FRAUD ADVISORY PANEL

Hidden in plain sight: domestic corruption, fraud and the integrity deficit

‘Corruption remains one of the most pressing challenges of our time. It promotes mistrust in governments, public institutions, banks, corporations, politicians, political parties, democracies, you name it. It corrodes our social fabric.’

Angel Gurría, OECD secretary-general, 9th Annual Conference: International Forum on Business Ethical Conduct, 14 November 2018

Hidden in plain sight: domestic corruption, fraud and the integrity deficit

Does the UK have a corruption problem? Officially, no. In reality, we just don't know.

The heavy emphasis placed on overseas corruption in recent years has taken our eye off the ball at home. The data are sketchy, the infrastructure non-existent, and no-one is in charge.

And what about all of the everyday activity which, whilst not strictly illegal, undermines openness, integrity and fair dealing in politics, government and business?

What if, when we do look more closely (and think more clearly), we are in for a nasty shock?

Defining corruption

Corruption is hard to pin down. Domestic corruption all the more so. That's why we have a Bribery Act, not one that tries to define the term and offence of 'corruption'.

Nor is there agreement on a working definition. The traditional one – 'the abuse of public office for private gain' – feels out-of-date in a world of widespread public service provision by private sector companies.

Since the private sector also has a public duty to uphold probity, transparency and fairness, Transparency International (TI) has given us this: the abuse of **entrusted** power for private gain.

Brown envelopes stuffed with cash, or the 21st century equivalent, are probably relatively rare in the UK these days. We say 'probably' because in reality no-one knows for sure.

What we do know is that corruption often goes hand-in hand with fraud and other economic crimes (the ACFE found a corruption element in more than one third of all insider fraud cases in Western Europe[1]). It is also intimately bound up with personal failings of integrity, ethics and leadership.

Corruption hides amongst our everyday social and commercial relationships and practices. Conflicts of interest, revolving doors, nepotism and cronyism, self-regulation, hospitality, creaking public services – all contain serious corruption risks. In plain sight (but by stealth nonetheless) they divert resources and opportunities away from legitimate recipients, concentrating power and advantage, and corroding trust.

And yet there is this tacit agreement that such things are not really full-fat crimes (more procedural misdemeanours; what some coyly call 'small-c corruption') and as such they deserve only the very lightest of scrutiny and the gentlest of rebukes.

But common sense (and half a century of behavioural science) tells us that corruption is the slipperiest of slippery slopes. The point-of-no-return can be all but invisible. Corruptors know this. They start small and reel in their quarry slowly. Just one, tiny ethical slip – a meal or a secret shared – is often all they need. Police officers familiar with other crimes of manipulation instantly recognise this as grooming.

The vastness of this hinterland of small transgressions and marginal behaviours (things that can easily pave the way for much bigger things) is what makes corruption so hard to tackle but also so risky to ignore. Corruption isn't a single event or act; it is a process whose ultimate objective is to create a culture in which it can become the new normal. Everywhere we look in Britain today we see signs that just such a culture is beginning to take root.

Genesis of the law

Corruption has always been a difficult concept in English law. For most of the 20th century there was no statutory definition and the legislation was concerned mostly with domestic wrongdoing by local public servants.

Until 1889 bribery consisted of a number of common law offences, each defined by the accused's public role. The first statutory offences were contained in the Public Bodies Corrupt Practices Act 1889 but these applied only to local bodies. The private sector entered the frame with the Prevention of Corruption Act 1906 but only in the narrow form of corrupt 'agents'.

No attention was given to UK bribes paid abroad until 1997 when the OECD Anti-Bribery Convention began to bring pressure to bear. Corruption overseas was finally made punishable at home by the Anti-Terrorism, Crime and Security Act 2001.

