

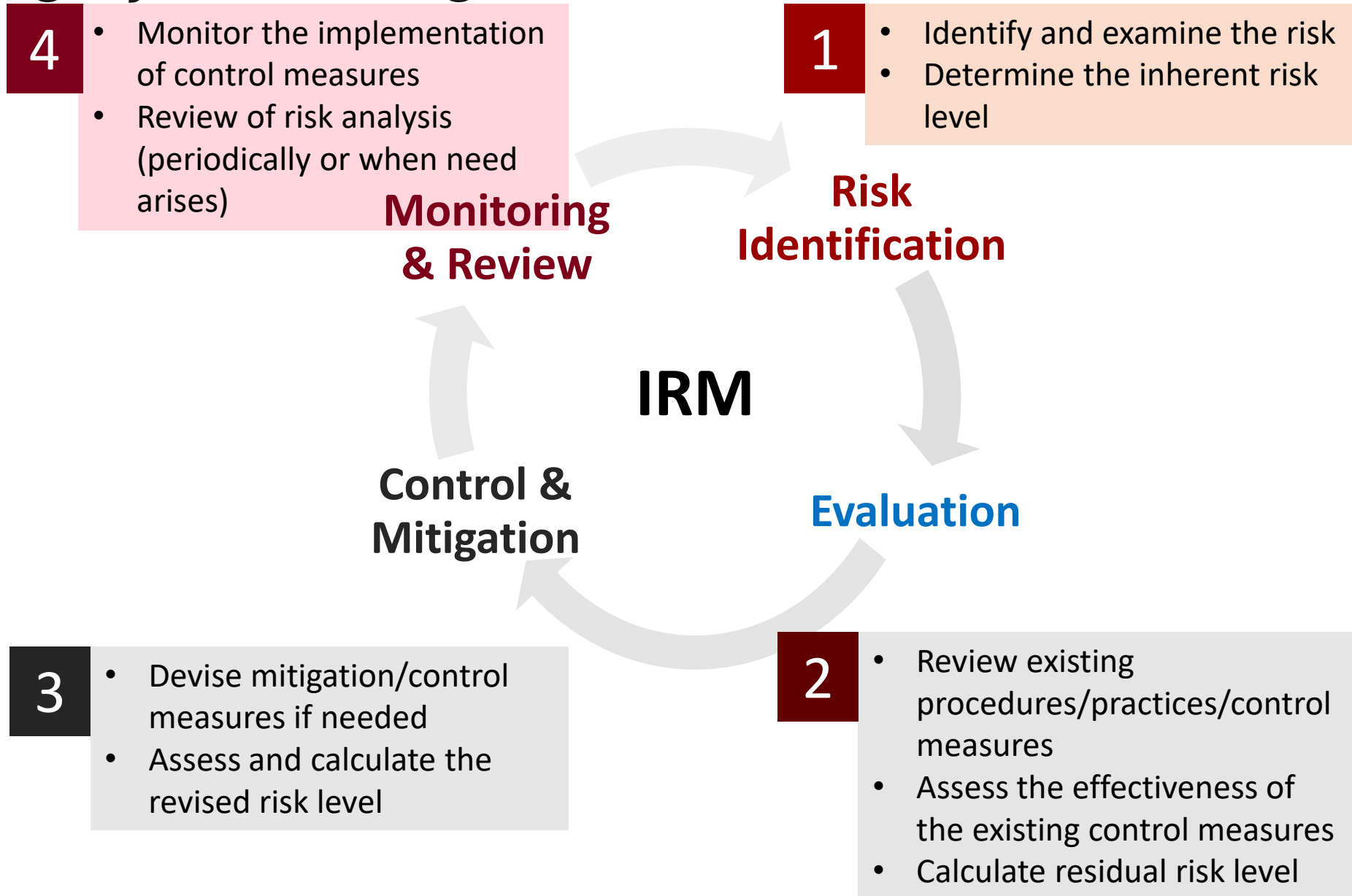
Integrity Risk Management – A Vaccine to Corruption

Mr. Stanley Chio
Principal Corruption Prevention Officer
Corruption Prevention Department of ICAC

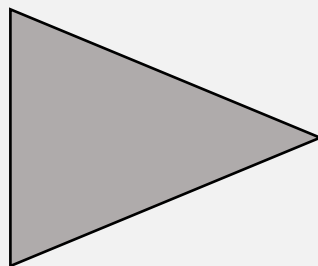
Integrity Risk Management as a Component of Integrity Management System



