Interview R8 – a former member of HM Prison service

101. Interview R8 – a former member of HM Prison Service

102. Chambers, M (2010) *Coming clean: combating drugs misuse in prison* (London: Policy Exchange)

Threats and intimidation are particularly prevalent among new prison officers who have the benefit of a mere eight weeks' training

The recent Justice Committee review on the role of prison officers did not mention corruption as an issue at all

4.4.3 Prevalence of prison corruption

Judge Goymer's summing up is very interesting as it identifies the "usual culprits" involved in smuggling as family and friends. This view does not take into account the full nature of the potential for corruption in the prison service. Indeed there is very little official data available upon which to estimate the extent of corruption in the prison service. Official records show that only three prison officers have been dismissed for drug smuggling since 2007.¹⁰³ A leaked Metropolitan Police investigation from 2006 estimated that there are around 1,000 corrupt prison officers currently working, with a further 600 officers involved in an inappropriate relationship with a prisoner.¹⁰⁴ However, the Blakey report for the National Offender Management Service barely mentioned corruption as a mechanism for smuggling drugs and other contraband into prisons.¹⁰⁵ The recent Justice Committee review on the role of prison officers did not mention corruption as an issue at all.¹⁰⁶

Judge Goymer's views do not tally with those of prisoners themselves. A Home Office survey in 2005 found that 46 per cent of prisoners identified staff as the main channel for drug smuggling. Perhaps even more tellingly, a recent survey found that 23 per cent of respondents identified staff as a route for drugs, despite the fact that 'staff' was not a category on the questionnaire prisoners used.¹⁰⁷ This strongly suggests that corruption is more entrenched than is officially acknowledged.

Nor does the official explanation for drug smuggling in prison correspond to the views from our respondents. One was particularly scathing about the notion of family and friends smuggling in drugs and other contraband:

"it's easy to smuggle in drugs – you just stick them up your arse. You only get searched once every couple of months, you're not even always searched in a Category A prison!"¹⁰⁸

We will return to the theme of management controls later in the chapter. It was also suggested that despite each prison having its own Corruption Prevention Manager (usually not a full-time post), approximately one-third of prisons do not share any data with the national anti-corruption intelligence gathering system.¹⁰⁹ There were also question marks raised about data that is shared with the police (under the terms of the memorandum of understanding between the police and HM Prisons), and that the data given to officers was generally of a low quality.¹¹⁰

4.4.4 Prison corruption risks

There are several key risk areas within UK prisons:

- Enclosed prison environment;
- Prevalence of organised crime;
- Lack of training and support to prison officers;
- Reduction in capacity for corruption prevention work;
- Perverse incentives of performance management regimes.

103. Chambers, M (2010) *Coming clean: combating drugs misuse in prison* (London: Policy Exchange) p. 28

104. *The Times*, Corruption 'rife' among prison staff July 31, 2006.

105. Blakey, D (2009) *Disrupting the supply of illicit drugs into prisons* (NOMS)

106. Justice Committee (2009) *Role of the prison officer* HC 361

107. Chambers, M (2010) *Coming clean: combating drugs misuse in prison* (London: Policy Exchange) p.13

108. Interview R6 – a member of HM Prison Service

109. Interview R8 – a former member of HM Prison Service

110. Interview R8 – a former member of HM Prison Service

Respondents in our research emphasised that prisons are **enclosed environments** that house a particularly challenging population. Some forensic psychologists have estimated that up to 25 per cent of any given prison population is psychopathic.¹¹¹ This, together with the close and constant relationships that develop between prisoners and staff, makes a prison, as described by one respondent, “a real kind of cauldron of potential corruption, manipulation and conditioning”.¹¹²

The difficulties of the enclosed system are exacerbated by the ongoing rise in the prison population. In the ten years from 1998 to 2008, the prison population increased by about 30 per cent, from 60,000 to 84,000.¹¹³ At the same time, the number of prison officers increased much less steeply, from 24,272 to 26,474, an increase of 9 per cent.¹¹⁴ However, prison officers only account for around one-third of the people who work within prisons, with the total number of prison staff estimated at around 80,000.¹¹⁵

As one respondent told us, **anti-corruption training** is itself fairly poor with manipulation “only something that is mentioned” during training.¹¹⁶

“Prison Officers don’t get any support ... with cutbacks and cutbacks you are losing security all the time. Officers are going to be in a situation where they’re going to be killed sooner rather than later.”¹¹⁷

These risks are not confined to prison officers serving on the wings, but also apply to ancillary staff, who have even less training available to them against the problem of manipulation. We were informed that such members of staff receive a single hour’s worth of training in the form of a DVD from the US.¹¹⁸

Prisons are at threat from **organised crime** because, first and foremost, they have direct contact with a higher proportion of organised criminals than most other sectors. But prisons can also prove to be beneficial for organised criminals who are inside prison.¹¹⁹ Through corruption, and particularly the use of mobile phones, organised criminals can easily continue to run operations from within their prison cells.¹²⁰ Indeed, many organised criminals seek to take full advantage of the benefits available to them, such as education and qualifications, which can enhance their operations even further.

The links between organised crime and prisons have very recently begun to be publicly acknowledged in the SOCA *UK Threat Assessment of Organised Crime*.¹²¹ SOCA’s assessment acknowledges that organised criminals can meet new contacts, develop new networks, and generally learn new criminal techniques from the ‘experts’ they are in prison with. Yet the problem is possibly deeper still. Of even greater concern is the symbiosis that can occur when organised crime helps to ease managerial pressures on a prison.

We were informed that such members of staff receive a single hour’s worth of training in the form of a DVD from the US

111. Hare, R (2005) *Without Conscience* (London: Guilford Press)

112. Interview R8 – a former member of HM Prison Service

113. Justice Committee (2009) *Role of the prison officer* HC 361

114. Justice Committee (2009) *Role of the prison officer* HC 361

115. Interview R7 – a former member of HM Prison Service

116. Interview R6 – a member of HM Prison Service

117. Interview R6 – a member of HM Prison Service

118. Interview R8 – a former member of HM Prison Service

119. Interview R8 – a former member of HM Prison Service

120. Interview R7 – a former member of HM Prison Service

121. SOCA (2010) *UK Threat Assessment of Organised Crime*,

Organised crime and corruption have a symbiotic relationship in the prison service, one that benefits both criminals and – in terms of achieving KPIs – the prisons themselves

Key Performance Indicators (KPIs) in prisons focus strongly on areas such as the number of escapes, mandatory drug testing (MDT), and outbreaks of violence. When organised criminals are comfortable, each of these KPIs can be better achieved: there is no need to escape as operations can be run from within the prison; violence is lessened as it benefits the prisoner to remain quiet.¹²² Thus, organised crime and corruption have a symbiotic relationship in the prison service, one that benefits both criminals and – in terms of achieving KPIs – the prisons themselves. These perverse incentives can also be seen in areas such as the NHS.

The responsibility for what was described to us as “a corrupting attitude”¹²³ throughout prisons ultimately rests with leadership and management at the very highest levels of policy making:

“this hasn't suddenly happened; it's because of the system. The situation frankly is not good. What you need is order and structure but the structure of the Prison Service provides neither.”¹²⁴

These views were shared by each of our respondents. One suggested that the prison service was “mesmerized by KPIs”.¹²⁵ Another told us that “we are bombarded with KPIs – they don't see the bigger picture”.¹²⁶ As argued above, one particular difficulty is when organised criminals are so comfortable that their behaviour enhances KPIs, while in reality increasing the level of corruption ever upwards. Another, perhaps even more serious issue, was identified as the manipulation of KPIs themselves.

One respondent referred to the “virtual prison, the one that officials like to tell Ministers that exists”.¹²⁷ Several examples were offered, particularly around mandatory drug testing (MDT) which is already cloaked in controversy. One prison in the North West of England officially returned figures that showed it to be entirely drug free. Yet when it was independently inspected, 30 per cent of its population was found to be taking drugs.¹²⁸ One prison officer complained that MDT sampled only 10 per cent of a prison population once a month, and could therefore never be an effective measure.¹²⁹ One respondent mentioned a case where a prisoner had 9 certificates on his wall, all for showing he was clean of drugs. When asked why he has so many, the inspector was told he was regularly tested because prison staff knew in advance that he never touched any form of drug.¹³⁰

Also of concern was the reduction in prison budgets which would only exacerbate general unrest, and allow corruption to become more prevalent and entrenched. Not only are luxury items (televisions, gym equipment, etc) at risk of being removed, but cuts to everyday necessities, such as the quality of food and a reduction in the number of times mail is delivered, could be potentially very damaging.¹³¹

122. Interview R7 – a former member of HM Prison Service

123. Interview R7 – a former member of HM Prison Service

124. Interview R8 – a former member of HM Prison Service

125. Interview R6 – a member of HM Prison Service

126. Interview R8 – a former member of HM Prison Service

127. Interview R7 – a former member of HM Prison Service

128. Interview R7 – a former member of HM Prison Service

129. Interview R7 – a former member of HM Prison Service

130. Interview R6 – a member of HM Prison Service

131. Interview R8 – a former member of HM Prison Service

Private jails were alluded to by respondents as being subject to even less regulation and oversight,¹³² and even poorer working conditions and lower pay.¹³³ This report cannot make such a judgment, however, since without access to stakeholders within private prisons it is difficult to fully assess the scale of the problem. Bearing in mind the problems facing publicly-run prisons, it is reasonable to suggest that this situation must be investigated further.

4.4.5 Conclusion

Corruption in prisons must be regarded as a significant risk area. Different types of corruption have been clearly identified and categorised by both senior policy makers and front-line staff. Prisons have deep links with organised crime groups, which connect to the performance management regimes currently in operation. Furthermore, the performance management systems themselves are open to abuse. Perhaps most importantly, prisons are at significant risk because corruption has been consistently overlooked by policy makers at the highest level. Corruption barely features in many official reports or enquiries, and the system that has been established to tackle corruption has been significantly weakened with the reduction in capacity of the Corruption Prevention Unit. Whether this has been a deliberate reaction is open to serious debate. As one respondent suggested *"we are a very naive service"*.¹³⁴ We were repeatedly told by respondents that Prisons needs much stronger leadership from the very highest levels. Our evidence appears to confirm this view.

