

Tips for SMEs to strengthen controls and enhance preventive capabilities

Sales Operations

Sales and procurement are two important business functions which directly affect the bottom line of a company. Malpractices in these two areas will jeopardise companies' interests and reputation. Moreover, persons involved in such malpractices may also be criminally liable. Small and medium enterprises (SMEs) should therefore put in place effective controls to prevent malpractices so as to reduce operating costs and increase the profits. To help SME operators understand the anti-bribery laws and review their control measures, we will feature case studies and checklists respectively related to the functional areas of sales and procurement in two articles. In this issue, we will first study the following case relating to the sales operations.

Case Study

Mr Chan owned a paper company with clients in Mainland China and overseas countries. He trusts his sales manager Thomas for his outstanding performance in securing a considerable number of business orders.

However, when Mr Chan recently checked the accounts record, he discovered that Thomas had sold some products to several overseas clients at relatively low prices and therefore had seriously jeopardised the company's interest. After further inquiries, Thomas was found to have accepted rebates from those clients during their visits to Hong Kong in return for reducing the selling prices for them.



Analysis

Under Section 9 of the Prevention of Bribery Ordinance (PBO), an agent who solicits or accepts an advantage in relation to his duties without his principal's permission shall be guilty of an offence and the offeror of the advantage shall also be guilty. If any act of bribery, including promising/agreeing on a bribery act and soliciting, offering or accepting of a bribe, takes place in Hong Kong, the offence can be pursued under the PBO. In the above case, Thomas and his clients committed the offences of accepting and offering bribes respectively under section 9 of the PBO. Their corrupt acts had also inflicted losses on the paper company. To prevent sales staff from obtaining personal gain by abusing their authority, SMEs should strengthen controls to minimise corruption risks. The following checklist can help SMEs effectively and quickly review their sales process and perfect the relevant policies. Please go through the following questions to assess the corruption risks faced by your company.

Checklist

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

	Yes	No
• Does your company segregate the duties (such as sales, receipt of payments, calculation of commissions, etc.) in the sales process among staff members to avoid vesting too much power on individual staff?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company formulate any sales policies to specify commission, discount and credit arrangements?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company include an anti-bribery clause in the sales agreement to prohibit corruption and malpractices?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company lay down the policy for fair supply of goods (especially high-demand goods) to clients?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company specify the payment terms, including credit payment, to prevent staff from embezzling payments collected from clients?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company maintain proper records of all sales transactions, including details of the product prices, special offers, the responsible staff, copies of the invoices and receipts, etc.?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company designate any supervisory staff to detect malpractices by conducting random checks of the transaction records?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company conduct random verifications with clients on sales transactions, in respect of the prices, special offers, etc.?	<input type="checkbox"/>	<input type="checkbox"/>

A 'No' in your answers denotes the existence of corruption risks in your sales 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.



香港商業道德發展中心
Hong Kong Business Ethics Development Centre

Hong Kong Business Ethics Development Centre, ICAC

Telephone : 2826 3288

Email : hkbedc@crd.icac.org.hk

Website : www.hkbedc.icac.hk