



CONSTRUCTION
INDUSTRY COUNCIL
建造業議會

Corporate Governance Manual

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1. PROFILE



1. Profile

The Construction Industry Council (CIC) was established on 1 February 2007, being a statutory body incorporated under the Construction Industry Council Ordinance (CICO) (Cap. 587). On 1 January 2008, the CIC amalgamated with the Construction Industry Training Authority. On 1 January 2013, it further amalgamated with the Construction Workers Registration Authority.

1.1 Functions of CIC

Under Section 5 of the CICO, the CIC has the following functions:

- (a) To advise and make recommendations to the Government on strategic matters, major policies and legislative proposals, that may affect or are connected with the construction industry, and on matters of concern to the construction industry;
- (b) To reflect to the Government the construction industry's needs and aspirations;
- (c) To elevate the quality and competitiveness of the construction industry by promoting the ongoing development and improvement of the industry;
- (d) To uphold professionalism and integrity within the construction industry by promoting self-regulation, formulating codes of conduct and enforcing such codes;
- (e) To improve the performance of persons connected with the construction industry through establishing or administering registration schemes or rating schemes;
- (f) To advance the skills of personnel in the construction industry through planning, promotion, supervision, provision or coordination of training courses or programmes;
- (g) To encourage research activities and the use of innovative techniques and to establish or promote the establishment of standards for the construction industry;
- (h) To promote good practices in the construction industry in relation to dispute resolution, environmental protection, multi-layer subcontracting, occupational safety and health, procurement methods, project management and supervision, sustainable construction and other areas conducive to improving construction quality;
- (i) To enhance the cohesiveness of the construction industry by promoting harmonious labour relations and the observance of statutory requirements relating to employment, and by facilitating communication among various sectors of the industry;
- (j) To serve as a resource centre for the sharing of knowledge and experience within the construction industry;
- (k) To assess improvements made by the construction industry through the compilation of performance indicators;

- (l) To make recommendations with respect to the rate of the levy imposed under the CICO;
- (m) To conduct or finance educational, publicity, research or other programmes relating to occupational safety and health, environmental protection or sustainable development in the construction industry; and
- (n) To perform any other functions relevant to the construction industry, including those functions conferred or imposed on it by or under the CICO, the Construction Workers Registration Ordinance (CWRO) (Cap. 583) or any other enactment.

Under Section 6 of the CICO, the supplementary functions of the CIC are as follows:

- (a) To provide training courses for the construction industry;
- (b) To establish and maintain industrial training centres for the construction industry;
- (c) To assist, including by the provision of financial assistance, in the placement of persons who have completed training courses provided for the construction industry; and
- (d) To assess the standards of skills achieved by any person in any kind of work involving or in connection with the construction industry, to conduct examinations and tests, to issue or award certificates of attendance or competence, and to establish the standards to be achieved in respect of any such work.

According to the CWRO, the CIC has the following functions:

- (a) To be responsible for the administration of the CWRO and the supervision of the registration of persons;
- (b) To set the qualification requirements for registration or renewal of registration;
- (c) To make recommendations with respect to the rate of levy; and
- (d) To perform any other functions imposed on the CIC under the CWRO.

1.2 Vision and Mission of CIC

CIC Vision

To drive for unity and excellence of the construction industry in Hong Kong.

CIC Mission

To strengthen the sustainability of the construction industry in Hong Kong by providing a communications platform, striving for continuous improvement, increasing awareness of health and safety, as well as improving skills development.

1.3 Corporate Governance Framework

The CIC is committed to maintaining a high standard of corporate governance with reference to the following:

- (a) “Corporate Governance Code and Corporate Governance Report” issued by the Hong Kong Exchanges and Clearing Limited;
- (b) “Corporate Governance for Public Bodies - A Basic Framework” published by the Hong Kong Institute of Certified Public Accountants; and
- (c) “Good Governance and Internal Control in Public Organisations” issued by the Independent Commission Against Corruption (ICAC).

1.4 Five Cornerstones

In pursuing its vision and mission, the CIC corporate governance framework is supported by the following five pillars:



- (a) Standard of Behaviour;
- (b) Organisation Structure and Business Processes;
- (c) Risk Management and Controls;
- (d) Reporting and Communications; and
- (e) Corporate Citizenship.

2. GOVERNANCE STRUCTURE



2. Governance Structure

2.1 Functions of CIC

The CIC is led by the Council which consists of a Chairman and 24 Members representing various sectors of the industry including employers, professionals / consultants, contractors / subcontractors / materials or equipment suppliers, training institutes / academic / research institutions, trade unions and associations, other persons that fit to be members of the CIC, and public officers. The Chairman and Members are appointed by the Secretary for Development.

