



01 February 2023

Modern Slavery Act 2015

Chartered Institute of Internal Auditors

The Modern Slavery Act (the Act) came into effect in 2016. The Act applies to all commercial organisations supplying goods or services that have global turnovers of £36 million and above, which carry out business in the UK.

This guidance will give you an overview of the legislation together with our top tips for internal auditors.

Background

The Act consolidates slavery and trafficking offences and introduces tough penalties and sentencing rules. The Act also addresses the role of the organisation in preventing modern slavery from occurring in the organisation and their supply chain.

The Act imposes a duty on all commercial organisations, either incorporated or a partnership supplying goods or services (wherever incorporated or formed) with global turnovers of £36 million and above, providing they carry on business in the UK; to publicly report steps they have taken to ensure their operations and supply chains are trafficking and slavery free. This applies to qualifying businesses with year-ends from 31 March 2016.

By increasing transparency, the expectation by government is that modern slavery will be tackled with greater urgency by organisations. While legal penalties for breach are limited, organisations should expect campaigning pressure groups to monitor their compliance, with the reputational risks associated with public scrutiny from such groups.

To comply, organisations are expected to produce a slavery and human trafficking statement annually, for example, on policies, training, due diligence processes and the effectiveness of measures taken to combat slavery and trafficking. This annual statement must be signed and approved at the highest level in the organisation and made accessible on the organisation's website.

Top tips for internal auditors

1. Integrated reporting

The duty to report on material human rights risks in strategic reports, under the UK Companies Act, is currently being amended to implement the EU Non-Financial Reporting Directive. This will include all the elements of the modern slavery legislation and should be launched shortly.

2. Assurance

From an internal audit perspective there may be an expectation that internal audit coverage may be scoped in such a way to provide assurance as to the accuracy and completeness of the report

before it is published on the organisation's website.

3. Audit committee briefing

Internal auditors may need to provide a briefing to the audit committee to raise awareness of the requirements of the legislation and the risk to the organisation.

4. Third party and suppliers

Internal auditors should consider adding compliance with the Act into third party audits (a third-party audit is performed by internal audit on the organisation's supplier chain).

5. Governance

Internal auditors need to consider governance arrangements, ie the framework/structure whereby the information contained within the compliance statement, will be gathered and validated and how the risk of breaching the legislation is being managed.

6. Review existing policies

Internal audit should consider reviewing and providing assurance to key stakeholders that existing policies been updated to reflect the requirements of the Act and are fit for purpose. These include:

- procurement and operational procedures
- contract terms
- codes of conduct
- corporate social responsibility (CSR) reports
- supplier vetting
- due diligence processes
- staff training
- ethics programmes
- stakeholder dialogue
- incentives
- whistleblowing
- complaints mechanisms

What is slavery and trafficking?

Modern slavery is a term used to encompass slavery, servitude, forced and compulsory labour and human trafficking ([HM Government: Modern Slavery Strategy](#)). It includes both adults and children being forced to work against their free will.

A common example arises where migrant workers take loans to pay for their travel to another country to work, or to pay fees to a recruitment company, with a view to repaying the money from their earnings. They can become trapped in 'debt bondage' as other sums are added to the loan while they work, such as accommodation and transport costs, exceeding their capacity to make repayments.

In addition, the employer often withholds their passport. Agriculture, construction, hospitality and manufacturing are the sectors frequently cited as being vulnerable to modern slavery.

Why should organisations take action?

Slavery has a devastating impact on individual victims. But it also affects those organisations caught up in increasingly high profile media and online campaigns alleging slavery and human rights abuses.

Organisations, in the UK and Ireland and also those UK organisations that have a global presence as well as organisations whose suppliers may reside in countries outside UK and Ireland are under increasing pressure to take action.

These pressures include:

- reputational, including adverse publicity, negative stakeholder action and the push from regulators for greater corporate transparency on human rights, such as the modern slavery disclosure duty
- legal, including the risk of litigation, complaints to the Organisation for Economic Co-operation and Development (OECD) and breaching ethical procurement terms
- financial, reflecting investor and customer sensitivities and increasing demands for CSR performance data as part of tendering processes
- operational, arising from labour disputes and disruption to supply chains.

What is a slavery and trafficking statement?

The Act requires that an annual modern slavery and human trafficking statement must be produced. The statement must set out what steps the organisation has taken to ensure that modern slavery and human trafficking is not occurring in the supply chain as well as its own business during the financial year.

There are no specific requirements in relation to the layout, content or level of detail of the statement. However the government has suggested that each organisation should include:

1. Its structure, its business and its supply chains.
2. Policies in relation to slavery and human trafficking.
3. Due diligence carried out in relation to slavery and human trafficking in its own business and supply chains.
4. Parts of its business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage that risk.
5. Its effectiveness in eradicating slavery and human trafficking from its business and supply chains, measured against appropriate performance indicators.
6. Training about slavery and human trafficking provided to its staff.

If the organisation is a body corporate, then its anti-slavery statement must be approved by the board of directors (or equivalent managing body), and be signed by a director (or equivalent). If it is a partnership, the anti-slavery statement must be approved by the partners or members.

Policing the supply chain may represent a whole new level of challenge for many organisations, as well as potentially higher costs. The Act and associated guidance don't mandate any specific steps and they don't require companies to guarantee that their supply chain is entirely slavery-free.

[Read more about the slavery and trafficking statement](#)

What are the penalties for failing to publish a slavery and trafficking statement?

There are limited penalties for non-compliance (the disclosure duty is subject to enforcement by the Secretary of State by injunction through the High Court (or in Scotland civil proceedings for specific performance of a statutory duty under section 45 of the Court of Sessions Act 1988) requiring the organisation to comply. If the organisation fails to comply with the injunction, they will be in contempt of a court order, which is punishable by an unlimited fine.

Risk management

Internal audit should conduct a risk assessment to identify potential risks across the organisation and value chain, to understand how the new legislation will impact on the organisations future plans and the audit risk universe for example:

1. Work towards mapping the business activities and value chains, to inform future internal audit work and the assurance required by key stakeholders.
 2. Use independent, recognised risk resources e.g. working with the risk management function and or the second line of defence assurance/compliance function and internal data to identify high risk geographies, sectors, commodities, activities, labour practices, relationships etc.
 3. Test results with internal and external stakeholders.
 4. Prioritise risks identified based on their severity – as judged by their - scale, scope and severity.
 5. Conduct more detailed risk assessments of those risks prioritised by management to inform future work and the assurance to be provided.
 6. Due diligence – undertaken by internal audit to gain an overall assurance around the frameworks in place to comply with the legislation and whether or not they are effective that are reasonable and proportionate: reflecting the severity and likelihood of the risk, the size of the business and its resources, the nature and context of its operations, the capacity to stop harm, e.g. a business may have limited influence deep in its supply chains, but it might be reasonable to apply top-down leverage on midstream suppliers or to build leverage by collaborating with others.
 7. Integrate and act upon management findings e.g. ensure policies and operational practices are in place and being adhered to.
-

Further reading

UK government

Modern Slavery Act 2015

Statutory guidance for organisations on how to ensure that slavery and human trafficking is not taking place in their business or supply chains

Legal sources

Company disclosure requirements under the Modern Slavery Act 2015

Business and Human Rights Centre

Bond Dickinson briefing

CIPS Knowledge

Eversheds