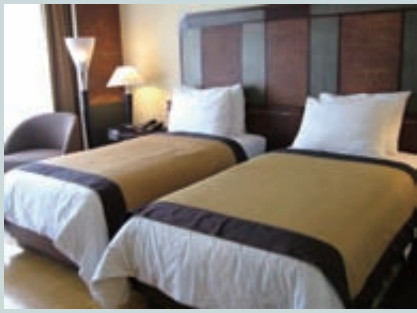
Best Practice Checklist



Hotel Management

防止貪污處
Corruption Prevention Department

Addendum

Corruption Prevention Services for the Private Sector

Please note that with effect from 10 September 2026, the Corruption Prevention Advisory Service (CPAS) and the Hong Kong Business Ethics Development Centre (HKBEDC) of the Independent Commission Against Corruption (ICAC) have been restructured as the Private Sector Integrity Centre (PSIC).

Accordingly, any references to the CPAS and HKBEDC in this publication are to be read as referring to the PSIC from that date onwards.

As a one-stop service and knowledge hub, PSIC continues to provide free, confidential, and tailor-made corruption prevention and integrity services to private-sector organisations.

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- Hotline: 2526 6363
- Email: psic@cpd.icac.org.hk
- E-form: eform.cefs.gov.hk/form/ica004/en/
- Website: psic.icac.org.hk

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Private Sector Integrity Centre
Independent Commission Against Corruption
10 September 2026

廉政公署 ICAC

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CHAPTER 1 – PROBITY REQUIREMENTS

Introduction

Hong Kong has long been renowned as an international tourist centre. The local travel and tourism industry, as one of the top foreign exchange earners, is crucial to Hong Kong's economy. To sustain the growth and development of the industry, we have to win the confidence of the international community by not only continuously improving professionalism and quality of service but also enhancing the standard of probity of the industry practitioners. Hoteliers, as one of the important industry practitioners, are expected to take the lead in making improvements. Indeed, the industry practitioners themselves could benefit from the adoption of ethical practices because any corrupt practices involving their employees would not only hurt the hotel's profits but also its reputation and competitiveness in the industry.

This document aims to provide a checklist of good practices in various aspects of hotel management. It is expected that individual hotels would make adaptations to suit their operational needs.

Code of Conduct

Commitment to ethical practices is part and parcel of good governance. The hotel should have a stated policy on ethical commitment and issue a Code of Conduct to staff, setting out the company policy and the ethical standards required of them. The policy should be made known to the clients and guests of the hotel.

In the appointment of term suppliers/service providers, hotels should consider requiring them to have a similar policy and a Code of Conduct for their employees.

The Code (a ***sample code*** is at the Appendix) should cover the following key elements :

- rules on ***acceptance of advantages***;
- rules on ***offering of advantages***;
- rules on acceptance of ***entertainment***;

- requirements for staff to declare and avoid any ***conflict of interest*** and the procedures for handling such declarations;
- rules on protection of ***confidential or proprietary information*** obtained through work; and
- guidelines on ***handling hotel guests***, including warnings against unacceptable activities and behaviour (e.g. offering private service to hotel guests).

To ensure that the Code of Conduct is effectively adopted by staff, it is important that :

- it is issued with the full ***support of the management***;
- it ***applies to all staff across the board*** from the senior managerial staff, to the middle managers and the front-line staff;
- it is ***strictly and fairly enforced*** with a mechanism for taking disciplinary action against any breach of the Code;
- it is promoted through ***continuous capacity building*** to foster good practices; and
- it is ***updated*** as necessary.

Conflict of Interest

A conflict of interest situation arises when the private interest of a staff member competes or conflicts with the interest of the company. The Code of Conduct should include guidelines to assist staff in avoiding situations which may lead to actual or perceived conflict of interest and lay down the procedures for reporting such conflicts.

It would be helpful to staff if the guidelines could provide examples of conflict of interest. The following are a few examples of conflict of interest that may arise from the operation of a hotel :

- A staff member responsible for procurement has ***a financial interest*** in a company which is being considered by the hotel for the selection of a supplier or the selected supplier is a close friend or relative of the staff member.

- A candidate under consideration in a staff recruitment exercise is a ***relative*** of the staff member responsible for the recruitment.

- A staff member involved in the selection of hotel maintenance/renovation contractors engages the selected contractor to carry out renovation work in his home.

- A staff member responsible for allocating consignment corners to travel agencies to provide local tour services is a ***personal friend*** of the travel agency operator under consideration in an allocation exercise.

- A staff member recommends a hotel guest to patronize a restaurant or shop ***owned by his friend***.

Acceptance of Advantages and Entertainment

The hotel should have a policy prohibiting employees from accepting advantages which include any gift, loan, commission, employment, contract, services etc., from persons with whom they have official dealings. If staff members are allowed to accept token gifts, the permissible value should be specified.

For activities where it is customary for customers to offer tips to staff, lay down policy and system for dealing with tips offered.

Under the Prevention of Bribery Ordinance, advantages do not include entertainment which refers to the provision of food or drink for consumption on the occasion when it is provided, and of any other entertainment connected with, or provided at the same time.

While entertainment is an acceptable form of business and social behaviour, entertainment may sometimes be offered to "sweeten" someone in authority with the purpose of building a store of goodwill for future demands of favouritism. Hotel staff should be advised to avoid invitations to meals or entertainment that are excessively lavish or frequent.

Handling of Confidential Information

Hotel staff may have access to confidential information such as the customers' personal data and other proprietary information relating to the hotel's operation which may have a commercial value. Any leakage or misuse of such information may adversely affect the hotel's reputation and even its business.

Rules on access to confidential information should be clearly defined and should be restricted to the need-to-know. While individual staff may be held responsible for the protection of the confidential information to which they are given access, the hotel management should ensure that there are adequate safeguards to protect data integrity in the computer and sufficient physical security in the office.

Handling of Hotel Guests

Hotel staff at different levels may inevitably have frequent and direct contact with hotel guests, in particular those long staying and frequent patrons. While the staff are expected to provide service in a professional and courteous way, they should be prohibited from providing unauthorized personal services to the guests (e.g. recommending escort service, running errands such as buying concert tickets for a particular guest).

The hotel management should issue clear guidelines and instruction to staff, requiring them to refer all special requests from the guests to the senior staff for guidance.

Enhancing Ethical Awareness

To foster good practices and an ethical culture among staff, it is important for the hotel management to organize ***regular capacity building training workshops for staff*** at all levels.

CHAPTER 2 – PROCUREMENT PRACTICES

Introduction

In hotel operations, procurement of goods and services is the most vulnerable area which could lead to malpractice because hotels spend substantial amounts on goods (such as food and beverage, utensils, toiletries etc.) and services (such as cleaning and security services, group insurance services etc.). Besides making sure that purchases are value for money, it is important for the hotel management to establish a fair and competitive procurement system with sufficient safeguards to prevent abuse by unscrupulous staff.

As hotel maintenance and renovation also incur considerable expenses and there is much room for corrupt manipulation in the letting and supervision of works contractors, this subject will be separately dealt with in ***Chapter 6*** of this Checklist.

Basic Checks and Balances

Possible corruption in procurement includes compromised staff accepting rebates in return for favours to suppliers/service providers (e.g. placing orders/excessive orders or accepting substandard goods/services), colluding with them to inflate the prices of goods/services, setting up bogus firms to obtain purchase orders from the hotel, leaking confidential tender or quotation information, and circumventing proper purchase procedures or approval authorities through splitting of orders.