2.1.1 Responsibilities of the Council

The Council is responsible for ensuring the functions of the CIC are properly and effectively carried out, including:

- (a) Providing strategic guidance and leadership;
- (b) Setting overall direction;
- (c) Monitoring the organisational and managerial performance of the CIC; and
- (d) Maintaining good communications with stakeholders in the construction industry through various formal and informal communication channels.

2.1.2 Term of Office of Appointed Member

An appointed member holds office for a period not exceeding 3 years as determined by the Secretary for Development, and is eligible for reappointment on the expiry of his / her term of office, but he / she may not serve as such a member continuously for more than 6 years.

2.1.3 Code of Conduct / Conflict of Interest for Members

Members abide by the “Code of Conduct for Members” of the CIC and are required to declare any conflicts of interests and commit high standards of integrity.

GOVERNANCE STRUCTURE

2.2 Committees and Boards

The CIC delegates some of its functions under the remit of the CICO to the Committees and Boards, the Construction Industry Training Board and the Construction Workers Registration Board, as stipulated in the CWRO, for better performance of its functions. Each of the Committees / Boards has its own specialised area of responsibilities. The Committees / Boards are authorised to form subcommittees / task forces / working groups for better performance of the Committees / Boards' functions.



Committee / Board Chairpersons and Members are appointed by the Council. The compositions of the respective Committees / Boards are determined by the Council. As for the statutory boards, the compositions are governed by the CICO and the CWRO.

2.2.1 Executive Committee

In 2018, the CIC transformed the previous Committee on Administration and Finance (Com-ANF) into the Executive Committee (Com-EXE), to enable a more efficient decision-making process in the delivery of CIC's services and initiatives. The Com-EXE would be a forum to discuss new initiatives and brainstorm on strategies.

The Terms of reference of the Com-EXE are as follows:

- (a) To advise the CIC on staff matters, including recruitment, salary and other conditions of service;
- (b) To advise the CIC on general administration matters, including accommodation and facilities;
- (c) To examine and endorse annual estimates of incomes and expenditure and programme of activities prepared by the Management for the approval of the Council;
- (d) To deliberate on policy formulation and emerging issues and to formulate initiatives that are of interest to the construction industry;
- (e) To formulate strategic direction and provide guidance on the long-term development of the CIC; and
- (f) To approve urgent and time-sensitive matters on behalf of the Council except those specifically reserved for the Council under the CICO and to report to the Council on such approval given.

2.2.2 Construction Industry Training Board

Construction Industry Training Board (CITB) was established according to Section 29 of the CICO. The CITB is responsible for discussing and approving the training and trade testing related issues which set the course for the future development of training for the construction industry in Hong Kong.

The Terms of reference of the CITB are as follows:

- (a) To provide training courses for the construction industry;
- (b) To establish and maintain industrial training centres for the construction industry;
- (c) To assist, including by the provision of financial assistance, in the placement of persons who have completed training courses provided for the construction industry;
- (d) To assess the standards of skills achieved by any person in any kind of work involving or in connection with the construction industry, to conduct examinations and tests, to issue or award certificates of attendance or competence, and to establish the standards to be achieved in respect of any such work;

- (e) To advise on manpower planning and development for construction personnel at professional, supervisory and craftsman levels; and
- (f) To foster an ethical culture.

2.2.3 Construction Workers Registration Board

Construction Workers Registration Board (CWRB) was established according to Section 11A of the CWRO, to govern and to provide quality worker registration services for the industry.

The Terms of reference of the CWRB are as follows:

- (a) To set the qualification requirements for registration or renewal of registration;
- (b) To act on and discharge tasks in regard to the CWRO, which include inspection of construction sites, conducting construction workers registration, handling review and appeal cases relating to workers registration, maintaining the Daily Attendance Records of construction sites, and so on; and
- (c) To perform and exercise such other functions or powers as are imposed on it by the CIC.

2.2.4 Committee on Building Information Modelling and Construction Digitalisation

Committee on Building Information Modelling and Construction Digitalisation (Com-BIM&CD) aims to formulate strategies for market transformation, and to promote and facilitate the application of BIM and its related technologies across the construction industry. The Com-BIM&CD also supports the development of BIM related training programmes as well as setting standards and common practices for BIM.

