

Tips for SMEs to strengthen controls and enhance preventive capabilities

Procurement

In the previous issue we explained briefly the main points of the anti-bribery laws and preventive controls on sales operations. In this issue, we will use another case study and checklist to help SME operators gain a better understanding of the anti-bribery laws and examine their control measures on procurement:

Case Study

Mr Chow was a procurement manager of an electronic products company. His relative Vincent happened to be one of the material suppliers of his company. The electronic products company had just secured a big order which required urgent sourcing of a large quantity of materials for production. Due to the time constraint, Mr Chow intended to procure from Vincent's company.

He therefore made some false quotations so that Vincent could successfully get the contract. Delighted to have the business, Vincent then gave Mr Chow a 'lai-see' of \$10,000 in return for his assistance.



Analysis

Vincent committed an offence of offering bribes, contrary to Section 9 of the Prevention of Bribery Ordinance, for giving Mr Chow a 'lai-see' of \$10,000 to thank the latter for his assistance in giving him business. If Mr Chow accepted the 'lai-see', he would commit an offence of accepting bribes. Mr Chow's forgery of quotations was not only a contravention of Section 9(3) of the Prevention of Bribery Ordinance (i.e. using false documents) or a fraud, but also an act of unfairness to other suppliers. Leaving aside the above unlawful acts, the relationship between Mr Chow and Vincent had already constituted a conflict of interest. Unless Mr Chow had obtained approval from the company to make procurement from Vincent's company, he might have breached his company's codes of conduct and had to face disciplinary action.

Checklist

To avoid similar cases, SMEs can make reference to the following checklist to have a quick review on the company's procurement procedures in identifying the corruption risks and take appropriate preventive measures:

	Yes	No
• Does your company formulate any procurement policies and procedures to specify the methods and authorities for the procurement of goods/services of different values and nature?	<input type="checkbox"/>	<input type="checkbox"/>
• For procurement of regular goods/services, does your company maintain a list of approved suppliers and require the procurement staff to invite, on a principle of fairness, the suppliers on the list for bidding?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company assign different staff members to take part in the procurement process (such as sourcing suppliers, receiving goods, making payment, etc.) to avoid vesting too much power on individual staff?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company require all procurement staff to declare conflict of interests?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company have a standard "requisition form" to record information such as the specifications, quantity, delivery date of the procured goods/services, as well as the name and signature of requesting officer and approving officer?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company take effective measures (e.g. authorised officers are required to use a designated email account for receiving quotations) to prevent the quotation details from being disclosed or tampered with?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company designate officers to conduct random checks on the quantity and quality of the received goods/services?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company designate any supervisory staff to detect malpractices by conducting random checks on the procurement records and the suppliers' quotations?	<input type="checkbox"/>	<input type="checkbox"/>

A 'No' in your answers denotes the existence of corruption risks in your procurement process. You are welcome to contact the Hong Kong Business Ethics Development Centre of the Independent Commission Against Corruption for reviewing and strengthening controls of your company. For further information, please contact us through the following channels.



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