

DRAFT FOR PUBLIC CONSULTATION

Background Document

Transparency International Framework for Voluntary Independent Assurance of Corporate Anti-Bribery Programmes

5 October to 28 January 2011

Transparency International is the global civil society organisation leading the fight against corruption. Through more than 90 chapters worldwide and an international secretariat in Berlin, Germany, TI raises awareness of the damaging effects of corruption and works with partners in government, business and civil society to develop and implement effective measures to tackle it.

www.transparency.org

Authored by Jermyn Brooks, Susan Côté-Freeman, Peter Wilkinson

Transparency International Secretariat
Alt-Moabit 96
10559 Berlin
Germany
Email: IndependentAssurance@transparency.org

©2010 Transparency International. All rights reserved.

Developed with the support of the World Economic Forum Partnering Against Corruption Initiative (PACI)

The World Economic Forum Partnering Against Corruption Initiative (PACI) is a global, private sector led anti-corruption initiative in partnership with Transparency International and the Basel Institute on Governance, offering a risk-mitigation platform for signatory companies from across industry and regions.

Consultation

This public consultation draft of the Transparency International (TI) Framework for Voluntary Independent Assurance of Corporate Anti-Bribery Programmes has been produced by Transparency International with the support of the World Economic Forum Partnering Against Corruption Initiative (PACI) and with advice from representatives of the six major accounting networks.

Transparency International is seeking the opinions of corporate and other entities, assurance providers and stakeholders on this consultation draft.

Responses to the survey will be used to review and modify the Framework as appropriate. The closing date for this consultation is 28 January 2011. The publication of the Framework is planned for early 2011.

Respondents who prefer not to use the online survey but would like to provide written comments can send an email to:

IndependentAssurance@transparency.org

Alternatively, written comments can be sent by post to:

Susan Côté-Freeman
Consultation: Framework for Voluntary Independent Assurance of Corporate Anti-Bribery Programmes
Transparency International Secretariat
Alt-Moabit 96
10559 Berlin
Germany

Please note that responses will be disclosed in aggregated form. The names of all respondents will be published but will not be linked to their individual responses.

Introduction

This document provides background information to the consultation draft of the TI Framework for Voluntary Independent Assurance of Corporate Anti-Bribery Programmes, which was developed with the support of the World Economic Forum Partnering Against Corruption Initiative (PACI). Please refer to the consultation draft of the Framework for methodology and definitions.

The TI Framework is designed to provide a means for corporate and other entities to strengthen and lend greater credibility to their anti-bribery programmes through the use of voluntary independent assurance. The Framework also aims to assist assurance providers in undertaking assurance engagements on corporate anti-bribery programmes. TI views independent assurance as a key element in a cycle of continuous improvement involving policy formulation and commitment, programme design and implementation, monitoring and public reporting.

Background

As the global non-governmental organisation leading the fight against corruption, TI works in collaboration with the private sector and others to create practical tools to assist business in countering the risk of bribery. To this end, TI has led the development of the Business Principles for Countering Bribery ('the Business Principles'), a dedicated anti-bribery code developed through a multi-stakeholder initiative involving leading multinationals and non-corporate stakeholders. TI has also developed a range of implementation tools based on the Business Principles.

Launched in 2004, in Davos-Klosters, the World Economic Forum Partnering Against Corruption Initiative (PACI)¹ is a global, private sector led anti-corruption initiative in partnership with Transparency International and the Basel Institute on Governance. PACI offers a risk mitigation platform for signatory companies from different industries and regions of the world. The initiative requires signatory CEOs to make a public commitment to zero tolerance of bribery based on the PACI Principles for Countering Bribery which are derived from the Business Principles. The Framework is also intended to provide a voluntary verification mechanism for companies committed to implementing the PACI Principles.

The TI Framework has been developed to encourage entities to seek independent assurance on their anti-bribery programmes as a valuable tool, both for improving anti-bribery practice and for building the credibility of their anti-bribery efforts with stakeholders. At the same time, we hope the Framework will assist in advancing practice by providers of anti-bribery assurance.

This exposure draft published on 5 October 2010 by TI seeks views on the draft Framework by no later than 28 January 2011. We look forward to receiving input from corporate and other entities, stakeholders who use information published by these entities and assurance providers, such as professional services firms, business ethics practitioners and other providers. Equally, we encourage other stakeholders and all interested parties to provide comments.

¹ There are 155 companies which have committed to strengthening efforts to counter corruption and bribery through PACI. These companies have signed a statement supporting the PACI Principles for Countering Bribery.

Why develop the TI Framework

More than a decade ago, the landmark OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions came into force, criminalising the payment of bribes to foreign public officials. This Convention has been ratified by 38 countries, including the world's major exporting nations. In 2005, a further major step was made with the entry into force of the United Nations Anti-Corruption Convention against Corruption (UNCAC), the first global convention covering bribery in all its forms.

