

APPENDIX 2D Guidelines for Setting Up of Integrity Management System

GUIDELINES FOR SETTING UP OF INTEGRITY MANAGEMENT SYSTEM

Introduction

This Integrity Management System (IMS) can be used by all organizations. The purpose of publishing the guidelines for setting up of IMS is to provide a management system framework and recommendation of good practices to support organizations in managing integrity relates issues.

The Development Bureau (“DEVB”) is currently maintaining two lists of approved contractors for undertaking public works contractors, i.e. the List of Approved Contractors for Public Works (“the List”) and the List of Approved Suppliers of Materials and Specialist Contractors for Public Works (“the Specialist List”). Any contractor who has been removed from the List (or the Specialist List) due to misconduct may apply for re-inclusion under probation after expiry of two years from the date of removal. The contractor is required to submit a proof of successful completion of integrity training course and establishment of an IMS with the proof of complying with all the IMS requirements as prescribed by the DEVB. Such proof can be substantiated by a statement of compliance Section C (i) issued by an independent auditor, recognized by the DEVB, after his/her completion of the integrity audit exercise.

In addition, the re-included contractor is required to upkeep the operation of the IMS and provide proof of complying with all the IMS requirements thereafter during the probation period through the integrity audit exercise as mentioned above on a yearly basis. Failure to satisfy this requirement will render the contractor being removed, suspended, downgraded or demoted from the List (or the Specialist List) in accordance with the Contractor Management Handbook.

The remainder of this document has the following three sections-

- **Section A** outlines the detailed requirements of an IMS.
- **Section B** describes the basic standard of conduct expected of all directors and staff of the organization.
- **Section C** describes the basic interpretation of some of terms and requirements mentioned in **Section A**.

Section A: System Requirements

This Section outlines the detailed requirements of an Integrity Management System. The word

‘shall’ is used to indicate mandatory requirements.

1.0 Management Responsibility

- 1.1 The top management shall establish documented integrity management policy Section C (a) for the organization.
- 1.2 The organization shall ensure the policy includes a commitment to comply with applicable legal requirements, anti-bribery, anti-fraud and anti-collusion.
- 1.3 The organization shall take action to ensure the defined policy is well communicated and understood within the organization, as well as with their business partners Section C (b).
- 1.4 The organization shall appoint a member of management Section C (c) to ensure the effective implementation of the integrity management system.

2.0 Training and Awareness Section C (d)

- 2.1 The organization shall provide integrity training to all staff within the organization.
- 2.2 The organization shall establish and maintain procedures to ensure that its staff are aware of the organization’s integrity management system, as well as the defined Code of Conduct in Section B.

3.0 Planning for Integrity Risk Assessment and Treatment Section C (e,f)

- 3.1 The organization shall establish and maintain procedures for the ongoing identification, analysis, evaluation of integrity risks, in the areas including but not limiting to:
 - 3.1.1 Bribery
 - 3.1.2 Compliance with Laws of Hong Kong and Other Jurisdictions
 - 3.1.3 Conflict of interest
 - 3.1.4 Use of company assets
 - 3.1.5 Confidentiality of information
 - 3.1.6 Outside Employment
 - 3.1.7 Relationship with suppliers, contractors and customers

- 3.2 The organization shall establish and maintain risk treatment plans to document how the chosen treatment options will be implemented. The information provided in the treatment plans should include:
- 3.2.1 The reasons for selection of treatment options
 - 3.2.2 Those who are responsible for implementing the plan
 - 3.2.3 Proposed actions and contingencies
 - 3.2.4 Resource requirements
 - 3.2.5 Reporting and monitoring requirements
 - 3.2.6 Timing and schedule

4.0 Implementation of the Risk Treatment Plans Section C (g)

- 4.1 The organization shall establish suitable documentation (i.e. policies, procedures, instructions, forms) to support the implementation of the risk treatment plan.
- 4.2 The organization shall implement the defined risk treatment plans and maintain suitable records for demonstrating its effective implementation.

5.0 Monitoring and Review Section C (h)

- 5.1 The organization shall plan in both monitoring and review as part of the integrity management process and involve regular checking or surveillance (i.e. periodic or ad hoc).
- 5.2 The organization shall apply suitable methods for monitoring the implementation of risk treatment plan.
- 5.3 The organization shall review the performance of the implemented risk treatment plan, to ensure that controls are effective and efficient in both design and operation.
- 5.4 The organization shall maintain monitoring and review records.
- 5.5 The organization shall analyze and learn lessons from events, changes, trends, successes and failures for obtaining further information to improve integrity management.
- 5.6 The organization shall timely inform the DEVB of any acts of suspected misconduct or misconduct committed by their directors and staff.

