

3.9 Preventing corruption ahead of major sports events: Learning from the 2012 London Games

Kevin Carpenter¹

Introduction

The hosting of major sporting tournaments is the most sought after of all types of major events by countries, with the pinnacle of all those to be awarded being the Summer Olympic and Paralympic Games. Once the Games have been awarded by the International Olympic Committee (IOC), the host country's thoughts must immediately turn to implementing the bid proposal by thoroughly planning the event. London was awarded the 2012 Olympic Games by the IOC on 6 July 2005.² One of the key risks the London organisers had to plan carefully for was the threat from corruption in its various guises.³ This was reflected in Preamble R of the Host City Contract: 'WHEREAS [London] and the [British Olympic Association] acknowledge and agree to carry out their activities pursuant to this Contract in full compliance with universal fundamental ethical principles, including those contained in the IOC Code of Ethics.'⁴ Giving corruption the widest ambit possible, a number of areas of the delivery of the Olympic and Paralympic Games can be affected, including: financial management, public procurement, major infrastructure and construction, and security and private sector involvement.⁵

Establishing the organisational structure to deliver the London 2012 Games

The obligations under the Host City Contract, particularly Preamble T and section 2,⁶ led the UK government to enact special legislation to establish two new bodies to plan, organise and deliver the 2012 Games. First, the London Organising Committee of the Olympic Games (LOCOG) was

incorporated, as a private company limited by guarantee.⁷ Second, the London Olympic Games and Paralympic Games Act 2006 (the Olympic Act) established, and set the mandate of, the Olympic Delivery Authority (ODA).⁸ The difference between the two bodies has been described as follows: ‘The two organisations have complementary but distinct roles: the ODA is a publicly funded body charged with building the venues and infrastructure for the 2012 Games; [LOCOG] stages the events of the 2012 Games, and is almost entirely funded by privately raised revenues and sponsorship.’⁹

The ODA constituted a single body with overall responsibility for the construction of the venues and the infrastructure, as well as the transfer of assets after the Games and the transition to legacy use.¹⁰ The ODA also shared responsibility with LOCOG for delivering the services required for the Games. As a public body, the ODA was accountable for its work to the Government, specifically the Secretary of State for Culture, Media and Sport (who must consult with the Mayor of London on key issues).¹¹

Pursuant to the Olympic Act, two Standing Orders were also issued in relation to the ODA, the first of which set out important anti-corruption provisions for the board.

Paragraph 7

In accordance with the Management Statement the Board is also responsible for the following:

- b. ensuring that the high standards of corporate governance and financial management and control are observed at all times.*

Paragraph 9

Board members are required to:

- a. comply at all times with the Code of Practice adopted by the ODA and with all relevant rules relating to the use of public funds and to conflicts of interest;*
- b. act in good faith in the best interests of the ODA;*
- c. not misuse information gained in their capacity as Board members for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;*
- d. comply with the ODA's rules on the acceptance of gifts and hospitality and of business appointments (Management Statement para 5.16).¹²*

There were also provisions in relation to conflicts of interest on the part of board members, and the declaration of those interests, in paragraphs 35 to 40.

Such provisions are particularly important when engaging private organisations for aspects of the delivery work. Indeed, there were accusations of ‘cronyism’ when the ODA originally awarded the contract to build the centrepiece Olympic Village, as it was to be financed by Lend Lease, an Australian company previously headed by the then chief executive of the ODA, David Higgins.¹³ In 2008, however, during the global credit crunch, Lend Lease’s private financing project collapsed, and the British government had to finance the scheme using public funds instead.¹⁴

In addition to the Olympic Act, the United Kingdom already had a robust anti-corruption legislative framework in place, which included the Fraud Act 2006, the Prevention of Corruption Act 1906 (and later the Bribery Act 2010) and the Public Interest Disclosure Act 1998 for whistleblowing.¹⁵

Financial management

Sound financial management and preventing mismanagement through corruption are paramount to the success of any major sporting event. The UK government recognised this for the ODA when it passed the two Standing Orders, which included rigorous financial control and oversight mechanisms and set out in detail the delegated authority and financial limits of spending and who was authorised to sign contracts entered into by the ODA at different values.¹⁶

Despite these strict regulations, a troubling incident of fraud still struck the ODA before the Games when a man wrote to the authority pretending to be the finance director of Skanska, the construction firm that had been awarded the contract for landscaping the Olympic Park, with a change of account details ahead of a payment. The details he provided were actually for his own bank account. The money was paid to him, and his fraud was discovered by the Crown Prosecution Service only when he tried to disguise the money trail by sending £2 million to Nigeria before planning to buy a number of shops in Wolverhampton. He, and two accomplices, were jailed for between three and a half and four and a half years for defrauding the ODA and Skanska out of a total of around £2.4 million. The ODA managed to recover almost all the money, but a spokesman admitted that '[o]ur payments system was reviewed and strengthened immediately after the incident to further limit the risk of fraud'.¹⁷ This was quite a faux pas by the ODA, given the value of the corrupt transaction, and it stands a stark warning to the organisers of major events, who have to deal with a vast volume and array of contracts and financial arrangements.