Prisons are at significant risk because corruption has been consistently overlooked by policy makers at the highest level

132. Interview R8 – a former member of HM Prison Service

133. Interview R8 – a former member of HM Prison Service

134. Interview R8 – a former member of HM Prison Service

4.5. Social housing

The provision of social housing in the UK is increasingly complex. Few, if any, local authorities directly provide housing services, although they are responsible for operating the system of housing benefit and ensuring that the needs of homeless people are met. Instead, social housing is provided through a mixture of housing associations, arms-length companies set up by local authorities, and private landlords who provide accommodation that is ultimately funded by housing benefit. There are approximately four million social housing properties in the UK, of which around two and a half million are housing association properties,¹³⁵ and around 2 million in the hands of private landlords.¹³⁶ The National Housing Federation estimates that up to 2 million people are on waiting lists for social housing properties.¹³⁷

The regulation of social housing is continually changing. In England and Wales the Housing Corporation was replaced by two agencies – the Tenant Services Authority (TSA) and the Homes and Communities Agency (HCA). Further change is imminent with the regulatory functions of the Tenant Services Authority being transferred to the HCA. In September 2010, the Scottish Government launched the *Scottish Social Housing Charter*, which (among other things) sets out a mechanism to make the Scottish Housing Regulator an independent entity.

4.5.1 Types of social housing corruption

The social housing sector neatly demonstrates how closely aligned fraud and corruption can be. For example, the recent BBC documentary, *The Great Housing Rip Off*, estimated that approximately £3.5 billion of housing benefit is directed towards landlords who house tenants in very poor accommodation. While this is a misuse of entrusted power, it is more likely to be considered a fraudulent use of housing benefit.¹³⁸ The main types of corruption in the social housing sector are:

- Tenancy fraud and corruption;
- Abuse of position by social landlords;
- Collusion and corruption in procurement.

Estimates of the cost of tenancy fraud in social housing range from £1 billion¹³⁹ to £2 billion per year.¹⁴⁰ Whilst this is clearly identified in reports as fraud rather than corruption, it should be noted that the ability of tenants, or prospective tenants, to make use of their position to influence the behaviour of others is in line with the definitions adopted elsewhere in this report. Again this underlines the difficulty in separating out corruption from other behaviours. A 2010 Audit Commission study¹⁴¹ indicated that a range of different types of fraud are being committed in the social housing sector. They include:

135. National Housing Federation, 2011

136. Centre for Housing Research, 2008.

137. National Housing Federation, 2011

138. *Panorama*, October 25, 2010

139. National Housing Federation, 2011

140. Audit Commission (2010), *Protecting the public purse* this estimate is calculated on the asset value of an estimated 50,000 properties involved.

141. Audit Commission (2010) *Protecting the public purse*

- Non-occupation – using a property as a second home;
- Obtaining tenancy by deception – false applications, failure to mention previous tenancy, failure to mention anti-social behaviour, acquiring property as a victim of domestic violence and living with partner;
- Subletting – tenants acting as landlords;
- Succession – claiming to have spent time in a particular property with a partner or family member who as recently deceased, in order to obtain the tenancy;
- Unauthorised exchanges – swapping properties between two or more tenants.

Subletting has been regarded as a particular problem, especially in London and the South East, where there are the highest differential prices between rent and market value.¹⁴² An additional concern is that subletting is associated with organised crime. Although subletting is often engaged in by an individual tenant – for personal financial gain or to help out extended family and friends – around major metropolitan areas, organised crime gangs sublet properties for drug and prostitution activities.¹⁴³ Some housing associations have responded to the perceived problem of organised crime by instituting clauses in social housing contracts. For instance, London housing association Viridian Homes has banned gang members from tenancy.¹⁴⁴

Local authorities have been concerned for several years about the role of private landlords and opportunities that letting provides for corruption and other illegal behaviour. An interview with a senior local authority housing member and a cabinet member with executive responsibility for housing, suggested that local authorities continue to take an active approach to dealing with corruption by landlords.¹⁴⁵ The main concerns expressed by local authority housing officers are that private landlords are in a powerful position in relation to their tenants, who are dependent on housing benefit to finance accommodation. This could lead to the potential involvement of criminals in the housing market, the provision of substandard accommodation, failure to undertake statutory responsibilities for the health and safety of tenants; and the use of their position to abuse or otherwise harm tenants.¹⁴⁶

Other specific examples of corruption (rather than fraud and corruption) are few. Concern has been raised about Large Scale Voluntary Transfers (LSTVs) and Arms Length Organisations (ALMOs) being employed to change the management of social housing. In particular, there have been concerns that such transfers have been agreed to by tenants after being given assurances about their properties that have not subsequently been kept. This is essentially vote rigging in favour of transfer (see case below). Cases of bribery are even fewer, although examples can be found (see case below).

4.5.2 Recent cases

- The transfer of social housing in Oldham, from Oldham Council to First Choice Homes Oldham has raised concerns recently. Although tenants voted resoundingly in favour of the transfer (approximately 85 per cent voted in favour), Oldham MP, Michael Meacher, accused the council of providing false information to tenants. Although he did not go so far as to suggest vote rigging, Meacher argued that tenants were not given a free vote, on a deal that was worth approximately £150 million.

142. Audit Commission (2010) *Protecting the public purse*

143. *Inside Housing* (2010)

144. *Inside Housing* (2010)

145. Interview R11 – a local councillor with a social housing portfolio

146. Interview R11 – a local councillor with a social housing portfolio

Private landlords are in a powerful position in relation to their tenants, who are dependent on housing benefit to finance accommodation

- After an investigation conducted by the Serious Fraud Office, three men (John Hartshorn, Keith Hinson and Darshan Ram) were found guilty of corruption in connection with the purchase of properties by the Focus Housing Association. The Focus Housing Association was based in Birmingham and was responsible for approximately 12,000 tenants. Hartshorn was the director of its property department; Hinson was a manager in the same department; and Ram was a West Midlands-based property dealer. This case revolved around the purchase by Focus from Darshan Ram during the early '90s of around 140 properties (valued at £3.5 million) in the West Midlands. On a number of occasions Ram made corrupt payments to both Hartshorn and Hinson as an inducement or reward for showing favour to him in the purchase of rehabilitated properties by Focus. Hinson corruptly received approximately £16,300, and Hartshorn £5,450, from Ram.

4.5.3 Prevalence of social housing corruption

It is extremely difficult to establish precisely the extent and prevalence of corruption in the social housing sector. Discussions with the Tenant Services Authority (TSA) indicate that the incidence of such activity is not recorded and is seen to be the responsibility of individual registered social landlords. Although the TSA indicated that if there was cause for concern they would investigate, there is no evidence to suggest that any investigations have taken place. As benefit fraud is pursued by individual local authority benefit fraud teams, it is unlikely that the Tenant Services Authority would become involved here.¹⁴⁷

However the evidence collected is limited and there are relatively few cases of criminal activity reported. According to the local authority we interviewed, out of 1,700 applications to a landlord registration scheme, they had concerns about criminal convictions in only two cases.¹⁴⁸ And there were few cases of abuse of position by landlord. However, it should be noted that the regulation of landlords is limited to particular geographical areas within local authorities, so landlords can avoid registration by restricting their activities to outside those areas. The use of data from landlord registrations is therefore likely to understate the problems that arise. Also, tenants may be unwilling to report the actions of landlords because of fear of reprisal.

A more positive view of the relationship with landlords was provided by the respondents. They argued that, in most cases, the local authority is able to support landlords in fulfilling their statutory duties, and that, the issues are more that landlords are ignorant of their responsibilities, or unsure how to meet them, than deliberately corrupt.¹⁴⁹

4.5.4 Social housing corruption risks

Although there is little evidence to suggest that registered social landlords consider corruption to be a major problem, most have in place arrangements for dealing with tenant applications, and reducing the risk of corruption in the procurement process. This forms part of the corporate governance arrangements the Tenant Services Authority expect registered social landlords to adopt.¹⁵⁰ However, the TSA does not monitor the impact of corruption and it is unlikely that this will happen after the TSA's demise, as the data collection function taken over by the Homes and Communities Agency will be reduced.¹⁵¹

147. Email exchange with TSA March 2011

148. Interview R11 – a local councillor with a social housing portfolio

149. Interview R11 – a local councillor with a social housing portfolio

150. Interview R11 – a local councillor with a social housing portfolio

151. Announcement from Grant Shapps <http://www.communities.gov.uk/news/corporate/1740269>

However, local authority housing benefit fraud teams do respond to a range of issues and deal with a significant level of fraud each year. Tenancy fraud (of which housing benefit fraud is a major part) is estimated at £1 billion according to the National Fraud Authority.¹⁵² However the National Fraud Initiative, reporting on data-matching activities for 2008/9, identified only £24 million. This approach would significantly understate organised crime however. The Audit Commission estimates are more conservative than the NFA's, showing a £200m housing benefit loss as a result of fraud.¹⁵³

Respondents expressed concern that responses to corruption in social housing are too London-centric, even though London has the highest percentage of social housing stock in the UK (approximately 20 per cent or 750,000 properties).¹⁵⁴ One respondent expressed a concern that there is "massive apathy outside of London"¹⁵⁵ and that the London-centric view of social housing corruption was "justified by myths" that there were no problems outside the capital.¹⁵⁶ Other evidence, however, suggests that this view seems to be changing, with recent examples of work undertaken more widely across the UK. For example, both Leeds and Birmingham City Councils¹⁵⁷ have recently introduced whistle blowing initiatives. Local authorities are also taking seriously their responsibilities to the private landlord sector.¹⁵⁸

Local authorities have also taken an active approach to dealing with the corruption risks arising from the involvement of private landlords. This includes introducing compulsory licensing of landlords in those parts of the authority where it can be applied, and introducing voluntary regulation in other areas. Local authorities also use other mechanisms (such as the involvement of other agencies and community protection officers) to access premises where concerns over private landlords exist. This takes the pressure off individual tenants who might be reluctant to make a complaint.¹⁵⁹

4.5.5 Conclusion

There are a number of difficulties in assessing corruption within social housing. First, much potential corruption is bound up in cases of fraud. Secondly, detailed figures for cases of corruption do not appear to be kept by the principle regulatory agencies. This means that both the cost and prevalence of corruption can only be estimated. One of the key risks is the rise of organised crime in social housing. A co-ordinated response will be required to tackle this issue. Another concern is the loss of the Audit Commission, which has collected much of the available data on social housing.

