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## Corruption in Construction

Prime Minister David Cameron closed the Anti-Corruption Summit in May this year. It was mentioned that first of all there is need to expose corruption to tackle it. So here is a first step-read whether corruption is perceived a problem in the UK construction sector and what practices are deemed as corrupt.



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dustry operates and economic factors make it prices, producing fraudulent invoices, billing for still the high risk. Also, the world construction sector is one of the most corrupt. Reasons are stealing from sites, etc. various but mostly it is due to the competitiveness of the industry and squeezed margins or lowing stages of construction process: reduced workloads, poor enforcement of antibribery laws or long supply chains.

The UK Government is very strict on bribery and corruption and the legislation UK Bribery Act 2010 poses a threat of prosecution for companies which carry out businesses in the UK and will be connected with a bribe. However, the bribery risk arises in almost every stage of the construction process from tendering to sourcing

Despite the fact that the UK construction materials and developing the supply chain. Coroutput is increasing every year, the way the in- ruption may be connected with colluding, fixing unperformed jobs, paying bribes for contracts,

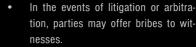
The biggest risks of corruption are at the fol-

- Obtaining the license or permit there might be situations where bribes are required or offered for construction permits, licenses, planning permissions.
- Procurement this is one of the biggest corruption risk areas and sadly the most costly for the industry as the bribes will prevent the selection of the best suppliers for the project. Fortunately the fraud

and anti-bribery rules restrict the corruption during the procurement.

- Tender process- bribery to obtain a contract or post project secret payments can be the common practices.
- Commissions to contractors or subcontractors- unrecorded payments to main contractors and subcontractors, production of fraudulent invoices.
- Partner risk- bribes paid or accepted • by the third party connected.
- · Payments- production of false or exaggerated claims to reduce the payment or inclusion of false extra costs to increase the contract payments.

- Contract administration contract administrators have a duty to act impartially as between their employer and the contractor but the bribery occurs at the valuations, interim payments or at completion stage of building processwithhold or delay payments, approve claims for additional money, etc.
- sale and misuse of the CIS cards
- obtain CSCS cards
- substandard materials to cut costs, production of fraudulent invoices, employment of illegal workers.



Researches on corruptions are rare. The last CIOB survey on corruption in construction was might be helpful also during the projects execuin 2013 and it showed that the corruption was a common place in the UK market at that time. Identity fraud connected with CIS- the Fraudulent practices tend to be more common on the residential projects where goods can go Fraudulent HS&E tests pass results to missing or subcontractors can be paid more due to enhanced invoices. However, the high-• Cost cutting on building materials or est levels of corruption are at the management labour- sourcing materials or using level during the procurement or tender stage and might involve officials, designers, goods suppliers, subcontractors, etc. Under the New Bribery Act 2010 many larger companies have the auditing procedures in place and when it comes to procurement, the public sector is more aware of the anti-bribery laws.



The Construction Sector Transparency Initition, parties may offer bribes to wit- ative helps to raise the awareness about transparency to tackle the corruption. The current legislation requires the transparency during the procurement and tendering but regular audits tion or at the completion to catch the fraud and deliberate mismanagement.

> The Bribery Act 2010 imposes the liability on bribing, offering or requesting a bribe, receiving a bribe or failing to prevent a bribe. Also, money laundering activities are tackled by the Proceeds of Crime Act 2002 (POCA).

> Companies should be able to prove they have the anti-bribery procedures in place, which may include the risk assessments, reqular audits, transparency of accounts and all financial records, procedures on facilitations of payments, gifts, sponsorship, etc.

The consequences of proved corruption can be very serious and may include: unlimited fines; imprisonment; director disgualification; the confiscation of assets; exception from tendering for public contracts; reputational damage and adverse media attention.

The UK Serious Fraud Office prosecuted and imposed fines on well known companies from the sector, including, amongst others: Balfour Beatty plc or AMEC plc.