

Legislative Council Panel on Security

2008-2009 Policy Address

Briefing by the Commissioner,

Independent Commission Against Corruption

PURPOSE

This note outlines the overall corruption situation in the first nine months of 2008 and the Commission's major anti-corruption initiatives for 2009.

CORRUPTION REPORTS

2. In the first nine months of 2008, the Commission received 2,549 corruption reports, representing a decrease of 5% as compared to 2,694 reports received in the same period of 2007. The number of reports that could be pursued decreased by 5%, from 2,080 to 1,975.

3. A total of 222 election-related reports in relation to the following elections were received during the same period –

2007	Village Representative Elections	2
2007	District Council Election	101
2007	Legislative Council By-election	12
2008	VR By-Elections	3
2008	Legislative Council Election	102

4. In addition, there was one report pertaining to the 1988 Legislative Council Election and another pertaining to the 2000 Legislative Council Election. Of all these reports 202 were pursuable.

5. Out of the 2,549 corruption reports received, complaints concerning private sector corruption took up a majority share of 65%, with reports relating to government departments and public bodies accounting for 29% and 6% respectively.

6. In the first nine months of 2008, a total of 246 persons in 133 were prosecuted for various non-election offences, representing a decrease of 0.4% and 0.7% respectively, in terms of persons and cases over those recorded in the same period of 2007. The conviction rates in terms of persons and cases were 85% and 86% respectively.

CORRUPTION SCENE

7. The corruption situation in Hong Kong remained well under control. In the first nine months of 2008, complaints involving government departments increased by 2% while those concerning the private sector and public bodies decreased by 7% and 16% respectively.

8. While the number of complaints involving government departments is more or less the same as that in the same period of last year, we remain concerned about abuse of office, impropriety in procurement of goods and services, lack of diligence in supervision, undesirable association with persons in official dealings and involvement in illegal gambling and indebtedness among civil servants. Riding on the momentum of the Ethical Leadership Programme jointly launched by the Civil Service Bureau and the ICAC since December 2006, we are building a culture of probity in the civil service through the existing network of 150 Ethics Officers in 81 government bureaux/departments.

9. Reports involving public bodies recorded a 16% decrease (from 191 to 161 reports) when compared with the same period of 2007. Topping the list were the Hospital Authority (30 cases) and the District Councils (20 cases). Reports concerning the Hospital Authority were mainly associated with corrupt practices involving the procurement, mishandling of drugs and staff administration. Reports concerning the District Councils were connected with misappropriation of public funds and fraudulent claims of reimbursement of expenses for the salary of the Councillors Assistants. In

general, abuse of authority, misconduct in public office, misappropriation of public funds and malpractices related to procurement were the major problems in the public sector.

10. Reports concerning the private sector decreased by 7% (from 1,778 to 1,645 reports). Despite the downward trend, building management (BM) corruption, which remained an ongoing concern, accounted for 43% of the private sector reports (714). Most of the BM reports (60%) concerned the operation and management of the owners' corporations. Investigations revealed evidence of syndicated corruption in building renovation works involving architectural firms, building management consultants and building contractors. To promote an accountable building management culture, we launched in May an Integrity and Quality Building Management and Maintenance Programme, encompassing a wide range of activities including mass media programmes and district activities. A one-stop enquiry hotline and a dedicated website have also been set up since June to provide easy public access to corruption prevention guidelines and services on building maintenance and renovation works.

11. The finance and insurance sector was another area of concern (105 cases) where corruption mainly related to improper approval of loans and mortgages, fraudulent insurance claims, bogus or unlicensed warrant trading, unauthorized disclosure of customers' data, and diversion of business to rival companies.

12. 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 2009

13. In the year ahead, we will continue to pool expertise and resources in the Operations, Corruption Prevention and Community Relations Departments to fight against corruption. The following areas have been identified for our priority action.

Finance and Insurance Sector

14. Our investigations have shown that the involvement of senior staff members, in particular chairmen, directors and professional advisers of listed companies in corruption-facilitated commercial frauds is a specific concern. Enhanced efforts are called for to strengthen corporate governance and promote ethical practices in the business community. We have conducted a research into the modus operandi of the corrupters and the problems inhibiting listed companies in fostering good governance. Reference has been made to both local and international governance practices with a view to drawing up best practices for adoption by listed companies. With the support of the local regulatory bodies, chambers of commerce and professional bodies, we are going to organize jointly with the Ministry of Supervision and the Commission Against Corruption of Macao by end of this year a “Conference on Corporate Governance in the Financial Sector”. The Conference is targeted at about 300 directors, senior executives and professionals of listed companies in Hong Kong, providing them a Corruption Prevention Guide on Good Governance and Internal Control.