152. National Fraud Authority Annual Fraud Indicator 2011.

153. Audit Commission (2009) *Protecting the public purse* (London: Audit Commission)

154. Audit Commission, (2010) *Protecting the public purse* (London: Audit Commission)

155. Interview R5 – a member of the Audit Commission

156. Interview R5 – a member of the Audit Commission

157. Audit Commission (2010) *Protecting the public purse* (London: Audit Commission)

158. Interview R11 – a local councillor with a social housing portfolio

159. Interview R11 – a local councillor with a social housing portfolio

4.6 Procurement

Procurement is clearly a very broad area that is difficult to summarise. The UK public sector alone spends approximately £200 billion annually on procurement of goods and services.¹⁶⁰ The NHS procurement budget stands at approximately £12 billion of which £1 billion a year is wasted through poor practices, according to a recent study.¹⁶¹ The Ministry of Defence has a procurement budget of approximately £14 billion per year.¹⁶² The office for Government Commerce is responsible for the Collaborative Procurement Programme worth £18 billion annually.¹⁶³ Adding to the complexity is the sheer range of different sectors and industries involved. As one interviewee argued: "each area is a project in itself; each sector has its own characteristics".¹⁶⁴ We are grateful to interviewees at organisations including the MoD, the Police and the Audit Commission for views and information on procurement provided for this section of the study.

4.6.1 Types of procurement corruption

Numerous studies outline typologies of corruption in the procurement sector. Key risk areas in the procurement process identified by Transparency International¹⁶⁵ include:

- Unnecessary purchases, where a purchase is of little or no value to society.
- Purchases which are economically unjustified or environmentally damaging.
- Goods or services which are needed, but overestimated to favour a particular provider.
- Old political favours or kickbacks are paid by including a "tagged" contract in the budget.
- Conflicts of interest are left unmanaged, with decision makers agreeing contracts that have an impact on their former employees.

The OECD¹⁶⁶ has devised a further typology outlining the key risk stages involved in the procurement process:

- Pre-bidding: needs assessments; defining requirements; selecting bid procedures; arranging time frames.
- Bidding: invitation to bid; awarding bids.
- Post-bidding: contract management; order and payment.

Global Infrastructure Anti Corruption Centre have gone further still. It has identified 47 different activities, subdivided into three categories (prequalification and tender; project execution; and dispute resolution), "which may constitute the criminal offence of bribery, extortion, fraud, deception, collusion, cartel or similar offence".¹⁶⁷

160. NAO and AC (2010) *A review of collaborative procurement across the public sector*

161. <http://www.dh.gov.uk/en/Aboutus/Procurementandproposals/Procurement/index.htm>

162. <http://www.contracts.mod.uk/introduction/index.shtml>

163. <http://www.ogc.gov.uk/GPS.asp>

164. Interview R13 – an anti-corruption officer in a law enforcement agency

165. http://www.transparency.org/publications/publications/other/procurement_handbook

166. http://www.oecd.org/document/5/0,3746,en_2649_34135_41883909_1_1_1_1,00.html

167. *Global Infrastructure Anti Corruption Centre (2008) Examples of corruption in infrastructure p. 2*

Bid rigging has been one of the most high-profile areas of UK procurement corruption. In 2008 the OFT issued a statement of objections against 112 construction companies, and in 2009 gave details of the fines imposed on 103 construction firms, relating to 199 tenders, between 2000 and 2006.¹⁶⁸

Respondents identified a range of different types of corruption, including: the use of deliberately substandard products, bribery, and overcharging.¹⁶⁹ One interviewee, experienced in the field, indicated that there was often a grooming process involved in the corruption of public sector employees involved in procurement. Corruption "starts with a cup of tea," moving on to corporate hospitality and offers of event tickets, before moving into more blatant inducements, such as the use of holiday accommodation with a clear understanding that this is linked to favouring a particular bidder.¹⁷⁰ This process not only enables the contractor side to test out the corruptibility of the client-side officer – acclimatising him or her to the receipt of hospitality and inducements – it also makes it harder to report more blatant offers of bribes for fear of revealing that some hospitality has already been received. The level at which the client-side officer perceives a bribery offence is being committed may also vary.¹⁷¹

4.6.2 Recent cases

- In 2008 James McLaughlan was found guilty of conspiracy to defraud and sentenced to three and half years in prison after a setting up a scheme using 287 ghost workers at Devonport Dockyard as part of the Trident Submarine Refit Project. The scheme cost the Ministry of Defence £425,000 and was first detected in 2001 by a National Audit Office report. The MoD Police fraud squad spent five years investigating the case (2001–2006), which required 700 witness statements resulting in 17,000 pages of evidence. The fraud was believed to have begun not long after McLaughlan's company was employed by a contractor on the Trident Submarine Refit Project in early 2001 to supply labour and scaffolding services. A quantity surveyor was also jailed for conspiracy after accepting thousands of pounds in bribes to keep quiet about the scheme.
- In February 2011 Secretary of State for Transport, Philip Hammond, announced that the £6 billion privatisation of the search and rescue helicopter service was to be abandoned. Hammond cited irregularities in the handling of sensitive information. They included "access by one of the consortium members, CHC Helicopter, to commercially sensitive information regarding the joint MoD/DfT project team's evaluations of industry bids and evidence that a former member of that project team had assisted the consortium in its bid preparation, contrary to explicit assurances given to the project team." MoD Police are currently investigating the case.¹⁷²

There was often a grooming process involved in the corruption of public sector employees involved in procurement.

168. OFT (2010) *Investigation into bid rigging in the construction industry in England* http://www.of.gov.uk/about-the-of/legal-powers/enforcement_regulation/Cartels/construction

169. Interview R13 – an anti-corruption officer in a law enforcement agency

170. Interview R13 – an anti-corruption officer in a law enforcement agency

171. Interview R13 – an anti-corruption officer in a law enforcement agency

172. *Financial Times* *Rescue helicopter sell off grounded* 7 February, 2011

- In 2009, three contractor staff from the private company Cares About Waste, were found guilty of defrauding Cumbria County Council of £100,000 by presenting records which exaggerated the amount of waste collected. While sentencing, the judge in the case, Judge Peter Hughes QC, stated "It is difficult to avoid the conclusion that the County Council's system of inspection and audit was woefully inadequate."¹⁷³

4.6.3 Procurement corruption risks

There is always a risk that procurement frauds may involve an element of collusion or negligence on the part of those involved on the client side. Such activities can be detected throughout the procurement process, and Guile (2010) suggests there are a number of red flags to look out for. These include:

- Undeclared conflicts of interest;
- Paperwork processed for payment after the work has started;
- Use of a single source without justification;
- Suppliers unknown to staff, but dealt with exclusively by one individual;
- Double dipping: ie the repeated (sequential) submission of duplicate invoices;
- Persons insistent on using a particular supplier;
- Number of orders submitted which are beneath approval thresholds;
- Volume of work that does not relate to amount of invoices raised;
- Control of variations: eg are variations justified against the contract? Have variations been created to cover invoices?
- Emergency works: are they really required?

As one respondent argued, the difficulties in tackling procurement fraud lay not only the complexity of the cases themselves but in the fact that UK agencies do not necessarily have the capacity to tackle large numbers of corruption prosecutions. It was suggested that the SFO and City of London Police both place a significant emphasis on the investigation of overseas corruption, leading to a lack of specialist resources devoted to bribery and corruption in domestic procurement:¹⁷⁵

"Everything is aimed at overseas corruption, where there is a clear line of authority. Domestic corruption? There is not such an appetite"

Adding to the difficulties with the investigation and prosecution is the sheer scale of low-level procurement corruption that may be being perpetrated at any given time. A respondent explained that while major public works usually have a well-regulated system of checks and balances –

UK agencies do not necessarily have the capacity to tackle large numbers of corruption prosecutions

173. Another key case, although slightly older, is that of Gordon Foxley an engineer and Head of Defence Procurement at the Ministry of Defence from 1981 to 1984. He subsequently set up his own defence consultancy business. His final salary at the MoD was £25,000 per annum. However, he was subsequently found to have a bank account containing £3.5 million and he and his family owned a £750,000 home in Henley, further properties, including a country home in Wiltshire, and a number of expensive cars. In 1993, the means of supporting Foxley's extravagant lifestyle was explained when he was convicted of corruption in the procurement of MoD supplies including fuses for ordnance. In 1993, he was convicted of receiving at least £1.5 million from three firms, Raufoss, Borletti and Junghans, in Norway, Italy and Germany, in return for preferential treatment, including the tailoring of specifications to favour their products. All three firms were subsequently removed from the MoD's list of approved suppliers. The effects of Foxley's corrupt practices were that the armed forces were at risk of being supplied with unsuitable armaments and that business and jobs at Royal Ordnance and other British and overseas manufacturers were put at risk.

174. Interview R13 – an anti-corruption officer in a law enforcement agency

175. Interview R13 – an anti-corruption officer in a law enforcement agency

meaning that the opportunity for corruption is low and the probability of detection is high – this does not apply further down the supply chain:

“with small contracts there are less obvious control mechanisms, even if a local authority runs everything ok the situation is very disparate in the UK. When there is a massive supply chain, the further down the scale the more dangerous it is”¹⁷⁶

It was also commented that corruption in the UK is often difficult to trace, as it may relate to favouring members of a particular social circle, who are connected through clubs and societies, including sports clubs. No overt bribes might be offered, but there may be an informal system of mutual backscratching which can be hard to investigate or prove.¹⁷⁷

One interviewee drew attention to the fact that technical experts, including surveyors, can be vulnerable to approaches from tenderers and contractors with corrupt purposes in relation to contract specifications and contract monitoring. Anti-corruption training for these individuals could be of great value. There is also a risk that corruption of technical staff will not be discovered by general managers who have difficulty understanding the specifications and assessing the reliability of performance information. This interviewee added that technical people outside the finance area often lack anti-corruption training. There is also a lack of short guides for the prevention of corruption for public and private sector employees to refer to.¹⁷⁸

4.6.4 Conclusion

UK procurement is susceptible to corruption throughout the supply chain and in all stages of the procurement process. Unfortunately, the evidence suggests that what is currently known could simply be a fraction of what is actually occurring. However, at this point in time, it is simply not possible to make a sound judgement. There is a strong sense that, within the UK, there is a current inability to detect corruption at lower levels. Perhaps this is why, as one respondent indicated, there is a reluctance to pursue procurement corruption within the UK. There is a need for much deeper investigation into this area.

