



BUSINESS INTEGRITY MANAGEMENT **GUIDELINES**

1. POLICY STATEMENT ON BUSINESS INTEGRITY

**2. BUSINESS INTEGRITY MANAGEMENT FRAMEWORK
FOR MEMBERS**

1 Policy Statement on Business Integrity

1.1 Preamble

Consulting Engineers South Africa, CESA is a voluntary association of firms of Consulting Engineers and allied professionals. It operates primarily within South Africa and has close relationships with the Engineering Council of South Africa (ECSA) and the Construction Industry Development Board (CIDB). CESA is a member of the International Federation of Associations of Consulting Engineers, FIDIC. The wide range of objectives of CESA and FIDIC are covered in the respective organisations' constitutions.

Corruption, definable as "the misuse of public power for private profit", is morally and economically damaging. Firstly it jeopardizes the procurement process, is always unfair, and often criminal. It saps money from required development projects and adversely affects their quality. Secondly, and worse than being pragmatically wrong in allowing wasteful procurement, corruption is basically wrong because it undermines values of society, breeds cynicism, and demeans the individuals involved. It is more than stealing funds, it is stealing trust. CESA member firms are required to comply with this CESA guideline which has been written in such a way that it can be used in practice by member firms.

This document is also to be read in conjunction with the FIDIC guidelines for *Business Integrity Management in the Consulting Industry* and the CIDB *Code of Conduct* (http://www.cidb.co.za/procurement_toolbox/code_conduct/default.aspx)

1.2 Statement of Commitment

CESA and its members commit to upholding and assisting others in upholding the dignity, standards and reputation of the consulting industry, taking all reasonable steps to protect life and to safeguard people, and seek solutions that are compatible with the principals of sustainable development and environmental responsibility.

CESA and its members further commit to serving their clients and society in a manner which is free of corruption and act at all times in the legitimate interests of the client and all stakeholders involved and discharge their duties with integrity, faithfulness, confidentiality, efficiency, competence and in a non discriminatory

manner.

1.3 Policy

CESA and its member firms have adopted the following policy:

“Member firms will neither initiate nor accede to corrupt practices”

The consulting engineering industry which has historically been, as it should be, motivated by concern for the needs of society, must seek both to prevent and to react to the blight of corruption. CESA and its member firms, representing the leaders of the consulting engineering industry will neither ignore nor acquiesce with the tide of corruption, nor will it consider that local corruption is cultural and unchangeable. The member firms of CESA will neither initiate nor accede to corrupt practices.

“Accepting or giving a bribe constitutes unethical behaviour”

A bribe of whatever form, intended to influence the actions and decisions of clients or its agents whether directly or indirectly (using mechanisms such as scholarships, actions of agents, gifts, currency exchange facilities, etc) constitutes unethical behaviour.

“Acceptance or payment of remuneration not to affect impartial judgement”

The consulting engineering member firm must not accept remuneration of any kind which may be perceived to, or in reality, attempt to influence the selection of compensation procedure or affect the impartial judgement of the consulting engineering firm.

“Awareness and respect of local laws and client guidelines”

Member firms should be aware of local laws as well as client strategies and guidelines regarding corruption and should promptly report criminal behaviour to the proper law enforcement authorities.

“Disciplinary Action”

CESA firms will have prompt disciplinary actions taken against them if found to have violated its *Code of Conduct* and this policy. This could include, among other actions, expulsion, and notification to public agencies. The disciplinary procedure will ensure that the due process of law is afforded in such cases. The procedure for determining whether the expulsion of a member firm is warranted will be conducted confidentially but expeditiously. Member firms should foster and support the enactment of legislation in countries in which they work, which is aimed at curbing and penalising corrupt practices.

Generally CESA will rely on the outcome of enquiries and investigations by approved organisations as outlined in the whistleblower schemes (2.4.3) or legal procedures in order to implement “disciplinary action” against members.

2 Business Integrity Management Framework

2.1 Regulatory Framework

Member firms must above all else, comply with the laws of the country in which they work (eg In SA, the Prevention and Combating of Corrupt Activities Act 12 of 2004 (Sections 12 & 13 specifically)). Member firms are also required to comply with the rules and regulations of their clients (eg the Fraud prevention Strategy (5th Edition) of the SA National Department of Public Works published 1 April 2008 and the CIDB Standard for Uniformity (SFU) amended in 2008). Member firms are required to comply fully with this CESA *Business Integrity Management Guideline* which is now part of the CESA *Code of Conduct*. Failure to comply with the CESA *Code of Conduct* will result in disciplinary action as contemplated in the *Constitution of CESA*.

2.2 Components of CESA Business Integrity Conduct

Business Integrity Conduct includes the wide spectrum of internal and external actions a member engages in, which either supports, remains complacent to or takes

proactive steps against actions which result in corruption in the industry. Internal actions are actions relating to conduct of member firm staff within their own organisation. External action refers to member firm staff conduct with external parties, whether directly or indirectly link to projects undertaken by a member firm.

