RAG Strategists Advisory Note 3

"Shaping and sharing best practice in infrastructure anti-corruption"

"Adequate Procedures" Section 34A in PRECCA 2004

Every commercial organisation has its own operating model, which results in a distinct risk profile concerning corruption. Consequently, the extent of due diligence procedures, communication, documentation, review, and disclosure considered sufficient may differ based on factors such as the organisation's size, the nature and level of risk, its exposure to risks, and the complexity of its business relationships.

An "adequate procedures" checklist should not be viewed merely as a "box-ticking" exercise, but rather serve as a benchmark for best practices for organisations that are either implementing an Anti-Corruption Management System (ACMS) for the first time or reviewing an existing one. An organisation genuinely committed to fostering integrity should establish a comprehensive ACMS that aligns with the corruption risks inherent in its operations and stakeholder interactions. The board of directors and senior management should demonstrate a genuine commitment to anti-corruption efforts, ensuring that their visible leadership translates into consistent implementation. The board should endorse and oversee the creation of a holistic ACMS, aiming to set a zero-tolerance stance on corruption.

The ACMS should incorporate periodic risk assessments to evaluate the organisation's exposure to corruption risks. This assessment should encompass all geographical areas where the organisation operates or where it seeks to enter new markets, as well as all individuals associated with the organisation, such as business partners, major investors, agents, intermediaries, suppliers, and joint venture partners. Informed by the risk assessment, management should develop or update control measures to reasonably ensure the prevention or detection of corruption. These control measures must be adequate, well-documented, and proportional to the level of corruption risk exposure.

The ACMS should undergo regular reviews to enhance the effectiveness of controls and should adapt to evolving risks. This includes updating the corruption risk assessment, revising policies, and refining procedures. Consistent internal enforcement of control measures, overseen by the board through internal audits and independent assessments by external auditors, is essential.

The organisation must ensure effective implementation of the ACMS by clearly communicating it and providing adequate training to all employees and stakeholders. All parties involved must be made aware of the requirements of the ACMS and the consequences of non-compliance.

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