No overt bribes might be offered, but there may be an informal system of mutual back-scratching which can be hard to investigate or prove

176. Interview R12 – a member of the construction industry

177. Interview R5 – a member of the Audit Commission

178. Interview R5 – a member of the Audit Commission

4.7 Sport

Of all the areas we were asked to look at, none was more challenging (and perhaps none more controversial) than sport. Sport corruption has a profound impact in terms of culture and public trust. Sporting stars are role models in a manner unlike other public figures such as politicians. For a leading sporting figure to be accused of corruption creates a ripple effect that can last for decades. To this day, for example, Ben Johnson still stands as a symbol for the illicit use of performance-enhancing drugs in athletics.¹⁷⁹ In 2010, many cases of sport corruption gripped the headlines: doping in the Commonwealth games¹⁸⁰; allegations of corruption in FIFA; match-fixing in snooker; spot-fixing in cricket, to name but a few. It is little surprise, therefore, that sport is seen by the UK public as the second most corrupt sector in the country.¹⁸¹ This study cannot possibly do justice to the full range of issues concerning sport, integrity and corruption. All we can do here is outline a typology of sporting corruption to establish a framework for future research and policy discussions, with cases and evidence to illustrate each example.

4.7.1 Types of sport corruption

The TI definition of corruption, the misuse on entrusted power for private gain, covers a multitude of corrupt activities within sport. Previous research has tried to make sense of these by providing frameworks of sport corruption. The Remote Gambling Association's report into sports betting integrity, for example, classified corruption in terms of doping, financial irregularities, cheating, match-fixing (non betting) and match-fixing (betting).¹⁸² Others have sought to categorise sport corruption into competition corruption and management corruption.¹⁸³ Some examples that are cited (eg points-shaving; embezzlement) do not seem to have an impact on the UK. We suggest, therefore, that the following typology is appropriate:

<i>Systemic corruption</i>	<ul style="list-style-type: none"> - Vote rigging; - Bribery; - Gifts and hospitality; - Organised crime;
<i>Gambling corruption</i>	<ul style="list-style-type: none"> - Match-fixing; - Spot-fixing;
<i>Competition corruption</i>	<ul style="list-style-type: none"> - Use of illegal drugs; - Cheating.

179. Johnson is also still protesting his innocence "you only cheat if you're the only one doing it. This means if the other guys are doing it, and you start doing the same thing, it's not cheating". *The Guardian Ben Johnson: My revelations will shock the world* 5 October 2010

180. *Indian Times CBI arrests Suresh Kalmadi in Commonwealth Games corruption investigation* 25 April 2011

181. *Transparency International (2010) Corruption in the UK national opinion survey*

182. *Remote Gambling Association (2010) Sports betting: legal, commercial and integrity issues*

183. *Maennig F (2005) Corruption in international sports and sport management: forms, tendencies, extent and countermeasures European Sport Management Quarterly*, 2(2005), 187 – 225; *Gorse S and Chadwick S (2009) Corruption in Sport implications for marketing CIBS working paper n. 9 (Centre for international Business of Sport)*

4.7.2 Recent cases

Systemic corruption

The failure of the English world cup bid was blamed in some quarters on Panorama's broadcast, which highlighted a number of allegations involving FIFA and the governance of world football. Some of these allegations surrounded bribery: in November 2010 Amos Adamu was banned from FIFA for three years after he was discovered to be soliciting bribes in exchange for world cup votes¹⁸⁴ (at April 2011 Adamu remained listed as a member on the FIFA website).¹⁸⁵ There are no allegations at this point, of course, that the final vote was anything other than fair, but there have been a number of previous examples of vote rigging in FIFA. For instance, on two separate occasions, the Head of Haiti FA, Jean Marie Kyss, was impersonated to secure a vote (in 1996 by Ms Vincy Jalal and in 1998 by Mr Neville Ferguson).¹⁸⁶

The latest World Cup bid also brought into question the use of hospitality. After England failed to land the World Cup, London's mayor Boris Johnson withdrew an offer of free suites at the Dorchester Hotel for leading FIFA delegates during the 2012 London Olympics. It has yet to be made clear what the purpose of such hospitality was, but Johnson has subsequently admitted that the offer may still stand.¹⁸⁷ As Jennings has recently demonstrated, official FIFA documents also show that the demands made on each potential host country during the bidding process included tax breaks and visa waivers for delegates and their guests that contravened both UK and EU laws.¹⁸⁸ Interestingly, the England World Cup bid party had agreed to these (and all other) FIFA demands, so it is difficult to assess what might have happened had England actually succeeded in their bid.

In May 2011, Lord Triesman, the former chair of the England World Cup Bid gave evidence to the Select Committee for Culture, Media and Sport. He alleged that six members of FIFA's executive committee had engaged in "unethical conduct" and that two members, Issa Hayatou, of Cameroon, and Jacques Anouma, of Ivory Coast, had each received \$1.5 million in bribes from the Qatar 2022 World Cup Bid in exchange for their votes. Triesman also alleged that Paraguayan member, Nicolas Leoz, had asked for an honorary knighthood, and that Ricardo Teixeira, the president of the Brazilian federation, had asked Triesman to "come and tell me what you have got for me".¹⁸⁹

English football has also seen a significant number of allegations into bribery and, in particular, the use of agents. In 2007, the Stevens Inquiry found that irregular payments had been involved in 17 football transfers. The inquiry led to a number of arrests of high profile football figures, such as Harry Redknapp, who remains under investigation for tax fraud by HMRC. Many believe that the problem of agents and payments has not been eradicated. One recent commentator suggested: "the agent business is like the Wild West".¹⁹⁰ Hugh Robertson, Minister at the Department for Culture Media and Sport, recently declared that English football was "the worst governed sport in the country".¹⁹¹

184. *Guardian* Amos Adamu banned for three years by Fifa after corruption hearing 18 November 2010

185. <http://www.fifa.com/aboutfifa/federation/bodies/members/people=232283.html>

186. Jennings, A (2007) *Foul: The Secret World of FIFA: Bribes, Vote Rigging and Ticket Scandals* (London: Harper Sport)

187. *Telegraph* Boris Johnson admits Fifa chiefs could stay at the Dorchester Hotel 6 December 2010

188. [http://www.transparencyinsport.org/The_documents_that_FIFA_does_not_want_fans_to_read/PDF-documents/\(3\)Tax-exemptions.pdf](http://www.transparencyinsport.org/The_documents_that_FIFA_does_not_want_fans_to_read/PDF-documents/(3)Tax-exemptions.pdf)

189. *Daily Telegraph* Lord Triesman alleges Fifa corruption in World Cup bidding process at Commons committee hearing 10 May 2011

190. <http://news.bbc.co.uk/sport1/hi/football/9049037.stm>

191. <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmcomeds/uc792-viii/uc79201.htm>

In April 2011, former Commonwealth Games Organising Committee chairman, Suresh Kalmadi, was arrested in an investigation into corruption claims during the 2010 Commonwealth Games. India's Central Bureau of Investigation (CBI) is investigating the disappearance of \$21.7 million worth of misplaced funds. Kalmadi was also questioned over alleged irregularities in the conduct of Queen's Baton Relay (QBR) held in London in 2009. It is alleged that two firms, AM Films and AM Car and Van Hire Limited, were contracted to QBR at overinflated rates. AM Car and Van Hire Limited, based in London, was engaged during QBR in 2009 to provide services like taxis for the guests and OC members. AM Films was hired to provide display monitors during the event.¹⁹²

Gambling corruption

There are two main types of corruption associated with gambling: match-fixing (which affects the overall outcome of a competition) and spot-fixing, or match-influencing, (which affects particular aspects of a competition). It must be noted that some match-fixing cases have also been discovered when there has been no trace of gambling. One example is driving to team orders in Formula 1 – including the rather extreme example of the 2008 Singapore Grand Prix, in which Renault ordered one of its drivers, Nelson Piquet Jnr, to crash in order to help his teammate, Fernando Alonso, to win. Team Renault was subsequently banned for two years.¹⁹³ In 2010, however, the problem of spot-fixing was highlighted with examples in cricket and snooker.

Following the Test Match between England and Pakistan at Lords in August 2010, three Pakistan cricketers were accused of spot-fixing. Bowlers Mohammed Amir and Mohammed Asif were accused of deliberately bowling no-balls at a specified time on the orders of their captain, Salman Butt. All three have subsequently been banned for five years¹⁹⁴ and have also been charged with conspiracy to obtain and accept corrupt payments, and conspiracy to cheat.¹⁹⁵

2009 snooker world champion, John Higgins, was caught in a sting operation by the News of the World. Reporters posed as Ukrainian businessmen and persuaded Higgins and his agent to agree in principle to deliberately lose particular frames in specified matches, in exchange for a bribe of £216,000. He was subsequently found guilty of bringing the game into disrepute, but was found not guilty of corruption.¹⁹⁶

Competition corruption

In 2011, at a press conference for the 2012 London Olympics, the current President of the International Olympic Committee, Jacques Rogge, suggested that gambling was the biggest corruption area affecting sport. Rogge contrasted gambling corruption with the use of illegal drugs: "Doping affects one individual athlete, but the impact of match-fixing affects the whole competition. It is much bigger".¹⁹⁷ It is debatable, of course, whether or not this is actually the case. Arguably, a high-profile gold medallist who is subsequently found to have tested positive for drugs does indeed affect the whole competition. Rogge's assertions certainly downplay the prevalence of drugs in sport, however. In 2008, 621 suspicious drugs cases were investigated in international sports, with 382 found guilty. By contrast, only 34 suspicious betting allegations

192. *Indian Times* CBI arrests Suresh Kalmadi in Commonwealth Games corruption investigation: Report April 25, 2011,

193. http://news.bbc.co.uk/sport1/hi/motorsport/formula_one/8266090.stm

194. <http://edition.cnn.com/2011/SPORT/02/05/cricket.icc.pakistan.match.fixing/index.html>

195. <http://edition.cnn.com/2011/SPORT/02/04/cricket.pakistan.icc.england/index.html>

196. *The Guardian* John Higgins banned for six months but cleared of match-fixing 8 September 2010

197. http://www.bbc.co.uk/blogs/davidbond/2011/03/match_fixing_is_now_a.html

were investigated in that same year, with four found guilty.¹⁹⁸ In athletics alone, there are currently 160 athletes suspended from competition, or with lifetime bans, of whom three are from Great Britain.¹⁹⁹

Simple cheating may appear an unusual category for a typology of corruption. Cheating is opportunistic (very often recklessly so); frequently fails to have an impact on a competition; and is often detected and punished. Another reason why it may seem a counter-intuitive category is just how endemic cheating is across a huge range of sports. Yet we suggest that it clearly falls within the inclusive definition of corruption being used for this study, both in terms of misuse of entrusted power, and also private gain.

