

Legislative Council Panel on Security

2007-2008 Policy Address

Briefing by the Commissioner,

Independent Commission Against Corruption

PURPOSE

This note outlines the overall corruption situation in the first nine months of 2007 and the Commission's anti-corruption major initiatives for 2008.

CORRUPTION REPORTS

2. In the first nine months of 2007, the Commission received 2,694 corruption reports, representing an increase of 9% as compared to 2,461 reports received in the same period of 2006. The number of reports that could be pursued increased by 6%, from 1,957 to 2,080.

3. A number of public elections were held during the period and a total of 329 election-related reports were received. They were related to the 2006 Election Committee Sub-sector Elections (210 reports), 2007 Village Representative Elections (67 reports), 2007 Rural Committee Elections (25 reports), 2007 Chief Executive Election (5 reports), 2006 and 2007 District Council By-elections (11 reports) and the coming 2007 District Council Election (11 reports).

4. Of the 2,694 reports received, complaints concerning private sector corruption took up a majority share of 66%, with reports relating to government departments and public bodies accounting for 27% and 7% respectively.

5. In the first nine months of 2007, a total of 247 persons in 134 cases were prosecuted for various non-election offences, representing an increase of 17% and 6% respectively in terms of persons and cases over those recorded in the same period of 2006. The conviction rates in terms of persons and cases were 78% and 84% respectively.

CORRUPTION SCENE

6. In the first nine months of 2007, complaints against government departments decreased by 12% whereas those concerning the private sector and public bodies increased by 22% and 8% respectively.

7. Notwithstanding the downward trend in the government sector (from 821 to 725 reports), we remain concerned about incidences of abuse of office, impropriety in procurement of goods and services, failure to exercise due diligence in supervisory oversight, undesirable association with persons having official dealings, involvement in illegal gambling and indebtedness among civil servants. The Commission is alert to the continuing problems of financial insolvency and undesirable association among officers in the disciplined services, which if left unchecked, can expose vulnerable officers to corruption and other malpractices. We will enhance the established liaison channels and monitor the situation closely through our partnership approach with government bureaux/departments and the Civil Service Bureau in addressing the issues.

8. Reports against public bodies saw an increase of 8% (from 177 to 191 reports) when compared with the same period of 2006. There was a drop of 10% (from 29 to 26 reports) in the number of reports relating to District Councils (**DC**) which concerned involvement of District Councillors in misappropriation of public funds and abuse of authority.

9. Reports concerning the private sector increased by 22% (from 1,463 to 1,778 reports). In terms of the number of corruption reports received in the first nine months of 2007, building management (**BM**) (710 reports), catering and entertainment services (156 reports) and finance and insurance (114 reports) were identified as the more corruption-prone areas which warranted close attention. Reports pertaining to BM, which rose by 22%

(from 583 to 710 reports) and accounted for 40% of the total in this sector, remain an ongoing concern. Most of the BM reports (57%) concerned the operation and management of the Owners' Corporations (**OCs**). There were signs of syndicated corruption in building renovation works involving architectural firms, building management consultants and building contractors.

10. Reports concerning catering and entertainment services, which recorded an increase of 50% (from 104 to 156 reports), mainly related to corrupt dealings between purchasing staff of the catering industry and suppliers in accepting goods of inferior quality, ordering goods at an inflated price and placing unnecessary orders. In the area of finance and insurance, corruption reports, which decreased by 10% (from 127 to 114 reports), mainly concerned improper approval of loans, fraudulent insurance claims, misuse of company funds, unauthorized disclosure of customers' data, and abuse in the award of contracts.

11. Overall, our efforts in combating corruption continued to be effective. The proportion of complainants who identified themselves when reporting corruption remained high at 73%, indicating that the community continued to lend strong support to our anti-corruption work.

MAJOR INITIATIVES FOR 2008

12. Looking ahead, we are moving towards a more integrated approach, bringing together the expertise in the Operations, Corruption Prevention and Community Relations Departments in tackling corruption problems, so as to take full advantage of the three-pronged approach. We have identified the building management, the catering service industry and the financial and insurance sector as priority areas for joint action. We are also committed to promoting clean election in view of the public elections coming on stream.