In 2003 the Law Commission's draft Corruption Bill was roundly criticised. A second attempt produced the Bribery Act 2010, which side-steps the thorny problem of defining corruption by focusing instead on the offering/giving (s.1) and requesting/receiving (s.2) of an advantage, financial or otherwise. It also contains the first corporate offence of failing to prevent bribery (s.7), at last making it possible to hold a company to account for the corrupt behaviour of people associated with it (such as employees, subsidiaries or agents) without the need to prove that its most senior executives (the so-called 'controlling minds') were also involved.[2]

‘The [anti-corruption] spotlight has not been on what happens within the United Kingdom and the response to it. One might say that that allows the growth of corrupt activity, as we are not really focusing on those aspects … there is a need for infrastructure, investment and resourcing.’

Commander Karen Baxter, House of Lords Bribery Act 2010 Committee, 2018

Turning a blind eye

We tell ourselves that we lead the global fight against corruption and money laundering but the rest of the world seems not so sure. Money launderers, organised criminals and kleptocrats certainly find our shores strangely welcoming.

It's almost as if we think corruption is something that only happens elsewhere. But is this really the case?

ANTI-CORRUPTION STRATEGY

The UK has had an anti-corruption strategy since 2017 and it will run until 2022. This is a positive development with laudable aims, but it contains a number of worrying signs that the government still doesn't fully 'get' the reality of domestic corruption risks.

The list of high risk domestic sectors (policing, prisons, border control, defence and local authorities) has some surprising omissions, including finance, central government itself, and the democratic process. It states that there will be stronger powers and tools, but the question of resources is carefully avoided.

POLICY-DRIVEN

Far too little thought is given to the fraud and corruption-related risks created by government policy.

We raised this when pensions liberalisation unleashed a bonanza for fraudsters selling bogus investment schemes. Here, through the lens of domestic corruption risks, we again see the problem most starkly.

The government's anti-corruption strategy explicitly acknowledges the importance of 'the psychological drivers and barriers that shape human behaviour' in understanding and combating corruption.[3] The elephant tip-toeing around the room is austerity.

The UK anti-corruption strategy 2017-22 has six priorities.

1. Reduce the insider threat in high risk domestic sectors.
2. Strengthen the integrity of the UK as an international financial centre.
3. Promote integrity across the public and private sectors.
4. Reduce corruption in public procurement and grants.
5. Improve the business environment globally.
6. Work with other countries to combat corruption.

'Austerity is creating big corruption risks. If we are serious about economic crime, we have to put more public resources into fighting it.'

Sue Hawley, policy director, Corruption Watch

‘Corruption in its many forms can facilitate and fuel fraud and other financial crimes. The government is working to tackle this issue, including by strengthening evidence and understanding.’

Andrew Preston, deputy director and head, Joint Anti-Corruption Unit

In many areas it is easy to make a compelling argument that sharp public spending cuts, hasty implementation and limited oversight since 2010 have made corruption risks significantly worse.

THE DATA

The available data point to a small problem of mostly petty crimes committed by ordinary people and relatively lowly officials.

- Experimental data from the Office of National Statistics show 201 corruption cases in the two years to June 2018. The vast majority (84%) involved misconduct in public office. Only a small proportion (16%) were prosecuted under the Bribery Act.[4]

- Research at the University of Manchester[5] has constructed a long-term national trend which suggests that there are barely more domestic corruption offences today than 50 years ago; an average of two or three a year for each police force. Out of 327 cases recorded only one third showed a definite outcome, typically a charge. The rest were split evenly between no action taken and no record kept.

And that is all we know.

To say the domestic picture is neglected and poorly understood would be an epic understatement. This sits uncomfortably with everything else we know about the epidemic of economic crime in the UK and who commits it[6], the growing strength of organised crime[7], and the prominent influence of dirty money in UK society and markets[8], not to mention the long-running and systemic overseas corruption being revealed at major UK corporations[9].

HOME AND AWAY

Domestic bribery used to be a UK policing priority, but not anymore. Now overseas corruption gets all the attention and all the resources. The anti-corruption unit of the National Crime Agency (NCA) is even funded by the Department for International Development, not the Home Office. There is no domestic equivalent.