The Terms of reference of the Com-BIM&CD are as follows:

- (a) To formulate strategies for market transformation, promote the use and facilitate the application of BIM, digital construction, and its related technologies in construction industry;
- (b) To promote cross-disciplinary collaboration and adoption of BIM in project delivery processes including planning and design, construction, facility and asset management;
- (c) To develop the CIC as a Centre of Excellence for BIM in the form of a central hub and of the open sharing platform of BIM with specific focus on the following:
 - (i) to develop standards, specifications and common practices for BIM;
 - (ii) to develop and promote good practices in both BIM management and BIM operation;

- (iii) to build capacity, develop and operate BIM Development Ladder, BIM Training Ladder, BIM Professional Registration and Accreditation; and their relating training programmes and implementation programmes; and
- (d) To identify areas which require further investigation, promote research and development for BIM.

2.2.5 Committee on Construction Business Development and Productivity

Committee on Construction Business Development and Productivity (Com-CBD&PRO) aims to foster an efficient and healthy construction market by promoting best practices and innovative solutions in areas such as tendering, project management, quality supervision and risk allocation, innovative construction approaches including robotics and automation, offsite construction, and research and development. It seeks to elevate construction productivity through improved processes, industrialisation, and the adoption of innovative technologies and materials.

The Terms of reference of the Com-CBD&PRO are as follows:

- (a) To compile and update key performance indicators related to the construction industry and review current industry capability and productivity level in the construction industry by introducing measurable indicators for different work trades;
- (b) To deliberate and make recommendations to the construction industry for fostering a more productive and healthy construction market through promoting best practices in areas such as tendering, risk allocation, programming, maintaining liquidity throughout the construction supply chain, project management and quality supervision, while aiming foster a collaborative culture within the construction industry;
- (c) To strengthen the adoption of innovative solutions and techniques for enhancement of procurement, project management, quality supervision and productivity of construction process;
- (d) To conduct, co-ordinate and promote research and development on benchmarking, streamlining, elevating or providing guidelines and reference materials for the productivity of construction process;
- (e) To recommend directions and initiatives to the Council and Boards / Committees for enhancing the industry's productivity and competitiveness; and
- (f) To provide statistics and data analytics on areas in relation to the functions of the committee such as construction productivity.

2.2.6 Committee on Construction Safety

Committee on Construction Safety (Com-CSY) strives to promote initiatives and measures to foster a positive safety culture. The Com-CSY reviews and monitors safety performance in the construction industry and promotes the adoption of new technology to improve safety. To enhance the mechanism of safety management, the Com-CSY also provides guidelines on preventive measures in relation to construction safety.

The Terms of reference of the Com-CSY are as follows:

- (a) To review and monitor safety performance of the construction industry;
- (b) To review and enhance the mechanism of safety management;
- (c) To encourage the adoption of new technology and innovative ideas in construction safety;
- (d) To conduct research on enhancing safety performance of the construction industry;
- (e) To identify and recommend measures for improving safety performance to CIC;
- (f) To promote the adoption of the improvement measures by the construction industry; and
- (g) To nurture a safety culture for the construction industry.

2.2.7 Committee on Environment and Sustainability

Committee on Environment and Sustainability (Com-ENV) aims to promote good practices and sustainable development and to enhance innovation in the construction industry. Academic and industry research is undertaken to provide relevant standards and guidelines for industry stakeholders.

The terms of reference of the Com-ENV are as follows:

- (a) To promote environmental protection and sustainable development in the construction industry;
- (b) To promote good practices in relation to sustainable design and construction;
- (c) To encourage the adoption of new technology and innovative ideas in environmental protection and sustainable development in the construction industry;
- (d) To conduct research for enhancing environmental protection and sustainable development in the construction industry; and
- (e) To advise on the environmental strategy for development of construction standards.

2.2.8 Committee on Mainland Affairs

Committee on Mainland Affairs (Com-MA) aims to enhance communication, cooperation and

business collaboration in construction industry with relevant Mainland enterprises and non-government institutions and better serve the sustainable development of the construction industry in Hong Kong.

The terms of reference of the Com-MA are as follows:

- (a) To facilitate the integration of Hong Kong's construction industry into the national development by enhancing communication, cooperation and business collaboration with relevant Mainland enterprises and institutions;
- (b) To assist stakeholders in the Hong Kong construction industry to participate in the Mainland's development;
- (c) To promote the understanding and application of innovative building technologies from the Mainland in the Hong Kong construction industry to enhance technological innovation, competitiveness and knowledge transfer;
- (d) To assist in facilitating the alignment and mutual recognition of standards and qualifications between the Mainland and Hong Kong in the construction sector;
- (e) To assist in sourcing the Mainland supply chain for Hong Kong construction industry;
- (f) To facilitate knowledge exchange and cooperation in construction industry training between the Mainland and Hong Kong; and
- (g) To foster a better understanding of the Mainland and the construction industry development for the youths in Hong Kong and enhance their awareness of national affairs.