Public procurement

Public procurement for major events, including those in sport, is a function that has traditionally been beset by corruption. As a result, there is a particular need for transparency, competition and objective criteria in decision making.¹⁸

As a non-departmental public body, the ODA had to comply with the stringent procurement regulations already in place in the United Kingdom.¹⁹ It went one step further, however, and developed and published its own procurement policy.²⁰ Two chapters of this publication covered specific aspects of corruption: chapter 4, 'Governance'; and chapter 5, 'Management of risk and opportunity'. Chapter 4.1 highlighted how aware the ODA was of the need for the procurement process to be clean: 'The ODA recognises that the programme will be subject to intense scrutiny at all levels. It has therefore decided to adopt a "balanced procurement" approach to cascade its requirements down from the policy to the small sub-contractor on a site.'²¹ The need to ensure that such an approach was imposed upon all designers, contractors and subcontractors was paramount and required back-to-back obligations in all contracts, as well as diligent contract monitoring, supervision and enforcement.²² Chapter 4 specifically mentioned corruption in procurement under the heading of 'Probity and business ethics', saying that it would 'damage the integrity of the programme and/or project and the image of the Games'.

Further areas covered in the policy document that are important for the prevention of corrupt practices in procurement were transparency, sponsorship rights and fair competition. The need for the ODA to be transparent was enshrined in UK law through the Freedom of Information Act 2000 (FOIA 2000), which, as explained in chapter 4.11, 'establishes a general right of access to all types of "recorded" information held by public authorities'.²³ To comply with any requests under FOIA 2000, the ODA needed to have good and secure storage and access to the information obtained through the tendering and procurement process, while also being mindful of any commercially sensitive information that had been provided. As for sponsors, chapter 6.11 made it clear that private bodies that were also sponsors of LOCOG could tender for ODA contracts, but with the safeguards that they would be treated equally with other bidders, and that any sponsorship payments are strictly between themselves and LOCOG and will not be considered.

Security arrangements

The delivery of security-related infrastructure and services requires particular attention for major sports events because of its political sensitivity. For this reason, security costs often constitute a large proportion of the overall costs of a major event. Indeed, London 2012 had the largest security investment of any event in the history of the United Kingdom.²⁴ The private security company G4S was selected by the ODA, at a cost of £284 million, to provide security guards for the Games.²⁵ The anti-corruption safeguards in the ODA's procurement policy in the award of this contract were satisfied by the fact that G4S had a robust and comprehensive business ethics policy in place, available for public inspection, and the fact that the company regularly reported on the measures it took at all levels of the organisation to ensure the company's integrity. In addition, G4S had in place a programme on anti-bribery risk assessments, anti-bribery control and anti-bribery audits, and also had a whistleblowing hotline.²⁶

Even with these safeguards in place, the decision to award the contract to G4S caused huge embarrassment to the ODA when it became apparent just weeks before the Games were due to get under way that G4S would be able to provide only 7,000 guards at most of the 10,400 promised, as a result of catastrophic recruitment and training failures.²⁷ This led to the police and armed forces having to plug the shortfall, and G4S's chief executive, Nick Buckles, being brought before a Commons Home Affairs Committee hearing at short notice and describing the company's handling of its Olympics contract as a 'humiliating shambles'.²⁸ Buckles subsequently stepped down as chief executive²⁹ amid a collapse in profits by a third after the company was forced to pay out £88 million over its London 2012 failures, after much painful negotiation with LOCOG.³⁰

Lessons for the planning of future major sporting events

The increasing commercialisation of sport, particularly the Olympic Games, means that the opportunities and incentives for unscrupulous individuals to gain unlawful profits through corrupting major sporting events are continually growing. London 2012 was in a good starting position to fight corrupt practices because of the United Kingdom's legislative instruments already in place, but LOCOG, and particularly the ODA, enhanced this further through their processes in planning and delivering the Games, with the result that they were kept largely free from corruption and provided a good framework for other host countries in the future – the latter being part of the requirement in Preamble P of the Host City Contract.³¹ The sheer size and complexity of the event, and the commercial arrangements that had to be entered into, meant nevertheless that there was always a risk of some isolated instances of corruption in the lead-up to the Games. Such incidents did, unfortunately, occur, but LOCOG, the ODA and/or the UK government acted decisively to ensure the impact of such events was lessened to the fullest extent. The combination of the largely successful organisation and the outstanding sporting achievements in London during that magical summer left the IOC and other Olympic stakeholders broadly in agreement that they were the best Games to date.

Notes

¹ Kevin Carpenter is Principal and Consultant at Captivate Legal & Sport Solutions.

