

Legislative Council Panel on Security

**2009-2010 Policy Address
Briefing by the Commissioner,
Independent Commission Against Corruption**

PURPOSE

This note outlines the overall corruption scene in the first nine months of 2009 and the ICAC's major anti-corruption initiatives for the year ahead.

CORRUPTION REPORTS

2. In the first nine months of 2009, the Commission received 2,520 corruption reports, representing a marginal reduction of 1% compared to 2,549 reports registered in the same period of 2008. The number of pursuable reports dropped by 7% (from 1,977 to 1,847). Of all corruption reports received, 63% were lodged against the private sector, 31% concerned government departments and 6% involved public bodies.

3. In addition, 214 election-related reports were received, of which 177 were related to the 2008 Legislative Council Election, 18 to the 2008 and 2009 District Council By-elections, 15 to the 2003 and 2007 District Council Elections, while three involved the 2003 and 2011 Village Representative Elections and one concerned the 2011 Rural Committee Elections. Of these reports, 204 were pursuable.

4. During the period, 230 persons in 109 cases were prosecuted for various non-election offences, representing a decrease of 7% in terms of persons and 19% in terms of cases over the same period of 2008. The person-based and case-based conviction rates both stood at 84%.

CORRUPTION SCENE

5. The corruption situation in Hong Kong is under control. While complaints against government departments came up by 5% (from 743 to 778), corruption reports concerning the private sector and public bodies were down by 3% (from 1,645 to 1,599) and 11% (from 161 to 143) respectively.

6. Government sector complaints were made mainly against abuse of office; impropriety in procurement of goods and services; supervisory oversight; undesirable association with and acceptance of advantages from persons having official dealings; obtaining unauthorized loans; and indebtedness among civil servants. We will continue to closely monitor the situation and work in partnership with government bureaux and departments concerned to address the problems arising. The network of Ethics Officers under the Ethical Leadership Programme jointly run by the Civil Service Bureau and the ICAC since December 2006 has provided an effective platform to promulgate cross-government anti-corruption practices and procedures and share experience on probity issues.

7. Of the reports made against public bodies, topping the list were the Hospital Authority (**HA**) (23 cases) and District Councils (**DC**) (21 cases) which together accounted for 31% of the reports in the sector. Reports against the HA concerned corrupt practices in the procurement of medicines, connivance at administrative faults and acceptance of gifts or discount offers by hospital staff without permission. Those involving DCs mainly related to misuse of public funds or government subsidies and fraudulent claims of operational expenses by DC members. Insufficient administrative control and lax supervision by government subvented public bodies over their day-to-day business were seen to be the underlying causes of the problem.

8. Building management (**BM**) (672 cases), catering and entertainment services (116 cases) and finance and insurance (111 cases) were the most notable corruption-prone areas in the private sector. Accounting for 42% of the private sector reports, BM cases remained a

major concern. Though 56% of the BM reports were trivial or speculative normally targeting at the operation and management of the Owners' Corporations (OCs), there was evidence of syndicated corruption among OC members, BM professionals and works contractors in the building maintenance and renovation market.

9. Reports pertaining to the catering and entertainment services mainly involved corrupt dealings between purchasing staff of the catering industry and food suppliers in accepting goods of inferior quality; ordering goods at an inflated price; and placing unnecessary orders. In the area of finance and insurance, reports covered a range of offences including corrupt collusions between banking officials and business applicants in fraudulently obtaining credit facilities; unauthorized disclosure of customers' information to debt collectors; false accounting; fraudulent insurance claims; and corrupt diversion of business to rival companies.

10. The proportion of complainants who identified themselves when reporting corruption remained high at around 70%, indicating public confidence in the Commission and strong support to our anti-corruption work.

MAJOR ANTI-CORRUPTION INITIATIVES

11. In the year ahead, we will continue to combat corruption on all fronts. Corruption reports will meet with the most vigorous investigation. To address the diverse professional needs of our investigators, training and workshops on corruption-prone areas such as building management and finance will be provided. Intensified programmes in covert investigation and surveillance will be organized for our undercover operatives and surveillance officers to ensure that the ICAC's operating procedures are in line with the global best practice. We will step up our efforts to enhance the professional knowledge of our investigators in financial investigation so that corruption-facilitated frauds involving listed companies and financial institutions can be dealt with effectively. We will sharpen our investigators' professional edge in

computer forensics especially in terms of the development and application of forensic tools and methodologies in corruption investigation.

12. Equal attention will be accorded to corruption prevention and education work with priority given to the following areas.