Unlike foreign bribery (NCA/Serious Fraud Office – SFO), or fraud in general (City of London Police – CoLP), no-one has lead responsibility for policing domestic corruption. Sue Hawley of Corruption Watch is right when she calls it ‘the orphan of economic crime policing’. Nor is there any dedicated infrastructure or resource base even though it is a notoriously difficult crime to investigate and prosecute.

- It is a very private offence (often invisible to the victim) making it hard to identify the crime and locate the evidence.[10]

- Many cases are brought to light by a whistle-blower, who is then very exposed and vulnerable to harassment.[11]

- Covert activities are often needed to avoid tipping-off suspects.

The preparatory stages of corruption are often subtle, so police need good data to build an understanding of threats and identify targets.[12] But the CoLP admits members of the public have no idea where to report their concerns.[13] It asked for £1.2m to include corruption reporting in its Action Fraud upgrade but was refused. The Home Office says a corruption reporting system is in the pipeline.

CONFLICTS OF INTEREST

Meanwhile, conflicts of interest and their close relation, the revolving door, have become a way of life in the UK; a routine part of the career and (semi) retirement plans of legions of public servants. They are also the fundamental flaw at the heart of our national preference for so-called ‘self-regulation’.

- A conflict of interest arises when someone **could** abuse their position for private gain.

- Corruption is when they **do**.

‘Each and every corrupt act is driven by an underlying conflict.’[14]

Nor does a conflict need to be real or actualised to damage confidence and trust. Codes of conduct everywhere rightly instruct professionals, elected representatives and public servants to avoid not just impropriety but the appearance of it.

Stories from the frontline

On the pages which follow we show how domestic corruption – from clearly unlawful acts to the steady, background erosion of integrity and ethical standards – easily damages the prospects and well-being of people going about their everyday lives.

THE PRIVATE SECTOR AND PROFESSIONALS

Getting serious

In 2016 the then prime minister warned, 'If you're an accountant, a financial adviser or a middleman who helps people to avoid what they owe to society, we're coming after you too'.

Nowhere is the gap between this kind of rhetoric and the reality greater than in the financial sector.

- Frauds of all kinds in the UK are at epidemic proportions … except corruption.
- Corruption is a worldwide scourge … except here.
- Hundreds of billions of pounds of dirty money passes through the UK every year … by accident.
- Household names commit massive and sustained bribery overseas … but never at home.
- Corruption is a serious threat in police stations, prisons, town halls, airports and harbours … but not in City offices.

As Tom Keatinge of RUSI says, London is keen to trumpet its position as a leading global financial centre but not so keen to resource the fight against economic crime accordingly.[15] As Corruption Watch recently pointed out, there has not been a single successful corporate criminal prosecution in the UK for Libor, foreign exchange, toxic mortgages, money laundering or sanctions violations. There have been close to 20 in the US.[16] The new, tougher money laundering regime introduced two years ago seems to have made little difference so far.

US penalties for money laundering and sanctions violations are running at thirty-four times the level in the UK. Even when the wrongdoing is very much a UK matter US penalties are four to five times greater.[17] In the decade since the financial crash Iceland has sent 36 bankers to jail for a total of 96 years.[18]

Claims farming

The secondary market for insurance claims has been a breeding ground for potential corruption. The vast majority of claims management companies are expected to close during 2019, when the deadline for PPI claims passes and a lucrative market evaporates.[19]

Until the practice was banned in 2013 some law firms were paying claims management companies or insurers to have cases referred to them. Commercial considerations took priority over the needs and rights of the injured people.[20] The selling of claims remains a common practice among motor insurers, netting them millions of pounds each year and providing a positive encouragement for people to make claims.

In recent years the Solicitors Regulation Authority has repeatedly had to warn firms about suspect claims management practices including settling claims without a medical report and paying client damages to third parties. Some firms have even brought claims without the knowledge of the named client.[21]

Construction

Construction has always been vulnerable to corruption: no two projects are ever the same; lots of sub-contracting means complex chains of transactions; licences and permits are frequently required; and, of course, the budgets can be vast. In 2011 the TI bribe payers index report made construction the most corrupt sector in the world.[22] We see why this matters when jerry-built buildings collapse killing hundreds, if not thousands, of people.

