



# **General Guidelines on Integrity Management System for Engineering Consultancy Practice by Malaysian Institute of Integrity (IIM)**

By:

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# GUIDELINES ON INTEGRITY MANAGEMENT SYSTEM



## BOARD OF ENGINEERS MALAYSIA GENERAL GUIDELINES ON INTEGRITY MANAGEMENT SYSTEM FOR ENGINEERING CONSULTANCY PRACTICE

### PURPOSE

To be relied as a defence against the law of Corporate Liability as per Section 17A of the MACC (Amendment) Act 2018

To assist Engineering Consultancy Practice (ECP) to prevent corrupt practices, manage its integrity risks and implement integrity policies and procedures.



# 2020 AUDITOR GENERAL'S REPORT



**RM620.07**  
**Million**  
**loss in**  
**2020**

The Auditor General's Report revealed that RM620.07 Million was lost due to **non-compliance with financial management** by Federal Ministries and Departments in 2020.

These issues would have been resolved by strengthening the integrity management system in organizations.



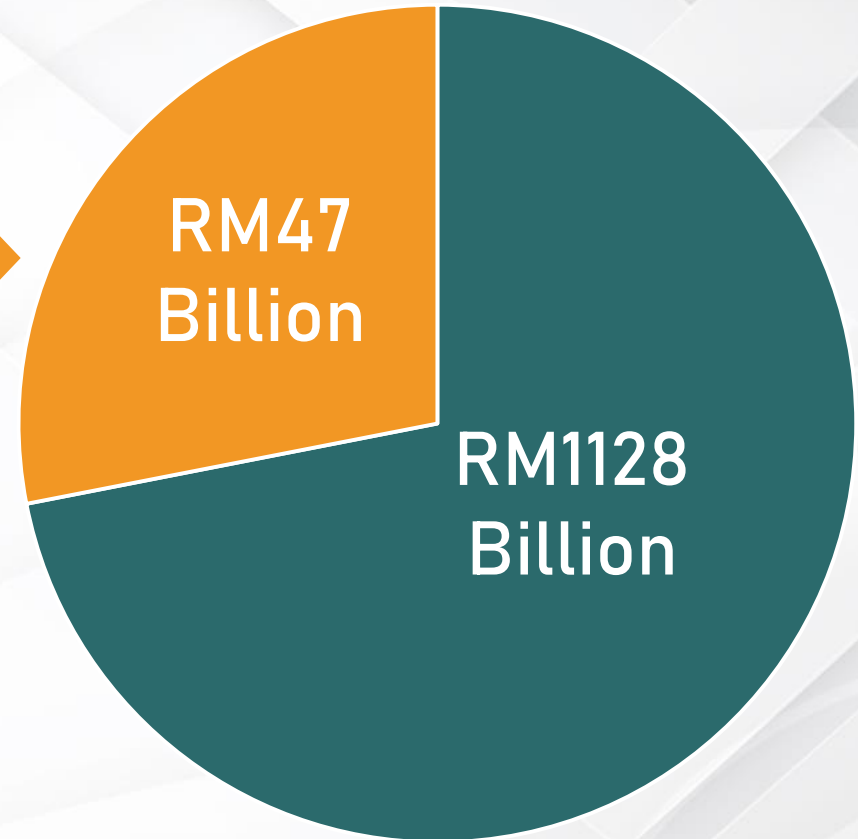
# NATIONAL LOSS DUE TO CORRUPTION



**FROM 2013 - 2017**

**4%** of Malaysia's  
**GROSS DOMESTIC  
PRODUCT (GDP),**  
was lost to  
corruption annually

**4%** →



# SECTION 17A OF THE MACC ACT: CORPORATE LIABILITY

A commercial organisation is said to commit an offence under Section 17A if it is found that its associated person has given, offered or promised some gratification with the intention to obtain or retain a business opportunity/ advantage for the commercial organisation



An associated person gives, offers or promises gratification for the benefit of the commercial organisation



The commercial organisation is charged under Section 17A of the MACC (Amendment) Act 2018



Senior personnel of the commercial organisation are made personally liable



# UNDERSTANDING SECTION 17A OF THE MACC ACT



## WHO ARE COMMERCIAL ORGANISATIONS?

Local companies established under Companies Act 2016 and foreign companies carrying on business in Malaysia