2.2.9 Committee on Registered Specialist Trade Contractors Scheme

Committee on Registered Specialist Trade Contractors Scheme (Com-RSTCS) established under the CIC is to oversee the operations of the registration scheme as well as to take necessary regulatory actions.

The terms of reference of the Com-RSTCS are as follows:

- (a) To implement the recommendations of the University of Hong Kong's Research on "A Roadmap to Enhance the Subcontractor Management Mechanism in Hong Kong";
- (b) To steer the operations of the Registered Specialist Trade Contractors Scheme and the Subcontractor Registration Scheme (collectively, the Scheme), including but not limited to making recommendations on scope of trades, registration requirements, and any enhancements to the Scheme;
- (c) To review and approve registration applications of Registered Specialist Trade Contractors (RSTCs) and Registered Subcontractors (RSs);

- (d) To take regulatory actions against RSTCs or RSs violating rules under the Scheme; and
- (e) To promote the adoption of the Scheme by the industry.

2.2.10 Construction Innovation and Technology Application Centre Management Board

Construction Innovation and Technology Application Centre (CITAC) Management Board oversees the CITAC in exploring and identifying innovative technologies from local and international organisations. It is the governing body on the operation and the implementation of research activities of the CIC.

The terms of reference of the CITAC are as follows:

- (a) To explore and identify innovative techniques and technologies, both locally and internationally, that are suitable for adoption in the Hong Kong construction industry for improvement of its productivity, sustainability and safety;
- (b) To serve as a knowledge hub by collecting, showcasing and promulgating the latest local and overseas construction technologies with a view to promote their implementation and application;
- (c) To establish a global research network and serve as a collaboration platform with a view to encourage interdisciplinary research activities and collaboration; and
- (d) To cultivate and nurture a culture within the construction industry that is receptive and conducive to continuous innovation.

2.2.11 Zero Carbon Building Management Board

CIC - Zero Carbon Park (CIC-ZCP) was set up as a company limited by guarantee and governed by an Articles of Association under the Company Ordinance (Cap. 622). It is governed by a Board of Directors appointed by the Council and consists of top green building specialists, engineers and key stakeholders who steer the development of CIC-ZCP.

2.2.12 Management Committee on Construction Innovation and Technology Fund

Management Committee on Construction Innovation and Technology Fund (MC-CITF) was set up in 2018 to oversee the CITF operations.

The terms of reference of the MC-CITF are as follows:

- (a) To formulate and recommend for the Council's approval, the operational framework of the CITF;

- (b) To ensure the CITF is operated properly and efficiently in accordance with the approved operational framework;
- (c) To report to the Council on the operation of the CITF; and
- (d) To decide on all matters relating to the CITF operation as and when required, subject to the Council's ultimate decision.

2.2.13 Building Information Modelling Certification and Accreditation Board

Building Information Modelling Certification and Accreditation Board (BIMCAB) steers the implementation of the BIM Certification and Accreditation Schemes (BIMCAS) of the CIC to accredit BIM manager or coordinator training courses provided by local course providers in BIM standards, management, collaboration and coordination to personnel, and to certify BIM personnel as BIM managers or coordinators to meet the needs of BIM implementation of the construction industry.

The terms of reference of the BIMCAB are as follows:

- (a) To steer the implementation of the BIM Certification and Accreditation Schemes (the Schemes) of CIC, including the scope, quality of personnel and training courses, and the rules and regulations applied;
- (b) To set up its operational framework and approve the members of the BIM Assessment Panels (BIMAPs);
- (c) To review the efficacy of the Schemes, taking into account the advice provided by BIMAPs, in facilitating the industry in adoption of BIM technology;
- (d) To report to the Council on the operation of the Schemes;
- (e) To approve / disapprove the assessment of the applications recommended by BIMAPs;
- (f) To decide on all matters relating to the policy and operation of the Schemes as and when required, subject to the Council's ultimate decision; and
- (g) To arrange a BIMAP for reassessment of an application as requested by the BIM Appeal Board (BIMAB).

2.2.14 Building Information Modelling Appeal Board

BIM Appeal Board (BIMAB) is responsible for reviewing and adjudicating the appeal cases in relation to the decision made by BIMCAB. Its decision is final.

The terms of reference of the BIMAB are as follows:

- (a) To review the appeal against decision made by BIMCAB for application or complaint cases, taking into account the relevant documentation, in order to reach a reasonable and independent decision;
- (b) To set up the operational framework of Appeal Board;
- (c) To make a decision to request the BIMCAB for reassessment of the appellant under appeal review; and
- (d) To report to the Council if it considers that the issue requires the attention of the Council.