A sound procurement system should have the following checks and balances :

- ***segregation of duties*** (e.g. different staff should be assigned to source suppliers, evaluate quotations/tenders, accept goods and certify payments as far as possible);
- appropriate levels of ***approval authorities for purchases*** of different financial limits;
- ***procurement methods*** (e.g. by verbal or written quotations, tenders, or petty cash) for different types and values of purchases;

- ***higher level of approval for special purchases*** (e.g. urgent purchases or single source procurement requiring a waiver of the normal procurement method); and

- proper documentation and supervisory checks.

List of Suppliers / Service Providers

Where practicable, the management should compile approved lists of suppliers/service providers for commonly used items/services. This would help minimize the time required for sourcing bidders for every purchase and ensure that only eligible companies are invited to bid.

The following should be taken into consideration in maintaining an approved supplier/service provider list :

- The ***criteria for inclusion or deletion of suppliers*** should be well defined and made known to the suppliers/service providers (e.g. inclusion criteria such as size of company and years of experience, and deletion criteria such as poor performance).

- The list should be ***approved by a panel*** of staff or a senior staff member.

- Only those suppliers/service providers on the list should be invited to bid, ***any deviation*** from this practice or ***added suppliers/service providers should be justified and approved*** by a designated authority.

- The list should be ***periodically updated*** with a view to removing inactive suppliers/service providers or those under-performers and to expanding the list to admit new comers.

- There should be a ***fair mechanism for shortlisting*** the approved suppliers/service providers for invitation to bid (e.g. by rotation) and the shortlist should preferably be endorsed by a supervisor.

Purchase Requisitions

In hotel operations, a large number of purchases of values big or small are made everyday by different departments and various levels of staff. It is therefore important to have an accountable procedure to control the raising of requisitions (e.g. who should authorize the purchase and who should prepare the requisition).

While verbal orders is an expedient way to make purchases, the ***use of a standard requisition form*** would help enhance accountability and provide audit trail. The requisition form should include details such as the description, quantity and quality of the goods/services required, the expected date of delivery, the name of the requesting person, and the approval authority etc., and an ***anti-bribery message***.

Any deviation from the laid down procedure should be justified and recorded (e.g. making an urgent order upon a hotel guest's request). In any case, the invoice of an urgent requisition should be endorsed and certified by the designated authority before payment.

Quotations

For procurement of goods and services that warrants a competitive process but the value of which does not justify an open tender exercise, written or verbal quotations are usually invited from a selected number of suppliers/service providers.

The following arrangements help enhance control and minimize the risk of manipulation :

- The ***minimum number of bidders*** to be invited for quotations in respect of purchases of different values and the authority for approving the selection of bidders should be laid down in an instruction.

- ***All quotations***, whether obtained verbally or by fax, should be ***protected from leakage before the closing time***. ***Verbal quotations*** should be recorded or confirmed in writing. ***Faxed quotations*** should be received by a designated fax machine installed in a secure area or by a computer system with password control. Before the closing time, all written quotations should be sealed and kept securely by a staff member not involved in the procurement process.

- To prevent manipulation, a supervisor may ***randomly contact the invited bidders*** to confirm the genuineness of the quotations received or contact the invited suppliers/service providers who have failed to respond to see if they have received the invitation to bid.

- ***Random supervisory checks*** should be conducted to see if the suppliers/service providers on the approved list have been given a fair chance to bid.

Evaluation and Handling of Samples

Samples of goods and products are often submitted by suppliers for testing and evaluation, some of them of high value. In the case of procurement of food and beverage, samples such as canned abalone, dried seafood, and bottles of wine are often received by the purchasing staff. Such samples may have resale value and they could be offers of advantages in disguise. Hence, the receipt and disposal of samples with a commercial value should be properly recorded in a register, including a description or brand name of the sample, the weight or quantity, the receiving staff, and disposal method, etc.

The number and level of staff assigned to handle the evaluation should be commensurate with the value of the purchase, e.g. the purchase of high value goods like birds' nests and sharks' fins. The evaluation of samples of food or wine should be conducted by a team of managerial staff together with the chef or the wine connoisseur.

Tenders

Open or restricted tendering is usually conducted for the procurement of high-value goods and services beyond a specified cash threshold. To ensure purchases are value for money and to prevent abuse, the process should be fair and competitive.

The following arrangements are recommended for procurement by tender :

- Detailed ***specifications*** such as the description of goods, standard of service, tender evaluation criteria in broad terms, and other conditions (e.g. delivery schedules and payment terms) should be included in the tender documents to help the bidders in preparing their tenders.

- The tender documents should include ***a warning against offer of advantages*** to hotel staff and the consequence of breaches (e.g. the hotel may terminate the contract and claim damages if the contract is obtained through bribery or collusion).

- The tender documents should include an ***anti-allusion clause*** to prohibit tender collusion/rigging.

- All tenderers should be given ***the same information*** and on the same occasion, if there is a tender briefing.

- Tender to be submitted in duplicate should be deposited in a ***double-locked tender box*** with the keys held by separate staff members and the ***duplicate copies should be kept by an independent party*** to prevent tampering of tenders.

- A ***deadline*** should be set for tender submission. For the sake of fairness, late tenders should normally not be accepted unless there are good justifications and endorsement from a tender panel or managerial staff at the right level.

- Tenders should be opened by ***an opening team*** and recorded.

- If price is not the only consideration, ***a tender assessment panel*** should be set up to evaluate tenders in accordance with ***pre-determined criteria*** (e.g. tenderers' past performance if appropriate, the proposed standard of service and any after-sale service), using a ***marking scheme***. For major contracts, a ***two-envelope system*** could be adopted to require the bidders to submit the technical and price proposals in separately sealed envelopes. The evaluation of the technical proposal should be made before the price envelope is opened.

- Unsuccessful bidders should be notified of the ***tender result*** as soon as possible.

Post-Tender Negotiation

Guidelines for post-tender negotiation should be laid down including the criteria for selecting tenderers for negotiation, the baseline price and conditions, and the requirement for the bidders to submit the "best and final" offer in writing after negotiation.

A negotiation team comprising staff of appropriate rank should be appointed to conduct negotiation with the defined parameters. The team should document the salient points of negotiation and the result, evaluate the "best and final" offers and submit a written recommendation to the approving authority.

Term Contracts

Direct purchases of small value goods/services often create opportunities for corrupt practices such as favouritism to a single supplier or tampering with quotations. Hence, for goods and services frequently in demand (e.g. consumables), hotels should appoint, through competitive means, ***term suppliers or service providers*** to cater for the need. This could also help save the time and resources spent on calling quotations for each direct purchase.

Petty Cash Purchases

Petty cash purchases should only be allowed for small and miscellaneous purchases. ***A cash limit*** and the ***maximum expenditure on an item*** should be set, beyond which the procurement staff should seek approval from more senior staff. A mechanism should be in place to ***detect order splitting*** (e.g. random checks on an item purchased and the total amount over a period of time). Cash payment should only be made against an invoice or a claim form duly certified by a supervisor.

Probity Requirements

The contract should also include ***probity clauses*** to :

- prohibit the service provider and his employees from soliciting or accepting advantages in the performance of their duties under the contract;
- require the service provider and his employees to avoid or declare any conflict of interest in relation to the performance of their duties under the contract, and to avoid accepting lavish or excessive entertainment from business associates in relation to the contract; and
- require the service provider and his employees to keep confidential any information related to the contract.

Receipt of Goods and Making Payments

Acceptance of goods upon delivery is an area prone to abuse. Compromised staff could condone short delivery, accept sub-standard goods, or unduly certify payments. To deter malpractice, the following control measures are recommended :

- Goods delivered should be ***inspected or tested*** as appropriate, and counted against the quantity specified in the delivery note, cross-referencing the purchase order. A supervisor should monitor the receipt of goods of substantial value (e.g. birds' nest) and more senior staff should conduct random checks on the quality and quantity of goods received as frequent as necessary.