Members' attention is drawn to the *Model Code of Conduct for Consulting Firms* (Appendix D) and the *Business Integrity Management System Checklist* (Appendix E) of the *FIDIC Guideline for Business Integrity Management System* (2001 as amended).

2.2.1 Internal Integrity

Member firms are required in terms of these guidelines to ensure that the actions of staff and sub-consultants employed by the firm, in their day to day work inside the firm, do not have the potential to lead to corruption. In particular member firms are to ensure that authorisation of their internal processes is in place. These actions and procedures include:

- a. Time sheet checking especially if recorded time gets converted to time charges to clients
- b. Records of photocopies, drawings printed, documents printed and all such disbursements which may be charged to clients
- c. Typing services, computer, telephone and specialist equipment expenditure items where these are charged to clients.
- d. Other disbursements such as kilometres travelled for business purposes, accommodation expenses, and subsistence expenses.
- e. Disbursements and time charges of sub-consultants employed by the member firm
- f. Systems to check the quality and quantity of materials and work certified for payment by clients to third parties.
- g. Declaration to clients if any of your non-executive directors or shareholders is employed by the client body.
- h. Declaration to clients if members of your staff are related by birth or marriage to senior officials in the client body, with this declaration being done at least every two years

2.2.2 External Integrity

External integrity refers to actions of member firm staff with third parties and may be categorised as follows:

a. With client bodies or specific staff members in client bodies

This relates to member firms purchasing gifts, rendering services, providing entertainment and favours to client bodies in exchange for an immediate, past or future benefit for the member firm. This benefit could include influencing a tender or procurement process, acceptance of substitution work, getting paid for work not done or incomplete work etc. Whilst acceptance and giving of gifts are not wrong, it should be appropriate in size and timing and in accordance with clients own rules.

b. Collusion with other firms

Collusion with other firms to fix prices or manipulate service levels to clients in any way will not be tolerated.

c. Collusion with other Service Providers (including contractors)

Collusion with contractors and other service providers, where member firms have been appointed as Independent Consulting engineers to clients, will not be tolerated.

d. Dubious use of agents

The World Bank does not allow the use of agents on projects funded by the bank. If member firms choose to use agents and pay them as members of staff or independent contractors, and if these agents have other links to client bodies, these are to be declared to the client and the funding agent. Clearly defined work instructions and job descriptions are to be provided for such agents and provided that clients accept such agents in writing in the stated capacity, agents may be used.

2.3 Ownership and Awareness

The CEO or Managing Director of the member firm takes ownership and responsibility to ensure compliance with the CESA guidelines

2.3.1 Internal Integrity

The CEO or Managing Director of the member firm is to ensure that communication channels are in place to inform the staff that the firm subscribes to the items listed in paragraph 2.2.1 and that these are subject to scrutiny by CESA, which could result in disciplinary action if the member firm violates such minimum standards.

2.3.2 External Awareness

The CEO or Managing Director is also to inform the client and other stakeholders that the firm complies with this guideline and is accordingly bound by the *CESA Policy Statement on Business Integrity* and the *CESA Code of Conduct*.

Clients should be informed; preferably in writing that this means that they will be obliged to report cases of bribery and corruption or attempted bribery and corruption in terms of the whistleblower schemes (2.4.3).

2.4 Reporting

Business Integrity dilemmas can be resolved by adequate dialogue and reporting. 'One-up' and where necessary 'one-down' reporting should be mandatory within member firms and strongly encouraged between firms, between member firms and CESA as well as member firms and their clients and other stakeholders. In particular, where member firms come across suspected business integrity issues, reporting in terms of the whistleblower schemes (2.4.3) is mandatory.

2.4.1 Internal Reporting

Member firms are required to put in place a reporting system which allows their employees to report internal or external business integrity issues as described in paragraph 2.2. The reporting system must include inter alia the following:

- a. Freedom to report internal business integrity issues without fear of intimidation. Employees are to be provided with the contact details of the whistleblower schemes if they feel uncomfortable to report internally.

- b. The ability to report in anonymity
- c. Ability of employees to report business integrity issues to the Chairman of the Board in the case of companies and to the Trustees in the case of a Trust.
- d. Freedom to report criminal cases directly to the police.

2.4.2 Reporting to CESA

Member firms are required in terms of these guidelines to report unethical behaviour of clients. Unethical behaviour includes soliciting bribes and favours whether or not these have materialised.

Member firms are also required to report unethical behaviour of other member firms and firms practising in the built environment who are not members of CESA, but whose actions constitute unethical business behaviour.

Unethical behaviour between contractors and member firms or contractors and clients should either be reported to CESA or in terms of the whistleblower schemes described in paragraph 2.4.3 below.