Building Management

13. We have been working closely with Home Affairs Department (**HAD**) in incorporating anti-corruption safeguards in the Codes of Practice and

other relevant publications on the Building Management (Amendment) Ordinance for OCs and property owners. Meanwhile, we in collaboration with the Hong Kong Housing Society (**HKHS**) will publish a user-friendly toolkit on building maintenance for use by OCs. We also plan to participate in the periodic building maintenance workshops to be organized by the HKHS on a district basis for OCs to help them in the implementation of building maintenance projects. We are determined to nip any syndicated corruption in the bud and we will monitor the situation closely.

Catering Service Industry

14. We have taken a series of action to combat corruption in the catering services industry. The recent arrests of directors and employees of a chilled meat and poultry company, chefs of restaurants and a regional manager and employees of a restaurant chain show our effort in tackling corruption within the industry. While our enforcement actions would have a deterrent effect, we will step up our work on all fronts to promote ethical practices to the management and frontline staff of the industry.

Financial and Insurance Sector

15. Our investigations revealed incidents of senior staff members, including directors of listed companies, involved in corruption facilitated commercial frauds. To uphold investors' confidence in Hong Kong, as an international financial centre with a level playing field, we will step up efforts to strengthen corporate governance and promote ethical practices among listed companies.

16. On the regulatory side, we maintain a partnership approach with the financial regulators, including the newly established Financial Reporting Council and the Task Force on Insurance Scam of the Hong Kong Federation of Insurers with a view to strengthening enforcement against corruption-facilitated economic crimes. On the prevention side, we will promulgate jointly with the Office of the Commissioner of Insurance an industry Best Practice Module to assist insurers to adopt corruption resistant procedures in the verification of insurance claims by policy-holders. On the education side, we will produce a toolkit on ethical governance jointly with related regulators, professional bodies and chambers of commerce for company directors of listed companies

to sustain the momentum and impact of the “Ethics, The Core Value of Leadership” – 2007 Directors’ Forum held in September 2007.

Elections

17. We have put in place a comprehensive education and publicity programme to promote the message of “Support Clean Elections” for the District Council Election (**DCE**) to be held in November 2007. Apart from supporting the Electoral Affairs Commission in conducting briefings for candidates and election agents after the close of the nomination period on 15 October 2007, we have distributed to each of the candidates a tailor-made information folder as handy reference. We have successfully enlisted the support of all District Councils in co-organising 21 Elections (Corrupt and Illegal Conduct) Ordinance briefings for election helpers and have proactively approached all major political parties/groups to offer briefing sessions to their members. A 24-hour Election Enquiry Hotline has been set up to answer election-related public enquiries. In conjunction with District Councils and district organisations, we have organised 215 activities including roving exhibitions, competitions and fun days etc. to involve the public in promoting the “clean elections” message. Such efforts will be sustained throughout the election period. Other forms of electronic and print media as well as vantage points have been engaged to extend publicity. We will take into account the experience gained in the 2007 DCE in mapping out a “clean election” programme for the Legislative Council Election in 2008.

18. On top of the above major initiatives, we will also take actions on the following:-

- a) to strengthen international and regional liaison and cooperation through Mutual Legal Assistance and law enforcement collaboration under the auspices of the United Nations Convention Against Corruption;
- b) to step up liaison with the Ethics officers nominated by government bureaux and departments under the Ethical Leadership Programme, and to assist departments in developing comprehensive and in-depth integrity building initiatives;
- c) to organize jointly with the HAD a series of seminars for the new DC members and their assistants to raise the corruption prevention awareness in implementing district projects, taking into account the expanded role of DCs in district management;

- d) to promulgate a Best Practice Module to assist government-funded public organizations in reviewing and strengthening their governance framework and management practices;
- e) to launch a corruption prevention guide for Small-Medium Enterprises in Hong Kong and on the Mainland to equip them with the necessary knowledge and skills in managing corruption risks in their cross-boundary operations, including the relevant anti-corruption laws in both jurisdictions and advice on ethical management practices; and
- f) to produce a General Studies Teaching Package for primary schools to support teaching of personal and social education in General Studies and help primary pupils foster positive attitudes and values in their social and personal development.

CONCLUSION

19. The ICAC is committed to fighting corruption through effective law enforcement, prevention and education to help keeping Hong Kong fair, just, stable and prosperous. With the support of the community, we will continue to uphold the best tradition of the ICAC to tackle corruption without fear or favour.

Independent Commission Against Corruption

October 2007