

**Legislative Council Panel on Security**

**2010-2011 Policy Address  
Briefing by the Commissioner,  
Independent Commission Against Corruption**

**PURPOSE**

This paper outlines the overall corruption scene in the first nine months of 2010 and the ICAC's major anti-corruption initiatives for the year ahead.

**CORRUPTION REPORTS**

2. In the first nine months of 2010, the Commission received 2,634 corruption reports, an increase of 5% compared to 2,520 reports registered in the same period of 2009. The number of pursuable reports also went up by 10% from 1,849 to 2,033. Of all corruption reports received, 63% were targeted at the private sector, 30% related to government departments and 7% involved public bodies.

3. In addition, 25 election-related reports were received, of which 10 were related to the 2010 Legislative Council (LegCo) By-election, three concerned the 2008 LegCo Election, three related to the 2010 District Council (DC) By-election, another three pertained to the 2007 and the forthcoming 2011 DC Elections, and four involved the 2007 and the forthcoming 2011 Village Representative (VR) Elections. The remaining two reports concerned unspecified DC and VR elections. Of these 25 reports, 20 were pursuable.

4. During the period, 312 persons in 156 cases were prosecuted for various non-election offences, an increase of 36% in terms of persons and 43% in terms of cases over same period in 2009. The person-based and case-based conviction rates were 84% and 89% respectively.

**CORRUPTION SCENE**

5. The corruption situation in Hong Kong remains under control. The global financial tsunami in late 2008 had not brought about a sharp and sustained increase in the number of corruption reports as the Asian financial turmoil did in 1998.

6. The number of corruption reports against the government sector went up by 1% (from 778 to 787). Complaints mainly related to abuse of authority; impropriety in the procurement and outsourcing of goods and services; acceptance of advantages from persons having official dealings; association with undesirable characters; and indebtedness caused by heavy gambling, indulgent spending or undue speculative activities.

7. Breaches of the common law offence of Misconduct in Public Office (MIPO) reflect a gradual move of government sector corruption from straightforward bribery to different forms of abuse of office for personal gain or conflict of interest situations. This phenomenon not only involves government departments but is now manifesting itself within certain subvented public bodies.

8. In relation to public bodies, this area recorded an increase of 26% from 143 to 180. The Hospital Authority topped the list with 29 reports. These primarily related to impropriety in procurement of medicines; acceptance of advantages for giving preferential treatment to patients; and divulging personal information of patients or deceased persons to third parties without the prescribed consent. Staff management issues such as favouritism in promotion selection also featured. District Councils, some universities and other tertiary institutions, the Mass Transit Railway Corporation Limited and the Hong Kong Housing Authority also attracted a considerable number of reports.

9. Reports against the private sector increased by 4% from 1,599 to 1,667. Building management (735 cases), catering and entertainment services (123 cases) and finance and insurance (94 cases) sectors altogether accounted for 57% of reports in the private sector.

10. Building management cases continued to take up a substantial amount of resources. It should however be noted that a major proportion of these reports were trivial or speculative, essentially targeting at the management or operations of the owners' corporations (OC). In respect of the more serious allegations of corruption, investigations revealed in a number of cases direct corrupt collusions existed between OC members and unscrupulous building consultants, contractors and other professionals.

11. Corrupt dealings involving the solicitation and acceptance of illegal rebates between purchasing staff and suppliers from within the catering and entertainment industries were identified as an area of concern, as illustrated by the prosecution of 33 persons involved in 13 cases for corruption and

corruption-related fraud. These investigations also revealed that lax supervision of purchasing and supply staff from within the industry was prevalent.

12. Corruption-related fraud involving companies within the finance and insurance industries continued to be a high risk area. The problematic areas included corrupt collusions between banking officials and business applicants in the granting of bank loans and other credit facilities; and fraudulent representation by insurance agents to defraud their principals of commissions and diversion of business. There were also incidents that involved corruption related conspiracies to defraud in the trading of derivative warrants.

13. Overall, our efforts in combating corruption continued to be effective. The proportion of complainants who identified themselves when reporting corruption remained high at 74%, indicating that the community continued to lend strong support to our anti-corruption work.

## **MAJOR INITIATIVES**

14. In the year ahead, the ICAC will seek to strengthen its financial investigative and supervisory capabilities in line with the recommendation of the Standing Committee on Disciplined Services Salaries and Conditions of Service in its report on the Grade Structure Review on Disciplined Services and Conditions of Service dated 27 November 2008. We will restructure the Financial Investigation Section of the Operations Department through the creation of a 3-rank Forensic Accountant grade and posts to advise in areas such as asset and fund tracing, money laundering, restraint and confiscation of proceeds of crime etc and to give expert evidence in court. We will also create a new directorate rank to cope with, among other things, the supervision of the use of covert surveillance and telephone interception in ICAC investigations and assuring compliance under the legal regime, as well as supervision of undercover operations and witness protection.