2.4.3 Whistleblower Schemes

The various existing whistleblower schemes form part of the CESA *Business Integrity Management Guidelines* in that a further or complementary course of action, in addition to the requirements of 2.4.1 and 2.4.2 above, could be to use these whistleblower schemes to alert the industry of potential or suspected irregular activity in our industry.

CESA does not wish to duplicate whistleblower services in-house but acknowledges the existence of these various whistleblower schemes in the built environment profession. Accordingly all member firms and their employees are encouraged to use *inter alia* any of the following relevant schemes:

1. Construction Industry Development Board (CIDB) “*Tip Offs @ Work*” Toll Free Number: 0800122432
2. Public Service Commission – Toll Free No 0800701701

3. SAPS Crime Stop – 0860010111
4. Whistleblowers – 0860005111

As the CIDB is an independent industry-regulator and further information on procedures and frequently asked questions can be obtained on their website www.tipoffsatwork.co.za, it may be appropriate to use its “*Tip Offs @Work*” as the preferred whistleblower scheme.

Member firms and all individuals are protected in terms of the Protected Disclosures Act 26 of 2000, which became law on 16 February 2001. (Kindly seek legal advice if you are unsure about your level of protection in terms of this act.)

2.5 Training

All member firms are required to bring awareness of these guidelines to their staff and where necessary arrange for training of staff in this regard.

Member firms are also required to bring awareness to their clients that member firms are bound by these guidelines and its contents may be brought to the attention of clients.

2.6 Do's and Don'ts

Do's and Don'ts cannot be regulated as these will be region and circumstance specific. Member firms are encouraged to develop their own internal BIMS with do's and don'ts depending on the market in which they operate and the rules and regulations of their clients as well as the requirements of these guidelines including the mandatory items listed hereunder.

The following is regarded as mandatory for all CESA members:

2.6.1 Client Entertainment

Client Entertainment is allowed provided it is in accordance with the client rules and that apart from business lunches/dinners/breakfasts all other forms of entertainment are conveyed to clients in writing on a 'one-up' basis. No client entertainment is allowed (including lunches/dinners/breakfasts) in the period where clients are 'out to tender' and it is the intention of the member firm to tender for that particular project.

In addition, the frequency of clients being taken to lunches/breakfasts/dinners should be monitored by the member firm.

2.6.2 Gifts, Fees, Services, Entertainment

You may entertain clients, prospects and persons as part of the normal business process but not to a degree that could be interpreted as an attempt to influence their judgement.

You may provide gifts and entertainment of nominal value that are part of the normal business process but you should not provide or accept gifts or entertainment that could be interpreted as an attempt to influence a party's judgement, and you may never provide or accept gifts of cash or securities.

You may never offer or accept bribes, kickbacks or any other types of unusual

payments or discounted services. Special care and attention must be given in your dealings with any third party service provider when acting on behalf of clients and active steps taken to decline or discourage any inducements.

2.6.3 Specific Requests by Clients for gifts/services

Incidents where clients solicit gifts must be reported to CESA or reported under the whistleblower schemes. Member firms are not permitted to agree to specific requests for gifts.

2.6.4 Sponsorships for Travel/Conferences/Client Functions

Whilst clients' travel costs, conference attendance costs and functions held by clients sometimes require sponsorship which may be specifically requested by a client, these may be acceded to provided that letters to and from the client are on record outlining the sponsorship in detail. The costs should only support activities which have a tangible benefit for the client organisation and as such must be sanctioned by the head of the client organisation.

Where a specific sponsorship request from a client exceeds R10 000 (excl VAT), and if the member firm decides to accede to such a request, the request must be forwarded to CESA with knowledge of the client before such payment is made. CESA will have the right to publish and/or inform other members that such a sponsorship is being made.

2.6.5 Donations

Member firms of CESA are discouraged from making sectoral specific donations, whether these sectoral divisions are based on political, gender, religious or ethnic specific affiliations. Member firms are service providers to society at large and as such cover a wide range of sectoral denominations and should therefore be seen as non-partisan. However if members firms do make sectoral specific donations, these should be confirmed in written correspondence to the relevant organisation in an open and transparent way.

2.7 Members Obligations

This CESA *Business Integrity Management Framework* contains minimum high level requirements intended for use by CESA members to develop their own internal BIM Systems. It does not replace the FIDIC guidelines on BIMS and is regarded as the minimum compliance level of CESA members.

2.8 Acknowledgements

CESA wishes to acknowledge the use of excerpts taken out of the FIDIC Guidelines in BIMS in the preparation of this document, including the CESA *Policy Statement on Business Integrity*. CESA also acknowledges the CIDB for allowing CESA members to use its whistleblower contact as the primary contact for its members as well as its assistance during the formulation of this guideline.



PRESIDENT

11 January 2010

Date



CEO

11 January 2010

Date