And the UK is far from immune. The Chartered Institute of Building typically finds that about half of the professionals it surveys regularly believe that corruption is common in UK construction and that neither the industry nor the government is doing enough. Most are unable to estimate the cost to their organisation but 10% put it at more than £1m a year.[23] A quarter blame cultural confusion about what is and is not corruption and another quarter blame economic difficulties.

‘If corporations are willing to engage in corruption and unethical behaviour overseas, which factors would inhibit them from doing so ‘at home’?’

Dr Nicholas Lord, reader in Criminology, University of Manchester

Corrupt insiders … hidden in the shadows

Everyone likes to think that the people they work with are honest and upstanding. Organised criminals, terrorists and scruple-free competitors know otherwise. They deliberately seek out weak links on the 'inside' to help them steal cash or data. Particular targets are employees in banks, accounting and legal firms, and trust and company service providers; but no sector is immune to the threat.

The NCA says that 'a small number of individuals in positions of authority have been identified as corrupt … they have played pivotal roles in complex money laundering schemes and divulged information to bring credibility to fraudulent activity'.[24]

According to the Centre for the Protection of the National Infrastructure insider activity commonly includes process corruption, unauthorised disclosure of information, the facilitation of third-party access to assets, and physical, electronic or IT sabotage.[25]

- Four drug companies have been accused of colluding to limit the supply of anti-nausea medication, driving up prices by as much as 700% (2019).
- A director of a commercial interiors firm bribed a corrupt insider for confidential information to help win contracts worth more than £6m (2018).
- A UK organised-crime group used a corrupt bank insider to launder £16m stolen by international cyber criminals using mule accounts and false identities (2017).
- An expert in the procurement of medical equipment received £1.7m in corrupt payments to help suppliers win tenders (2017).
- A corrupt immigration officer was jailed for attempting to extort money from an Indian national due to be removed from the UK (2019).

According to EY's latest global fraud survey, more than one fifth of UK executives (from a sample of the largest companies) think fraud and corruption are the greatest risks to their business. A further third think that bribery and corrupt practices happen widely in UK business – a proportion considerably greater than for developed countries in general (one fifth).[26]

Another global survey of senior compliance managers found that more than half of their external relationships had not first been subject to formal due diligence checks.[27]

And yet, surprisingly few of the cases recorded by the Cifas internal fraud database in 2017 were related to the unlawful obtaining and/or disclosing of commercial (7%) and personal (40%) data, with none linked to bribery.[28] Since many of the Cifas service's participants operate in risky sectors, this might suggest that many corrupt individuals are still hiding in the shadows.

ETHICS AND EDUCATION

Academisation

Since 2010 the large-scale conversion of local authority schools into academies has brought with it corruption risks previously unheard of in education. Funded directly by the Department for Education, academies were originally designed to raise educational standards in struggling schools. In 2010 there were just 200. By 2018 there were 7,472 with combined revenue funding of £17 billion (2016-17).[29]

Academies are run by self-governing charitable trusts, allowing them to seek sponsorship from businesses and entrepreneurs.[30] The close proximity of public and private interests creates fertile ground for conflicts of interest and questionable governance. Critics also complain of a lack of openness, making it hard for even parents to find out whether their schools are being run properly.[31] Ofsted is allowed to inspect academy schools but is prevented from inspecting the trusts themselves.[32]

Among a number of high profile failures has been Wakefield City Academies Trust. In 2015 ministers considered it to be a top performer.[33] Irregular payments came to light the following year, including £82,000 to the trust's interim CEO and £440,000 to businesses run by his daughter. By the end of 2017 the trust had pulled out of all 21 of its schools having first (legally) transferred millions of pounds of their cash reserves into its own central coffers.[34]

Meanwhile, back at the chalk face …

The number of GCSE and A-level students punished for taking phones into exam halls increased by 22% in 2018.[35] One survey of UK universities found a 42% increase in cheating using wearable micro-technology (such as tiny earbuds) in the four years to 2017.[36] The true number will be much higher because spy-style tech has become so easy to conceal.