Integrity Risk Management



Integrity Risk Management



IRM Video I

IRM Toolkits

- 1) Corporate Integrity And Governance
- 2) Staff Administration
- 3) Procurement (Quotation Exercise)
- 4) Tendering
- 5) Recruitment Of Workers

Summary of Integrity Risks and Control Measures on Tendering

| Subject | Work Process/Item | Integrity Risk | Inherent Risk Level | Control Measures | Type |
|-----------|---------------------------------|--|---------------------|--|------------|
| Tendering | Making Tender Arrangements | Staff members having financial interest in suppliers and/or tenderers favour the latter in preparing tender documents, handling of tenders submissions, conducting tender assessment, etc. | 3 | <ul style="list-style-type: none"> Require staff members involved in the tender exercises to declare in writing any actual or potential conflict of interest to the designated authority as soon as practicable Require the designated authority to decide the mitigating action, e.g. abstain from further participation in the tender exercise, should a conflict be declared, and properly document the action taken | Preventive |
| | Selection of Tendering Method | Favour a colluded contractor by direct engagement | 3 | <ul style="list-style-type: none"> Subject the management of conflict of interest mechanism to audit to ensure compliance Adopt a competitive tendering process, e.g. open or selective tendering to select a contractor Use direct engagement / single tendering only with strong justifications and approval of the designated authority | Detective |
| | Preparation of Tender Documents | Use brand name specifications for construction materials to favour a colluded supplier | 2 | <ul style="list-style-type: none"> Compile periodic management reports on procurement with direct engagement / single tendering for checking of any non-compliance Except for justifiable circumstances, use functional/performance specifications as far as practicable and avoid using brand names or restrictive specifications when preparing specifications for construction materials. If the use of brand names or restrictive specifications is unavoidable, set | Detective |

The summary (including the integrity risks, work processes/items, their corresponding inherent risk levels, and recommended control measures) is compiled based on the analysis of previous ICAC cases and is by no means exhaustive and not intended to substitute any legal, regulatory or contractual requirements

| | | | | |
|--------------------------------|---|---|--|------------|
| Handling of Tender Information | Provide privileged tender information to a particular tenderer | 2 | <ul style="list-style-type: none"> Provide all tenderers with the same information, e.g. tender submission deadline, tender addendum Ensure that answers to tender enquiries relevant to the tender are sent to all tenderers | Preventive |
| Receipt of Tenders | Disclose confidential tender information (e.g. tender prices) to colluded tenderers | 3 | <ul style="list-style-type: none"> Assign proper classification for different types of tender information and adopt the need-to-know principle for handling of classified information Require staff members (and external parties where applicable) having access to sensitive tender information in the tender process to sign an undertaking to hold all such information in strict confidence and refrain from making any unauthorised disclosure or using any such information for personal gain For hard-copy tenders, require tenderers to deposit their tenders into double-locked tender box whose keys are kept by different | Preventive |

The summary (including the integrity risks, work processes/items, their corresponding inherent risk levels, and recommended control measures) is compiled based on the analysis of previous ICAC cases and is by no means exhaustive and not intended to substitute any legal, regulatory or contractual requirements

Summary of Integrity Risks and Control Measures

&

IRM Plan

Summary of Integrity Risks and Control Measures on Tendering

| Subject | Work Process/Item | Integrity Risk | Inherent Risk Level | Control Measures | Type |
|-----------|---------------------------------|--|---------------------|---|------------|
| Tendering | Making Tender Arrangements | Staff members having financial interest in suppliers and/or tenderers favour the latter in preparing tender documents, handling of tenders submissions, conducting tender assessment, etc. | 3 | <ul style="list-style-type: none"> Require staff members involved in the tender exercises to declare in writing any actual or potential conflict of interest to the designated authority as soon as practicable Require the designated authority to decide the mitigating action, e.g. abstain from further participation in the tender exercise, should a conflict be declared, and properly document the action taken | Preventive |
| | | | | <ul style="list-style-type: none"> Subject the management of conflict of interest mechanism to audit to ensure compliance | Detective |
| | Selection of Tendering Method | Favour a colluded contractor by direct engagement | 3 | <ul style="list-style-type: none"> Adopt a competitive tendering process, e.g. open or selective tendering to select a contractor Use direct engagement / single tendering only with strong justifications and approval of the designated authority | Preventive |
| | | | | <ul style="list-style-type: none"> Compile periodic management reports on procurement with direct engagement / single tendering for checking of any non-compliance | Detective |
| | Preparation of Tender Documents | Use brand name specifications for construction materials to favour a colluded supplier | 2 | <ul style="list-style-type: none"> Except for justifiable circumstances, use functional/performance specifications as far as practicable and avoid using brand names or restrictive specifications when preparing specifications for construction materials. If the use of brand names or restrictive specifications is unavoidable, set | Preventive |

