

Coalition for Integrity

The ISO 37001 Standard: Coalition for Integrity’s Recommendations for Companies Considering Certification

International Organization for Standardization (ISO), the organization generally known for setting international standards that apply to production and technical processes, issued in October 2016, the [ISO 37001](#), a standard for anti-bribery management systems. Since its release, the standard has generated a lot of debate and discussion among companies, compliance providers and academics. The French rail transport company [Alstom](#) recently obtained a certification under ISO 37001, and in the U.S., [Microsoft](#) and [Wal-Mart](#) announced that they too would seek this certification. The governments of [Singapore](#) and [Peru](#) announced that they have adopted the standard, and last month a [local Chinese regulator](#) developed an anti-bribery management system based on ISO 37001

For companies that want to evaluate their programs for effectiveness, there is already a plethora of publicly available guidance, the most recent being the [Evaluation of Corporate Compliance Programs](#) issued in February by the U.S. Department of Justice. Our published guidance, which includes [Verification of Anti-Corruption Compliance Programs](#), the [FCPA Resource Guide](#) and Transparency International’s [Business Principles for Countering Bribery](#) are also useful sources of information. There is substantial convergence in the requirements contained in all of these compliance guides.

Perhaps what makes the ISO standard a topic of such interest is that the standard is marketed as one that can be audited and certified. Certification is a public statement of quality and has an intrinsic marketing value. There are several reasons for a company to seek certification. Some companies may want to reestablish their reputation after a bribery scandal whereas others based in countries where enforcement is poor could use it to enhance the credibility of their anti-corruption efforts, especially when competing for international business. In the consultations that we conducted to publish our Verification report, we found that companies that were certified felt that certification provided a business advantage with marketing and recruitment value. In general, any independent review exercise, whether it leads to a certification or not, can help companies take a critical look at their program, detect potential gaps, and ultimately help strengthen their compliance program.

Based on our prior and extensive work on the topic of verification, we have compiled the following recommendations for companies that are considering certification:

1. Understand the limitations of any certification exercise.

Certifications are not a guarantee against future misconduct. Reviews of compliance programs are based on a limited sample during the period covered by the program review, meaning that a reviewer can only evaluate the strength of a company’s compliance program for the period during which it was tested. Business is not static and companies continuously implement new systems, establish new policies, sign agreements with new business partners, and grow their business.

A certification is therefore not an assurance that the program will continue operating effectively even as the corporate environment changes.

Similarly, while a certification exercise may help a company document its good faith effort to prevent and detect corruption, an ISO certification alone is not adequate to shield a company from prosecution, should a regulator come knocking.

2. Consider the skills, expertise, and independence of the provider.

The ISO standard specifies minimum requirements that must be fulfilled by an organization to establish and maintain an anti-bribery management system based on the risks it faces. It does not provide any guidance on how to audit against the standard. The implementation of an anti-corruption program has to be judged on a qualitative, rather than quantitative basis.

Given the subjective nature of assessment, a lot depends on the judgement exercised by the certification provider. Metrics in anti-corruption compliance are not always simple to measure. It is far easier to count the number of bathrooms per employee or the number of hours worked by plant employees than it is to assess or audit the quality of an anti-corruption program.

It is very important to consider the skills, experience and independence of the certification provider. Just as you would not hire an intellectual property attorney to help you with your divorce case, a meaningful anti-corruption compliance review should be led by an individual or team of individuals with the right knowledge, skills and experience in the compliance and anti-corruption field. While it is true that ISO contemplates using certification bodies that adhere to certain ISO standards, no U.S. provider has been accredited by the ANSI-ASQ National Accreditation Board as a certification provider to date. It is, however, likely that many are in the process of getting accredited. It is also important to note that all Big 4 accounting firms in the U.S. have been reluctant to provide certifications of compliance programs.

Independence of the reviewer is another important consideration for the value of the verification exercise and to promote credibility. Conflicts of interest can arise from past or present affiliation with the company. Similarly, some have expressed concerns that certification bodies have an inherent conflict of interest. On one hand, they provide a service to enhance a program, but on the other hand, they are also in charge of certifying the program.

3. Understand the scope of the review.

Just as there is no one-size-fits-all compliance program, there is no one-size-fits-all method for evaluating its effectiveness. A well-designed program will differ from one company to another, depending on countries of operation, industry sector, past history, and types of government interactions among other factors. The scope and breadth of reviews will also depend on a company's risk profile. This means that a company with a lower risk profile would not necessarily be subject to the same level of review as a company with a high-risk profile.

However, it also means that mere document reviews and interviews are not enough to review for program effectiveness at high risk locations. Procedures for high risk locations should include site visits, interviews, data mining, targeted testing of compliance sensitive transactions, assessment of internal controls, and analysis of interactions with business partners. Testing a sample of transactions at high risk locations is important to find out if the company is adequately documenting expenses and whether the controls are working.

For example: A company uses a consultant to interact with regulators in India, (a country that does not score well on the Corruption Perception Index). Unless a review includes some data analytics, it may not identify payments to the consultant. Unless the transactions are tested, there is no way of knowing whether there is appropriate and reliable third party documentation for the selected transactions. Without digging deeper, a review will not be able to assess whether the consultant was qualified, whether due diligence was performed, and whether the service was actually provided.

Understanding the scope of the review to be undertaken by the certifying body is essential. The fact that the certification has been granted is publicly available but the underlying report or review is not. A certification exercise which merely rubberstamps the decisions of the company or merely assesses whether the program is designed to be in compliance with the standard, without incorporating an element of testing at high risk locations, will have limited value.

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Notes:

1. The recommendations are largely taken from our previous publication, [Verification of Anti-Corruption Compliance Programs](#).
2. [Coalition for Integrity](#) is a non-profit, non-partisan 501(c)(3) organization. We work in coalition with a wide range of individuals and organizations to combat corruption and promote integrity in the public and private sectors.