These legal changes, which have led to increased enforcement actions, along with the growth of the anti-corruption movement and corporate responsibility, have heightened business awareness of risks posed by ethical issues, including bribery and corruption. In reaction to this new landscape, many entities have adopted voluntary standards that meet and sometimes even exceed legal requirements. Others have joined the growing number of national and global voluntary initiatives aimed at improving the standard of anti-bribery practice.

In spite of these positive developments, corporate bribery scandals continue to surface. These scandals are seriously eroding the credibility of business and fostering growing stakeholder scepticism of the claims made by entities regarding their anti-bribery efforts. The financial crisis has further undermined public confidence in the integrity of business.

Boards and management faced with greater risks are seeking to improve their entities' anti-bribery programmes and build greater confidence among stakeholders. In addition, there is increasing recognition that independent assurance offers a means of monitoring and improving these programmes as well as enhancing their credibility. This is acknowledged by the UK Ministry of Justice in its September 2010 'Consultation on guidance about commercial organisations preventing bribery (section 9 of the Bribery Act 2010)'.² The guidance encourages commercial organisations to 'consider external verification as a means of achieving one of *Six Principles for Bribery Prevention*.'

TI's aim is that the Framework will increase the readiness of entities to undergo independent assurance and as a result enhance the efficiency and credibility of their anti-bribery commitments and efforts.

² <http://www.justice.gov.uk/consultations/docs/bribery-act-guidance-consultation1.pdf>

The business case

There are substantial business reasons for an entity to seek voluntary independent assurance of its anti-bribery programme and these include:

- Strengthening its programme by identifying areas for improvement;
- Providing confidence to the board and management of the adequacy of its anti-bribery programme;
- Increasing the credibility of its public reporting on its anti-bribery programme;
- Maintaining and/or enhancing its reputation as an entity committed to high standards of integrity and transparency;
- Providing a basis for mitigation of sentencing in the event of a bribery incident in jurisdictions where this applies;
- Helping restore market confidence following the discovery of a bribery incident;
- Meeting any future pre-qualification requirements;
- Complying with the assurance or verification requirements of voluntary and/or industry initiatives.

Focus of the assurance

Independent assurance on anti-bribery programmes is a new area of practice. There are currently no generally accepted standards that specifically address assurance on anti-bribery programmes. TI encourages the International Auditing and Assurance Standards Board (IAASB) to develop standards in an area involving significant public interest. In the meantime, assurance providers can refer to the International Standard on Assurance Engagements (ISAE) 3000, the generic assurance standard issued by the IAASB.

ISAE 3000 requires that certain key conditions be met before a practitioner can undertake an assurance engagement. One is the need to agree on the benchmarks (i.e., criteria) that assurance providers will use to evaluate the information which is the subject of an assurance engagement. The main purpose of the TI Framework is to facilitate a practitioner's ability to provide assurance under ISAE 3000 by proposing a set of criteria in the form of control objectives that can be used to evaluate an entity's anti-bribery programme. TI hopes that the feedback gained through this open consultation will support the suitability of the control objectives proposed in the draft Framework as 'criteria' for anti-bribery assurance and that they will in time become generally accepted.

Corporate and other entities seeking assurance and external stakeholders should understand that independent assurance of anti-bribery systems focuses on the design and operating effectiveness of the anti-bribery controls but it does not give assurance that the entity can never be subject to an incident of bribery. Management and assurance providers should refer to the limitation of anti-bribery controls in their assertions and assurance opinions.

In recognition of the gradual and continuing process of anti-bribery implementation and the uneven state of practice worldwide, the Framework encompasses two types of assurance: assurance on the design of anti-bribery controls at a specified date (referred to as Type 1 Assurance) and assurance on the operating effectiveness of anti-bribery controls over a specified period (referred to as Type 2 Assurance).

While fully recognising the greater demands placed on assurance providers by a Type 2 assurance report, TI and other stakeholders will increasingly be looking for this type of report. TI regards Type 1 Assurance as a first step towards Type 2 Assurance. With this objective in mind TI encourages the accounting profession to develop a standard for the independent assurance of anti-bribery programmes and the Framework is issued with the goal of providing the basis for such a standard.

Publication of the assurance report

TI encourages entities to make their assurance reports publicly available as this will greatly increase the credibility of their anti-bribery programmes. At the same time, we recognise that entities undergoing independent assurance may initially choose to keep their reports internal and limit distribution to the board, the audit committee, senior management and possibly selected stakeholders, such as a regulator, major investors, banks or export credit agencies. But as practice evolves, we hope that entities will choose, in consultation with their assurance providers, to publicly disclose assurance reports.

Consultation documents

Click here to access the draft Framework and the online consultation survey.

TI Framework for voluntary Independent Assurance of Corporate Anti-Bribery Programmes www.transparency.org/ti_framework

Online consultation survey www.surveymonkey.com/s/TI_framework