



Professional Integrity and Managing Staff Integrity

Hong Kong Business Ethics Development Centre, ICAC
廉政公署 香港商業道德發展中心



香港
商業道德
發展中心
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Outline



Importance of
Professional
Integrity



Corruption
Prone Areas



Legal
Requirements &
Administration
Control



Key to
Integrity
Management



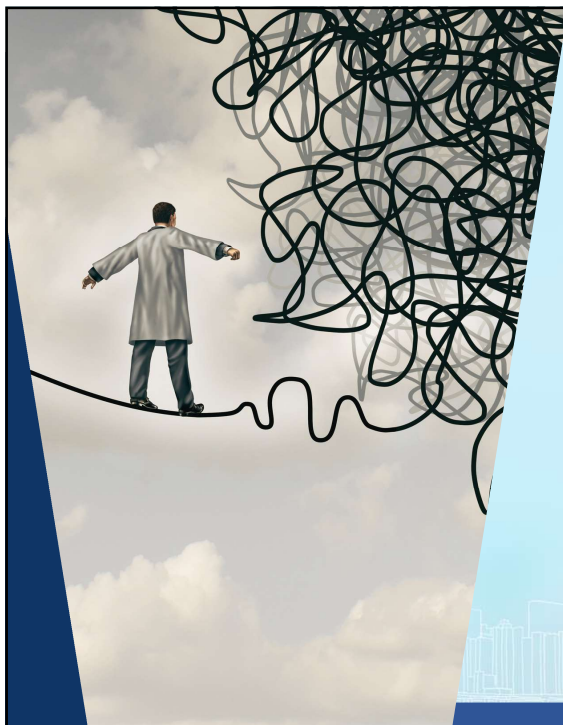
Services
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Professional Integrity



Corruption Prone Areas



Corruption Prone Areas in the Testing & Certification Industry



Acceptance of advantage

- Fabricate test results / forge test reports
- Meddle with samples
- Expedite testing and certification process
- Manipulate procurement process (e.g. subcontract testing and certification, and related services)
- Guarantee a passing accreditation / certification result

Offer of advantage

- Obtain business



Corruption Prone Areas in the Testing & Certification Industry



Other areas of concern:

- Accept inappropriate entertainment from clients / contractors
- Leak out company's / clients' confidential information
- Mishandle conflict of interest
- Use false claim of reimbursement



3 Tests of Professional Integrity



Legal Test



Compliance Test



Sunshine Test

Legal Requirement

- The Prevention of Bribery Ordinance (POBO)



Prevention of Bribery Ordinance (POBO)



Cover both public servants and private sector employees



Protect the interests of different stakeholders



Prevent abuse of trust between **Agent** and **Principal**



Ensure fair play

Agent and Principal (代理人與主事人)



Agent

Principal

Employed by another

Employer

Acting for another person

That other Person

“Trust” and “Loyalty”



Prevention of Bribery Ordinance – Bribery (Section 9)



Agent
代理人 (僱員)

Without principal's **A**pproval
未得主事人 (僱主) 同意

Both offeror & recipient of bribe are guilty

Solicits / accepts an **A**dvantage
索取或接受利益

An **A**ct in relation to the principal's affairs
作出/不作出與其主事人業務有關的行為

Maximum Penalty:
Imprisonment of 7 years and Fine of \$500,000

Advantage



Entertainment



- Food or drink provided for **immediate consumption** on the spot
- Any other connected entertainment connected with or provided at the same time

Frequent / lavish entertainment may result in:

- * Conflict of interest
- * Obligatory position
- * Sweetening trap



No Defence Even if...

Section 11 of POBO

- The recipient
 - did not actually have such power/right to carry out the act;
 - did not in fact do so; or
 - had no intention to do so

Section 19 of POBO

- The advantage is customary in any profession/trade/vocation/calling

Prevention of Bribery Ordinance – Dealing with Public Servants (公職人員)



Any person	
without lawful authority or reasonable excuse	
offers any advantage to public servant	
for any <u>reciprocal act</u> in relation to the public servant's official duties	<u>while having dealings</u> with the public servant's government department / public body
Section 4 (offeror & recipient both guilty)	Section 8

**Maximum Penalty:
Imprisonment of 7 years and Fine of \$500,000**

Prevention of Bribery Ordinance – False Document (Section 9(3))



Any Agent
代理人(僱員)

Using false, erroneous, defective accounts / documents / receipts
使用虛假、錯誤或缺漏不全的收據/帳目/文件

Intends to deceive his principal
意圖欺騙主事人(僱主)

**Maximum Penalty:
Imprisonment of 7 years and Fine of \$500,000**

Common S.9(3) malpractices



- Forging test reports
- Forging quotations of goods and services
- Falsifying attendance records
- Using false documents to deceive staff allowance / benefits