The 'Bloodgate' incident neatly encapsulates this. In a 2009 quarter final of the Heineken Cup, Harlequins' Tom Williams was substituted after suffering a facial injury that was later discovered to have been faked. An investigation revealed that blood injuries had also been faked by Harlequins in four previous matches. Williams subsequently received a 12-month ban (reduced to four months on appeal). Harlequins' former director of rugby, Dean Richards, was banned for three years; and a two-year ban was given to physiotherapist Steph Brennan (who succeeded in overturning the ban in January 2011). The club was fined £260,000 and club chairman, Charles Jillings, subsequently tendered his resignation. Harlequins' club doctor, Wendy Chapman, was suspended by the GMC for cutting Williams' lip.

Not only were all participants severely punished for their involvement in the incident, but the sport's governing body, the RFU, immediately established a taskforce to look into a variety of different types of corruption within rugby union. The taskforce produced a report, *Image of the Game*, in September 2009. It identified these issues:

- The fabrication of blood injuries;
- Feigning injury to enable substitutions to be made;
- Other "medical interventions" or areas of "medical practice" where existing regulations might be being breached – eg use of local anaesthetics on match days;
- Cheating and gamesmanship;
- Unfair interference with the opposition team's operations or preparation for match day;
- The use of illicit/recreational drugs;
- The use of performance-enhancing drugs.²⁰⁰

As a result of recommendations a number of rule changes were made to bolster the integrity of rugby union.

These examples show that different sports react differently to scandals surrounding cheating and, what some might consider, low-level corruption. Perhaps more importantly, it shows how difficult it is to regulate sport in a consistent and robust manner. With self-regulation the norm, there are concerns over accountability and transparency. The question then becomes: to what extent should there be an interplay between sport and outside agencies? This is a question that is being debated in response to recent gambling issues.

198. *Remote Gambling Association (2010) Sports betting: legal, commercial and integrity issues*

199. http://www.iaaf.org/mm/Document/Antidoping/SanctionedAthletes/05/61/97/20110401105157_httppostedfile_Athletescurrentlysuspendedasat1.4.11_24009.pdf

200. <http://www.rfu.com/AboutTheRFU/ImageOfThegame>

4.7.3 Sport corruption risks

The diverse range of sport corruption cases demonstrates three common risk factors:

- the problem of self-regulation in sport;
- the difficulty of regulating against international corruption;
- links with organised crime.

In the case of match-fixing and spot-fixing, the evidence overwhelmingly suggests that the root of corruption occurs overseas. International sport was identified by one of our respondents as the highest risk for gambling corruption, as it was impossible to regulate.²⁰¹ This has negatively affected the markets the UK gambling industry deals with:

*The industry has clamped down on lower league East European and Italian football. It used to be the case that we would offer the full product range but not anymore. There's been too much tracked to money laundering and organised crime.*²⁰²

Many sports have close links with organised crime, both within and outside the UK. Connections between organised crime and sport go back many decades, and the links between several very high-profile Premiership footballers and high-level organised criminals is well-documented.²⁰³ Sporting connections provide legitimacy and social status to criminals, as well as potentially lucrative contacts for criminal activities in the future. Sport also provides a channel for overseas organised crime to increase their activities in the UK, while remaining relatively undetected.

There have been a number of responses to these problems by the UK gambling industry and sporting bodies. Perhaps the most significant is the creation of the Sports Betting Integrity Unit (SBIU). It was established in June 2010 following recommendations of the Sports Betting Integrity Panel which were published in February 2010 – commonly known as the Parry Report.²⁰⁴ The SBIU is part of the Gambling Commission, which has powers under the 2005 Gambling Act to prosecute corruption cases, although the majority of investigations are referred to either the relevant sport governing body, with a small number passed on to the Crown Prosecution Service.²⁰⁵ As of September 2010, 74 cases had been closed, 40 of which had been passed on to the relevant governing body. Approximately one-third of the cases (24) involved football.²⁰⁶

One notable area is the role of the media in exposing sport corruption. UK investigative journalism has an admirable track record in uncovering major sport corruption scandals, and it is arguable that without the media's efforts many would remain unknown. One possible downside of this, however, is that there can be a slightly skewed public perception of whatever becomes recognised as the latest scandal. As one respondent suggested: *"it's one extreme to the other – it's nothing, then it's the end of the world."*²⁰⁷ Thus media coverage can create great interest in short term scandals but may have a less lasting effect on public consciousness. In, 2010 for example,

UK investigative journalism has an admirable track record in uncovering major sport corruption scandals

201. Interview R15 – a member a gambling trade association

202. Interview R15 – a member a gambling trade association

203. Johnson, G (2006) *Football and gangsters* (London: Mainstream)

204. http://webarchive.nationalarchives.gov.uk/+http://www.culture.gov.uk/images/publications/reports_sports_betting_integrity_panel.pdf.

205. <http://www.gamblingcommission.gov.uk/pdf/Betting%20integrity%20decision%20making%20framework%20-%20December%202010.pdf>

206. <http://www.gamblingcommission.gov.uk/pdf/Integrity%20in%20betting%20supplement%20-%20December%202010.pdf>

207. Interview R15 – a member a gambling trade association

media coverage of sport corruption highlighted spot-fixing and cricket during the England v Pakistan test matches; the use of illegal drugs in athletics during the Commonwealth games; and vote rigging during the bidding process for the World Cup. Although this clearly raises awareness of particular cases, it can create a sense of scandal *du jour* rather than a more systematic understanding of the threats of corruption.

4.7.4 Conclusion

This section has only begun to scratch the surface of the myriad problems surrounding sport and corruption. What is clear, is that nearly all types of sport corruption identified here, have an international dimension. That makes detection and regulation very difficult. The creation of organisations such as the SBIU is a step forward, but it only tackles specific issues. Future research must be conducted to better chart the impacts (economic; cultural; professional) of specific types of corruption in different sports. In particular, there needs to be a much more systematic approach in recording corruption cases.

4.8 Other key areas

This section summarises some recent research that has been conducted on other key sectors, including the City of London; the construction sector; local government; and organised crime.

4.8.1 City of London

The City of London defines corruption as the "offering, giving, soliciting, or acceptance of an inducement or reward which may influence any person to act inappropriately."²⁰⁸ The City has an anti-fraud and corruption strategy, a member's code of conduct, and a whistle-blowing policy. In 2010, Transparency International UK conducted research for the City of London on the perception of corruption risks associated with the Bribery Act. The research report was based on key respondent interviews, and a small-scale survey conducted immediately prior to the 2010 *Bribery Act* gaining Royal Assent. The report suggested that companies working in the City did not regard the financial services sector as corrupt, particularly in comparison with other sectors such as defence or construction.²⁰⁹ Nevertheless, several key concerns were identified.

The report argued that as well as the threat of bribery (including facilitation payments) and "commonplace business activities"²¹⁰ such as hospitality (meals, tickets to events, etc), a number of other types of corruption could be identified. These included: trading in influence; collusion and cartels; money laundering; conflicts of interest.²¹¹ In addition, the report also identified several key risks that companies trading in the City of London faced: that many operate in corrupt environments; the prevalence of interactions with public officials; providing services to high-risk sectors; and the use of agents or the necessity of working in joint ventures.²¹² The sub-sectors that were considered to be at the most risk were:

- Property and real estate;
- Maritime and shipping;
- Commodities trading;
- Hedge funds;
- Project finance.²¹³

Views surrounding the prevalence of corruption were distinctly mixed. Unsurprisingly, most respondents (56 per cent) declared that they would never pay a bribe to win a contract or gain a commercial advantage.²¹⁴ The same respondents were much more suspicious of others, however, and less than half this number (25 per cent) felt that their competitors would never pay a bribe

208. http://www.cityoflondon.gov.uk/Corporation/LGNL_Services/Council_and_democracy/Complaints/anti_fraud.htm

209. *City of London Economic Development (2010) Avoiding Corruption Risks in the City: the Bribery Act 2010 (London: CLED)*

210. *City of London Economic Development (2010) Avoiding Corruption Risks in the City: the Bribery Act 2010 (London: CLED)* p. 42

211. *City of London Economic Development (2010) Avoiding Corruption Risks in the City: the Bribery Act 2010 (London: CLED)* pp. 32-34

212. *City of London Economic Development (2010) Avoiding Corruption Risks in the City: the Bribery Act 2010 (London: CLED)* pp 20-21

213. *City of London Economic Development (2010) Avoiding Corruption Risks in the City: the Bribery Act 2010 (London: CLED)* p. 25

214. *City of London Economic Development (2010) Avoiding Corruption Risks in the City: the Bribery Act 2010 (London: CLED)* p. 18

under the same circumstances.²¹⁵ The report does not indicate whether or not the respondents may actually be competitors with each other, which brings further complexity to the findings. But it does show that 47 per cent of all respondents felt that companies in the City would pay a bribe, at home or overseas, under certain circumstances (if bribes were regarded as standard practice, or if the company felt that it would not be implicated in the act).²¹⁶

Other perceptions were equally interesting. Over half of respondents (52 per cent) felt that the City of London was as corrupt, or more corrupt, than other financial centres.²¹⁷ Perhaps more alarming, only about 27 per cent of respondents felt that due diligence in City companies was currently adequate, with an almost equal number (23 per cent) feeling that it was seriously inadequate.²¹⁸ There was also a sense of concern over the potential impact of the Bribery Act. Although the report concluded 'companies are unlikely to leave London because of the Bribery Act' 60 per cent of respondents felt it was 'possible' that companies could leave the City or remove themselves from the London Stock Exchange, while 6 per cent thought it 'probable' and 32 per cent thought it would 'definitely not' happen.²¹⁹ It remains to be seen whether or not this will be the case, but this evidence strongly suggests that there is concern over the potential impact of new bribery legislation.