2.2.15 Audit Committee

Audit Committee (Com-AUD) was formed in 2018 to supervise the work of the Internal Audit Department, as well as to oversee corporate governance, compliance, financial reporting, internal controls, risk management and audit matters of the CIC.

The terms of reference of the Com-AUD are as follows:

- (a) To assist the Council fulfill its corporate governance and overseeing responsibilities of the CIC (with member organisations), including financial reporting, internal control, risk management, internal and external audit functions as well as compliance with policies, regulations and relevant legislations;
- (b) To oversee the work of the Internal Audit Department, to review findings and management's responses to the recommendations made;
- (c) To oversee the external audit process:
 - (i) to make recommendations to the Council on the appointment of external auditors, audit fees and any related matters;
 - (ii) to review annual audit report and any matters raised by external auditors;
- (d) To approve the engagement of any external consultants to conduct review if necessary; and
- (e) To assist the Council in dealing other relevant issues.

2.2.16 Objections Board

Objections Board (OB) was established under Section 54 of the CICO to deal with objections to levy or surcharge raised by the contractor. By virtue of Section 56 of the CICO, the OB has the power to confirm, cancel or reduce the levy or surcharge. It also ensures appeals and objections raised on levy by the industry are addressed in a timely manner.

The OB aims to determine objections to levy and surcharge made under Section 55 of the CICO and under Section 29 of the CWRO.

2.2.17 Construction Industry Sports & Volunteering Programme Committee

The establishment of the Construction Industry Sports & Volunteering Programme (CISVP) Committee is to better steer and promote sports and volunteering in the industry as well as to develop a long-term partnership with key industry stakeholders.

The terms of reference of the CISVP are as follows:

- (a) To steer the development of CISVP;
- (b) To promote CISVP to the wider population of the construction industry;
- (c) To encourage setting up company sports clubs and volunteering teams at company or association; and
- (d) To support CISVP events including but not limited to proactive promotion and participant recruitment.

2.2.18 Hong Kong Institute of Construction Management Board

Hong Kong Institute of Construction (HKIC) was set up as a company limited by guarantee governed by the Articles of Association under the Company Ordinance (Cap. 622). Being a member organisation of the CIC, the HKIC Management Board (HKICMB) shall report and be accountable to the CITB.

The terms of reference of the HKICMB are as follows:

- (a) To formulate strategies for the development of HKIC, taking into account of industry input and developments in the vocational and professional education and training (VPET) sector;
- (b) To ensure efficient and effective management of the Institute to realise its vision and mission;
- (c) To prepare and submit 3-year Strategic Plan and Annual Plan to CITB for endorsement on an annual basis;
- (d) To prepare and submit Annual Report to CITB;
- (e) To oversee and ensure quality provision of the Institute's programmes and services;
- (f) To decide on the Institute's policies and guidelines on programme planning, development, delivery and review; and

- (g) To approve programme proposals, including admission requirements, programme objectives, intended learning outcomes, and syllabuses.

2.2.19 Council and Committee / Board Meetings

The key procedures in place include:

- (a) Bi-monthly meetings are held by the CIC and the Executive Committee, while committees and boards in general meet at least quarterly;
- (b) The meeting schedule is set at the beginning of each year to allow Members to reserve time to attend;
- (c) Meeting notices are issued to Members 14 calendar days before the meeting;
- (d) Members are provided with agenda and papers or information regarding the topics to be discussed 7 calendar days before the meeting is convened;
- (e) The Executive Director and senior management attend the meetings to present the papers and provide further information and explanations to the issues where appropriate. However, they have no voting rights and may not influence the decision making process;
- (f) The Management of the CIC, under the leadership of the Executive Director, will follow up on the execution of the strategic directions set by Members and report progress from time to time;
- (g) Members are required to sign the attendance sheet at the meeting. Meeting attendance and proceedings are documented in minutes recorded by the relevant Secretariat;
- (h) Minutes and discussion points of each agenda item are circulated to Members no later than 21 calendar days after the meeting for comment. Minutes are reviewed and approved in the subsequent meeting;
- (i) Minutes of the meetings (except those of the Executive Committee, the Audit Committee, the Objections Board, the Management Committee on Construction Innovation and Technology Fund and the closed-door sessions of meetings of the CIC) are posted to the CIC website for reference of the stakeholders and the public;
- (j) Members are required to declare conflict of interest, if any, before commencement of discussion of the concerned agenda items. These declarations and the actions taken, such as a Member refraining from participating in the discussion of the concerned item, will be documented in the minutes;
- (k) Members can access to expertise to discharge their responsibilities upon obtaining proper approval where appropriate; and
- (l) Quorum required by the Council meetings and statutory boards meetings is set down under the CICO and CWRO.

