



MANAGING INTEGRITY & STRIVING FOR EXCELLENCE



CORRUPTION PREVENTION PACKAGE
FOR CONSTRUCTION INDUSTRY



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Foreword

The rapid growth of Hong Kong imposes incessant demand for the efficient delivery of a wide range of infrastructure works, reclamation, urban renewal and housing development. Such momentum will keep the construction industry booming in the years ahead.

Under keen competition in the construction industry, time means money. Besides quality control, efficiency is fundamental to construction projects. Project management therefore plays a vital role in every stage, from planning to implementation. Problems now facing the management of construction companies are multi-faceted, including employment of illegal site workers, unlawful dumping of construction waste etc. Yet, one important area which the management should not lose sight of is the staff supervision. If staff supervision is slack, unscrupulous employees will easily make use of the opportunities to abuse their official power for personal gain.

Needless to say, consequences of corruption in the construction field are severe. Corruption not only eats into your profit but also leads to poor quality of the construction work which would cause accidents and endanger human life. Even when these construction defects can be discovered at an early stage, extra budget and time for remedial work are incurred which means higher construction costs. Besides, the reputation of the company involved will be affected too.

Prevention is better than cure. The ICAC has specially produced this package to help the management of construction companies to prevent corruption and corruption-related fraud. The contents comprise some recent corruption cases in the industry and the underlying causes of corruption. We also suggest measures to prevent corruption which can help the management to ensure the quality of work and, to a great extent, enhance the company's competitive edge to achieve the goal of excellence.

Case 1

Competition for Contracts: Offering bribes for tender information

Defendant : A director of a construction company

Facts : The director offered \$265,000 to a contract manager of a public body as a reward for the latter to disclose tender information of other competing contractors. The director was then able to win the contracts by submitting the lowest bid. He was eventually arrested and charged by the ICAC.

Charges : Offering of illegal advantages to a public servant

Penalty : Sentenced to an imprisonment of 15 months



Corruption doesn't pay. The use of bribery to obtain contracts will inflate construction costs and destroy the principle of fair competition. Corrupt practices will also impair a company's reputation and hinder its future development.

Case 2

Appointment of Contractors: Soliciting rebates for allocating jobs

Defendant : An electrical engineer

Facts : The engineer supervising the electrical installation of a construction project was responsible for appointing sub-contractors and estimating labour force required for the work. He took advantage of his office to solicit a rebate of \$200,000 from a sub-contractor in return for allocating jobs to the latter. He even instructed the sub-contractor to claim wages for bogus workers to cover up the bribes. The engineer was finally charged by the ICAC.

Charges : Acceptance of illegal advantages

Penalty : Sentenced to an imprisonment of 2 years and 9 months



The dishonest engineer received illegal rebates in granting contracts. He even induced the sub-contractor to defraud his own company by over-claiming wages for the extra money as bribes to him. If preventive measures are not implemented in the company to guard against corruption and fraud, dishonest staff will exploit every possible loophole for personal gain, causing the company to suffer from financial loss and tarnished reputation.

Case 3

Site Management: Soliciting bribes in delivery of building materials

Defendants : Nine crane operators

Facts : Over a five-month period, the nine crane operators conspired to obtain bribes ranging from \$9,000 to \$12,000 monthly from three sub-contractors as a reward for expediting the delivery process and loading the building materials beyond the safety perimeter of the cranes. In the end, the crane operators were charged by the ICAC.

Charges : Conspiracy to accept illegal advantages

Penalty : The nine crane operators were either fined or sentenced to imprisonment



The corrupt practice of the crane operators and sub-contractors caused unfairness to all others who abided by the rules on the same construction site. In addition, the reckless act of delivering building materials outside the crane's safety perimeter would easily lead to industrial accidents.

Case 4

Personnel Management: Conspiracy in wage fraud

Defendants : A site foreman and six construction workers

Facts : The site foreman colluded with six construction workers to defraud their company of wages and accepted a reward of \$200 from each worker for arranging falsely certified attendance records to hide their unauthorized absence from work. In five months, they deceived the company of wages amounting to \$45,000. Subsequently, all of them were charged by the ICAC.

Charges : Site foreman – Acceptance of illegal advantages
Construction workers – Offering of illegal advantages and using false documents to deceive employer

Penalty : All were sentenced to an imprisonment of 3 - 10 months



The collusion among staff on site in deceiving employer of wages would impose direct loss to the company. At the same time, insufficient number of workers caused by false attendance record could delay the progress of the construction work.

Case 5

Purchasing: Accepting bribes in procurement of building materials

Defendant : A project manager

Facts : The project manager was in charge of the marble works of a construction project. During the procurement, he intentionally altered the material requirements in the tender to favour a supplier who was his relative. Consequently, his relative obtained the contract despite the price of materials was inflated. The project manager later accepted the bribes of around fifty thousand or more dollars from the relative as a reward for the favour. He was then charged by the ICAC.

Charges : Acceptance of illegal advantages

Penalty : Sentenced to an imprisonment of 7 months



Corruption costs. The conspiracy between the manager and the supplier to inflate the price of building materials directly boosted the construction budget and undermined the interests of the employer. At the same time, the materials purchased under corruption usually fell short of the standard and would affect the quality of construction work as well as, in the long run, clients' confidence.

Case 6

Works Inspection: Personal gain by lax inspection

Defendant : A clerk of works

Facts : The clerk of works found that the curtain wall fittings installed by a sub-contractor did not meet the standards set by the developer. He therefore took the opportunity to solicit \$200,000 from the sub-contractor as a reward for turning a blind eye to the substandard work. The clerk of works was caught red-handed by the ICAC when he received \$30,000 as the first instalment of bribes from the sub-contractor.

Charges : Soliciting and acceptance of illegal advantages

Penalty : Sentenced to an imprisonment of 18 months



Turning a blind eye to unqualified work will potentially give rise to building defects, causing the company extra costs on maintenance when problems emerge. Worse still, such faults hidden in construction work are hazardous to public safety.