15. Mindful of the need to uphold investors’ confidence in Hong Kong, we are monitoring the situation closely in partnership with regulators, professional bodies and major chambers of commerce in enhancing ethical and professional standards of listed companies.

Small and Medium Enterprises (SME)

16. Noting the rapid growth of cross-boundary business in Hong Kong and Guangdong, we have launched a “Business Ethics Conference for Small and Medium Enterprises” jointly with the Guangdong Provincial People’s Procuratorate in April 2008. Riding on the momentum of this conference, we are going to promote a “Corruption Prevention Guide for SME Entrepreneurs Investing in Hong Kong and Guangdong” and will offer corruption prevention services to SME through the chambers of commerce and trade bodies. SME will be provided with a tailor-made best practice module on internal control for their operations. The Hong Kong Chamber of Small and Medium Business has pledged to incorporate ethical management into the assessment criteria of its 2008 Best SME Award Scheme to encourage good business practices.

Government Funded Organizations/Charitable Organizations

17. Same as government departments, government funded organizations should also maintain a high standard of integrity at all times. Inadequate guidelines and a lack of supervision will expose officers to corruption and other malpractices. We are going to launch a two-year integrity programme for government funded organizations to assist them in developing strategies for integrity building and enhancing staff awareness of the importance of ethics in discharging their duties.

18. The number of charitable organizations in Hong Kong has increased from some 4,000 in 2005 to over 5,300 in 2008 and the tax deductible charitable donations in 2006/2007 approached \$6 billion. We have to ensure that the enormous amount of public donations are properly safeguarded and used. We will conduct a corruption prevention study on the fund raising activities of these charitable organizations with a view to enhancing the control over the activities and disbursement of donation proceeds. We will promulgate a Code of Conduct and a Best Practice Guide together with the relevant regulatory bodies to assist charitable organizations in reviewing and strengthening their governance framework and management practices. We will also organize seminars for their staff to raise their ethical awareness.

Education

19. We continue to promote positive values among younger generations. A territory-wide video competition was held in July this year in which 600 secondary school students and young people in 125 teams participated. Based on the winning entries, we are going to develop teaching materials for moral education at secondary schools. In collaboration with school principals, teachers and related organizations, we will launch an “ICAC Ambassadors Programme” for senior secondary students to enrich the “Other Learning Experience” of the “3-3-4 Academic Structure” to be implemented in 2009. The student ambassadors will help promote positive values among their schoolmates.

20. We are working closely with local tertiary institutions to develop corruption prevention modules for inclusion in construction-related

undergraduate programmes, and we will assist them in teaching the modules. Furthermore, we will explore the possibility of incorporating corruption prevention elements and professional ethics into the qualifying examinations and continuing development programmes of professionals and selected trades, including construction-related professionals, insurance intermediaries, estate agents and securities practitioners.

21. On top of the above initiatives, we will :

- a) publish a user-friendly toolkit on financial management in collaboration with professional bodies, for use by owners' corporations and other building management bodies. We will promulgate the toolkit through seminars and workshop at district level in order to help building management bodies implement accountable financial management;
- b) review the licensing and control procedures for catering and other public entertainment establishment, where public safety and hygiene are of prime concern. We aim to enhance the complementary efforts of the individual authorities while minimizing the risk of corruption;
- c) assist the Hospital Authority in delivering public medical services through public-private partnership with private practitioners to ensure quality service and protect public health;
- d) continue to provide timely advice to the 2009 East Asian Games (Hong Kong) Limited to ensure that its operations are corruption resistant and that the Games will be organized in a fair, open and accountable manner; and we will
- e) continue to enlist public support for the anti-corruption cause through community visits to the ICAC Building, publicity functions for the ICAC Drama Series 2009 and joint projects with the District Councils.

Staff Training

22. Internally, we will step up our training programme on forensic accounting, particularly in the areas of examining and interpreting accounting

and financial records, asset tracing, preparation of financial profiles and analysis, presentation of financial data and giving expert evidence in courts in order to strengthen our financial investigation capabilities. At the same time, we will enhance our investigation competencies in computer forensics by conducting research and development of new forensic tools and methodologies in investigation.

CONCLUSION

23. The ICAC works on all fronts to promote a culture of probity within the community. We fight corruption to ensure fairness amongst individuals and a level playing field for Hong Kong's enterprises to thrive and grow.

Independent Commission Against Corruption
October 2008