

Competition law: advice for internal auditors

It's vital for businesses to understand what risks they face under competition law. Internal auditors can provide assurance and advice to boards on how best to manage these risks.

Why do I need to know about competition law?

When businesses restrict how they compete with one another, they risk breaking competition law and can incur significant penalties. Internal auditors are well placed to spot where a business may be behaving anti-competitively and can play a vital role in assuring boards that they have the right systems and processes in place to manage such risks.

What do I need to look out for?

The CMA has published a short guide on competition law risk setting out the main anti-competitive practices to be aware of. The guide suggests questions to help identify where your business may be at risk, such as:

- Do employees often talk to other businesses in the same sector?
- Do you ever collaborate or work in partnership with your competitors?
- Are your customers also your competitors?
- Are you a business with a large share of the market in which you operate?

What can internal auditors do?

Identifying where and how your business could breach competition law is a key step towards an effective compliance strategy:

- Include competition law in your risk universe and provide assurance that internal controls are working effectively.
- Identify where an organisation's culture is not clearly defined with respect to anti-competitive behaviours.
- Flag competition law risks to board members and the executive so that they understand the consequences.
- Be aware of the steps that a business can take if it has breached competition law, such as the CMA's leniency programme. If certain conditions are met, a business could receive immunity from fines and sanctions.

Internal Auditors can play a vital role in helping businesses understand and manage their risks around non-compliance with competition law



What are the consequences of breaking the law?

Businesses that breach competition law can be fined up to 10 per cent of their global turnover and their directors may be disqualified from acting as company directors for up to 15 years.

Involvement in a cartel is also a criminal offence – individuals can go to prison for up to 5 years.

For more information on competition law and how to comply:
www.gov.uk/cma

To discuss and apply for leniency:
T: 020 3738 6833

These materials do not constitute legal advice and should not be relied upon as such.