In 2017 researchers estimated that tens of thousands of UK students every year commit 'contract cheating', buying professionally-written assessments and essays from specialist companies. The precise number is unknown because the culprits are seldom caught.[37] Swansea University thinks 31m students worldwide are cheating in this way.[38]

Students are also targeted by organised criminals to launder the proceeds of crime through their bank accounts in return for small commissions. Cifas has reported a sharp increase in the number of these young 'money mules' (up 26% between 2017 and 2018).[39]

We shouldn't be surprised to find that, in the right circumstances, young people can be groomed, corrupted and exploited.

Even some parents are in on the act

The US college admissions scandal shows the lengths to which some are prepared to go to get their children into a good school. Here in the UK a 2015 survey of 1,100 families with school-age children found that one-in-four had moved home to secure a place in a better school and one-in-six had even bought or rented a second property.[40]

LOCAL GOVERNMENT

Failing finances

By 2020 English councils will face an overall funding gap of £5.8bn, having lost almost 60p in every £1 of funding since 2010.[41] Unsurprisingly, local authority objectives are now increasingly about their own financial survival.[42]

In 2017 an estimated one third of all public spending (more than £251.2bn) was paid to private companies, charities and voluntary organisations to deliver services.[43] Local government leaders are reporting a declining appetite for outsourcing.[44] Who can blame them?

Governance under strain

The increased complexity of local government decision making is putting local authority governance under immense strain.[45] Councillors and public servants alike are struggling to cope with sharp budget cuts and the growing power of private suppliers not subject to freedom of information legislation, many of whom also treat ethical considerations as praiseworthy but optional.[46]

The Committee on Standards in Public Life, guardian of the seven Nolan Principles, says we need a wider view of value for money in public procurement – one that 'embeds ethical considerations at every level'.[47]

We are aware that the government is currently looking closely at public sector procurement fraud and corruption risks. This is a very welcome development.

Playing with planning

Tower Hamlets was in the news for corruption when one local businessman sought a bribe of £2m to help a developer secure planning permission. A lack of transparency in basic planning processes, an abundance of conflicts of interest, the revolving door between councils and a new breed of consultancies, all create fertile ground for corruption without doing anything strictly illegal.

Specialist consultancies – often set up and staffed by current and former councillors and officers – now play a big part in the planning process. One national newspaper found at least 43 serving councillors working directly for planning consultancies.[48]

'Planning gain' is when a town is promised (for example) a free swimming pool as a quid pro quo for permission to build a shopping centre. The ethical justification is that the local community deserves to share in the increased land value. Critics say these practices are often opaque and hard to read, and that they can easily descend into the buying of political support with 'sweeteners'.[49]

Promises of affordable housing in new developments were supposed to work in a similar way but developers actively played the system.[50] By the time the government stepped in last year[51] 79% of the affordable homes promised in urban areas (and half of them in rural areas) had never been built.[52]

'The British don't do bribery? We invented it in the age of Empire and taught it to the world.'

Steve Taylor, former head of the Economic Crime Unit, West Yorkshire Police

‘When we stand to benefit either from someone else’s corrupt behaviour or our own conflicts of interest, we may completely fail to notice either.’

Fraud Advisory Panel, Businesses Behaving Badly, 2017

PUBLIC LIFE AND ELECTIONS

Britain take heed: systemic political corruption – when powerful undemocratic interests wield undue influence over laws, regulations, and policies – can become a serious problem even in a developed and democratic country – but especially in a complacent one.[53]

Ministers and their advisers

According to the Group of States against Corruption (GRECO) ministerial compliance with ethical standards is, in reality, self-regulation. Both of the formal mechanisms (the Independent Adviser on Ministers’ Interests and the Advisory Committee on Business Appointments) are controlled by the prime minister and are otherwise toothless. Meanwhile, big, illogical holes persist in the governance of lobbyists’ meetings with ministers, advisers and officials.[54]