2.3 Executive Director

The Executive Director is a non-public officer and a separate individual from the CIC Chairman and Members. The Executive Director is responsible to the Council for the management, conduct and administration of the CIC and shall perform his functions as the Executive Director subject to the Council's directions.

The major duties include:

- (a) Formulating policies and procedures, coordinating, monitoring and overseeing the various operational aspects of the CIC;
- (b) Formulating strategies and proposals in connection with the future planning and development of the CIC's operational functions;
- (c) Acting on behalf of the CIC to ensure the approved policies are properly carried out and the agreed initiatives are duly implemented;
- (d) Representing the CIC in established committees and boards of the governmental / non-governmental organisations; and
- (e) Liaising with the relevant industrial and other bodies on the furtherance of their objectives and on the future development of the CIC.



3. STANDARD OF BEHAVIOUR



3. Standard of Behaviour

Good corporate governance counts on staff who demonstrate utmost integrity in carrying out their duties. Standard of behaviour thus is the first of the five cornerstones which states the CIC expectations on its staff's behaviour.

3.1 Ethics

- 3.1.1 All staff (full-time, part-time and temporary) are required to observe the policies and procedures and the code of conduct laid down by the CIC in order to implement the strategies and directions as determined by the CIC and the Committees / Boards.
- 3.1.2 All staff should exercise their utmost vigilance to abide by the “Code of Conduct for Staff”, keep in confidence and trust all proprietary information and comply with the relevant legislation such as intellectual property rights and copyrights during their daily work.
- 3.1.3 The “Code of Conduct for Staff” sets out the basic standards of conduct expected of all staff and the CIC's policy on acceptance of advantages and conflicts of interests in connection with one's official duties.
- 3.1.4 Staff are required to obtain prior approval on outside employment. Moreover, staff are also obligated to report any actual or potential conflicts of interests. Such reports will be assessed to determine if any refrain or follow-up actions are necessary.
- 3.1.5 A staff who is found to have breached any of the clauses of the “Code of Conduct for Staff” will be subject to disciplinary actions and may, in some circumstances, be passed to relevant organisations for prosecution under the Prevention of Bribery Ordinance or other relevant laws where it relates to bribery or corruption issues.
- 3.1.6 As industry practitioners, all staff are required to observe and apply the “Code of Conduct for Personnel in the Construction Industry” where applicable in connection with one's official duties.

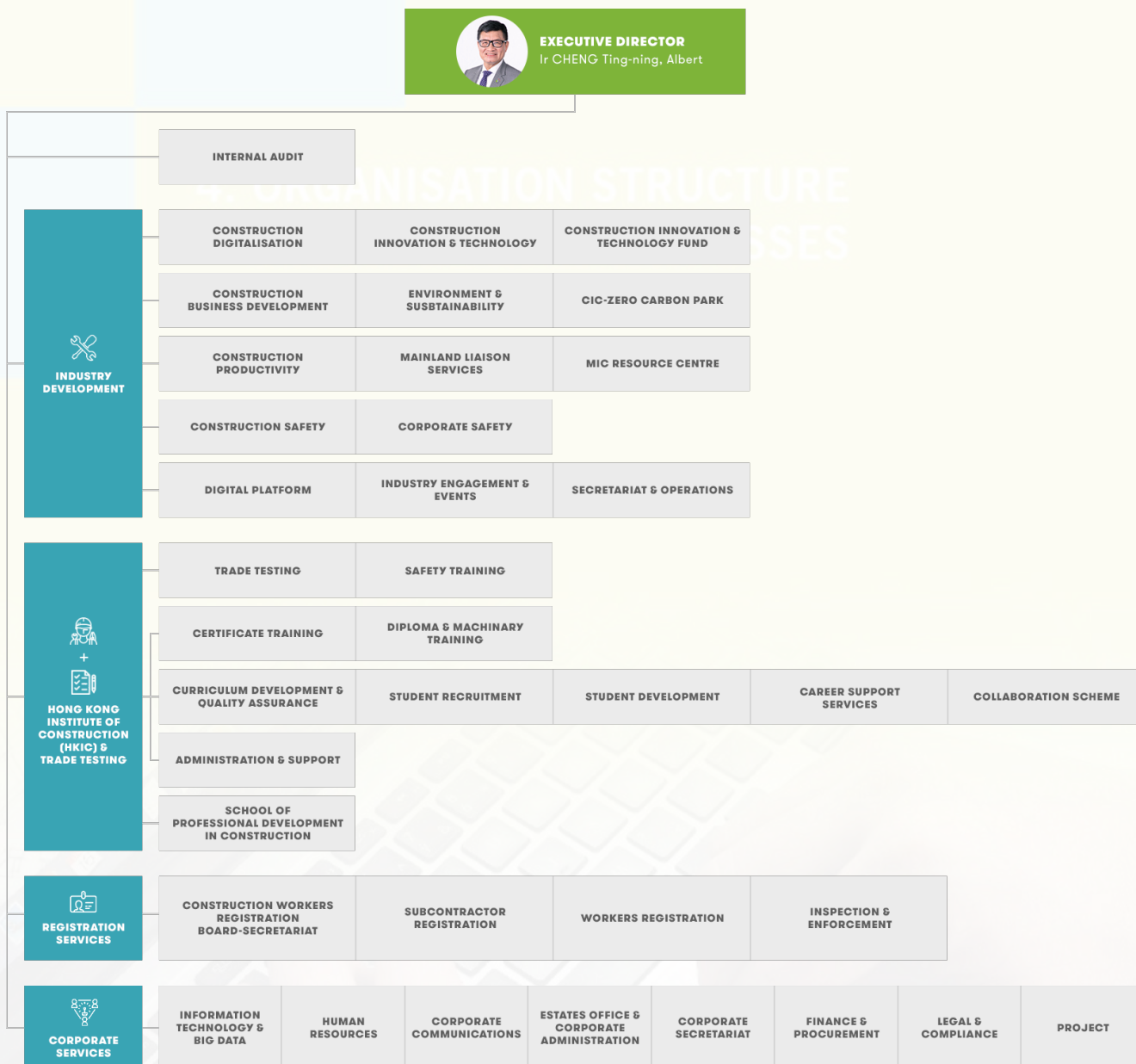
4. ORGANISATION STRUCTURE AND BUSINESS PROCESSES