- A ***staff member*** not involved in the purchase should ***certify acceptance of goods*** if practicable.

- ***Defective or short-delivered goods*** should be properly handled and recorded in accordance with established procedures (e.g. ask the supplier to make good the shortfall or notify the finance unit/manager to deduct payment).

- Payments for goods should be made against duly certified invoices, purchase orders and delivery notes. ***Internal time limits should be set for certifying the invoice and effecting payment*** to avoid undue delay because those suppliers who have cash flow problem may resort to corrupt means in order to expedite payments.

Administration of Service Contracts

In monitoring service providers, there should be an effective mechanism to monitor the standard of the service provided (e.g. security services, consultancy services, renovation services) and to prevent compromised staff from conniving at the service providers' sub-standard work. The following measures are recommended for the administration of service contracts :

- The ***terms of contract*** should ***specify the service standards*** (e.g. the number of guard posts in the case of security contracts), the qualification and number of supervisory staff required, the schedule of rates for items of work, as well as provisions for service variation, fee adjustment, and claims for default/poor service.

- ***A system of inspection*** should be established to check compliance with the pledged standards of service.

- ***Regular meetings*** should be held ***with the service providers*** to discuss problems and review service standards.

- There should be an ***appraisal system*** to assess the service providers' performance, taking into account users' feedback and any relevant complaints.

- A ***disciplinary system*** should be in place to sanction service providers who have been non-compliant with the contract conditions.

Other Measures

The following measures are recommended for the overall improvement of the procurement system :

- The procurement staff should always be required/reminded to ***declare any conflict of interest*** at the start of a quotation/tender exercise.
- ***Management reports*** showing the volume of business given to each supplier should be generated for review to facilitate detection of irregularities (e.g. favouritism to a particular supplier).
- ***Manuals*** covering the purchasing policy and procedures should be compiled for issue to staff.
- The management should issue ***letters to term or major suppliers and service providers*** informing them of the hotel's policy that staff are only allowed to accept token gifts. This could help dispel any doubt of the suppliers/service providers and deter offers of commissions and rebates to the hotel staff.

CHAPTER 3 – STAFF ADMINISTRATION

Introduction

Alleged favouritism or abuse of power in staff administration, such as staff recruitment, performance appraisal, posting arrangement and staff promotions, leave arrangements, allocation of duties and monitoring of overtime work etc., are often the subjects of corruption complaints. To prevent any perceived malpractice, hotels should have a transparent and equitable system in dealing with staff matters. There should also be procedures to detect and deter abuse of power, favoritism, or other manipulation such as falsification of attendance records and overtime claims.

Staff Recruitment

To avoid any allegation of impropriety, it is important for the hotel management to ensure that recruitment of staff, including placement of trainees and internship, is conducted in an open and equitable manner. The following are measures recommended :

- The hotel should have a ***company policy*** for the recruitment and training of staff for specified purposes, e.g. the programme for recruitment of trainees, a system for training that successful candidates should undergo before they become qualified staff members.
- Recruitment exercises should be announced and ***open*** to all for application.
- The minimum qualifications, remuneration package, deadline for applications etc. should be ***announced***.
- Recruitment exercises should be conducted by ***a selection panel*** where appropriate, comprising managerial staff from the hotel and administration staff from the head office.
- The staff involved in the recruitment exercise, including any panel members should be required to ***declare conflict of interest***. Any staff member who has declared a conflict should not be allowed to participate or make decisions in the recruitment exercise.

- The ***selection criteria*** should be pre-determined.

- Candidates should be ***notified of the result*** as soon as possible.

Employment of Temporary or Relief Staff

Hotel may need to hire temporary or relief staff (e.g. waiters for banquet events) to cater for unforeseen shortfall in manpower. To minimize the risk of manipulation (e.g. over-stating the number of relief staff required or bypassing the recruitment procedures), the following measures are recommended :

- The hotel management should ***issue guidelines*** on the circumstances under which temporary or relief staff may be employed and designate a managerial staff member at appropriate level to approve the request for additional resources and the rates payable.

- ***Payroll records*** (e.g. personal particulars of staff, wages and allowances) should be kept at the accounting department for control purposes.

- To ensure actual attendance, the temporary staff should be required to ***report duty to a designated officer/department*** (e.g. the hotel's Administration Office) before they present themselves at the service unit for work.

- ***Attendance records of individual staff members*** should be kept and certified by their immediate supervisors and ***payment*** by ***auto-pay/cheque*** should be made direct to the temporary staff.

- Where regular demand for temporary staff is anticipated, the hotel management should have a ***pool of suitable candidates*** recruited through proper procedures and allocate work to them on a fair share basis.

Staff Attendance and Overtime Work

Another area of concern in hotel management is control of staff attendance and overtime work because hotel staff are often required to work outside normal office hours. Hotels should have an effective monitoring system to detect and deter forging of attendance records and false claims of overtime payment because such malpractice could involve corruption if it is connived at by compromised supervisors.

The following safeguards are recommended :

- An automated staff ***attendance recording system*** should be installed, preferably by electronic means.
- ***Supervisory checks*** should be conducted to verify staff attendance, particularly during the overtime hours. Supervisors should be required to report any irregularities to the management.
- ***Overtime work*** should be ***estimated, justified, and approved*** by the managerial staff at the appropriate level. The overtime hours of work which often mean extra pay to the staff should be allocated in an equitable manner and properly recorded.
- ***Output or work done*** should be monitored.

Allocation of Duties

As some of the hotel services are provided round the clock, staff are often required to work in shifts. To avoid allegations of favouritism in the allocation of shift duties, the managerial staff should ensure that there is ***a fair and transparent system*** for the allocation of duties. For this purpose, there should be a properly administered ***staff rotation system***.

Managing Staff Performance

Staff appraisal is a management tool to assess the performance of individual staff for consideration of continued employment, promotion or granting of increments. As staff appraisal could easily give rise to complaints of favouritism or unfairness, hotels should have in place a transparent and objective performance appraisal system.

The following are the pre-requisites of a transparent and objective appraisal system :

- The ***core competence*** of each grade or rank should be pre-determined and made known to all the staff.
- ***Standard appraisal report formats*** should be drawn up for use.
- The appraisal report should be made by immediate supervisor and ***counter-signed*** by the line manager and unit/department head.
- The appraisal report with all the comments made by the appraising and counter-signing supervisors should be ***shown to the staff member*** concerned.
- The ***circumstances warranting disciplinary actions*** and the procedures that will be taken in the case of misconduct or breach of regulations should be laid down and made known to all staff.

Staff Promotion, Posting and Salary Adjustment/Bonus Payment

Promotion, posting and salary adjustment/bonus payment often give rise to allegations of unfairness and favouritism. The hotel management should ensure that there is a fair system and a due process to determine these matters. The following safeguards are recommended :

- ***Criteria*** for promotion and salary adjustments/bonus payments should be clearly defined and made known to all staff.
- Some hotels may engage an outside professional body to conduct an independent evaluation of the hotel's operations and performance. When considering a staff member's eligibility for promotion, salary advancement, bonus payment etc., the hotel management could evaluate the staff concerned against such objective ***benchmarks***.

- To enhance objectivity, there should be ***a panel*** to determine or recommend promotions, payment adjustments, bonus payments etc.

Handling of Staff Complaints

Complaints from staff could be an indicator of the problems in a company calling for management action. Hotels, like any well managed organization, should provide a channel for complaints from staff and ensure that complaints received are properly handled.