Dr Abby Innes (a roundtable contributor to the Committee on Standards in Public Life report on MPs’ interests) notes that, ‘In the last 30 years reforms have made the state significantly more porous to business [so that] the possibility of conflicts of interest actually run pervasively through the policy-making machinery, in a way that they simply did not 30 years ago’.[55]

There’s plenty parliament should be doing to strengthen integrity and openness and build trust, as the current recommendations of the Committee on Standards in Public Life demonstrate: make the register of members’ interests accessible to the public; require MPs to reject all but the most insignificant offers of gifts and hospitality from lobbyists; require parliamentary candidates to publish any plans they have to retain extra-parliamentary activities; prevent MPs from taking paid work as parliamentary advisers; and require former MPs to register all their work-related contacts with ministers, MPs or public officers.[56]

Elections

Electoral fraud in the UK is thought relatively rare though some activities, such as intimidation and coercion, are likely to be under-reported.[57] The police investigated 266 cases of electoral fraud in 2018, resulting in one conviction (forged signatures on a candidate’s nomination papers) and two police cautions (using someone else’s postal vote by mistake, and registering to vote at two addresses). More than half of the allegations related to campaigning rather than voting.[58]

The Electoral Reform Society says campaign finance rules designed for leaflets and door knocking can’t begin to cope with today’s unregulated ‘Wild West’ of secretive communications, dark money and big data unethically gathered.[59] Efforts to police campaign spending are hampered by trivial fines, capped at £20,000.

Because government has been slow to wake up to these threats, the integrity of our elections is currently left in the hands of the social media giants themselves. For the 2019 European elections 40 Facebook employees in Dublin staffed an election war room in an effort to stem the industrial flood of lying. In a single month they took down more than 2.8bn fake accounts.[60] WhatsApp (owned by Facebook) is deleting 2m fake accounts a month.[61]

POLICING AND CRIMINAL INJUSTICE

Police corruption

In 2017/18 the Independent Office for Police Complaints (IoPC) received 61,238 allegations of wrongdoing. In about 6% there was some indication of a criminal offence or behaviour worthy of disciplinary proceedings; 108 related to ‘corruption or malpractice’ and 134 to ‘irregularities in relation to evidence/perjury’.[62]

Does police corruption impede the investigation of crime? Certainly. By how much? Nobody really knows.

In July 2018 the IoPC confirmed an investigation into serious corruption and malpractice, including interference in investigations by

conflicted senior officers and failures to investigate allegations of wrongdoing. Thirteen officers in the Metropolitan Police Service's (MPS) professional standards department are the focus.[63] An internal MPS investigation, conducted in 2002 and leaked to the press in 2014, found organised crime 'able to infiltrate the MPS at will' and identified dozens of serving and retired officers involved in organised criminal networks of corruption.[64]

Cuts to police funding and numbers can only have sharpened corruption risks by reducing managerial oversight and increasing economic hardship.

The courts

There is a growing feeling that our criminal justice system is being steadily undermined, with serious consequences for generations to come. Massive wealth (not all of it clean) is sucking talent away from the criminal law and into the English commercial courts, where the world's super-rich prefer to fight their battles.

Deep cuts to legal aid, as well as damaging access to justice, are narrowing the diversity of talent entering the profession. This is the pool from which criminal barristers and solicitors emerge and, eventually, Lord Justices of Appeal and Supreme Court Justices.[65]