4.8.2 Construction

In 2006, the Chartered Institute of Building published a survey on perceptions and experiences of corruption in the construction sector.²²⁰ The report suggested that there was "a clear lack of definition of corruption and corrupt practices", which made it difficult to truly judge the nature and prevalence of corruption within the sector. Nevertheless, the report identified a range of practices that could be construed as corrupt practices.²²¹ The following figures refer to the percentage of respondents who felt that the activity identified in the survey was either 'very corrupt' or 'moderately corrupt'.

- Cover pricing (63%);
- Bribes for planning permission (73%);
- Bribes for contracts (75%);
- Bribes from contractors to win/maintain contracts (74%);
- Concealment of bribes (79%);
- Employment of illegal workers (84%);
- Collusion (76%);
- Leaking of information (79%);
- Fraudulent timesheets (84%);
- Fraudulent invoices (66%);
- False claims/exaggerated payments (78%);

215. *City of London Economic Development (2010) Avoiding Corruption Risks in the City: the Bribery Act 2010 (London: CLED) p. 19*

216. *City of London Economic Development (2010) Avoiding Corruption Risks in the City: the Bribery Act 2010 (London: CLED) p. 19*

217. *City of London Economic Development (2010) Avoiding Corruption Risks in the City: the Bribery Act 2010 (London: CLED) p. 40. Only 2.9% felt that the City was more corrupt, but clearly there is no real feeling that London is less corrupt than other financial centres.*

218. *City of London Economic Development (2010) Avoiding Corruption Risks in the City: the Bribery Act 2010 (London: CLED) p. 35*

219. *City of London Economic Development (2010) Avoiding Corruption Risks in the City: the Bribery Act 2010 (London: CLED) p. 39*

220. *Chartered Institute of Building (2006) Corruption in the UK Construction Industry (London: CIOB)*

221. *Chartered Institute of Building (2006) Corruption in the UK Construction Industry (London: CIOB) pp. 7-12*

One quarter of respondents, consistently felt that bribery was not very corrupt or not corrupt at all

What is perhaps most interesting about these findings is the other end of the spectrum. For example, approximately one quarter of respondents, consistently felt that bribery (or the acceptance/concealment of bribes) was not very corrupt or not corrupt at all. More than one-third of respondents (34 per cent) felt that fraudulent invoicing was not very corrupt or not corrupt at all. Interestingly, employment of illegal workers had the highest response in terms of perceptions of corruption, and in an open question respondents emphasised that this allowed companies to undercut each other. It could be argued that this suggests a link between business self-interest and perceptions of corruption (ie the activity seen as the biggest business threat was also regarded as the most corrupt). But this is only an inference and further work would be needed to test this link.

Unfortunately the research did not investigate further those respondents who felt that any of the activities above were not corrupt (or not very corrupt). Nevertheless, the findings indicate that a substantial proportion of construction sector respondents feel such activities are legitimate. This finding is clearly a concern and may point to the need for increased regulation in this sector.

In terms of prevalence, the research asked how prevalent each of the following was in the construction sector (again the figures refer to percentage of respondents who felt that the activity was 'very corrupt' or 'moderately corrupt'²²²):

- Fraud (60%);
- Employment of illegal workers (76%);
- Concealing bribes (57%);
- Corrupt practices in pre-qualification and tendering (45%);
- Corrupt practices in project execution (46%);
- Corrupt practices in operation and maintenance of phase (37%).²²³

These figures correspond to other findings in the report, such as the 64 per cent of respondents who were not aware of corrupt practices in procurement that had affected their own companies.²²⁴ Again it is notable that the area of most concern is the employment of illegal workers, which lends further credence to the point raised above.

Perhaps the most startling finding in the survey is that 41 per cent of respondents had personally been offered a bribe at least once in their career.²²⁵ Surprisingly, only 12 per cent of those aware of a specific case of corruption had reported it to the police.²²⁶ Again there was very little discussion of this issue in the report which may have a number of explanations:

- The individual or company concerned may have dealt with the problem in a different way;
- The event may have been considered so routine that it may not have warranted police intervention;

41 per cent of respondents had personally been offered a bribe at least once in their career

222. Unfortunately the wording is a little confusing in the survey. The section is on prevalence rather than the extent to which such activities are corrupt. Unfortunately the survey uses different categories to the ones identified in its previous section and does not actually ask about prevalence: instead it uses the categories "very corrupt", "moderately corrupt", "not very corrupt" or "not corrupt at all". The responses therefore must be treated with caution as it is not clear whether or not the respondents would understand this particular question.

223. Chartered Institute of Building (2006) *Corruption in the UK Construction Industry* (London: CIOB) pp. 14-16

224. Chartered Institute of Building (2006) *Corruption in the UK Construction Industry* (London: CIOB) p. 17

225. Chartered Institute of Building (2006) *Corruption in the UK Construction Industry* (London: CIOB) p. 19

226. Chartered Institute of Building (2006) *Corruption in the UK Construction Industry* (London: CIOB) p. 18

- The individual or company in question may be concerned that reporting such incidents could have a detrimental effect on business;
- There may be a culture of silence in the construction sector.

It is not possible on the available evidence to draw firm conclusions. But it would appear that much more research is needed to look at not only the extent of corruption in the construction sector, but also the attitudes of those who do not perceive bribery to be corrupt, and the reasons why so few individuals or companies contact the police.

4.8.3 Local government

As previously noted there appears to be an understanding within certain areas, that local government is the biggest area for corruption in the UK. A recent EU report concluded that "Corruption in the UK occurs mainly at the level of local government".²²⁷ Yet there is very little evidence for this. In past decades there were a number of very high-profile corruption scandals that engulfed local government. The 1970s witnessed the Poulson scandal. The 1980s had the 'Homes for Votes' scandal in the London Borough of Westminster, when the leader of the council, Dame Shirley Porter, was accused of "wilful misconduct" and "disgraceful and improper gerrymandering".²²⁸ The 1990s suffered perhaps the most infamous scandal of all in 'Donnygate', a multi-million pound series of frauds that led to the arrest of 22 local councillors and officials (including two former mayors) in Doncaster.²²⁹

These scandals led to the Committee on Standards in Public Life (CSPL) investigating local government as part of its 1997 *Third report*. Its results were quite different to what the public perception may have been. The CSPL concluded not only that local government was already better regulated than other sectors, but that standards of conduct were the highest out of any sector in the UK.²³⁰ In its second inquiry into local government in 2005, CSPL repeated this strong endorsement of UK local government:

*"The ethical standards framework for local government, as set out in Part III of the Local Government Act 2000, is arguably the most extensive and comprehensive statutory framework for standards of conduct of any group of public office-holders in the UK."*²³¹

The findings from the 2005 report were repeated by the very EU report that had concluded local government was the major source of UK corruption: "the vast majority of councillors observe high standards of conduct".²³²

Despite such endorsements there is no shortage of websites dedicated to exposing the apparently deep-seated corruption that exists at the heart of local government. Websites such as <http://www.rotteccouncil.co.uk>; <http://councilmaladministration.com> and <http://ombudsmanwatchers.org.uk>. – these are only a fraction of available websites – all suggest that local government is

The CSPL concluded not only that local government was already better regulated than other sectors, but that standards of conduct were the highest out of any sector in the UK

227. EU (2007) *Study on corruption in the public sector in the member states of the European Union* p. 418

228. *Porter v Magill* [2001] UKHL 67, [2002] 2 AC 357

229. *The Guardian Donnygate scandal ends in jail terms* 13 March 2002. See also *Transparency International (2003) National Integrity System UK* (London: TI)

230. *Committee on Standards in Public Life (1997), Third report of the Committee on Standards in Public Life: standards of conduct in local government in England, Scotland and Wales* (Cm3702, London: TSO)

231. *Committee on Standards in Public Life, (2005), Third report of the Committee on Standards in Public Life: Getting the balance right implementing standards of conduct in public life* (Cm6407, London: TSO), p. 51

232. EU (2007) *Study on corruption in the public sector in the member states of the European Union* p. 414

corrupt, and that organisations such as the Local Government Ombudsman (LGO) is complicit in this corruption. One website argues:

"The Local Government Ombudsman claims to be independent and impartial, but those of us who have experienced the Local Government Ombudsman in recent years know these claims are a sham and untrue. The Local Government Ombudsman is an old boys school of ex council employees, rotten with corruption to the core, whose main aim is to whitewash and cover up as much council maladministration as it can get away with. There are three Local Government Ombudsman in England, and were until recently all ex council chief executives. Its investigators and senior staff (who are also mainly ex council employees) use devious tactics to con naive members of the public into believing they are impartial and do not take sides. Astute complainants know otherwise."²³³

The problem with such claims (as this quote shows) is that they appear to be made by people who feel aggrieved at decisions that councils or bodies such as the LGO have made. More difficult, however, is trying to assess whether these grievances are correct – a task almost as impossible as trying to prove a negative. Any evidence that a decision was fair tends to be dismissed as part of the corruption: therefore it does not matter which way the evidence falls.

One area that was specifically identified as susceptible to local government corruption is procurement. Local government currently has an overall annual procurement budget of £80 billion. Procurement corruption can occur at any point during the key stages of the procurement process: bid specification; market analysis; invitation to bid; evaluation and award; project management; review. What is perhaps most alarming is just how little fraud and corruption is currently being detected. An Audit Commission survey found that in 2009/10, local councils detected a total of 165 corrupt procurement cases, with an estimated value of £2.7 million.²³⁴ Although this value seems low compared with the annual local government procurement budget of £80 billion (and low compared with £99 million of detected benefit fraud),²³⁵ it is highly likely that it represents only a fraction of the true total.²³⁶

A key element in the prevention of corruption in local government procurement is the provision of an adequate contract audit service by internal audit. Contract audit may involve the evaluation of general controls over tendering and contract management processes, or the audit of the letting and performance of a specific contract.