15. In order to cope with the increasing complexity in corruption and related crime investigations, we will continue to pool resources and expertise to address the diverse professional needs of our investigators. Through intensified training programmes and a variety of product knowledge workshops on corruption-prone areas, we will reinforce the investigative capabilities and technical competencies of our officers, particularly in the areas of financial investigation and computer forensics. We will review our development and deployment policies and strategies to optimize our investigative resources in

areas of priority concern. We will also improve our information system to enhance the investigative capability, efficiency, and effectiveness of our staff in combating corruption and related crime.

16. On the corruption prevention and education fronts, priority will be given to the following areas.

#### Building Management

17. To address the corruption and management problems associated with building management, the ICAC has since 2008 launched a three-year preventive education programme in collaboration with Home Affairs Department, Hong Kong Housing Society, related professional bodies and District Councils to promote integrity building management in the specific areas of building renovation/maintenance, financial management and daily operations of OCs. We have published toolkits and conducted education activities to equip the OC office bearers with the necessary legal knowledge and technical skills to properly manage their buildings.

18. With the increase in the number of OCs formed and building maintenance/renovation works, the number of reports made to the ICAC is likely to remain at a high level in the coming years. As building management involves multi-facet issues, the ICAC will continue to partner with relevant government departments, notably Home Affairs Department, and also public bodies, professional bodies and District Councils to offer services to OCs to raise their awareness against corruption and train the office bearers to professionally perform their duties in a legal, transparent and accountable manner. At the same time, we cannot over-emphasize the fundamental importance of property owners playing an active role in managing their own buildings.

#### Best Practices to Plug Corruption Loopholes

19. We will work in partnership with government departments and other stakeholders to assist them in plugging loopholes in corruption-prone areas. Works will include –

- (a) As follow-up to a research study on major funding schemes administered by the Government, to develop two best practice checklists for use by the funding authorities and the grantee organizations respectively to help enhance the accountability of the funding mechanism;

- (b) To develop and promulgate a best practice checklist to strengthen the governance and internal control system of National Sports Associations, including the selection mechanism of athletes to represent HKSAR in regional and international sporting events;
- (c) To formulate and promulgate a set of guidelines to assist the testing bodies in injecting corruption prevention systems and procedures into their operations, and to conduct training workshops to enhance the corruption prevention awareness and professional ethics of practitioners;
- (d) To develop and promulgate a best practice checklist for estate agencies to strengthen their corporate governance and internal control, and new training modules on integrity management and professional ethics for the Continuing Professional Development Scheme of estate agents;
- (e) To launch a best practice checklist and organize seminars to assist non-governmental organizations in strengthening the governance, management and internal control of social enterprises; and
- (f) To provide tailor-made services and timely advice to assist tertiary institutions in the administration of donations.

### Business Ethics

20. We will step up efforts to enhance corporate governance and promote ethical practices in the business sector. We will collaborate with our counterparts in Guangdong and Macao in the coming year to organize a business ethics conference for small and medium enterprises including in particular those operating in the Pearl River Delta region.

### Youth Education

21. Building on efforts made in 2009-2010, we will continue to adopt a target-oriented strategy to drive home integrity messages to young people. Major activities include -

- (a) Promoting a personal ethics module to all universities to strengthen integrity-building efforts for tertiary students. Case studies and training videos will be produced to support the teaching and learning of the module;

- (b) Producing electronic books (e-books) with audio and interactive features for primary students. Children literature writers and teachers will be invited to contribute stories carrying positive messages to enrich the contents of the e-books; and
- (c) Organizing a computer animation competition for tertiary and senior secondary students in Hong Kong, Guangdong and Macao to promote positive values across the Pearl River Delta region.

### Promotion and Public Education

22. The ICAC Drama Series adopted from completed corruption cases has been an established initiative to publicize and educate the public on the evils of corruption. Preparation work has commenced on the next series planned for broadcasting in September 2011.

### Elections

23. A series of “Support Clean Elections” education and publicity programmes for the 2011 District Council Election, 2011 Election Committee Subsector Elections and 2012 Chief Executive Election will be launched to uphold the integrity and fairness of these elections under the revised electoral system subsequent to the Administration’s proposed amendments of the methods for selecting the Chief Executive and forming the Legislative Council in 2012.

## **CONCLUSION**

24. With the support of the community, we will continue to uphold the best tradition of the ICAC to tackle corruption without fear or favour. We will work on all fronts to sustain a culture of probity within the community.

**Independent Commission Against Corruption**  
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