The following are points to note when handling staff complaints :

- The ***channels*** for complaints should be made known to all staff.
- Staff complaints should be received by a designated staff member representing the management and handled in ***strict confidence***.
- All complaints should first be brought to the attention of the senior management who should designate a managerial staff member to conduct an ***independent*** inquiry into each complaint with a view to recommending follow up action.
- All complaints and follow up action taken should be properly ***recorded***.
- A summary of complaints should be prepared for ***management information*** on a regular basis.

CHAPTER 4 – STORES MANAGEMENT

Introduction

In providing hotel services, there is always the need to keep sufficient stock of goods/equipment to cater for the demands of users (e.g. F & B supplies, utensils, toiletries, uniforms, and minor repair equipment). An effective store control system is important to prevent malpractice (e.g. pilfering of goods or improper disposal of usable items) which may lead to financial loss to the hotel, and also corruption if the malpractice has the connivance of compromised or colluding supervisors.

Company Policy and Guidelines

The hotel should make known to all staff the ***company policy*** that any misuse or misappropriation of the company's assets and resources is prohibited and any contravention of the policy or malpractice is subject to disciplinary action and may be reported to the Police or other enforcement agencies as appropriate.

The hotel management should issue ***clear guidelines*** to staff on the handling of stores, covering the procedures for acceptance, issue, replenishment and disposal of stock and specifying the different levels of authority for various store control functions.

Segregation of Duties

To enhance ***checks and balances***, the duties for ordering stocks, receiving and issuing goods, and stocktaking should be assigned to different staff members as far as practicable.

Receipt and Issue of Stores

The following measures are recommended for the control of receipt of goods to ensure the quantity and quality are as specified in the purchase orders and goods issued are accounted for :

- A supervisor or designated staff member not involved in the placing of orders should conduct ***inspection or random counter-check*** on the goods received against the purchase order before authorization of payment.

- Procedures for ***reporting and handling damaged goods, short-delivery and over-delivery of goods*** should be clearly laid down.

- All issues of stores to users should be supported by ***properly approved vouchers*** and acknowledged by both the storekeeper and the recipient. The storekeeper should be required to issue items on a ***"first-in-first-out"*** basis, in particular the items with a specified shelf life.

Physical Security

To prevent theft or pilfering, store items should be kept in ***a secure place*** and access to the storage area should be restricted to authorized staff only. Goods of high value should be kept under lock and the key holders should be held accountable for the stock.

Independent Stock Checks

Surprise stock checks could help detect and deter malpractice in stores management. An independent team of staff could be assigned to conduct periodic stocktaking exercises whilst the supervisors should make regular surprise stock checks. A stocktaking mechanism should include the following safeguards :

- A ***master inventory record*** of all stock items should be compiled to facilitate stock checks.

- If a full stock check is not practical, there should be ***random selection*** of a lot or a batch of items for checking.

- The ***results of stock checks*** should be reconciled with the inventory records.

- Procedures should be in place to handle ***discrepancies*** (e.g. missing stock), including requirements for documentation, investigation and reporting to the appropriate authority.

- Staff at the appropriate level should be designated to approve any ***amendment of stores records*** as a result of the stock checks.

Disposal of Stores

Procedures for ***disposal and writing-off stock*** (e.g. circumstances under which disposal is justified and approval authority) should be established to ensure that the goods are disposed of or written off properly without causing unnecessary loss to the hotel. Disposals should be subject to ***audit-checks*** to ensure compliance with the established policies and procedures.

CHAPTER 5 – ACCOUNTING CONTROLS

Introduction

Accounting fraud often results in loss to the hotel and possibly an increase of its operating costs. This chapter focuses on accounting control in relation to procurement and inventory systems. The malpractice commonly found includes compromised staff accepting advantages for speeding up payment on receipt of invoices from suppliers; delaying collection of outstanding payments or debts owed to the hotel; defrauding the hotel by making double payments on forged invoices; or stealing hotel goods and covering up by exaggerating losses and damages. An effective control mechanism could help the hotel managers detect and deter the malpractices.

The control measures suitable for adoption in various hotel operations are detailed in the following paragraphs.

Credit Policy

As hotels may grant credit facilities to some clients, it should have a credit policy, specifying :

- the ***level of authority*** for approving credit limits to customers (e.g. travel agencies) and writing off debts;
- the policy and procedures for ***monitoring payments***, including regular reviews of outstanding payments and accounts on hold to detect irregularities; and
- ***regular reporting on irregularities and bad debts*** to the management.

Reimbursements

Hotel staff may incur expenses in the course of performing their official duties. In addition to establishing procedures for reimbursements including the requirement for documents in support of claims for reimbursement of the expenses incurred, there should also be guidelines for incurring high risk expenses such as business gifts and entertainment expenses to ensure that they are not coupled with corrupt intent to obtain or retain business.

Internal Controls

Effective ***internal controls*** could be achieved through the following ways :

- install a ***Closed Circuit Television Systems*** (*CCTV*) in the room where the safe is located and restrict access to the master key to one person to enhance accountability;
- ***segregating the duties*** of cashiering and bank reconciliation where practicable;
- assign an independent staff member to conduct ***surprise revenue checks***, i.e. the cash holdings against the records maintained at the operating departments to detect and deter any irregularities;
- scrutinize the ***authorization*** of all ***void and adjusted bills***, in particular F & B bills; and
- ***analyse the purchase orders*** periodically for indications of favouritism to individual suppliers.

Control Over Buffet Bills

A common malpractice is that waiters may pocket the money paid by customers by using repeatedly the same bill for settlements with buffet charges. The following safeguards to prevent manipulation are recommended :

- Make it a rule that once the customers are seated, ***a bill should be prepared and initialed*** by the waiter/waitress serving them, recording also the time.
- The supervisor should ***randomly check*** the bills held at the payment counter against the tables of guests with a view to detecting irregularities (e.g. no bill has been prepared for a table of guests who have been seated or a bill prepared has been outstanding for a long time).
- The ***business volume*** should be ***reviewed*** periodically to detect any abnormal business pattern and transactions.

- If any malpractice is suspected, the hotel may engage ***independent third parties*** (not known to the waiters/waitresses) to patronize the restaurants and report their findings to the management.

Cake Shop Revenue

The cake shop in a hotel is very often manned by one or two staff members. There have been allegations of misappropriation of cash and manipulation in the disposal of the cakes unsold. The following safeguards could help ensure the revenue of cake shops is properly controlled :

- ***Good accounting practices*** should be established, such as safekeeping of cash and daily reconciliation of revenue with record of stock.
- Supervisors should make ***regular surprise stock checks***.
- ***Revenue*** of the cake shop should be reviewed periodically to help detect any irregular pattern and deter malpractice.
- ***Irregularities*** identified should be ***handled properly and promptly*** and there should be ***a system of reporting*** to the management.
- ***Good disposal practices*** should be adopted, such as requirement for authorization and documentation.

Waiver of Charges

Hotels should establish the policy and procedures for waiving charges by designated staff in unusual circumstances, e.g. parking fees, loss of parking tickets by hotel guests or damage of hotel property. A waiver of fees on each occasion should be fully justified and recorded for audit review.

CHAPTER 6 – MAINTENANCE & RENOVATION

Introduction

Hotel maintenance covers minor and major repairs and improvement works. These works are undertaken by either the hotel's in-house staff or external contractors, depending on the scale of the works required. Sometimes, hotels may engage consultants to administer the works contracts which are of substantial value and extensive in scope, e.g. large scale renovation warranting professional input.

The letting and administration of works contracts are corruption prone. There are common problems like manipulating the selection of contractors, specifying brand names for materials to favour certain supplier, accepting substandard service, and placing orders for unnecessary or additional works which would incur extra cost to boost the value of the contract. As maintenance and renovation works are technical in nature, this Best Practice Checklist aims at citing the inherent loopholes for corruption and assisting the hotel management to adopt effective measures to prevent malpractice.

