

Integrity of Contractors Brings Quality Maintenance

Corruption Prevention Tips on Maintenance Projects

Building maintenance projects usually incur great expenses, with contractors playing a pivotal role in the whole project. Ignorance of the importance of corruption prevention will lead to corruption and malpractice, thus affecting the cost and quality of the project and even jeopardizing residents' safety and environmental hygiene.

The ICAC has dealt with many corruption cases about maintenance projects before. Not only would the relevant contractors suffer financial loss, they would also lose their company reputation. As a supervisor of a construction or engineering company, what effective measures could you take to minimize the corruption risk which you may face when undertaking works and maintain the honest reputation of the company?

This leaflet briefly explains the corruption opportunities and prevention measures in various procedures of maintenance projects as well as relevant legal provisions and ICAC services. The purpose is to help enhance project companies' and staff's alertness to corruption to avoid committing an offence inadvertently by adopting effective measures to safeguard against and report corruption and malpractice.

Corruption Prone Areas and Preventive Measures

Tendering/Negotiation

- offer bribes for obtaining the tender contents of competitors or requesting acceptance of a late tender or engaging in collusion.
- bribes solicited in return for being selected or making of a favourable contract.

Corruption Prevention Tips

- submit a tender according to the tender requirements and comply with the laws and regulations.
- should base on the price and quality in bidding and immediately report the bribe solicitor.

Subcontracting/Purchasing

- accept bribes for awarding a contract to the subcontractor who give the bribes.

- place orders with a supplier who offer bribes or inflate the amount required for purchasing stores to defraud company payments.

Corruption Prevention Tips

- draw up criteria and procedures for screening subcontractors or suppliers and ensure compliance.
- inspect tenders/quotations randomly and verify the quality of works/stores to guard against fraud.

Supervision/Acceptance

- offer bribes for lax supervision over works in progress.
- accept bribes for accepting the subcontractor's incomplete or substandard works.

Corruption Prevention Tips

- strictly monitor the works progress and quality, and record and follow up discrepancies.
- evaluate and accept works according to the standard and specifications stated in the contract.

Finance/Payment

- conspire to exaggerate or falsely report works expenses.
- advance or delay payments in order to make private gains.

Corruption Prevention Tips

- document project expenses in detail and keep relevant receipts and pictures for verification and inspection.
- collect/release works payment according to the works progress, contract terms and valid documentary records.

Stem Corruption Through Observing Rules and Regulations

To effectively prevent corruption and promote an integrity culture, contractors should formulate guidelines on acceptance of advantages and handling of conflicts of interest, as well as enhance the personal integrity of their staff. The guidelines may be promulgated in the form of code of conduct, standing order, notice or contract terms for staff's compliance. It is also necessary to raise their understanding about the Prevention of Bribery Ordinance so that

they will stand vigilant against corruption and will neither offer nor accept bribes when dealing with customers.

Section 9 of the Prevention of Bribery Ordinance *

- Any agent (company employee) who, without the principal's (company) permission, uses his capacity to solicit or accept an advantage shall be guilty of an offence; offeror of an advantage shall also be guilty of an offence.

Example: An assistant manager of an engineering company accepts a bribe amounting to three percent of a contract sum in return for his assisting the subcontractor who gives the bribe to take up the contract for some building maintenance jobs.

- Any agent who uses a false, erroneous or incomplete receipt, account or other document to deceive his principal shall also be guilty of an offence.

Example: A site foreman of an external wall maintenance contractor uses false attendance records to claim wages for a number of persons from the company, but those persons have never taken up the maintenance work of the building.

- Penalty: Maximum fine of \$500,000 and imprisonment of seven years
- *This leaflet only provides general guidance. In case of doubt, readers should refer to the laws or seek legal advice.*

Conflict of Interest

- When the private interests of an employee compete with the interests of his company, the employee should make a declaration to his company and avoid suspicion to show fairness. Although a conflict of interest situation or failure to make a declaration may not constitute an offence, the employee may be suspected and complained of abuse of power or favouritism.

Example: A contractor, who is Vice Chairman of the Owners' Corporation (OC) of his building, recommends his engineering company to the OC and obtains the maintenance works contract without declaring his interest to the OC.

Reporting Corruption is the Best Strategy

In case anyone offers bribes to you or solicits bribes from you or you discover any corrupt behaviour, you should immediately report to the ICAC and never hesitate and endure it, or else you may become a victim of corruption, losing

the maintenance works contract which you deserve or being held for criminal liability for your part in a collusion deal as requested. All information provided to the ICAC will be treated in strictest confidence. You may use any of the following means to report corruption:

In person: ICAC Report Centre, ICAC Building, 303 Java Road, North Point (24 hours) or any regional offices of the ICAC (Opening hours: 9:00 am – 7:00 pm on Monday to Friday; close on Saturdays, Sundays and public holidays)

By phone: 24-hour ICAC hotline 25 266 366

By mail: Hong Kong PO Box 1000

Integrated ICAC Services

ICAC will provide the following free services to construction or engineering companies according to their individual conditions and needs:

- **formulate code of ethics for staff** – including policy on acceptance of advantages in relation to work and guidelines for handling conflicts of interest
- **improve operational procedures** – enhance control systems and measures on the management, purchasing, subcontracting and financial arrangement of works contract
- **arrange staff training** – enhance their understanding about the relevant laws, corruption prevention awareness and handling skills
- **receive corruption reports and enquiries**

If you need the above services, please visit the ICAC Website (www.icac.org.hk) or call the ICAC corruption prevention hotline on building management: 2158 5920.