Area / Industry: Generic **Subject: Tendering**

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

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Subject	**Work Process / Item**[1]	**Integrity Risk**[1]	**Inherent Risk Level**[2&3] **(A)**	**Existing Practices**	**Mitigating Factor**[4] **(B) (if the practices meet the criteria of mitigating factor)**	**Residual Risk Level**[3] **(C=A-B)**	**Proposed Control Measure(s)**[1]	**Action By**	**Mitigating Factor**[4] **(D)**	**Revised Risk Level**[3] **(E=C-D)**
	Opening of Tenders	Accept late tenders or exercising undue discretion in postponing the tender submission deadline	**3**							
	Custody of Tenders	Tamper with the tenders received, e.g. alter the tender price	**2**							
	Tender Presentation	Only invited colluded tenderers for tender presentation and allow them to revise and improve their submissions	**2**							
	Assessment of Tenders	Favour a colluded tenderer in the assessment of tenders	**3**							
	Conduct of Tender Negotiation	Manipulate the negotiation process to favour a colluded tenderer	**3**							
	Award of Contracts	Inadequate checks and balances in the award of contracts	**2**							
	Overall Tender Procedures	Non-compliance with the tender procedures and requirements	**2**							

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Subject	**Work Process / Item[1]**	**Integrity Risk[1]**	**Inherent Risk Level[2&3] (A)**	**Existing Practices**	**Mitigating Factor[4] (B) (if the practices meet the criteria of mitigating factor)**	**Residual Risk Level[3] (C=A-B)**	**Proposed Control Measure(s)[1]**	**Action By**	**Mitigating Factor[4] (D)**	**Revised Risk Level[3] (E=C-D)**
		Tenderers collude with each other to inflate the contract price	**2**							
		Tenderers commit unlawful conduct and/or malpractices in a tender exercise, e.g. bribing tender assessment panel members with a view to obtaining a higher score in tender assessment	**3**							

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Summary of Integrity Risks and Control Measures on Tendering

Subject	Work Process/Item	Integrity Risk	Inherent Risk Level	Control Measures	Type
Tendering	Making Tender Arrangements	Staff members having financial interest in suppliers and/or tenderers favour the latter in preparing tender documents, handling of tenders submissions, conducting tender assessment, etc.	3	• Require staff members involved in the tender exercises to declare in writing any actual or potential conflict of interest to the designated authority as soon as practicable • Require the designated authority to decide the mitigating action, e.g. abstain from further participation in the tender exercise, should a conflict be declared, and properly document the action taken	Preventive
				• Subject the management of conflict of interest mechanism to audit to ensure compliance	Detective
	Selection of Tendering Method	Favour a colluded contractor by direct engagement	3	• Adopt a competitive tendering process, e.g. open or selective tendering to select a contractor • Use direct engagement / single tendering only with strong justifications and approval of the designated authority	Preventive
				• Compile periodic management reports on procurement with direct engagement / single tendering for checking of any non-compliance	Detective
	Preparation of Tender Documents	Use brand name specifications for construction materials to favour a colluded supplier	2	• Except for justifiable circumstances, use functional/performance specifications as far as practicable and avoid using brand names or restrictive specifications when preparing specifications for construction materials. If the use of brand names or restrictive specifications is unavoidable, set	Preventive

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Subject	Work Process/Item	Integrity Risk	Inherent Risk Level	Control Measures	Type
				up a panel comprising senior staff members to review any proposals to use brand name specifications for construction materials of high-value or large quantity, and include the term "or equivalent" after the brand name in the specifications • Subject the tender documents to approval by designated authority before issue	
	Selection of Contractors for Invitation to Tender	Select colluded contractors only to submit tenders	**2**	• Determine the way to short-list qualified contractors for invitation to tender, e.g. by way of a pre-qualification exercise for sizeable and complicated purchases, or through sourcing from a list of contractors for smaller-scale purchases • Specify the minimum number of tenders required for each tender invitation to ensure the tender exercise is competitive and justify for non-compliance • For sizeable and complicated purchases, conduct a pre-qualification exercise by an open invitation of expression of interest. Pre-determine the pre-qualification criteria (e.g. past performance), and invite those contractors who have expressed an interest, to submit the required information for pre-qualification assessment. Select the qualified contractors for invitation to tender based on the laid down criteria • For smaller-scale purchases, compile a long list of contractors	Preventive

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				from various sources (e.g. staff members' suggestions, consultants' advice and lists of approved contractors of the Development Bureau, Construction Industry Council and Buildings Department as appropriate), and only invite contractors on/shortlisted from the list to tender • Subject the list of tenderers to approval by the designated authority	
	Handling of Tender Information	Provide privileged tender information to a particular tenderer	**2**	• Provide all tenderers with the same information, e.g. tender submission deadline, tender addendum • Ensure that answers to tender enquiries relevant to the tender are sent to all tenderers	Preventive
	Receipt of Tenders	Disclose confidential tender information (e.g. tender prices) to colluded tenderers	**3**	• Assign proper classification for different types of tender information and adopt the need-to-know principle for handling of classified information • Require staff members (and external parties where applicable) having access to sensitive tender information in the tender process to sign an undertaking to hold all such information in strict confidence and refrain from making any unauthorised disclosure or using any such information for personal gain • For hard-copy tenders, require tenderers to deposit their tenders into double-locked tender box whose keys are kept by different	Preventive