Selection of Consultants

The role of a works consultant is to monitor the performance of the contractor and to issue instructions to him (e.g. works orders and variation orders) on behalf of the hotel management. It is therefore important that a suitable consultant is selected through a competitive way. The following practices are recommended for the selection of consultants :

- The selection process should be ***competitive and fair***.
- To enhance checks and balances, a panel of staff should be formed to draw up the service specifications, to shortlist a number of consultants for ***competitive tendering***, and to assess the tendered technical and fee proposals against pre-determined evaluation criteria.
- The proposed ***shortlist of consultants*** invited to bid should be ***approved by the management***.

- The ***deliberations and decisions*** of the panel should be ***documented***.

Selection of Contractors

The selection of contractors is similar in many ways to the appointment of consultants. The following points are noteworthy :

- The selection process should be ***competitive and fair***.
- Some hotels may see the need to engage contractors to carry out minor maintenance works on an on-going basis. If this is the case, it is advisable for the hotel to compile a ***shortlist of contractors*** (or shortlists of contractors of difference trades) from which quotations could be invited for the works required. The list should be centrally maintained and regularly updated with a view to sourcing new contractors and taking out those whose performance is unsatisfactory.
- If the shortlist of contractors is provided by the consultant, the hotel may consider nominating additional contractors for inclusion in the list to ***prevent "tender rigging"***.
- If there is a shortlist of contractors, the hotel should ensure that they are invited to bid on a ***fair share basis*** (e.g. by rotation). Any invitation outside the shortlist must be justified and approved by a managerial staff member at the appropriate level.
- ***Other control measures*** such as proper documentation, declaration of conflict of interest by the staff involved, and approval of the shortlist should be in place.

Use of Term Contracts

To save the resources required to invite tenders or quotations every time when the need for maintenance works arises, hotels may consider appointing a contractor through a ***term contract*** for the works frequently required for hotel maintenance.

Issue of Works Orders

Works orders are issued either one-off or under a term contract. Orders issued for unnecessary works or for works which could be dealt with by in-house staff could be perceived as favouritism to the contractor. Hence, it is important for the hotel management to have ***an effective system to control and monitor the issue of works orders***.

If a term contractor is engaged, the hotel should ensure that only works outside the scope of the term contract are outsourced to other contractors.

The following control measures are recommended in the administration of works orders :

- The managerial staff given the ***authority*** to approve works orders and the ***financial limits*** for approval should be specified.
- Before issuing a works order for a one-off job, the hotel should ensure that the works required cannot be handled by the in-house staff and this should be certified by a designated managerial staff member.
- The works orders should include ***detailed specifications*** to clearly define the scope of work and to facilitate subsequent supervision and acceptance of works. Any subsequent instructions given to the contractor should be properly recorded.
- ***Instructions*** should be issued to the staff concerned to prohibit the splitting of works orders which would obviate the need for approval in accordance with the specified financial limits.

Variation of Works

Variation of works after the award of contract may substantially increase the cost of the maintenance works and cause extra financial commitment to the hotel. Hence, unnecessary variation of works may be ordered to favour the contractor. To control the issue of variation orders, hotels should consider adopting the following measures :

- ***Justifications*** for the issue of variation orders should be given and documented.
- ***Endorsement from designated managerial staff*** should be required before the issue of variation orders.
- ***Price quotations*** from the contractor should be obtained for consideration before the issue of the variation orders.
- A ***summary of variation orders*** including the total cost incurred should be made available periodically for management information.
- If the service of a consultant is engaged, he should be required to seek ***the hotel management's endorsement*** before issuing variation orders which exceed a specified cost.

Acceptance of Works

Acceptance of sub-standard works by compromised staff is an area of concern because malpractice is not easy to detect, particularly when the completed works is covered up. The hotel management should consider adopting the following measures for the acceptance of works :

- Site supervision is important to prevent substandard works. A team comprising staff with technical knowledge should be appointed to conduct ***regular site inspections*** (together with the consultant as appropriate) to check the materials used and workmanship and to check the completed works before acceptance.
- Site inspection should be ***recorded*** and ***regular meetings*** should be held with the contractors and/or consultants to review work progress.

- If there are any remedial works required, such ***instructions*** to the contractors should be made ***in writing***.

- ***Certification*** of completion of work should be ***signed*** by a responsible staff member on the ***recommendation of the inspection team***.

Processing of Payments

Payments for works to the contractor are made either on an interim basis according to the work progress (usually for large projects) or upon completion of works (for small jobs). As payments could affect the cash flow of the contractors, especially those who are cash-trapped, any delayed or expedited payments could have an impact on them. To prevent manipulation in the payment process, the following safeguards are recommended :

- ***Checks involving all the parties concerned*** (e.g. the hotel managerial staff, the contractor and consultant if any) should be conducted at the final stage of work to ensure satisfactory completion of the jobs in accordance with the works orders issued before payment.

- Processing of payment applications should be subject to ***an administrative or contractual time frame***, and payment authorization should be delegated to staff of the appropriate rank.

- The responsibilities for issuing works orders and for certifying payments should be ***segregated*** as far as possible to enhance checks and balances.

Extension of Time and Liquidated Damages

The granting of extension of time or waiver of liquidated damages (e.g. claims for delay in completion of works) could have financial implications for the contractor. Hence, the hotel staff authorized to exercise discretion are vulnerable to offers of advantages from contractors in return for favours. The hotel management should ensure that these cases are fully ***justified and approved*** by managerial staff at an appropriate level. The safeguards are similar to those for variation of works.

CHAPTER 7 – SALES AND MARKETING

Introduction

Sales and marketing activities in a hotel mainly refer to marketing and reservation of rooms and offering of special rates and complimentary rooms to customers, such as travel agencies, airline companies and corporate clients, etc. Common malpractice found in these activities often involves compromised staff accepting advantages from travel agents or airline companies for reserving rooms for them during peak seasons; or offering advantages to travel agencies, airline companies and corporate clients for securing business contracts from them; or referring business to other hotels for personal advantage; or offering special discount/complimentary services to unqualified customers/business associates, or conspiring with travel agents to forge hotel room bookings in order to meet the sales quota set by the hotel.

While malpractice involving colluding parties may not be easy to detect, this chapter aims at suggesting some preventive measures which could help hotel managers to detect and deter malpractice.

Control of Hotel Room Reservations

The number of hotel rooms available usually falls short of the demand during peak seasons and hotel customers (e.g. travel agencies/airlines) may have to compete for room reservations. Hence, it is important for the hotel management to ensure that the allocation of rooms to customers by the sales and marketing staff is conducted in a fair manner according to the hotel's policy.

To enhance control and reduce the risk of manipulation, the following measures are recommended :

- ***Guidelines on booking and allocation of rooms*** should be laid down, including policy, allocation criteria and procedures (e.g. the deadline for reservation, allocation method, policy for early-bird discounts/complimentary offers, and authority to approve reservations/discounts/special offers).

- If rooms are allocated on ***a first-come-first-served basis***, the priority order of customers should be properly recorded and spot-checked by the management.

- ***A computer system*** with an audit trail function could be used to record the booking, allocation details, and any amendments (such as the date of booking, discounts offered, particulars of the visitors registered by the travel agencies, deadline for confirmation of booking, etc.).

- The ***sales transactions of individual staff*** should be ***recorded in the computer*** where practicable. The hotel management should ***monitor*** the ***sales patterns*** with a view to detecting any irregularities, e.g. a sudden sharp increase in business transactions could indicate possible collusion with a travel agent to forge room reservations for the purpose of meeting the sales quota set by the hotel, or a sharp decrease in transactions could be a sign of diversion of business to other hotels.

