

Legislative Council Panel on Security

**2011-2012 Policy Address
Briefing by the Commissioner,
Independent Commission Against Corruption**

PURPOSE

This paper outlines the overall corruption scene in the first nine months of 2011 and the ICAC's major anti-corruption initiatives for the year ahead.

CORRUPTION COMPLAINTS

2. In the first nine months of 2011, the Commission received 3,009 corruption complaints, an increase of 11% compared to 2,707 complaints recorded in the same period of 2010. The number of pursuable complaints also went up by 11% from 2,077 to 2,314. Of all corruption complaints received, 66% were targeted at the private sector, 28% related to government departments and 6% involved public bodies.

3. In addition, 164 election-related complaints were received, of which 81 related to the 2011 Village Representative (VR) Elections, 49 to the 2011 District Council (DC) Election, 18 concerned the 2010 Legislative Council (LegCo) By-election, nine involved the 2011 Rural Committee Elections, two pertained to the 2007 DC Election, and one each to the 2008 LegCo Election, 2010 and 2011 DC By-elections. The remaining two complaints concerned unspecified VR elections. Of these 164 complaints, 146 were pursuable.

4. During the period, 212 persons in 110 cases were prosecuted for various non-election offences, a decrease of 32% in terms of persons and 29% in terms of cases over the same period in 2010. The decrease was in part attributed to the fact that a few cases in the preceding year involved a large number of co-conspirators which had boosted up the prosecution figure of 2010. By the end of September 2011, the person-based and case-based conviction rates were 82% and 87% respectively.

CORRUPTION SCENE

5. The ICAC manages to keep corruption in the government sector under control without any sign of a resurgence of syndicated corruption. During the period, the number of corruption complaints against the government sector went up by 2% (from 818 to 831). Complaints mainly related to abuse of authority, solicitation and/or acceptance of unauthorized loans and neglect of duty, particularly by junior government officers.

6. Breaches of the common law offence of Misconduct in Public Office (MIPO) continued to feature in complaints against the government sector. The rising trend of MIPO was also observed in government subvented public bodies. These cases reflect a gradual move of public sector corruption from straightforward bribery to different forms of abuse of office for personal gain or conflict of interest situations.

7. In relation to public bodies, a decrease of 3% from 185 to 179 in corruption complaints was recorded. District Councils (DC) topped the list with 46 complaints, a majority of which were related to abuse of office and fraudulent claims of operational expenses by DC members. The Hospital Authority, the Hong Kong Jockey Club, the Mass Transit Railway Corporation Limited and the Television Broadcasts Limited also attracted a considerable number of reports.

8. Complaints against the private sector increased by 17% from 1,704 to 1,999. Building management (842 cases), construction industry (125 cases) and trading (123 cases) subsectors altogether accounted for 55% of complaints in the private sector.

9. Building management cases continued to take up a substantial amount of resources. The rising trend continued over the past nine months where the number of complaints received was up by 14% and pursuable complaints up by 13%. It should however be noted that a major proportions of these reports were trivial or speculative, essentially targeted 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 corrupt collusions existed between OC members and unscrupulous building consultants, contractors and other professionals.

10. Complaints against the trading subsector largely related to acceptance of illegal rebates from suppliers, false accounting and diversion of business to rival companies. Cases related to staff of electrical appliance retailers accepting bribes from parallel goods traders as a reward for assisting in the bulk purchase of smart phones and tablet computers were widely reported. Complaints concerning the construction industry were mainly about improprieties in the award of contracts and corrupt connivance at contractors' substandard performance.

11. Investigations into complaints against the fuel, food supply and other household services (66) revealed a noticeable increase in corrupt dealings between parallel goods traders and supermarket staff over the sale of baby milk powder.

12. In the finance and insurance sector, corruption-facilitated listing frauds and other illicit activities involving the senior management such as chairmen, directors, and professional advisers of public listed companies remained an area of concern. Other high risk areas included corrupt collusions between banking officials and businessmen in obtaining bank loans and other credit facilities, fraudulent representation by insurance agents to defraud their principal of commissions, and 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

Elections

14. In the past, statistics showed that quite a number of election related complaints concerned minor breaches of the Elections (Corrupt and Illegal Conduct) Ordinance (ECICO). With the passing of the Electoral Legislation (Miscellaneous Amendments) Bill in July 2011, there should be less cases relating to minor breaches concerning election returns that require investigation by the ICAC. In the year ahead, we will continue to liaise with the Constitutional and Mainland Affairs Bureau and other stakeholders including the Electoral Affairs Commission, the Registration and Electoral Office, the Home Affairs Department and the Department of

Justice with a view to evaluating the effectiveness of the "de minimis" arrangement.