The summary (including the integrity risks, work processes/items, their corresponding inherent risk levels, and recommended control measures) is compiled based on the analysis of previous ICAC cases and is by no means exhaustive and not intended to substitute any legal, regulatory or contractual requirements

Area / Industry: Generic

Subject: Tendering

| Subject | Identification | | | Evaluation | | | Mitigation | | |
|-----------|---------------------------------|--|---|--------------------|---|--|--|-----------|--|
| | Work Process / Item | Integrity Risk ¹ | Inherent Risk Level ^{2(a)} (A) | Existing Practices | Mitigating Factor ³ (B) (If the practices meet the criteria of mitigating factor) | Residual Risk Level ³ (C = A - B) | Proposed Control Measure(s) ⁴ | Action By | Residual Risk Level ³ (D = C - D) |
| Tendering | Making Tender Arrangements | Staff members having financial interest in suppliers and/or tenderers favour the latter in preparing tender documents, handling of tenders submissions, conducting tender assessment, etc. | 3 | | | | | | |
| | Selection of Tendering Method | Favour a colluded contractor by direct engagement | 3 | | | | | | |
| | Preparation of Tender Documents | Use brand name specifications for construction materials to favour a colluded supplier | 2 | | | | | | |
| | Selection of Contractors | Select colluded contractors only to invite to submit tenders | 2 | | | | | | |
| | Handling of Tender Information | Provide privileged tender information to a particular tenderer | 2 | | | | | | |
| | Receipt of Tenders | Disclose confidential tender information (e.g. tender prices) to colluded tenderers | 3 | | | | | | |

The worked examples (including the integrity risks, work processes/items, their corresponding inherent risk levels, and the recommended control measures) are compiled based on the analysis of previous ICAC cases and are by no means exhaustive and not intended to substitute any legal, regulatory or contractual requirements

| Identification | | | |
|----------------|----------------------------------|--|--|
| Subject | Work Process / Item ¹ | Integrity Risk ¹ | Inherent Risk Level ^{2&3} (A) |
| | Making Tender Arrangements | Staff members having financial interest in suppliers and/or tenderers favour the latter in preparing tender documents, handling of tenders submissions, conducting tender assessment, etc. | 3 |
| | Selection of Tendering Method | Favour a colluded contractor by direct engagement | 3 |
| | Invitation to Tender | submit tenders | 2 |
| | Handling of Tender Information | Provide privileged tender information to a particular tenderer | 2 |
| | Receipt of Tenders | Disclose confidential tender information (e.g. tender prices) to colluded tenderers | 3 |
| | | | |

1. Risk Identification

| Evaluation | | |
|--------------------|---|--|
| Existing Practices | Mitigating Factor ⁴ (B) (if the practices meet the criteria of mitigating factor) | Residual Risk Level ³ (C=A-B) |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

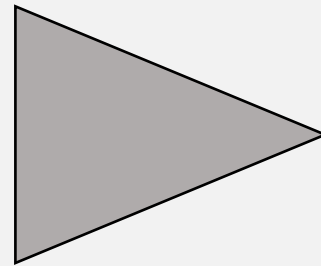
2. Evaluation

| Mitigation | | | |
|--|-----------|------------------------------------|---|
| Proposed Control Measure(s) ¹ | Action By | Mitigating Factor ⁴ (D) | Revised Risk Level ³ (E=C-D) |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

3. Control & Mitigation

How to use the IIRM toolkits?

How to use the IRM plan?



