

Bribes and corruption - constant problem of construction industry

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Economic crime strongly affects the construction sector and this has very serious consequences for all involved parties. The fourth year of Report on engineering and construction industries, conducted within worldwide research on economic crime by PricewaterhouseCoopers, shows this. "The specifics of construction sector together with the financial crisis led to an increased risk of corruption and economic crime. Managers who urgently need to conclude a contract can be tempted to offer a bribe or manipulate the price. Such conduct may be concealed even over several years. A large number of payments are carried out - mainly in small and medium-sized companies - in cash, which increases the risk of unethical transactions," said Jiří Koval from PricewaterhouseCoopers Audit.

"In difficult market situations, people pay more attention to the communication with their tenants, contracting parties and other suppliers, especially in the area of mediation. It is necessary for investors to have the right idea of income and expenses, transparency is therefore decisive. And as our research revealed, transparency is often lacking, which is a problem," Richard Jones from PricewaterhouseCoopers pointed out.

Key findings of PwC research

- in 24 % construction and engineering companies economic crime took place last year.
- more elaborate fraud, such as accounting frauds, bribes and corruption, are increasing.
- bribes and corruption are far more widespread in construction industry than in other sectors and higher than average of their occurrence in industry in total (13 %).
- while financial impacts of fraud correspond to those in other sectors, work ethic of the employees in construction industry is much worse.
- more than a third of construction companies has not carried out evaluation of fraud risk over the last 12 months and another third has not increased frequency of these checks.
- most reported economic crimes (69 %) were committed by employees.
- 11 companies where fraud took place have reported that direct financial impact of the revelations was more than approximately CZK 10 million. Two other companies announced impact valued at more than 5 million dollars (approx. CZK 100 million).

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