6.0 Internal Audit

- 6.1 The organization shall establish and maintain an audit programme and procedures for carrying out periodic integrity management system audits, in order to:
 - 6.1.1 Determine whether or not the integrity management system is implemented and maintained properly, and is effective in meeting the requirements for the integrity management system.
 - 6.1.2 Review the results of previous audits and provide information to management

7.0 Management Review and Improvement Action

- 7.1 The top management shall review the achievement of the policy at regular intervals for identifying any improvement action needs. Management review records shall be maintained.

Section B: Code of Conduct – Guidance Document

This Section describes the basic standard of conduct expected of all directors and staff of the organization. The guidelines given in each of the aspects are useful to help organization to understand the basic intents. Organization shall consider them along with their business nature to determine the actual risks when developing integrity management plans.

1.0 Prevention of Bribery

1.1 Prevention of Bribery Ordinance

Under the Prevention of Bribery Ordinance (the Ordinance), any director or staff member who, without the permission of his employer or principal (i.e. the Company), solicits or accepts an advantage as a reward or inducement for doing any act or showing favour in relation to the latter's business, commits an offence. The person offering the advantage also commits an offence.

(The relevant provisions of Section 9 of the Ordinance and the definition of "advantage" are detailed at Annex 1.)

1.2 Acceptance of Advantage

It is the Company's policy that directors and staff should not solicit or accept any advantage for themselves or others, from any person, company or organization having business dealings with the Company, except that they may accept (but not solicit) the following advantages when offered on a voluntary basis:

- (a) advertising or promotional gifts or souvenirs of a nominal value; or
- (b) gifts given on festive or special occasions, subject to a maximum limit of \$_____ in value; or
- (c) discounts or other special offers given by any person or company to them as customers, on terms and conditions equally applicable to other customers in general; or
- (d) gifts or souvenirs of nominal value presented to them in official functions.

No director or staff member should accept any advantage from a subordinate, except those mentioned in paragraphs (a) and (b) above.

Gifts or souvenirs described in paragraph (d) above are deemed as offers to the Company.

The directors and staff members concerned should report the acceptance to the Company and seek direction as to how to handle the gifts or souvenirs from the approving authority using Form A (Annex 2). If a director or staff member wishes to accept any advantage not covered in the above-paragraphs, he/she should also seek permission from the approving authority using Form A.

However, a director or staff member should decline an offer of advantage if acceptance could affect his/her objectivity in conducting the Company's business or induce him/her to act against the interest of the Company, or acceptance will likely lead to perception or allegation of impropriety.

If a director or staff member has to act on behalf of a client in the course of carrying out the Company's business, he/she should also comply with any additional restrictions on acceptance of advantage that may be set by the client.

1.3 Offer of Advantage

Directors and staff are prohibited from offering advantages to any director or staff of another company or organization, for the purpose of influencing such person or company in any dealings, or any member or staff of a government department or public body while having business dealings with the latter, whether directly or indirectly through a third party, when conducting the Company's business.

1.4 Entertainment

As defined in Section 2 of the Ordinance, "entertainment" refers to food or drink provided for immediate consumption on the occasion, and any other entertainment provided at the same time. Although entertainment is an acceptable form of business and social behaviour, a director or staff member should avoid accepting overly lavish or frequent entertainment from persons with whom the Company has business dealings (e.g. suppliers or contractors) or from his/her subordinates to avoid placing himself/herself in a position of obligation.

1.5 Records, Accounts and other Documents

Directors and staff should ensure that all records, receipts, accounts or other documents they submit to the Company, give a true representation of the events or business transactions as shown in the documents. Intentional use of documents containing false information to deceive or mislead the Company, regardless of whether there is any gain

or advantage involved, may constitute an offence under the Ordinance.

2.0 Compliance with laws of Hong Kong and in Other Jurisdictions

Directors or staff must comply with all local laws and regulations when conducting the Company's business, and also those in other jurisdictions when conducting business there.

3.0 Conflict of Interest

Directors and staff should avoid any conflict of interest situation (i.e. situation where their private interest conflicts with the interest of the Company) or the perception of such conflicts. They should not misuse their position or authority in the Company to pursue their own private interests which include both financial or personal interests and those of their family members, relatives or close personal friends. When actual or potential conflict of interest arises, the director or staff member should make a declaration to the management through the reporting channel using Form B (Annex 3).