15. With the upcoming DC election to be held in November 2011, and the LegCo election and Chief Executive election to be held in 2012, we will ensure effective investigation into suspected corrupt and illegal conduct pertaining to these elections. On the preventive side, we will launch a comprehensive education and publicity programme to promote "Support Clean Elections" messages and to remind stakeholders of the importance of abiding by the laws. We will also join hands with the Home Affairs Department to organise a series of seminars for the new term of DC members and their assistants to raise their corruption prevention awareness in discharging DC duties and implementing community projects.

Corporate Governance and Internal Control

16. We will step up efforts in helping organisations, particularly those involving substantial amount of public funds, to enhance corporate governance and internal control. In partnership with the eleven tertiary education institutions (TEIs), we will publish a guide entitled "*Partner for Excellence – A Corruption Prevention Guide for TEIs*" to strengthen their corporate governance and internal control.

17. In collaboration with the professional bodies, we will assist companies in the testing and certification industry in implementing the corporate governance practices as recommended in the Corruption Prevention Guide jointly published by the Hong Kong Council for Testing and Certification, the Hong Kong Accreditation Service and the ICAC.

18. We will offer corruption prevention services to all national sports associations (NSAs) to enhance their corruption prevention resistance following the promulgation of a Best Practice Checklist to improve NSAs' internal control and governance.

Business Ethics

19. We will step up efforts to promote ethical practices in the business sector. In collaboration with the Hong Kong Association of Banks and the Hong Kong Monetary Authority, we will launch a two-year capacity building programme to enhance integrity training in the banking industry. The programme will entail revamping a practical guide on ethics for bank managers and developing a training kit and providing ethics

training for the managers with a view to assisting banks to enhance integrity management.

20. Riding on the collaboration with our counterparts in Guangdong and Macao, we will produce a legal guide on the prevention of corruption in assisting small and medium enterprises, in particular those operating in the Pearl River Delta region, in strengthening business ethics and thus enhancing the overall competitiveness of the region in becoming a world-class business hub.

Youth Education

21. We will continue with our relentless effort in promoting positive values among young people, adopting a target-oriented strategy to drive home integrity messages to young people at different stages. We will partner with prominent youth bodies to launch a training programme on ethical leadership and positive values for tertiary students.

22. To foster the culture of probity in secondary schools, we will produce a training package for junior secondary students entitled "*Life and Society*". The package will support teaching the modules of "Personal and Social Development" and "Social Systems and Citizenship" in the new curriculum and help inculcate positive attitudes and values among the secondary students. A parenting guidebook with advice from parenting experts, academics and youth workers on how to teach children positive values will also be produced.

External Collaboration

23. The ICAC will continue to play its anti-corruption role in the international arena. On the invitation of the International Association of Anti-Corruption Authorities (IAACA), the ICAC will share its experience in assets recovery with members at the Fifth Annual Conference and General Meeting of the IAACA to be held in Morocco in October 2011. In addition, we will organise an international anti-corruption public service announcement video competition and workshop in December 2011 in support of the efforts of IAACA in promoting the effective implementation of the United Nations Convention Against Corruption.

24. We will organise the 5th ICAC Symposium in May 2012 in Hong Kong with the theme of “Old Challenge, New Approach : Fighting Corruption in a Changing World”. The Symposium will highlight the importance of adopting a new approach and strategy in tackling the on-going challenge of corruption in our fast changing world where we find rapid technological changes, increasing globalization and a world economy that continues to be affected by financial turmoil and instability.

Professional Training

25. In order to cope with the ever increasing complexity of corruption and related crime investigations, we will continue to provide quality professional training and specialist courses to our officers to enhance their investigative and management capabilities.

CONCLUSION

26. The ICAC will continue to fight corruption on all fronts and be vigilant in keeping Hong Kong a fair and just society. We are committed to uphold the best tradition of the ICAC to tackle corruption without fear or favour and to sustain a culture of probity within the community.

**Independent Commission Against Corruption
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