Local partnerships and limited liability partnerships (LLP) established under their respective acts and foreign partnerships and LLP carrying on business in Malaysia

## WHO ARE ASSOCIATED PERSONS?

Partners

Directors

Employees

Those that provide services for or on behalf of the commercial organisation i.e Service Provider

## WHAT ARE THE PENALTIES?

A commercial organisation must pay 10 times the amount of gratification or RM1 Million (whichever is higher)

Senior Personnel may be sentenced to imprisonment up to 20 years

# DEFENCE FOR SENIOR PERSONNEL

## SENIOR PERSONNEL



DIRECTOR

PARTNER

CONTROLLER

PERSONS CONCERN  
WITH MANAGEMENT  
OF AFFAIRS WHEN  
OFFENCE IS DONE

## WHAT ARE THE DEFENCES FOR SENIOR PERSONNEL?

Offence was  
committed without  
his consent or  
connivance



Exercised due diligence to prevent the commission of  
the offence as he ought to have exercised, having  
regard to the nature of his function in that capacity and  
to the circumstances

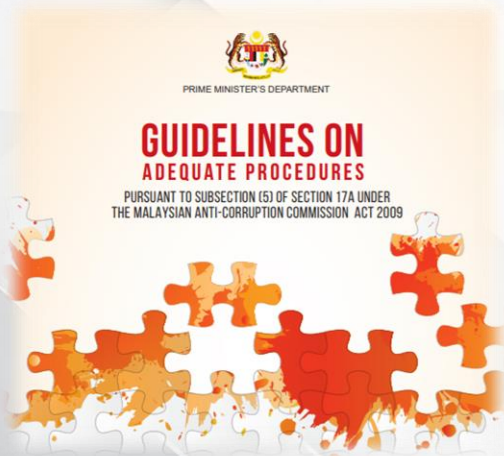
# DEFENCE FOR COMMERCIAL ORGANISATION: ADEQUATE PROCEDURES

## SECTION 17A (4)

It is a defence for the commercial organization to prove that the commercial organization had in place adequate procedures

## SECTION 17A(5)

The Minister shall issue guidelines relating to the procedures.



The guidelines are based on FIVE (5) basic principles of T.R.U.S.T







# REFERENCES

- Malaysian Anti-Corruption Commission Act (Amendment) 2018 – Section 17A
- Guidelines on Adequate Procedure by the Prime Minister's Department
- FIDIC Guidelines for Integrity Management (FIM) in the consulting industry (First Edition 2011), Part 1- Policies and principles
- FIDIC Guidelines for Integrity Management System in the Consulting Industry 1st Ed (2015) Part 2
- FIDIC Guidelines for Integrity Management System in the Consulting Industry 1st Ed (2019) Part 3 – FIMS and ISO 37001 Procedures
- ISO 37001: 2016 Anti-Bribery Management System (ABMS) – Requirements with guidance for use
- Malaysian Code on Corporate Governance by the Securities Commission



# INTEGRITY MANAGEMENT SYSTEM



## INTEGRITY MANAGEMENT SYSTEM

The Integrity Management System (IMS) is designed using the framework of the Guidelines on Adequate Procedure, taking into account the principles of T.R.U.S.T

T

R

U

S

T

TOP LEVEL  
COMMITMENT

RISK  
ASSESSMENT

UNDERTAKE  
CONTROL  
MEASURES

SYSTEMATIC  
REVIEW AND  
MONITORING AND  
ENFORCEMENT

TRAINING AND  
COMMUNICATION

# T : TOP LEVEL COMMITMENT

The Governing Body should:-

- a) Approve organization's integrity policy;
- b) Ensure organization's strategy and integrity policy are aligned;
- c) Require adequate and appropriate resources for the operation of IMS;
- d) Exercise reasonable oversight on the integrity implementation of the organization

## TOP LEVEL COMMITMENT



Tone from the top is critical for the success of an IMS. The Board of Directors, top and senior management should drive the IMS implementation.

The Top Management should:-

- a) Formulate Code of Conduct;
- b) Formulate an Integrity Policy;
- c) Assign a person/ unit (Integrity Officer, Integrity Governing Unit) to execute integrity compliance functions

# R : RISK ASSESSMENT

## RISK ASSESSMENT

Conduct a comprehensive integrity risk assessment covering all activities, functions and departments.