External audit is equally crucial, and the announcement of the abolition of the Audit Commission raises serious concerns over the future of local government and its capacity to tackle corruption. It is highly likely that local councils will appoint their own auditors, which could be considered a serious conflict of interest.²³⁷ Even if the auditor appointment decision is taken by the full council, there are still issues over the extent to which the ruling political party may be perceived to have influenced the decision. If the independence of local government audit is to truly follow the private sector route, in which auditors are appointed by shareholders, then possibly auditors will be selected (or elected) by local council tax payers. The most recent suggestion is that local authorities will use private sector firms. However, it is notable that a recent report from the

²³³ <http://local-government-ombudsman-lgo.blogspot.com/2010/03/local-government-ombudsman-corruption.html>

²³⁴ Audit Commission (2010) *Protecting the Public Purse* p. 13

²³⁵ Audit Commission (2010) *Protecting the Public Purse* p. 13

²³⁶ Audit Commission (2010) *Protecting the Public Purse*. Such examples include: a case of nine roofing contractors in the West Midlands who were found guilty of illegal tendering for contracts for a local library, school shopping centre and other amenities and were fined £300,000 by Office of Fair Trading

²³⁷ "Picking up the pieces", *Accounting and Business UK*, Nov/Dec 2010 p. 56

House of Lords, referred to the major four accounting firms as “disconcertingly complacent” over the recent financial crisis, and asked the Office of Fair Trading to review them.²³⁸

The motivation for the abolition of the Audit Commission is still somewhat unclear. It was originally calculated to save £50 million per year, but the closure itself has been estimated to cost at least £90 million.²³⁹ The £50 million savings were also recently revealed to be only a “ballpark figure” by Local Government Minister, Grant Shapps, whose evidence to the local government select committee was that the government could not produce a breakdown of these savings.²⁴⁰

There is a similar lack of clarity surrounding the abolition of the local government standards framework, which was created by the *Local Government Act 2000*. The framework included statutory local standards committees for each council; the creation of a national regulator, *Standards for England*; and a statutory code of conduct for councillors. Under the terms of the *Decentralisation and Localism Bill*, all of these elements will be revoked, although local authorities will be allowed to maintain a voluntary code of conduct and a voluntary standards committee if they so wish.

Put simply, the coalition government is in the process of removing the key accountability and integrity mechanisms in English local government (Scotland, Wales and Northern Ireland will be unaffected). Although it is too soon to speculate what the effects will be, the implications for local authorities are very serious. Not only will key anti-corruption mechanisms be removed, but corruption risks may well be created in their wake

4.8.4 UK Border Agency

Corruption and immigration have a close association. Corruption can facilitate a broad range of criminal activities (drug smuggling, people smuggling, human trafficking), much of which is also associated with organised crime. One recent Home Office report found some evidence that corruption enabled both smuggling and people trafficking: “corruption and bribery were mentioned by a range of interviewees involved in smuggling and trafficking as a means of smoothing the passage into the UK”.²⁴¹ Although these claims could not be verified in the report, they echoed similar allegations, such as those that emerged in 2006 from a Croydon immigration centre and became known as the “sex for visas” scandal.²⁴²

The core service for immigration crime in the UK is the facilitation of entry of the illegal migrant into the country.²⁴³ The process of facilitating entry may include obtaining a range of products and/or services, including documentation, transport, liaison with border and other officials, accommodation and employment in the labour market. The specific services required will differ according to type of entry (whether the migrant is being smuggled or trafficked), and whether the UK is the ultimate destination or a transit country.²⁴⁴

238. *The Guardian*, ‘House of Lords criticises UK auditors over role in financial crisis’, March 30, 2011

239. *Ibid* p. 55

240. <http://www.insidehousing.co.uk/news/housing-management/audit-commission-savings-ballpark/6514375.article>

241. Webb, S and Burrows, J, 2009. *Organised Immigration Crime: A Post-conviction Study*, Research Report 15, Key Implications, Home Office p. 18

242. *The Telegraph* Sex for visas: the Brazilian girls only had to smile and lean forward 4 January 2006

243. Webb, S and Burrows, J, 2009. *Organised Immigration Crime: A Post-conviction Study*, Research Report 15, Key Implications, Home Office

244. Webb, S and Burrows, J, 2009. *Organised Immigration Crime: A Post-conviction Study*, Research Report 15, Key Implications, Home Office

The Home Office report suggested that corruption is not limited to bribes of money or sex, and includes the reciprocation of favours and personal or familial debts.²⁴⁵ Crucially, it can arise well beyond the UK: "this might occur within the originating countries, transit countries or in the UK".²⁴⁶ In this respect, the corruption risks facing the UK Border Agency (UKBA) are those of the general threat of organised crime: transnational risks that can occur at any point along the supply chain.

The latest specific figures on immigration and corruption are in a 2006 Home Affairs Committee report on the UKBA. They suggest that in 2004/05, 169 allegations were made to the *Immigration Service Operational Integrity Unit*, of which 120 were pursued. A further 703 allegations were made to the Immigration and Nationality Directorate (IND) Security and Anti-Corruption Unit, of which 409 were investigated. In total, 31 cases were referred for prosecution and 79 for disciplinary action.²⁴⁷

If successful, immigration corruption can open the door to further criminal activity and more corruption again. Illegal immigrants must find ways of paying the people who facilitated their passage as well, of course, as paying for their own living costs. Thus illegal immigrants may themselves find corrupt or fraudulent means of obtaining work permits and other documentation, or engage in criminal behaviour. One mechanism for staying within the UK is marriage, and the recent case of the Rev Alex Brown shows just how far the extent of immigration corruption can go. Brown was convicted in 2010 of conspiring to breach immigration laws after presiding over 383 marriages at the Church of St Peter and St Paul in St Leonards-on-Sea, East Sussex, between July 2005 and July 2009. Earnings for the church rocketed from £1,000 in the first six months of 2005, before the hundreds of marriages occurred, to around £22,000 for the first six months of 2009. This case, was described by the UKBA as "the biggest criminal conspiracy of its type ever seen in Britain".

245. Webb, S and Burrows, J, 2009. *Organised Immigration Crime: A Post-conviction Study, Research Report 15, Key Implications, Home Office*

246. Webb, S and Burrows, J, 2009. *Organised Immigration Crime: A Post-conviction Study, Research Report 15, Key Implications, Home Office* p. 19

247. *Home Affairs Committee (2006) Immigration control HC 775-I p. 64*

5. CROSS-CUTTING THEMES

The report has so far highlighted the ways in which corruption manifests itself in specific areas. This section highlights themes that cut across these areas and reveal the depth and complexity of corruption in the UK.

5.1 TRANSNATIONAL NATURE OF CORRUPTION

One theme that has emerged in many different areas is that corruption in the UK is a transnational issue. As we have seen in the case of gambling and corruption, some activities have their origins overseas although the corrupt activity takes place in the UK. Of more concern to some respondents was that corruption is the means by which many different types of criminal activity can be facilitated.

"Corruption is an enabler, like violence and intimidation is an enabler. Criminals will use the lowest risk option, which is usually corruption. This can have a massive impact on the UK whether or not it takes place in the UK."²⁴⁸

UK-based integrity mechanisms, no matter how sophisticated and domestically effective, cannot themselves offer protection from internationally widespread corruption.

5.2 ORGANISED CRIME

It is currently estimated that 38,000 people are involved in organised crime in the UK, and that such activities cost the economy anywhere between £20 and £30 billion per year.²⁴⁹ Recent Home Office research indicates the extent to which organised crime affects UK businesses. This survey suggests that businesses are often unclear whether crimes they have experienced have resulted from organised crime activities. Only one percent of businesses appeared to have been the victim of 'organised extortion' and three percent of 'organised robbery'. Less well-organised crime accounted for a larger proportion of crime suffered by businesses with, for example, 13 percent of businesses regarding themselves as victims of 'organised shop theft'. More common were the numerous invitations to trade in stolen, counterfeit or smuggled goods. Thus, 40 percent of businesses were offered counterfeit goods, 33 percent stolen goods, 22 percent smuggled tobacco and seven percent were offered smuggled alcohol. Some 46 percent of those businesses offered smuggled tobacco, 31 percent of those offered stolen and/or counterfeit goods and 25 percent of those offered smuggled alcohol, believed those offers to emanate from organised crime. A European Commission survey noted that 61 per cent of UK respondents believed that most corruption was caused by organised crime organisations.²⁵⁰

The link between organised crime and many of the sectors covered in this research is undeniable. UKBA has immediate and direct contact with organised criminals, as does the police and the prison service. Social housing is targeted by organised criminals either to facilitate drugs or prostitution activities, or to house illegal immigrants who are involved in such activities. The employment of illegal workers is regarded by the construction industry as the single biggest

UK-based integrity mechanisms, no matter how sophisticated and domestically effective, cannot themselves offer protection from internationally widespread corruption

248. Interview R1 – a member of a law enforcement agency

249. SOCA Annual Report 2010-11 p.8

250. European Commission, (2006) *Opinions on Organised Cross-border Crime and Corruption*

corruption threat to the sector. Finally the impact of organised crime is felt in match-fixing and gambling corruption; which is almost exclusively from overseas organised gambling syndicates.

The Serious Organised Crime Agency has suggested the main goal for organised criminals is information, which can be used not only to develop activities but also to secure and entrench existing networks. As one respondent suggested:

*"Where it [corruption] is most significant is in avoidance and detection. It's for the development of criminals' security"*²⁵¹

SOCA has also highlighted how organised criminals maintain corrupt relationships, not just with those involved in "front line" law enforcement, but also with others throughout the criminal justice system.²⁵² Officials in such organisations can potentially provide serious organised criminals with information on the prosecution case against them, or assist them in continuing their criminal activities from prison. It also suggests that "there are also examples of organised criminals cultivating corrupt relationships with central and local government officials in the UK and overseas, with accountants and with a range of other professionals".²⁵³

However, the core issue with generic determinations on the connection between organised crime and corruption is that, notwithstanding intelligence sensitivities in some cases, little tangible evidence is provided on precisely how, to what degree and within which sector(s) such corruption is manifested. As the former Director-General of the Serious Organised Crime Agency recently argued, "law enforcement agencies countering organised crime tend to be low profile, focused on the use of covert information, with a low public profile. Anti-corruption agencies and civil society have much more public engagement, but with little or no access to powerful tools like investigative powers and intelligence".²⁵⁴

By definition, the organisation of crime requires a division of labour (distributors, financiers, networkers etc²⁵⁵ and relies on far-reaching networks. These networks can be deep-rooted. Unless trafficking in human beings is a socially accepted and acceptable form of behaviour, for example, it must involve systematic corruption at some or all stages of the process. In order to create such a level of corruption it seems likely that a series of long-standing and far-reaching corrupt relationships and networks of such relationships exist.

