

# Firms at risk of penalties due to a lack of compliance enforcement, according to 6CATSPRO

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Recruitment firms are exposing themselves to financial risk due to a failure to enforce compliance procedures across the board and a lack of recognition of the value of compliance functions, according to an analysis by 6CATSPRO.

According to the insight from the consulting arm of 6CATS International, there are common factors which are potentially exposing firms operating in and out of the UK to a number of risks, including: compliance functions being viewed as “business inhibitors”, inconsistent information available and the lack of “top down” enforcement of policies within these organisations.

This combination of factors is leading to internal compliance functions being undermined, limiting their ability to protect the business. Jon Clarke, Commercial Compliance Director, at 6CATSPRO explains:

“There’s no doubt that compliance is becoming stricter across the globe, with the likes of the Criminal Finances Act 2017 and the Common Reporting Standard making contractor management much more complex. In such an intricate environment, any compliance function should be considered a valuable tool, but it appears this often isn’t the case, much to the detriment of those firms in question. As a case in point, we still regularly review contracts from recruitment businesses using UK model documents full of references to IR35, AWR and compliance checks but with no reference to either the host country or more generic international considerations, creating potentially expensive exposure to their business brand, candidates and end clients.”

“Rules in the UK are very strict as we all know and, surprisingly, it seems that on occasion recruitment businesses working internationally can fall foul of thinking that because the services are being delivered outside of the UK, where they are registered and operate from, that they are somehow sheltered from compliance risks. As a result, rather than ramping up their compliance, they relax it.”

“Our discussions have also confirmed the need for compliance process training and rules to be delivered in a clear and uniform manner to avoid the commonplace sales vs compliance battle. Delivered correctly compliance can have an entirely positive influence and even be used as a sales tool for the relevant teams helping them differentiate their business and brand from the crowd.”

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