Regularly review the Risk Assessment Report whenever there is a change in business activities, structure or new legal requirements



### RISK SCALE

A regular Integrity Risk Assessment should be undertaken to identify, analyze, assess and prioritize the integrity risks the organization anticipates.

Evaluate suitability and effectiveness of existing control to mitigate the integrity risks

Present and discuss risks that are high and above with the governing body and top management

# U : UNDERTAKE CONTROL MEASURES

Develop procedures like:-

- a) Protection of Complainant and Reporting Channel;
- b) Investigation;
- c) Due Diligence (for recruitment, procurement);
- d) Control of documents
- e) Gifts, hospitality, donations;
- f) Conflict of Interest;
- g) Financial Controls;
- h) Procurement;
- i) Recruitment, disciplinary action

## UNDERTAKE CONTROL MEASURES



Appropriate controls should be established and implemented to reduce and eliminate integrity risks.

The procedures should clearly define the action/ process, responsibilities, approval and reporting channel and necessary records as evidence.

Procedures are meant to assist the organization and should be periodically reviewed.

# S : SYSTEMATIC REVIEW, MONITORING AND ENFORCEMENT

An internal audit should be established with competent individuals that have good understanding of the relevant legal requirements, and the IMS.

Report the audit findings to the governing body, top management and compliance function.

## SYSTEMATIC REVIEW, MONITORING AND ENFORCEMENT



The performance of IMS should be evaluated through several measures such as internal audit and management review.

Review the IMS implementation regularly and include:-

- a) Existing integrity risks and the effectiveness of existing measures to combat the risks;
- b) Report on IMS internal audit findings;
- c) Incidences relating to integrity;
- d) Organization's achievement on integrity objectives, targets and programs

Trainings with post evaluations should include:-

- a) The IMS, including the policy, procedures and other elements of IMS in relation to their job, and the duty to comply;
- b) Integrity risks and damage to the Organisation;
- c) The relevant legal requirements and the duty to comply.

## TRAINING AND COMMUNICATION



Appropriate and adequate awareness program should be conducted and the IMS policies should be properly communicated to all personnel and business associates.

Communication of the IMS policy and procedures may be conducted in various mediums such as:-

- a) Messages on the organization's intranet or website;
- b) Emails, newsletter, posters;
- c) Handbooks; and
- d) Town hall sessions



# INTEGRITY MANAGEMENT SYSTEM



Top Level Commitment	Risk Assessment	Undertake Control Measure	Systematic review & Enforcement	Training and Communication
Directors, partners or anyone concerned in the management of the organization's affairs ought to be directly involved to ensure the organization complies with the applicable anti-corruption laws and regulations	Risk Assessment ought to be conducted at regular intervals to identify evolving risks of corruption. The findings of these assessment should be documented and regularly reviewed	Appropriate contingency measures which includes due diligence and stringent financial controls to address corruption risks identified ought to be in place	The effectiveness and efficiency of the organization's anti-corruption policies ought to be regularly revived and assessed.	The organization's anti-corruption policies not only ought to be disseminated both internally and externally, but regular and relevant trainings ought to be provided to the organization's members and external stakeholders

## Anti-Bribery Management System (ABMS)

Clause 5.1 – 5.3	Clause 4.5, 6.1, 9.1	Clause 7.4, 8.1 – 8.5	Clause 9.1 – 9.4, 10.1-10.2	Clause 7.1 – 7.4
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## Malaysian Code On Corporate Governance

Principle A – Board Leadership and Effectiveness	Principle B – Effective Audit and Risk Management	Principle C – Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders	Principle B – Effective Audit and Risk Management	Principle C – Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders
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## Corporate Integrity System Malaysia (CISM)





# CONCLUSION

With Engineering Consultancy Practices (ECP) implementing a proper Integrity Management System (IMS), **it will serve as a good defence against Section 17A of the MACC (Amendment) Act 2018 (Corporate Liability)** for the ECP from being penalized **TEN (10) times the gratification value or RM1 Million, whichever is higher**. It will also be a defence for Directors of the company from being imprisoned up to **TWENTY (20) years**.

It will also improve the **culture of integrity and good governance** in the organization.

As the culture of integrity and governance improves, **the organization will be more sustainable**.



# THANK YOU



Committed to Engineering Excellence

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