IRM Video II

Integrity Risk Level

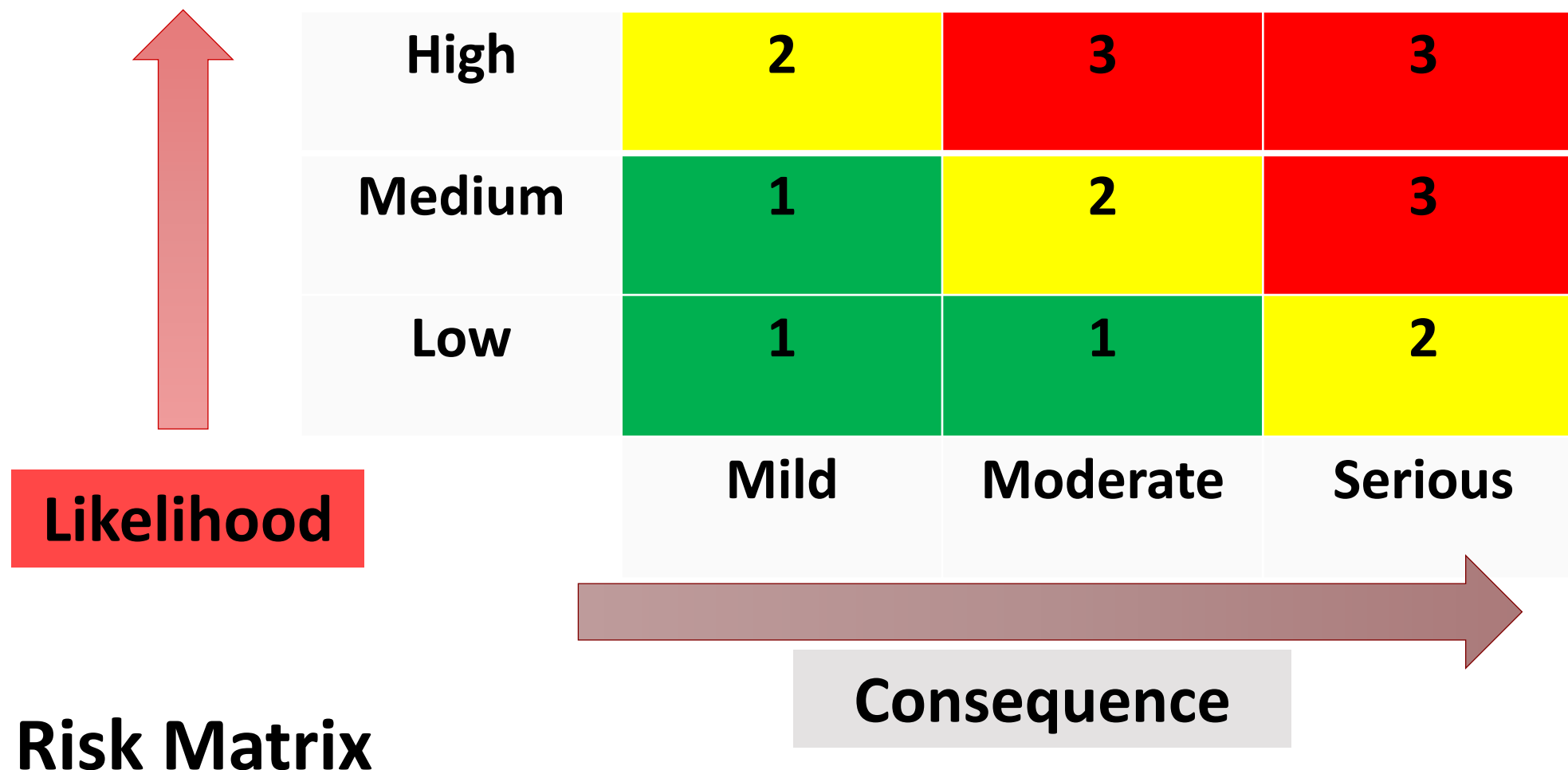
When analysing and determining the inherent risk level, factors for consideration include –

| Aspects | Factors |
|---|--|
| Impact and consequences of integrity risk | <ul style="list-style-type: none"> Financial, reputation and other loss to the organisation concerned Impact on public safety General public perception |
| Likelihood of integrity risk | <ul style="list-style-type: none"> Number of corruption complaints Media reports Finding from internal audits or report through whistle blowing |


**Risk Level is an indicator of the need for control measures and is not equivalent to the likelihood of a risk item.*

| Subject | Work Process/Item | Integrity Risk | Inherent Risk Level |
|-----------|---------------------------------|--|---------------------|
| Tendering | Making Tender Arrangements | Staff members having financial interest in suppliers and/or tenderers favour the latter in preparing tender documents, handling of tenders submissions, conducting tender assessment, etc. | 3 |
| | Selection of Tendering Method | Favour a colluded contractor by direct engagement | 3 |
| | Preparation of Tender Documents | Use brand name specifications for construction materials to favour a colluded supplier | 2 10 |