Our evidence also suggests that networks are deeply entrenched in several areas of UK life and that these can be self-perpetuating; particularly when they are subject to perverse incentives. The most striking example of this is in the prison service, where the performance management regime may make it appear that prisons are benefitting from the presence of organised criminals. The good behaviour of organised criminals enhances prison Key Performance Indicators (KPIs), while also potentially increasing the scale and need for corruption within the service.

251. Interview R1 – a member of a law enforcement agency

252. SOCA (2010) *The United Kingdom threat assessment of organised crime*

253. SOCA (2010) *The United Kingdom threat assessment of organised crime* p.5

254. Hughes, Bill, 2010. 'Corruption and Organised Crime – The Need for a New International Coalition', 14th IACC Plenary 2010, Plenary Discussion on Peace and Security, Bangkok

255. Interview R3 – a member of a law enforcement agency

In the UK there seems to be a lack of awareness regarding the extent of corruption.

Not only will this reduce investigatory capacity but also essential information gathering and dissemination capacity. The Audit Commission produces a substantial amount of data on many different types of fraud and corruption which will now be lost

5.3 AWARENESS OF CORRUPTION

In the UK there seems to be a lack of awareness regarding the extent of corruption. Indeed it was suggested that low awareness is equally true of organised crime. Although it has been identified as a threat to UK national security, it may still not be given sufficient priority:

"Organised crime kills far more people than terrorism but it never receives the publicity – it's like comparing road traffic deaths to airline crashes."²⁵⁶

There are many potential reasons why public awareness of corruption is low. The first may simply be because so few cases of corruption are prosecuted in the courts.

A further issue is the way in which corruption is portrayed in the media. The UK media has an understandably proud tradition of investigative journalism both in print and broadcast media. Indeed, it could be argued that the recent telephone hacking scandal, which has been so damaging to the media, was itself a triumph of investigative journalism. It was suggested to us that the media is the primary mechanism by which corruption in the UK is uncovered and that there is more capacity to investigate corruption in the media than in law enforcement agencies.²⁵⁷

Of more concern, however, is the potential lack of awareness of corruption at the policy level. Our research indicates that there is very little understanding of the true levels of corruption in a number of areas. This may be because that area is so widespread and complex (eg procurement); or because data are not collected (eg social housing); or because fraud is seen as the bigger issue (eg social housing, NHS); or even possibly because there appears a reluctance at senior policy levels to countenance the existence of corruption (eg prisons). The police service must be given credit for the way in which information and investigations into corruption are now organised, which is much more systematic and covers all UK forces.

5.4 REDUCTION IN UK CAPACITY

Our research found many cases of joint investigations between the police, UKBA, NHS Counter Fraud Service, and others. There is also clear evidence of greater information sharing through for example, the memorandums of understanding between the police and the IPCC; and the prison service and the police. Of course, such joint working can always be improved further, particularly when some of the corruption issues, such as organised crime, cut across many sectors. An issue that will almost certainly compound the poor awareness of corruption in the UK is the reduction in public spending, which affects many of the areas looked at in this study. Standards for England and the Audit Commission are to be abolished; the Corruption Prevention Unit for the prison service has been reduced. Not only will this reduce investigatory capacity but also essential information gathering and dissemination capacity. The Audit Commission produces a substantial amount of data on many different types of fraud and corruption which will now be lost.

²⁵⁶. Interview R3 – a member of a law enforcement agency

²⁵⁷. Interview R1 – a member of a law enforcement agency

Public cuts go much further than this, however. The police budget, for example, faces a 23 per cent reduction over the next four years. The capacity to keep up anti-corruption work will almost certainly be reduced, not to mention the will to do so when faced with other, potentially more demanding priorities.²⁵⁸

Because of cost-cutting, decentralisation of budgets and the introduction of direct payment schemes, controls in the public sector must be adapted to systems in which there are fewer people making and monitoring decisions. This means that those who are involved must be trained and educated in standards in public life. This will ensure they are aware of what is acceptable conduct in public procurement and administration, and how to react to instances of corruption or proposed corrupt practices they encounter.

258. *Interview R3*

6. CONCLUSION AND RECOMMENDATIONS

Corruption does not exist in a vacuum. Within the last 12 months there have been a substantial number of legal, political and economic changes in the UK that will all potentially impact upon the manifestation of corruption, and subsequently the ways in which it needs to be addressed. The recent public sector cuts alone could have a significant impact upon the capacity of the police to deal with corrupt officers. The *Decentralisation and Localism Bill* will dismantle the entire local government integrity framework: from the code of conduct, to independent district audit. NHS reforms will almost certainly create significant new pressures on the Health Service Counter Fraud Service, simply because there will be so many alterations to governance structures with which to regulate. The 2010 *Bribery Act* will finally come into force in 1 July 2011 and its impact on many business sectors could be very significant indeed.

There can be a cyclical logic surrounding corruption that creates complacency. Often, there is an initial perspective that there is little hard evidence to suggest that corruption is a major problem in a particular sector, which can lead to other issues being given priority over corruption. As a result, instances of corruption may not be recorded as thoroughly as they should, which means that hard evidence is not collected, further consolidating the impression that there are no problems with corruption. It is extremely important, therefore, that there is no complacency over the potential problem of corruption in any of the areas we have identified.

This research has shown more clearly than ever that there are substantial gaps in our knowledge of UK corruption. This is due, in part, to the restricted nature of some information and often because there is no meaningful data at all. As a result many aspects of corruption remain unknown (eg social housing, low-level procurement). There are also areas we have not had the chance to cover in this research, such as agriculture, the pharmaceutical industry and so on. It is clear, however, that even within the different areas we have looked at, there are a myriad different types of corruption. Future research must look at creating a more subtle and nuanced picture. It is hoped that the findings in this report will be used as a foundation for such studies.

We would suggest, therefore, that future research moves away from the snapshot and towards longitudinal studies that are able to chart the ebb and flow of corruption and anti-corruption by using a more subtle mixture of methodologies. In so doing, researchers can look more closely at the relationships that connect different areas through corruption. The police and prison chapters, for example, have shown how the growth of organised crime has created new relationships, and in a sense a new environment in which corruption takes place.

Many of the key future research questions relate to the unknown future: how will organisations react to public cuts? Will firms leave the City of London, as some suggested in the survey of 2010? How will prisons cope with the reduction in corruption prevention capacity? Will the SBIU have an impact on gambling corruption, and could it lead to the development of more anti-corruption collaboration in UK sport? In short, it is hoped that this research draws a helpful picture, but we are acutely aware that it is no more than an outline. Further research is needed in every area in order to give more substance, as well as light and shade, to the state of corruption in the UK. To that end we suggest the following recommendations.

There can be a cyclical logic surrounding corruption that creates complacency

GENERAL RECOMMENDATIONS

1. The Bribery Act 2010 is a significant step forward in modernising the UK's anti-bribery law. Adequate resources should be allocated for its effective enforcement.
2. Wherever possible anti-corruption activities should be co-ordinated and the excellent joint working that has been identified in this study should be developed as broadly as possible.
3. To gain a better understanding of UK prosecutions, cases involving fraud, misconduct in public office, etc. need to be assessed to see if (and how many) include some elements of corruption, as defined by TI.

SECTOR-SPECIFIC RECOMMENDATIONS

4. Law enforcement agencies must keep track of any changes in capacity for individual forces to tackle corruption. The current co-ordinated approach has been very successful and it is vital that joint working continues.
5. Further information is needed from the NHS to understand how many cases of fraud involve corruption, as defined by TI.
6. There should be a frank debate about the true scale of corruption in prisons, and further research must be conducted in prisons to ascertain
 - a. the adequacy of training (both prison officers and ancillary staff);
 - b. the rigour of current corruption prevention strategies;
 - c. the general environment for breeding corruption.
7. Data should be collected within the social housing sector to determine how many cases of fraud involve corruption, as defined by TI.
8. Sporting regulatory bodies need to be transparent and aware of the dangers of self-regulation in tackling the many forms of corruption (both systemic and in competition) within their field.
9. The coordinated approach of the Sports Betting Integrity Unit (SBIU) is a useful model to show how cross-functional approaches can be developed across a range of sports, brought together through a common understanding of key corruption risks.
10. Local government is facing a number of potentially serious issues with the abolition of the Audit Commission and the dismantling of the local government standards framework. It must be ensured that whatever replaces these accountability and integrity mechanisms must protect against future corruption risks.

RESEARCH RECOMMENDATIONS

11. Future research on UK corruption needs to be longitudinal and take into account the current changes (particularly within the public sector). It should focus on changes to the police service; local government; the NHS; and social housing.
12. Such longitudinal studies should pay particular attention to the possible lack of capacity from lower resources, and the perverse incentives that some performance management regimes seem to offer.
13. Further research should be conducted into corruption in the legal profession, in order to investigate the mismatch between the perception that corruption is an issue and the small number of cases recorded by legal bodies.
14. The scale of low-level procurement corruption is currently unknown. Research should therefore be undertaken to gain a fuller understanding of its extent, from which anti-corruption strategies can be developed.
15. Corruption in sport needs to be researched in a systematic and rigorous way. The research must take into account the sheer varieties of sport, and the myriad ways corruption manifests itself.
16. Sport corruption research would benefit from a longitudinal approach that would allow for meta-analyses to be conducted giving clear indications of trends and corruption activity.
17. Longitudinal analyses should be conducted to evaluate the medium and long-term impacts of the 2010 Bribery Act on firms in the City of London.

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