Some common examples of conflict of interest are described below but they are by no means exhaustive:

- (a) A staff member involved in a procurement exercise is closely related to or has financial interest in the business of a supplier who is being considered for selection by the Company.
- (b) One of the candidates under consideration in a recruitment or promotion exercise is a family member, a relative or a close personal friend of the staff member involved in the process.
- (c) A director of the Company has financial interest in a company whose quotation or tender is under consideration by the Board.
- (d) A staff member (full-time or part-time) undertaking part-time work with a contractor whom he is responsible for monitoring.

4.0 Use of Company Assets

Directors and staff in charge of or having access to any Company assets, including funds, property, information, and intellectual property, should use them solely for the purpose of conducting the Company's business. Unauthorized use, such as misuse for personal gain, is strictly prohibited.

5.0 Confidentiality of Information

Directors and staff should not disclose any classified information of the Company without authorization or misuse any Company information (e.g. unauthorized sale of the information). Those who have access to or are in control of such information, including information in the Company's computer system, should at all times protect the information from unauthorized disclosure or misuse. Special care should also be taken in the use of any personal data, including directors', staff's and customers' personal data, to ensure compliance with the Personal Data (Privacy) Ordinance.

6.0 Outside Employment

Any full time staff who wish to take up employment outside the Company, must seek the prior written approval of the approving authority. The approving authority should consider whether the outside employment would give rise to a conflict of interest with the staff's duties or the interest of the Company.

7.0 Relationship with Suppliers, Contractors and Customers

7.1 Gambling

Directors and staff are advised not to engage in frequent gambling activities (e.g. mahjong) with persons having business dealings with the Company.

7.2 Loans

Directors and staff should not accept any loan from, or through the assistance of, any individual or organization having business dealings with the Company. There is however no restriction on borrowing from licensed banks or financial institutions.

[The Company may wish to include other guidelines on the conduct required of directors and staff in their dealings with suppliers, contractors, customers, and other business partners as appropriate to specific trades.]

Section C: Interpretation of Terms and Requirements

This Section describes the basic interpretation of some of terms and requirements mentioned in Section A. This Section should be read in conjugation with Section A and Section B of this document.

- (a) The integrity management policy should include a commitment to comply with applicable legal requirements, anti-bribery (e.g. prohibition from offering, soliciting and accepting advantage), anti-fraud (e.g. prohibition of false accounting) and anti-collusion (e.g. prohibition from participating in tender rigging). The integrity management policy should be formally endorsed and signed by all directors and senior managers to demonstrate their determination.
- (b) Business partners include clients, consultants, agents, subcontractors and suppliers. Organization should also impose the integrity management policy on its consultants, agents, subcontractors and suppliers who work on its behalf through contractual means, where practicable.
- (c) The appointed member should be a senior staff delegated with adequate and necessary financial and administrative authorities, and directly accountable to the top management.
- (d) The organization should lay down a training plan or programme to meet with the training need of all its staff including the new recruits. Also, the organization should oblige all its staff to strictly observe the provisions and requirements set out in the IMS through their employment contracts or other means, as appropriate.
- (e) The organization should conduct integrity risk assessments with respect to its different work procedures taking into account the nature, scale and location of its business. The work procedures should include, among others, procurement, staff administration and project management procedures.
- (f) The organization should establish a set of compliance checklists on various work procedures, taking into account the risks identified and making reference to the Corruption Prevention Best Practice Checklists uploaded to the ICAC's website for staff's reference and compliance.

http://www.icac.org.hk/en/prevention_and_education/pt/index.html

- (g) The organization should put in place an internal reporting system, including a designated hotline, which enables its staff to ask questions in relation to the IMS, and bring to notice of the management, such as the appointed member, any potential breaches of the IMS or risky conducts in performing their duties. Any enquiries received and follow-up actions taken by the management should be properly recorded to facilitate future audits.
- (h) The organization should lay down a disciplinary mechanism, setting out the disciplinary process and details of follow-up actions to be taken against its staff for any non-compliance with the IMS.
- (i) The organization should submit the Statement of Compliance together with an independent audit report prepared by an independent auditor. The report should include:
 - Introduction
 - o Background information
 - o Objectives
 - o Assumptions and limitations
 - Assessment Methodology
 - o Assessment approach
 - o Assessment checklist
 - Assessment Process
 - o Description of the process and activities performed
 - Assessment Result
 - Recommendations