4. Organisation Structure and Business Processes

4.1 Organisation Structure

4.1.1 The organisation structure of the CIC under the leadership of the Executive Director is illustrated in the organisation chart below:



4.1.2 Each function is under the leadership of managerial staff who directly reports to the Executive Director or the Directors / Assistant Directors except for Internal Audit. The Internal Audit Department reports functionally to the Audit Committee and administratively to the Executive Director.

ORGANISATION STRUCTURE AND BUSINESS PROCESSES

- 4.1.3 Each function has its own defined roles, duties and responsibilities and collaborates with others to ensure a smooth operation of the CIC at all times.
- 4.1.4 Department heads and managerial staff are accountable for defining and maintaining the effective and efficient operations of the respective departments and campuses within the organisation structure.
- 4.1.5 Each staff has his defined duties as specified in the job description. However, this does not prevent staff from engaging in new projects / initiatives which is part of their career development.

4.2 Business Process and Internal Controls

- 4.2.1 Key business processes are governed by the defined policies and procedures to provide a reasonable assurance regarding the achievement of objectives in relation to the following:
 - (a) Effectiveness and efficiency of operations;
 - (b) Reliability of internal and external reporting;
 - (c) Effective utilisation of resources; and
 - (d) Compliance with applicable laws, regulations and internal policies, including corporate governance policies.
- 4.2.2 The Management is responsible for ensuring that an effective system of internal controls is in place and that it operates effectively.

4.3 Human Resources Policy

- 4.3.1 Human Resources plan is established to define the structure of personnel and the level of competency required to meet the CIC's objectives and development.
- 4.3.2 The Human Resources policies have taken into account the following:
 - (a) Effectiveness and efficiency of operations;
 - (b) Reliability of internal and external reporting;
 - (c) Effective utilisation of resources; and
 - (d) Compliance with applicable laws, regulations and internal policies, including corporate governance policies.
- 4.3.3 With the advancement of new technologies, the Human Resources Department rolled out a Mobile App, "HRConnect". Through "HRConnect", CIC staff can receive instant news from the CIC and retrieve useful information over mobile phones.

ORGANISATION STRUCTURE AND BUSINESS PROCESSES

- 4.3.4 Various modules have been added to the Human Resources Management System (HRMS) to automate various processes, including leave application, probation assessment, training subsidy application, dental subsidy application, etc.
- 4.3.5 The e-Recruitment module was implemented to enhance the selection and hiring process.
- 4.3.6 Remuneration to all staff mainly takes reference of the master pay scale of the Government and the private market rate. The remuneration policy of the CIC is reviewed annually, taking into account the general economy and market situations. No individual can determine his own salary and benefits.
- 4.3.7 The CIC puts strong emphasis on continuous learning. A Staff Development Policy is in place to encourage staff to learn and develop, and subsidise staff to attend courses, seminars and site visits subject to the necessary approvals being obtained.
- 4.3.8 The CIC develops and instigates a corporate culture amongst CIC staff by implementing the CIC corporate culture building journey to recognise the core values of the CIC as “Caring, Integrated, Committed”.