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				staff members • For electronic tenders, require tenderers to send the tenders to the designated email account or an electronic tender system, and put in place control measures to ensure the integrity of the tenders, e.g. using a password consisting of two parts each devised by a senior staff member not associated with the tender exercise	
				• Issue reminders to staff members on refrain from making any unauthorised disclosure of the sensitive / confidential or using any tender information for personal gain.	Educational
	Opening of Tenders	Accept late tenders or exercising undue discretion in postponing the tender submission deadline	**3**	• Open the tenders received only after the tender submission deadline by a team with the tender results recorded and signed by each team member • Pass the unopened price proposals, if a two-envelope system is adopted, to an independent officer (i.e. not involved in the tender exercise) for safe custody until the completion of technical assessment • Reject late tenders and return them to the tenderers concerned • Prohibit change of tender submission deadline unless there are strong justifications, which should be subject to approval by the designated authority	Preventive

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Summary of Integrity Risks and Control Measures on Tendering

Subject	Work Process/Item	Integrity Risk	Inherent Risk Level	Control Measures	Type
				• Conduct periodic checks on dates of tender submission against the tender closing dates to ensure compliance	Detective
	Custody of Tenders	Tamper with the tenders received, e.g. alter the tender price	**2**	• Require tenderers to submit their tenders in duplicate with the control copy properly kept to facilitate future audit	Preventive
	Tender Presentation	Only invited colluded tenderers for tender presentation and allow them to revise and improve their submissions	**2**	• Specify in the tender documents the need for a presentation by the tenderers, if required, and provide all tenderers with an equal opportunity to make a presentation • Remind all tenderers that they are not allowed to take the opportunity to revise their technical proposals or to disclose their financial proposals at the presentation • Observe the rule prohibiting disclosure of information concerning the merits of other tender proposals at the presentation	Preventive
	Assessment of Tenders	Favour a colluded tenderer in the assessment of tenders	**3**	• Set up a tender assessment panel (TAP) comprising a chairman and members to assess tenders based on pre-determined assessment criteria • Where a two-envelope approach is adopted, i. Require TAP members to individually assess the technical proposals based on the pre-determined assessment criteria with their scores recorded. Conduct a TAP meeting in	Preventive

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Summary of Integrity Risks and Control Measures on Tendering

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				which all scores by TAP members are tabled for deliberation. For widely diverging scores, e.g. scores differing by two or more grades, over an assessment criterion, require the relevant TAP members to deliberate their scores. Where there are changes to the scores after deliberation, require the relevant TAP members to provide justifications. Record the key matters discussed at the TAP meeting ii. Select tenderers having a technical score above the pre-determined passing mark for assessment of price proposals iii. Open the price proposals by the tender opening team only after the technical assessment has been completed. The tender results should be recorded in a summary which is signed by each team member iv. Pre-determine the price-to-technical ratio to calculate the combined score for each tenderer • Where a single tender approach is adopted, assess the reasonableness of the tender sum and compliance with the tender requirements, and document the assessment to facilitate supervisory checks	
				• Properly document and keep the tender assessment results for future audit	Detective

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Summary of Integrity Risks and Control Measures on Tendering

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	Conduct of Tender Negotiation	Manipulate the negotiation process to favour a colluded tenderer	3	• Pre-determine the criteria for conducting tender negotiation • Designate the authority for approving tender negotiations • Set parameters or baseline for negotiation • Pre-determine the criteria for selecting tenderers to negotiate • Designate a negotiation team comprising at least two persons at appropriate rank to conduct the negotiation • Provide guidelines on tender negotiation, e.g. not to disclose tender information of other tenderers nor indicate the baseline price, draw up a checklist of the items to be discussed and give a copy of the checklist to the tenderers participating in the negotiation • Require the tenderers to submit in writing a best and final offer after negotiation to confirm their offers. Evaluate and recommend the best offer for approval of the designated authority	Preventive
				• Document the salient points and correspondence of the negotiation to facilitate future audit	Detective
	Award of Contracts	Inadequate checks and balances in the award of contracts	2	• Recommend the tender with the highest combined score or the lowest conforming tender or single tender to the designated authority for approval of contract award and provide justification if such tender is not accepted	Preventive

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				• Notify all successful and unsuccessful tenderers of the tender results as soon as possible	
	Overall Tender Procedures	Non-compliance with the tender procedures and requirements	**2**	• Subject the tendering process to regular audit to detect anomalies, e.g. changes of assessment criteria after submission deadline	Detective
		Tenderers collude with each other to inflate the contract price	**2**	• Include an anti-collusion clause in the tender documents, and require tenderers to submit, as part of the tender submission, a declaration pledging compliance with the anti-collusion clause	Preventive
		Tenderers commit unlawful conduct and/or malpractices in a tender exercise, e.g. bribing tender assessment panel members with a view to obtaining a higher score in tender assessment	**3**	• Incorporate probity requirements in respect of offering of advantage, handling of conflict of interest and confidential information in tender contract documents	Preventive
				• Provide regular integrity management training courses for senior management and staff members to enhance their ethical commitment	Educational

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