Integrity Risk Level



Integrity Risk Level



| Summary of Integrity Risks and Control Measures on Tendering | | | | | *Risk level | Description |
|--|---------------------------------|--|---------------------|---|----------------|---|
| Subject | Work Process/Item | Integrity Risk | Inherent Risk Level | | | |
| Tendering | Making Tender Arrangements | Staff members having financial interest in suppliers and/or tenderers favour the latter in preparing tender documents, handling of tenders submissions, conducting tender assessment, etc. | 3 | <ul style="list-style-type: none"> Require declare the desi Require e.g. abs should a taken Subject audit to | 3 (High) | The work processes are exposed to high integrity risk. Controls measures must be adopted to mitigate the risks. |
| | Selection of Tendering Method | Favour a colluded contractor by direct engagement | 3 | <ul style="list-style-type: none"> Adopt a tenderin Use dis justifica Compile direct e complia | 2 (Medium) | The work processes are exposed to medium integrity risk that can barely be addressed by existing control measures. Further control measures are warranted. |
| | Preparation of Tender Documents | Use brand name specifications for construction materials to favour a colluded supplier | 2 | <ul style="list-style-type: none"> Except function avoid u preparin of brand | 0 - 1 (Low) | The work processes are exposed to low integrity risk that existing control measures are sufficient and on-going monitoring should be maintained. Additional control measures may not be further proposed. |

The summary (including the integrity risks, work processes/items, their corresponding inherent risk level) is based on the analysis of previous ICAC cases and is by no means exhaustive and not intended to su

Types of Control Measures

Preventive

Provide procedural safeguards / directives

Detective

Unveil or facilitate the discovery of irregularities

Educational

Raise awareness, change mentality and enhance transparency

Summary of Integrity Risks and Control Measures on Tendering

| Subject | Work Process/Item | Integrity Risk | Inherent Risk Level | Control Measures | Type |
|-----------|---------------------------------|--|---------------------|---|-----------------------------|
| Tendering | Making Tender Arrangements | Staff members having financial interest in suppliers and/or tenderers favour the latter in preparing tender documents, handling of tenders submissions, conducting tender assessment, etc. | 3 | <ul style="list-style-type: none">Require staff members involved in the tender exercises to declare in writing any actual or potential conflict of interest to the designated authority as soon as practicableRequire the designated authority to decide the mitigating action, e.g. abstain from further participation in the tender exercise, should a conflict be declared, and properly document the action takenSubject the management of conflict of interest mechanism to audit to ensure compliance | Preventive Detective |
| | Selection of Tendering Method | Favour a colluded contractor by direct engagement | 3 | <ul style="list-style-type: none">Adopt a competitive tendering process, e.g. open or selective tendering to select a contractorUse direct engagement / single tendering only with strong justifications and approval of the designated authorityCompile periodic management reports on procurement with direct engagement / single tendering for checking of any non-compliance | Preventive Detective |
| | Preparation of Tender Documents | Use brand name specifications for construction materials to favour a colluded supplier | 2 | <ul style="list-style-type: none">Except for justifiable circumstances, use functional/performance specifications as far as practicable and avoid using brand names or restrictive specifications when preparing specifications for construction materials. If the use of brand names or restrictive specifications is unavoidable, set | Preventive |

The summary (including the integrity risks, work processes/items, their corresponding inherent risk levels, and recommended control measures) is compiled based on the analysis of previous ICAC cases and is by no means exhaustive and not intended to substitute any legal, regulatory or contractual requirements

Types of Control Measures

| Type of Control Measures | Examples |
|--------------------------|--|
| Preventive | <ul style="list-style-type: none">• minimise discretion (e.g. digitalise work processes to reduce human intervention, issue of clear guidelines to remove ambiguity)• encourage internal / external communication |
| Detective | <ul style="list-style-type: none">• facilitate investigation of corruption complaints (e.g. requiring submission declaration of compliance)• facilitate detection of irregularities through exception reports / management reports |
| Educational | <ul style="list-style-type: none">• enhance integrity awareness through training, inclusion of bribery warnings and incorporation of probity clauses in contract• ensure staff are conversant with the company's integrity policy through regular reminders |