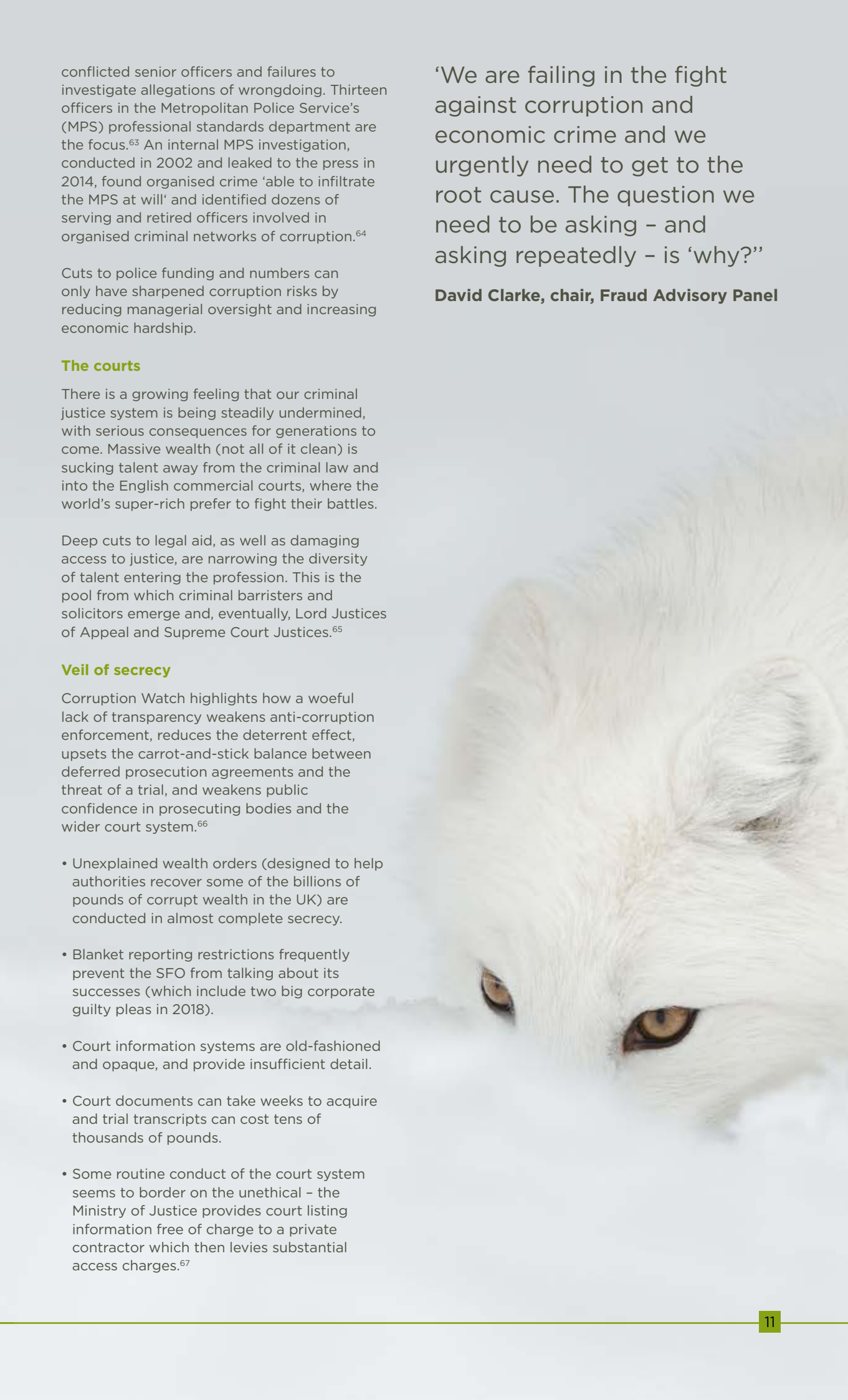
Veil of secrecy

Corruption Watch highlights how a woeful lack of transparency weakens anti-corruption enforcement, reduces the deterrent effect, upsets the carrot-and-stick balance between deferred prosecution agreements and the threat of a trial, and weakens public confidence in prosecuting bodies and the wider court system.[66]

- Unexplained wealth orders (designed to help authorities recover some of the billions of pounds of corrupt wealth in the UK) are conducted in almost complete secrecy.
- Blanket reporting restrictions frequently prevent the SFO from talking about its successes (which include two big corporate guilty pleas in 2018).
- Court information systems are old-fashioned and opaque, and provide insufficient detail.
- Court documents can take weeks to acquire and trial transcripts can cost tens of thousands of pounds.
- Some routine conduct of the court system seems to border on the unethical – the Ministry of Justice provides court listing information free of charge to a private contractor which then levies substantial access charges.[67]

'We are failing in the fight against corruption and economic crime and we urgently need to get to the root cause. The question we need to be asking – and asking repeatedly – is 'why?''