- The senior managers should ***keep abreast of the ongoing rates in other hotels*** for the purpose of comparison and monitoring of the discounts offered by the sales and marketing staff to customers.

- The senior managers should maintain ***regular contact with customers***, particularly the long-term business partners, to obtain their feedback on the hotel's services or any irregularities involving the hotel staff.

Control of Commissions and Rebates

Sometimes, hotels may launch incentive schemes to offer commissions and rebates to business associates, customers and staff.

To reduce possible risk of abuse, the following safeguards are recommended :

- The hotel should make known to its business associates, customers and staff its ***policy for commissions and rebates***. It is prudent to ensure that the recipients have the employers' permission to accept such offers because unauthorized acceptance may contravene Section 9 of the Prevention of Bribery Ordinance and the offeror may also be implicated. Hence, it is advisable to make a "company to company" offer instead of an offer to a person.
- In the case of long-term partners or valued customers, the offer of commission and rebates could be laid down ***in contract*** under specified conditions.
- Proper measures should be adopted to ensure that commissions and rebates are paid to ***bona fide customers*** (e.g. making follow up checks with customers).
- Each case of offer should be supported by ***proper documentation***, such as records of payment, authorization and receipt.

Control on Offering of Discounts

Guidelines on offering of discounts should be laid down, including the approving authorities and procedures.

CHAPTER 8 – FRONT DESK OPERATION

Introduction

Front desk operation of a hotel covers a wide range of activities, such as checking-in and checking-out of guests, allocation and upgrading of rooms, extension of check-out time, money exchange, and handling of credit card payments by hotel guests. The common abuses associated with front desk activities include favouritism in allocating and upgrading rooms, collusion with the house-keeping staff to misuse vacant rooms for unauthorized activities, pocketing of cash through manipulation in money exchange, and capturing customers' credit card data for use by counterfeit credit card syndicates.

In this chapter, the recommended measures aim to assist the hotel managers to reduce the risk of abuse by corrupt or colluding staff at the front desk.

Control over Allocation and Utilization of Rooms

To enhance control over the front desk activities, the following safeguards are recommended :

- The hotel should issue guidelines on the ***policy and procedures*** for the upgrading of rooms, making of complimentary offers, extension of check-out time (e.g. requirements for justifications, approval authorities and proper documentation).
- A ***computerised allocation system*** with restricted access to authorized users could help reduce the risk of manipulation associated with a manual system.
- House-keeping staff should be required to conduct ***daily checks on the vacant rooms*** and report any misuse to the management.
- ***Supervisory random checks*** on vacant rooms against the hotel record should be conducted to detect and deter any unauthorized use.
- The hotel management should periodically review the ***consumption of toiletries*** etc. against room utilization to detect any irregularities.

- ***Surveys*** to collect feedback on hotel services and staff performance could be conducted.

Handling of Credit Card Information

The handling of customers' credit cards is an area vulnerable to malpractice. Some unscrupulous hotel staff may accept bribes from criminal syndicates as a reward for capturing customers' credit card information for the production of counterfeit cards. Such illicit activities are not easy to detect but if there is strong suspicion of any malpractice, the hotel management should seek the assistance of the ICAC or Police as appropriate.

The following control measures to mitigate the risk of malpractice are recommended :

- ***Briefing sessions*** should be arranged for the staff to enhance their ***awareness of the law and the hotel's disciplinary system*** with regard to any illicit activities such as corruption and fraud.

- ***Clear* guidelines** should be issued on the handling of credit card transactions, e.g. assigning staff of specific ranks to handle credit card payments, and requiring them to sign on the credit card payment slips to hold them accountable for the transaction.

- ***Effective security measures*** should be adopted, e.g. credit card payment slips should be kept at a secure place; and the cashier counters should be placed at an appropriate position and level and is properly lit to facilitate supervision.

- Staff should be encouraged to ***report approaches by criminal syndicate and malpractice of other staff***.

- The hotel management should take ***disciplinary action*** if a staff member is found to have been involved in such illicit activities.

- The hotel management should maintain regular liaison with the banks and law enforcement agencies to keep abreast of the ***crime prevention methods***.

Handling of Money Exchanges

To enhance control over money exchanges handled by the hotel staff, the following measures are recommended :

- The hotel should adopt ***good accounting practices***, such as safekeeping of cash, daily reconciliation of cash collection and accounting records, etc. Reference could be made to the recommended accounting safeguards in ***Chapter 5*** of this Checklist.
- A ***CCTV system*** with a video recording function could be installed at the counter to facilitate monitoring if necessary.
- The staff should be ***prohibited from carrying their own money*** while performing cashier duty where practicable.

CHAPTER 9 – CONCIERGE SERVICES

Introduction

Overseas visitors generally approach the concierge for transport or tourist services while local guests may approach them for parking spaces within the hotel compound. The concierge operation is an area of concern because there are many loopholes that could be exploited for a corrupt purpose. For example, compromised staff could assign parking spaces to hotel visitors in return for a bribe; or accept advantages from tourist agents, transportation companies or restaurants for recommending their services to overseas visitors; or refer to colluding taxi-drivers those visitors who request for long haul journeys, e.g. from the hotel to the airport.

This chapter recommends possible measures that could help the hotel management to reduce the risk of abuse in concierge operation.

Allocation of Parking Spaces

The number of parking spaces for guests in hotels usually falls short of the demand. To prevent abuse in the allocation of parking spaces, the following safeguards are recommended :

- The hotel should make known to guests its ***parking policy*** (e.g. any parking fees to be charged or waived for guests patronizing its restaurants), availability of vacant parking spaces and the scale of parking fees.
- If parking spaces are allocated ***on a first-come-first-served basis***, the priority order of guests should be properly recorded and made available for checking by managers.
- For hotels with a large number of parking spaces to manage, a ***computer system*** with audit trail function could be used to generate parking tickets and record details such as the date/time of ticket issue, payment of fees, vehicle's registration number, etc.

Handling of Complimentary Parking

To reduce the risk of misuse of the complimentary parking labels or unauthorized waiver of parking fees, the following safeguards are recommended :

- The ***policy and criteria*** for offer of complimentary parking to guests should be laid down and made known to staff concerned.
- Complimentary parking labels should be ***serially numbered*** for control purpose and the stock of labels should be recorded (e.g. the number of labels issued and replenished). The stock should be subject to random checks by a designated supervisory staff member.
- Each complimentary parking label issued should be supported by proper ***documentation***, such as records of date of issue and authorization.
- ***A list of persons and their vehicles' registration numbers*** eligible for the complimentary parking should be updated periodically and kept at the carpark or concierge. The parking labels should be marked with the vehicle registration numbers of the vehicles concerned.
- The ***waiver of parking fees*** on a particular occasion or for a specific purpose should be approved by a staff member of the appropriate rank.
- Supervisory staff should be assigned to regularly ***patrol*** the carpark or parking spaces in the hotel to detect any unauthorized parking.

Payment of Parking Fees

In handling cash received for parking, hotels should ensure that ***proper accounting practices*** are in place, such as safekeeping and recording of cash received, and reconciliation of cash collection against the parking tickets issued.

Arrangement of Taxi Service

The following measures are recommended to deter and detect malpractice in the arrangement of taxi service for hotel visitors :

- Hotels should have ***a policy*** stipulating that taxi-drivers should queue up ***for assignment of guests on a first-come-first-served basis*** as far as practicable.
- Hotels may draw up ***a list of taxi call centres*** and require concierge staff to make calls to the centres on the list by rotation.
- Hotels may require the concierge to record the licence numbers of taxis taking hotel guests for airport trips, and supervisory staff should conduct ***spot checks*** of the records to see if there are any irregularities (e.g. frequent use of the same taxis).
- Supervisory staff should conduct ***surprise and/or covert checks*** at the taxi-stand area to detect any malpractice (e.g. staff assigning long-trip passengers to selected taxis).