Downloading IRM Toolkits



CPAS Website

https://cpas.icac.hk/EN/Info/TP_Library?cate_id=10027

Summary of Integrity Risks and Control Measures on Tendering

| Subject | Work Process/Item | Integrity Risk | Inherent Risk Level | Control Measures | Type |
|-----------|---------------------------------|--|---------------------|---|------------|
| Tendering | Making Tender Arrangements | Staff members having financial interest in suppliers and/or tenderers favour the latter in preparing tender documents, handling of tenders submissions, conducting tender assessment, etc. | 3 | <ul style="list-style-type: none">Require staff members involved in the tender exercises to declare in writing any actual or potential conflict of interest to the designated authority as soon as practicableRequire the designated authority to decide the mitigating action, e.g. abstain from further participation in the tender exercise, should a conflict be declared, and properly document the action taken | Preventive |
| | Selection of Tendering Method | Favour a colluded contractor by direct engagement | 3 | <ul style="list-style-type: none">Subject the management of conflict of interest mechanism to audit to ensure complianceAdopt a competitive tendering process, e.g. open or selective tendering to select a contractorUse direct engagement / single tendering only with strong justifications and approval of the designated authorityCompile periodic management reports on procurement with direct engagement / single tendering for checking of any non-compliance | Detective |
| | Preparation of Tender Documents | Use brand name specifications for construction materials to favour a colluded supplier | 2 | <ul style="list-style-type: none">Except for justifiable circumstances, use functional/performance specifications as far as practicable and avoid using brand names or restrictive specifications when preparing specifications for construction materials. If the use of brand names or restrictive specifications is unavoidable, set | Preventive |

The summary (including the integrity risks, work processes/items, their corresponding inherent risk levels, and recommended control measures) is compiled based on the analysis of previous ICAC cases and is by no means exhaustive and not intended to substitute any legal, regulatory or contractual requirements

| | | | | |
|--------------------------------|---|---|--|------------|
| Handling of Tender Information | Provide privileged tender information to a particular tenderer | 2 | <ul style="list-style-type: none">Provide all tenderers with the same information, e.g. tender submission deadline, tender addendumEnsure that answers to tender enquiries relevant to the tender are sent to all tenderers | Preventive |
| Receipt of Tenders | Disclose confidential tender information (e.g. tender prices) to colluded tenderers | 3 | <ul style="list-style-type: none">Assign proper classification for different types of tender information and adopt the need-to-know principle for handling of classified informationRequire staff members (and external parties where applicable) having access to sensitive tender information in the tender process to sign an undertaking to hold all such information in strict confidence and refrain from making any unauthorised disclosure or using any such information for personal gainFor hard-copy tenders, require tenderers to deposit their tenders into double-locked tender box whose keys are kept by different | Preventive |

The summary (including the integrity risks, work processes/items, their corresponding inherent risk levels, and recommended control measures) is compiled based on the analysis of previous ICAC cases and is by no means exhaustive and not intended to substitute any legal, regulatory or contractual requirements

15

Celebrates 50th Anniversary

15 February 2024



香港國際廉政學院
HONG KONG INTERNATIONAL ACADEMY
AGAINST CORRUPTION



香港國際廉政學院
HONG KONG INTERNATIONAL ACADEMY
AGAINST CORRUPTION

Who We Are

- ***International anti-corruption training & research centre established by ICAC***
- ***Aim to assist graft fighters and related stakeholders worldwide in strengthening anti-corruption capacity***



香港國際廉政學院

HONG KONG INTERNATIONAL ACADEMY
AGAINST CORRUPTION

What We Do

- ***International Training***
- ***Training for Local Organisations***
- ***Training for ICAC Officers***
- ***Anti-Corruption Research Hub***



香港國際廉政學院

HONG KONG INTERNATIONAL ACADEMY
AGAINST CORRUPTION



Contact Us

Email:

hkiaac@icac.org.hk

Address:

**ICAC Building, 303 Java
Road, North Point, Hong Kong**



Thank you

Case scenarios are used in this workshop to illustrate the legal requirements and corruption risks. These case scenarios should be taken as hypothetical and not referring to any particular real case or any particular organisation or person. The advice and recommendations given in the workshop are by no means prescriptive or exhaustive, and are not intended to substitute any legal, regulatory or contractual requirements. Participants should refer to the relevant instructions, codes and guidelines issued by the relevant authorities, and adopt the appropriate measures that best suit the operational needs and risk exposure of their organisations.

Throughout this workshop, the male pronoun is used to cover references to both the male and female genders. No gender preference is intended.