David Clarke, chair, Fraud Advisory Panel



‘Bad behaviour and incompetence are not the only explanations for corruption. There is another – when something is so beneficial for a sufficiently large and powerful minority that it’s in their collective interests to keep it a secret.’

Oliver Bullough, author of Moneyland: Why Thieves And Crooks Now Rule The World And How To Take It Back

How corrupt are machines?

Corruption thrives in the dark and there are few darker places than the black-box algorithms and embedded artificial intelligence that now control so much of our daily lives.

Algorithms in Finland are already scanning personal emails to create personality profiles for job applications. They are processing traffic offences in France, allocating medical treatments in Italy and automatically identifying which children are vulnerable to neglect in Denmark. In many EU countries algorithms are already powering so-called predictive policing systems.[68]

In the UK, the SFO is experimenting with artificial intelligence for document sifting. A pilot system used during the Rolls-Royce case (30m documents) scanned for legal professional privilege content 2,000 times faster than a human lawyer.[69]

The 'thinking' of such systems is often opaque to us. They 'learn' and 'adapt' until even their creators can no longer say for sure how they arrived at a given decision. They demand careful and thoughtful oversight.

Freed from irrationality ...

The widespread idea that the cold logic of algorithms, AI and machine learning is freeing us from human irrationality and bias couldn't be more wrong.

Algorithms are created by humans and inevitably reflect their biases. What's more, they are created by a subset of all humans, who will have particular biases of their own.

Then there's the data. Every algorithm contains bias simply because it must make predictions based on generalised data. This is magnified by being fed and trained on data drawn from real life – loan decisions, court sentencing, treatment options – complete with traces of all the human biases present in the original interactions.

... or trapped inside our worst instincts

Will there be deliberate corruption of these technologies for personal gain? Of course. If you are a major corporation, or an authoritarian government, never mind an organised-crime syndicate, then (as one prominent researcher puts it) 'Why would you build and operate an expensive algorithm if you can't bias it in your favour?'[70]

Domestic corruption in numbers

34%

of UK executives think corruption widespread (18% in 2014)[71]

UNDER
35s

more likely to justify fraud/ corruption to meet targets or help business survive[72]

24%

of UK businesses asked to pay bribe in 2017 or 2018 (5% in 2016)[73]

UP TO
€990BN

lost annually to corruption in Europe[74]

THE UK IS
11/180

in TI's Corruption Perceptions Index, with a score of 80/100[75]

A simple blueprint for action

There is a growing chorus of voices demanding a clear and positive commitment to ethical business and we certainly add our voice to it.

1. A £1bn reform of the country's courts is underway. Greater transparency and openness of our courts and proceedings (including vastly easier access to court information and documents) should be at the very centre of the government's plans.

2. We need a strong and structured approach to policing domestic corruption risks, starting with an easy-to-use central public reporting mechanism feeding a systematic approach to recording and analysing the data.

3. To improve the use of the Bribery Act in domestic and small-scale cases we need to improve police training and reduce the bureaucracy surrounding bribery case authorisations.

4. The UK's continued failure to hold corporate executives to the same criminal standards as the rest of us should be a public scandal. Filling this gaping hole would also be a strong declaration of intent that Britain will be fair, ethical and tough on all economic wrongdoing. Government should bring forward firm plans to create a new offence of 'failure to prevent economic crime'.

5. The widespread blurring of the boundaries between the public and private realms has left our traditional light-touch, principles-based approach to managing conflicts of interest and the revolving door groaning under the strain. It is time for a public consultation on a statutory framework.

End notes

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