² *The Guardian* (UK), 'London wins 2012 Olympics', 6 July 2005, www.theguardian.com/uk/2005/jul/06/olympics2012.olympicgames1 (accessed 1 October 2014).

³ House of Commons Committee of Public Accounts, *Preparations for the London 2012 Olympic and Paralympic Games: Risk Assessment and Management* (London: The Stationery Office, 2007), www.publications.parliament.uk/pa/cm200607/cmselect/cmpublicacc/377/377.pdf.

⁴ International Olympic Committee, *Host City Contract: Games of the XXX Olympiad in 2012* (Lausanne: IOC, 2005), www.gamesmonitor.org.uk/files/Host%20City%20Contract.pdf.

⁵ United Nations Office on Drugs and Crime (UNODC), *United Nation Convention against Corruption: A Strategy for Safeguarding against Corruption in Major Public Events* (New York: United Nations, 2013), www.unodc.org/documents/corruption/Publications/2013/13-84527_Ebook.pdf.

⁶ *Host City Contract*.

⁷ See Finance Act 2006, section 65, www.legislation.gov.uk/ukpga/2006/25/contents.

⁸ See London Olympic Games and Paralympic Games Act 2006, sections 3–9 and schedule 1, www.legislation.gov.uk/ukpga/2006/12/contents.

⁹ House of Commons, Culture, Media and Sport Committee, *London 2012 Olympic Games and Paralympic Games: Funding and Legacy*, vol. II (London: The Stationery Office, 2007), www.publications.parliament.uk/pa/cm200607/cmselect/cmcomeds/69/69ii.pdf.

¹⁰ *Ibid.*

¹¹ *Ibid.*; London Olympic Games and Paralympic Games Act 2006, schedule 1, part 2.

-
- ¹² Olympic Delivery Authority Standing Orders (1), revised 20 June 2013, www.gov.uk/government/uploads/system/uploads/attachment_data/file/208226/Standing_Orders_1.pdf.
- ¹³ Corruption UK, 'What is the real price of the London Olympics?', 4 April 2012, www.corruptionuk.net/what-is-the-real-price-of-the-london-olympics (accessed 3 October 2014).
- ¹⁴ *Ibid.*
- ¹⁵ London Organising Committee of the Olympic Games and Paralympic Games, *LOCOG Sustainability Obligations Register, Version 4, LOCOG in Confidence* (London: The Stationery Office, 2012), <http://learninglegacy.independent.gov.uk/documents/pdfs/sustainability/cp-sustainability-obligations-register.pdf>.
- ¹⁶ Olympic Delivery Authority Standing Orders (1), paras. 32 & 33; Olympic Delivery Authority Standing Orders (2), para. 3(d) & appendix 1, revised 20 June 2013, www.gov.uk/government/uploads/system/uploads/attachment_data/file/208227/Standing_Orders_2.pdf.
- ¹⁷ BBC (UK), 'Two jailed over £2.3m Olympic authority fraud', 24 April 2012, www.bbc.co.uk/news/uk-england-17829021 (accessed 3 October 2014).
- ¹⁸ United Nations Convention against Corruption, article 9, 31 October 2003, www.unodc.org/documents/treaties/UNCAC/Publications/Convention/08-50026_E.pdf.
- ¹⁹ UNODC (2013), p. 35.
- ²⁰ Olympic Delivery Authority, *Procurement Policy* (London: The Stationery Office, 2007), webarchive.nationalarchives.gov.uk/20120403073945/http://www.london2012.com/documents/business/oda-procurement-policy.pdf.
- ²¹ *Ibid.*
- ²² UNODC (2013), p. 37.
- ²³ Olympic Delivery Authority (2007).
- ²⁴ UNODC (2013), p. 46.
- ²⁵ *The Guardian* (UK), 'Olympic security chaos: depth of G4S security crisis revealed', 13 July 2012, www.theguardian.com/sport/2012/jul/12/london-2012-g4s-security-crisis (accessed 3 March 2015).
- ²⁶ UNODC (2013), p. 48.
- ²⁷ *The Guardian* (2012); *Financial Times* (UK), 'MPs lambast G4S Olympics shambles', 17 July 2012, www.ft.com/cms/s/0/344a0e3c-d001-11e1-a3d2-00144feabdc0.html#axzz3F51aCS29 (accessed 3 October 2014).
- ²⁸ *Ibid.*
- ²⁹ *The Telegraph* (UK), 'Timeline: how G4S's bungled Olympics security contract unfolded', 21 May 2013, www.telegraph.co.uk/finance/newsbysector/supportservices/10070425/Timeline-how-G4Ss-bungled-Olympics-security-contract-unfolded.html (accessed 3 October 2014).
- ³⁰ *The Guardian* (UK), 'G4S profits tumble on Olympics failings', 13 March 2013, www.theguardian.com/business/2013/mar/13/g4s-profits-tumble-olympics-failings (accessed 3 October 2014).
- ³¹ IOC (2005).