3 Tests of Professional Integrity



Legal Test



Compliance Test



Sunshine Test

Administrative Controls over Malpractices

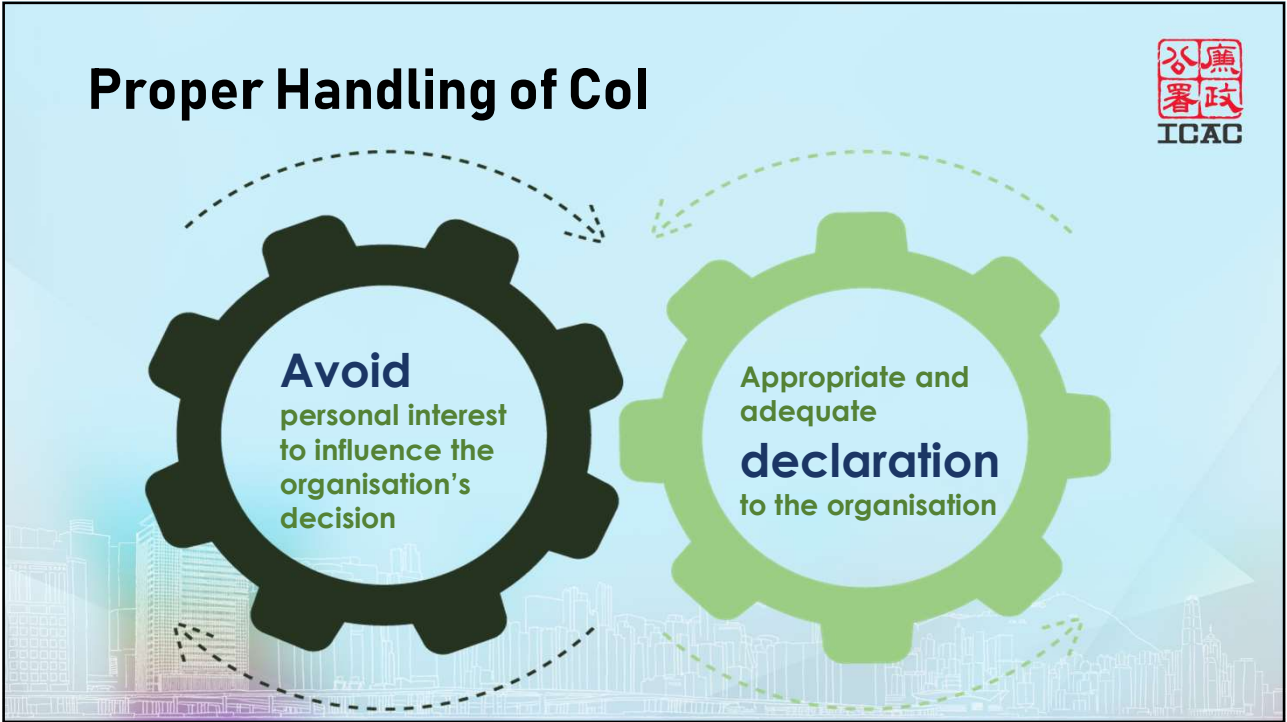
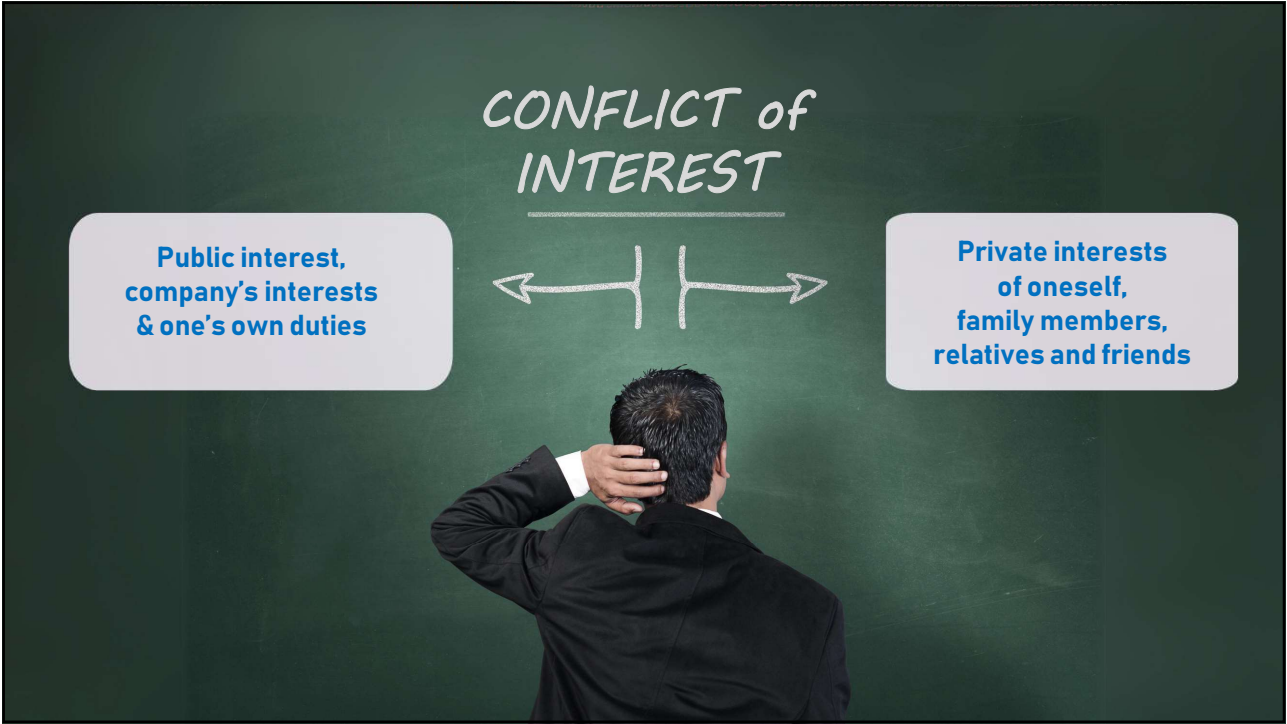