Control over Arrangement of Tourist Services

Tourist services arranged by hotels for visitors usually refer to bookings for sightseeing tours, escort services, and coach services. Sometimes, visitors may also ask the hotel staff to recommend places for dining or shopping. The staff at the concierge may accept advantages, without the permission of the hotel, from travel agencies, transportation companies, restaurants or shops, in return for referral of business.

The following measures are recommended to minimize the risk of abuse and corruption :

- Guest requests for information or advice on tourist services, shopping, dining, etc. should be ***handled by a designated unit/desk*** (e.g. the concierge).
- Hotel management should identify services or dining/shopping information normally wanted by the hotel guests, and where practicable :
  - identify ***reputable/independent sources of tourist information*** (e.g. Discover Hong Kong, tourist information newsletters), and require the staff to provide information to hotel guests with reference to such information, or provide the sources (e.g. newsletters, where available) to the guests;
  - if considered necessary, draw up and regularly update ***shortlists of service providers***, ***restaurants or shops*** based on pre-determined criteria, and the above sources if appropriate, and require the staff to provide information to hotel guests based on the shortlists; and
  - advise the staff to, as far as possible, provide ***more than one choice*** for the guests' consideration.

CHAPTER 10 – INTERNAL CONTROLS

Introduction

In the forgoing chapters, specific measures relating to the specific operations of a hotel are recommended for adoption. Last but not the least, it is important for the hotel management to have an effective control system to ensure that the measures are understood by the staff and accepted for implementation. There should be a mechanism to monitor compliance.

This last chapter aims to recommend some administrative measures which help enhance the monitoring and control system of a hotel.

Control of Hotels under the Same Group

Hotels operated under a ***Group*** may be delegated different authorities and functions, depending on the size and operation of individual hotels. However, inconsistency in standard of service or practices could have an adverse impact on the reputation of the hotel.

The Group management should make known to all staff its policies, particularly those in relation to the ethical standards expected of staff. To ensure all hotels comply with the laid down policies and guidelines and to foster good practices, the management could appoint a group auditor to check on compliance, conduct periodic reviews on individual hotels' performance, arrange regular workshop/sessions to provide a forum for the staff to share experience, and delegate or centralize functions as appropriate.

Independent and Active Audit Function

Where resources permit, it is advisable for hotels to engage an ***internal auditor*** to perform the audit function and he should report direct to the hotel's senior management or board of directors. Hotels may also engage ***independent third parties*** (i.e. "under-covers" not known to the hotel staff) to use the hotel services as guests and require them to report their observations to the management. Apart from conducting ***compliance audit*** checks periodically, hotels could conduct ***revenue audits*** on specific functions regularly.

Customer Feedback

Collect and analyse customer feedback using customer satisfaction/suggestion forms covering various areas, such as catering services, food quality, concierge services (e.g. transportation arrangement, tour/shopping information). In addition to information on areas for improvement, the feedback might also reveal the existence of malpractice.

Managing Staff Accountability and Integrity

Managerial staff should be held accountable for the activities performed by their subordinates. Being managers, they should diligently monitor their staff and should be able to uncover any misdeeds which are serious, repeated or widespread. It is therefore important for the management to make this policy clear to the managers and require them to pay special attention to those ***subordinates whose conduct and behaviour are in doubt*** (e.g. those in financial difficulty or those suddenly changing their lifestyle).

ADVISORY SERVICES GROUP

Advisory Services Group

The ***Advisory Services Group*** of the Corruption Prevention Department, ICAC provides free and confidential corruption prevention advice to private organizations covering various aspects of their activities such as staff administration, stores management and administration of contracts etc. For further information, please contact us through telephone no. ***2526 6363*** or fax no. ***2522 0505*** or email address ***asg@cpd.icac.org.hk***.

APPENDIX – SAMPLE CODE OF CONDUCT

Introduction

1. The *(name of company)* (hereafter referred to as the Company) regards honesty, integrity and fair play as our core values that must be upheld by all directors and staff[1] of the Company at all times. This Code sets out the basic standard of conduct expected of all directors and staff, and the Company's policy on acceptance of advantage and handling of conflict of interest when dealing with the Company's business.

Prevention of Bribery Ordinance

2. Under the Prevention of Bribery Ordinance (the Ordinance), any director or staff member who, without the permission of his employer or principal (i.e. the Company), solicits or accepts an advantage as a reward or inducement for doing any act or showing favour in relation to the latter's business, commits an offence. The person offering the advantage also commits an offence.

(The relevant provisions of Section 9 of the Ordinance and the definition of "advantage" are detailed at **Annex 1**.)

Acceptance of Advantage

3. It is the Company's policy that directors and staff should not solicit or accept any advantage for themselves or others, from any person, company or organization having business dealings with the Company, except that they may accept (but not solicit) the following advantages when offered on a voluntary basis :

(a) advertising or promotional gifts or souvenirs of a nominal value; or

(b) gifts given on festive or special occasions, subject to a maximum limit of $_____ in value; or

(c) discounts or other special offers given by any person or company to them as customers, on terms and conditions equally applicable to other customers in general; or

[1] "Staff" cover full-time, part-time and temporary staff, except where specified.

(d) gifts or souvenirs of nominal value presented to them in official functions.

No director or staff member should accept any advantage from a subordinate, except those mentioned in paragraphs (a) and (b) above.

4. Gifts or souvenirs described in paragraph 3(d) above are deemed as offers to the Company. The directors and staff members concerned should report the acceptance to the Company and seek direction as to how to handle the gifts or souvenirs from *the approving authority*[2] using Form A (**Annex 2**). If a director or staff member wishes to accept any advantage not covered in paragraph 3, he/she should also seek permission from *the approving authority* using Form A.

5. However, a director or staff member should decline an offer of advantage if acceptance could affect his/her objectivity in conducting the Company's business or induce him/her to act against the interest of the Company, or acceptance will likely lead to perception or allegation of impropriety.

6. If a director or staff member has to act on behalf of a client in the course of carrying out the Company's business, he/she should also comply with any additional restrictions on acceptance of advantage that may be set by the client.

Offer of Advantage

7. Directors and staff are prohibited from offering advantages to any director or staff of another company or organization, for the purpose of influencing such person or company in any dealings, or any member or staff of a government department or public body while having business dealings with the latter, whether directly or indirectly through a third party, when conducting the Company's business.

[2] Specify the post of the approving authority in the Code and the Form.

Entertainment

8. As defined in Section 2 of the Ordinance, "entertainment" refers to food or drink provided for immediate consumption on the occasion, and any other entertainment provided at the same time. Although entertainment is an acceptable form of business and social behaviour, a director or staff member should avoid accepting overly lavish or frequent entertainment from persons with whom the Company has business dealings (e.g. suppliers or contractors) or from his/her subordinates to avoid placing himself/herself in a position of obligation.

Records, Accounts and Other Documents

9. Directors and staff should ensure that all records, receipts, accounts or other documents they submit to the Company, give a true representation of the events or business transactions as shown in the documents. Intentional use of documents containing false information to deceive or mislead the Company, regardless of whether there is any gain or advantage involved, may constitute an offence under the Ordinance.

Compliance with Laws of Hong Kong and in Other Jurisdictions

10. Directors or staff must comply with all local laws and regulations when conducting the Company's business, and also those in other jurisdictions when conducting business there.

Conflict of Interest

11. Directors and staff should avoid any conflict of interest situation (i.e. situation where their private interest conflicts with the interest of the Company) or the perception of such conflicts. They should not misuse their position or authority in the Company to pursue their own private interests which include both financial or personal interests and those of their family members, relatives or close personal friends. When actual or potential conflict of interest arises, the director or staff member should make a declaration to the management through *the approving authority*[2] using Form B (**Annex 3**).

