

Mr John Beaumont, Managing Director

Certified Quality Systems

Britannia House, Britannia Business Centre, Enigma Park

Malvern

Worcestershire WR14 1GZ

9th January 2014

Dear Mr Beaumont

**BS10500 certification for Smith and Ouzman**

We are writing to express our concern about the award by CQS to Smith and Ouzman for the BS10500 Anti-Bribery Management System certification in September 2014. We are concerned that this award will seriously damage the integrity of the BS10500 and undermine confidence in it.

At the time of the award of the certificate Smith and Ouzman and its current Directors were due to stand trial in November 2014 for corruption. That trial which concluded on 22nd December 2014 resulted in guilty verdicts for the company and two of its Directors. The charges against the company and its current Directors are very serious and are likely to lead to custodial sentences for the Directors and potentially damaging fines and confiscation orders for the company.

The company and its Directors contested the charges made against it – it did not cooperate with the SFO, and it did not acknowledge its wrongdoing by pleading guilty. Importantly it has not sought to distance itself from the charges by putting in place new management. The two Directors, Christopher and Nicholas Smith, who have been convicted remain Directors to the present day (there has been no note of resignation even upon conviction).

There are two reasons why we think that the award of the BS10500 was seriously misguided. The first is that Clause 4.17 b) of the BS 10500 requires an organisation to implement procedures which require “*appropriate action in the event that ... investigation reveals bribery, or breach of or weakness in the anti-bribery management system*.” The explanatory note states that such action could “*depending on the severity of the incident, include for example: disciplining personnel who have breached the anti-bribery policy or ABMS (on a sliding scale of severity from a warning to termination of employment); reporting to the authorities; improving the ABMS so as to prevent repetition*.”

It is questionable whether Smith and Ouzman took appropriate action once the Serious Fraud Office investigation revealed bribery, particularly with regard to disciplining personnel involved, or with reporting to and cooperating with the authorities. It is our understanding that all the information that the SFO acquired to prosecute the company was by using its Section 2 Powers rather than any voluntary handing over of material. Therefore, Smith and Ouzman were provided with the BS10500 standard which requires appropriate action in light of bribery, while being in the middle of a prosecution where there must be serious questions as to whether they had taken appropriate action over existing bribery allegations.

The second reason is that the BS10500 requires that the bribery policy is communicated from top management, who are responsible for that policy. As the Transparency International Adequate Procedures guidelines notes, Directors and senior management must provide an example for transparency and integrity through their own behaviour (checklist, 19). It is doubtful whether such a policy can be communicated effectively by Directors who are on trial for the very behaviour which the policy is meant to prevent.

The SFO began its investigation in August 2010. In October 2013 it issued a press release that the company had been charged. Written charges were made in August 2013. We note that the company may not have informed CQS about the charges against it. In its annual report for 2013, the company stated only that it was setting aside a certain sum for a “historical legal matter”. However, the information about the charges against it was in the public domain and could be picked up by a simple google search.

If CQS did not know about the charges, then it suggests poor due diligence on the part of the company – due diligence which must be improved to ensure such occurrences do not happen again. Or if CQS knew about the charges but decided to continue with certification, it suggests poor judgement by CQS. Although it is of course essential that companies and people are presumed innocent until proven guilty, in our opinion CQS should have waited until the trial was concluded before assessing whether Smith and Ouzman had dealt adequately with the bribery charges to merit the BS10500. We also believe that the BS10500 should be removed from Smith and Ouzman with immediate effect.

We look forward to your reply about our concerns.

Susan Hawley

Policy Director, Corruption Watch

185A Haverstock Hill

London NW3 4QG

CC. Howard Kerr, CEO, BSI Group;

David Green, Director, Serious Fraud Office;

Robert Barrington, Director, Transparency International UK