Company's Code of Conduct

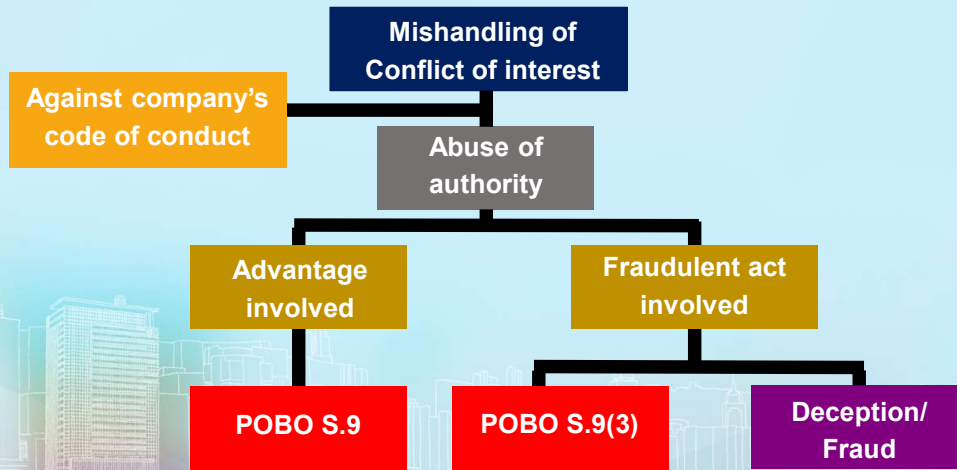


- Solicitation or Acceptance of Advantages
- Offering of Advantages
- Entertainment
- Handling of Information
- **Conflict of Interest**





Conflict of Interests vs Corruption & Fraud



3 Tests of Professional Integrity



Legal Test



Compliance Test



Sunshine Test



Sunshine Test



Does my decision **match with public expectation?**



Can I **openly discuss** the situation with others **without any misgiving?**



Dual Responsibility of Managers

Fulfil
their own duties



Manager



Guardian Role



Six Blind Spots of Managers



Ethical Management

Factors Leading to Integrity Problems in Companies



- Staff level**
- Lack of knowledge
 - Lack of fortitude or help
 - Lack of integrity

- Company level**
- Lack of clear guidelines / procedures
 - Ineffective communication
 - Lax supervision

Corruption Risk (Temptation) Analysis



Staff Behaviour – Red Flags



Work Performance

- Unusually close association with suppliers/ clients
- Unwillingness to share duties
- Reluctance to accept transfer/promotion/take leave
- Neglecting guidelines and regulations
- Replicating documents for unknown purpose
- Submitting incomplete reports and information



Private Life

- Living beyond means
- Financial difficulties
- Having undesirable habits



Integrity Management in Action



Ethical Leadership
Cultivating a
virtuous mind



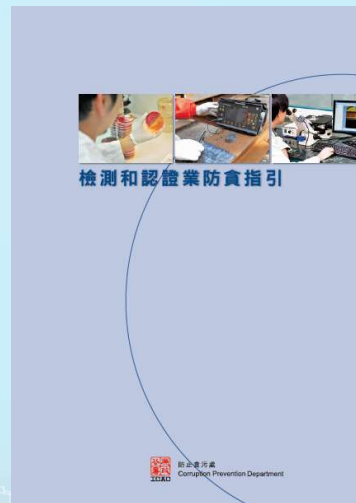
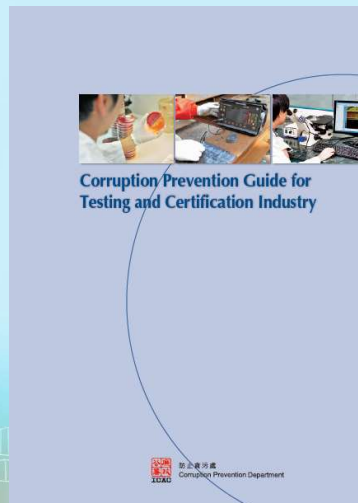
Integrity Training
Nurturing the
good heart

Code of Conduct
Defining the
moral backbone



System Controls
Boosting **immunity**
against ethical risks

Reference Material



<http://cpas.icac.hk>

Putting Ethics into Practice



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Disclaimer

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