12. Some common examples of conflict of interest are described below but they are by no means exhaustive :

(a) A staff member involved in a procurement exercise is closely related to or has financial interest in the business of a supplier who is being considered for selection by the Company.

(b) One of the candidates under consideration in a recruitment or promotion exercise is a family member, a relative or a close personal friend of the staff member involved in the process.

(c) A director of the Company has financial interest in a company whose quotation or tender is under consideration by the Board.

(d) A staff member (full-time or part-time) undertaking part-time work with a contractor whom he is responsible for monitoring.

Use of Company Assets

13. Directors and staff in charge of or having access to any Company assets, including funds, property, information, and intellectual property, should use them solely for the purpose of conducting the Company's business. Unauthorized use, such as misuse for personal gain, is strictly prohibited.

Confidentiality of Information

14. Directors and staff should not disclose any classified information of the Company without authorization or misuse any Company information (e.g. unauthorized sale of the information). Those who have access to or are in control of such information, including information in the Company's computer system, should at all times protect the information from unauthorized disclosure or misuse. Special care should also be taken in the use of any personal data, including directors', staff's and customers' personal data, to ensure compliance with the Personal Data (Privacy) Ordinance.

Outside Employment

15. Any full time staff who wish to take up employment outside the Company, must seek the prior written approval of *the approving authority*[2]. The *approving authority* should consider whether the outside employment would give rise to a conflict of interest with the staff's duties or the interest of the Company.

Relationship with Suppliers, Contractors and Customers

16. Directors and staff are advised not to engage in frequent gambling activities (e.g. mahjong) with persons having business dealings with the Company.

17. Directors and staff should not accept any loan from, or through the assistance of, any individual or organization having business dealings with the Company. There is however no restriction on borrowing from licensed banks or financial institutions.

[*The Company may wish to include other guidelines on the conduct required of directors and staff in their dealings with suppliers, contractors, customers, and other business partners as appropriate.*]

Compliance with the Code

18. It is the responsibility of every director and staff member of the Company to understand and comply with this Code, whether performing his company duties in or outside Hong Kong. Managers and supervisors should also ensure that the staff under their supervision understand well and comply with this Code.

19. Any director or staff member in breach of this Code will be subject to disciplinary action, including termination of appointment. In cases of suspected corruption, a report will be made to the ICAC, and of other criminal offences, to the appropriate authority.

20. Any enquiries about this Code or reports of possible breaches of this Code should be made to *(post of designated senior staff)*.

_____

(*Name of Company*)

Date :

Extracts of the Prevention of Bribery Ordinance

Section 9

(1) ny agent who, without lawful authority or reasonable excuse, solicits or accepts any advantage as an inducement to or reward for or otherwise on account of his –

(a) doing or forbearing to do, or having done or forborne to do, any act in relation to his principal's affairs or business; or

(b) showing or forbearing to show, or having shown or forborne to show, favour or disfavour to any person in relation to his principal's affairs or business,

shall be guilty of an offence.

(2) Any person who, without lawful authority or reasonable excuse, offers any advantage to any agent as an inducement to or reward for or otherwise on account of the agent's –

(a) doing or forbearing to do, or having done or forborne to do, any act in relation to his principal's affairs or business; or

(b) showing or forbearing to show, or having shown or forborne to show, favour or disfavour to any person in relation to his principal's affairs or business,

shall be guilty of an offence.

(3) Any agent who, with intent to deceive his principal, uses any receipt, account or other document –

(a) in respect of which the principal is interested; and

(b) which contains any statement which is false or erroneous or defective in any material particular; and

(c) which to his knowledge is intended to mislead the principal,

shall be guilty of an offence.

(4) If an agent solicits or accepts an advantage with the permission of his principal, being permission which complies with subsection (5), neither he nor the person who offered the advantage shall be guilty of an offence under subsection (1) or (2).

(5) For the purposes of subsection (4) permission shall –

(a) be given before the advantage is offered, solicited or accepted; or

(b) in any case where an advantage has been offered or accepted without prior permission, be applied for and given as soon as reasonably possible after such offer or acceptance,

and for such permission to be effective for the purposes of subsection (4), the principal shall, before giving such permission, have regard to the circumstances in which it is sought.

Section 2

'Advantage' means :

(a) any gift, loan, fee, reward or commission consisting of money or of any valuable security or of other property or interest in property of any description;

(b) any office, employment or contract;

(c) any payment, release, discharge or liquidation of any loan, obligation or other liability, whether in whole or in part;

(d) any other service, or favour (other than entertainment), including protection from any penalty or disability incurred or apprehended or from any action or proceedings of a disciplinary, civil or criminal nature, whether or not already instituted;

(e) the exercise or forbearance from the exercise of any right or any power or duty; and

(f) any offer, undertaking or promise, whether conditional or unconditional, of any advantage within the meaning of any of the preceding paragraphs (a), (b), (c), (d) and (e),

but does not include an election donation within the meaning of the Elections (Corrupt and Illegal Conduct) Ordinance (Cap. 554), particulars of which are included in an election return in accordance with that Ordinance.

'Entertainment' means :

The provision of food or drink, for consumption on the occasion when it is provided, and of any other entertainment connected with, or provided at the same time as, such provisions.

Section 19

In any proceedings for an offence under this Ordinance, it shall not be a defence to show that any such advantage as is mentioned in this Ordinance is customary in any profession, trade, vocation or calling.

Annex 2

Form A

(Company Name)
REPORT ON GIFTS RECEIVED

Part A – To be completed by Receiving Staff

To : (Approving Authority)

Description of Offeror :
Name & Title of Offeror : _____
Company : _____
Relationship (Business / Personal) : _____

Occasion on which the Gift was / is to be received : _____

Description & (assessed) value of the Gift : _____

Suggested Method of Disposal :	**Remark**
( ) Retain by the Receiving Staff	_____
( ) Retain for Display / as a Souvenir in the Office	_____
( ) Share among the Office	_____
( ) Reserve as Lucky Draw Prize at Staff Function	_____
( ) Donate to a Charitable Organization	_____
( ) Return to Offeror	_____
( ) Others (please specify) : _____	

_____
(Name of Receiving Staff)
(Date) (Title)

Part B – To be completed by Approving Authority

To : (Name of Receiving Staff)

The recommended method of disposal is ***approved / not approved***. *The gift(s) concerned should be disposed of by way of : _____

_____
(Name of Approving Authority)
(Date) (Title)

** Delete as appropriate*

Annex 3

Form B

(Company Name)
Declaration of Conflict of Interest

Part A – Declaration *(To be completed by Declaring Staff)*

To : (Approving Authority) via (Supervisor of the Declaring Staff)

I would like to report the following actual/potential* conflict of interest situation arising during the discharge of my official duties :-

_____
(Name of Declaring Staff)
(Date) (Title / Department)

Part B – Acknowledgement *(To be completed by Approving Authority)*

To : (Declaring Staff) via (Supervisor of the Declaring Staff)

Acknowledgement of Declaration

The information contained in your declaration form of ___(Date)___ is noted. It has been decided that :-

- ❑ You should refrain from performing or getting involved in performing the work, as described in Part A, which may give rise to a conflict.
- ❑ You may continue to handle the work as described in Part A, provided that there is no change in the information declared above, and you must uphold the Company's interest without being influenced by your private interest.
- ❑ Others (please specify) : _____

_____
(Name of Approving Authority)
(Date) (Title / Department)

* *Delete as appropriate*

Corruption Prevention Department
Independent Commission Against Corruption
303 Java Road, North Point, Hong Kong

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