Building Management

13. A “Corruption Prevention and Education Working Group on Building Management” has been set up to develop strategies on corruption prevention and education, and to implement and evaluate the action plans. In collaboration with the Home Affairs Department, Hong Kong Housing Society, Hong Kong Association of Property Management Companies and Hong Kong Institute of Certified Public Accountants, we will launch a territory-wide “Integrity and Quality Building and Financial Management Programme” in October 2009. The programme entails a wide range of activities, including the promulgation of the Building Financial Management Toolkit, the production of a training video for owners’ corporation, and organising workshops and exhibitions in the 18 districts. A user-friendly toolkit on major administrative functions of owners’ corporations will be developed and promulgated for use by their management committees.

Business Sector

14. We will step up efforts to enhance corporate governance and promote ethical practices in the business sector. Noting the rapid growth of cross-boundary businesses, we see the need to develop a closer working partnership with our counterparts in Guangdong and Macao. We will set up a joint working group to strengthen corruption prevention and educational support for small and medium enterprises (SMEs), particularly those operating in the Pearl River Delta. We will also conduct a research study on corruption risks faced by these SMEs. The study result will enable the ICAC to develop strategies, alongside business partners including Mainland counterparts, to advise and guide businesses accordingly.

15. Recognizing the relevance of a probity culture to Hong Kong's competitiveness and business environment rankings, we plan to launch a comprehensive campaign reaching out to all stakeholders in relevant international ranking institutions to elucidate the ethics and integrity building efforts as related to the achievements of Hong Kong in the business community. Through this campaign, we aim to further enhance Hong Kong's international image as a level-playing field for business operations and a clean place to live, to work and to invest.

Youth Education

16. Building on efforts made in 2009, we will continue to promote integrity education to young people of different age groups. We will embark on a territory-wide ambassador programme for students of secondary schools and tertiary education institutions to nurture a culture of probity, morality and ethical leadership in the younger generation. An ICAC Ambassador Association will be formed to enhance networking and exchanges among the ambassadors. We will organize a Junior Reporters Scheme and partner with relevant organizations to disseminate probity messages to secondary school students through different activities in support of the "Other Learning Experience" requirement of the new senior secondary curriculum.

17. To promote integrity concept through the school curriculum, we are developing a Liberal Studies Teaching Package for senior secondary students to support teaching and learning of the themes of "Rule of Law" and "Quality of Life" in the new Liberal Studies subject. We also plan to work with local tertiary institutions to develop tailor-made corruption prevention modules for inclusion in industry or trade specific professional studies, and assist them in the teaching of the modules.

18. With corruption activities becoming increasingly internationalized, we accord priority to co-operation and exchanges of experience among different jurisdictions. In this regard, action is in hand to launching a youth leadership programme with a view to inciting

exchanges amongst local university students and their counterparts from the Mainland and overseas, through a participatory approach in workshops, training camps and case studies. We will also organize an anti-corruption Announcement of Public Interest competition for students in Hong Kong, Guangdong and Macao to promote positive values across the Pearl River Delta.

Advice Pertinent to the Development of Industries where Hong Kong Enjoys Clear Advantages

19. The Government will be adopting a new mindset and new attitudes to promote the development of industries where Hong Kong enjoys clear advantages. We consider it important that sufficient safeguards be installed for different stages of the project development against corruption loopholes, and this will call for early warning and advice to government departments and various stockholders.

20. In regard of the environmental industries, we will liaise closely with government departments involved in the delivery of major environmental protection projects. As these projects will be undertaken through innovative contracting arrangements, we will provide timely advice to the government departments concerned to ensure that their arrangements are transparent and corruption-resistant.

21. In regard to testing and certification services, we will work with the newly established Hong Kong Council for Testing and Certification and render timely advice to ensure that its governance structure and operational procedures are corruption-resistant. We will also liaise with accreditation and verification/testing service providers with a view to developing strategies and measures in enhancing staff integrity, especially for those staff who are involved in cross-boundary services.

Non-governmental Organizations and Schools

22. Non-governmental organizations (NGOs) form a very large sector and provide a host of medical, health, welfare and education

services to the community. The NGOs, many of which receiving government funding or subsidies, are amongst our major clients for corruption prevention services. To assist them in adopting good governance practices and internal control safeguards in their operations, we will promulgate a tailor-made Best Practice Checklist for their use.

23. Education is a programme area which accounts for the largest Government expenditure. To strengthen the internal control procedures and administration of schools which receive recurrent government subvention, we will work together with the Education Bureau to develop and promulgate a Best Practice Checklist to meet their specific needs.

CONCLUSION

24. The ICAC is committed to combating corruption. We will continue to carry out our statutory duties, without fear or favour, to build and maintain a corruption-free environment in Hong Kong.

Independent Commission Against Corruption
15 October 2009