5. RISK MANAGEMENT AND CONTROLS



5. Risk Management and Controls

The CIC vision and mission spell out the CIC's commitment to the construction industry of Hong Kong. The risk assessment and management model is built to analyse those factors which may hinder the CIC from achieving the vision and mission.

5.1 Risk Management

- 5.1.1 With the vision and mission, the CIC establishes a 3-year strategic plan which sets the direction of operation for the coming years taking into consideration the stakeholders' expectations and industry needs.
- 5.1.2 A dedicated risk management mechanism is established. Under the mechanism, views from all managerial staff are solicited to identify top tier risks the CIC is facing. Forums facilitating the discussion of strategies to manage the identified risks are held where appropriate. The risk management mechanism lays down a defined way to assess risks and increase the awareness of staff in relation to risk management.
- 5.1.3 Meetings are regularly held at management level, as well as inter and intra departmental levels to provide timely updates on topical issues, manage risks arising and plan ahead for any changes of risk profile.
- 5.1.4 Senior management meets regularly with the ICAC to uphold the leading practices and measures in corruption prevention.
- 5.1.5 The Internal Audit Department adopts risk-based methodology to formulate internal audit plans and conduct audits. The review covers all material controls in terms of strategic, financial, operational and compliance areas.

5.2 Internal Audit

- 5.2.1 The Internal Audit functions, as specified in the "Internal Audit Charter" of the Internal Audit Operation Manual, include:
 - (a) Developing a flexible annual audit plan using risk-based methodology covering reviews of all material controls, including financial, operational and compliance controls and risk management functions. The key focus is on accountability, compliance and efficiency;
 - (b) Formulating the internal audit plan based on the significant risks or exposures identified where applicable;
 - (c) Implementing the annual audit plan, as approved, including as appropriate any special tasks or projects requested by the Management and the Com-AUD; performing compliance reviews with the laid down policies, procedures and requirements;

- (d) Discussing with the Management and the Com-AUD the adequacy of CIC's internal controls (including corporate governance, information systems and security); related significant findings and recommendations, together with the Management's responses to resolve the issues or improve the processes;
- (e) Assisting in the investigation of suspected fraudulent activities within the CIC when requested, and notifying the Management and / or the Com-AUD of the results;
- (f) Coordinating with the external consultants engaged by the CIC where appropriate, to ensure an appropriate level of coverage in review, reduction of redundant efforts and the effective use of audit resources;
- (g) Reporting to the Com-AUD and / or the Management direct for any major issues encountered in relation to the internal audits; and
- (h) Keeping the Com-AUD and the Management informed of emerging trends and leading practices in internal auditing.

5.3 External Audit

- 5.3.1 The appointment, re-appointment and removal of the External Auditors are determined by the CIC on the recommendation of the Com-AUD.
- 5.3.2 The External Auditors form an independent opinion, based on their audit, on the annual financial statements of the CIC and report their opinion in accordance with the Ordinance, Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The External Auditors shall advise the Com-AUD on any deviations from the laid down accounting policies applied across the CIC.
- 5.3.3 The External Auditors advise on any recent or anticipated change of accounting principle(s) that may impact the current year or future audits. The Management can get prepared for the transition where applicable.
- 5.3.4 The independence of the External Auditors is strictly upheld that any non-audit work to be performed by the External Auditors requires pre-approval from the Com-AUD after considering the nature of services, the benefits to the CIC and any adverse effects on the independence of the audit work.

5.4 Financial Management

- 5.4.1 The CIC is accountable to the construction industry for the effective and efficient delivery of its objectives and the proper use of levy incomes collected from the industry. The following principles are applied for every spending:

RISK MANAGEMENT AND CONTROLS

- (a) Funds should be spent within the budget and according to the ambit for which they were approved, exceptional cases should be properly pre-approved before spending;
- (b) The applicable procurement guidelines should be adhered to;
- (c) Funds should be spent for goods and services that are “value for money”; and
- (d) Principles of exercising strict economy and identification of more economical alternative are upheld as far as possible.

5.4.2 For annual planning and control purposes, annual budget is approved by the Council. The financial performance is tracked monthly through the budget and actual variance analysis.

5.4.3 Authorisation limits are established for the review and approval of different levels of capital and operating expenditures. Authority is assigned to positions not individuals. Such assignment takes into account:

- (a) The relationship between the nature of expenditure and the responsibility and stewardship of that position;
- (b) No individual shall approve his own expenses;
- (c) Reporting line according to the organisation structure; and
- (d) Materiality of the contractual arrangement or expenditure to the CIC.

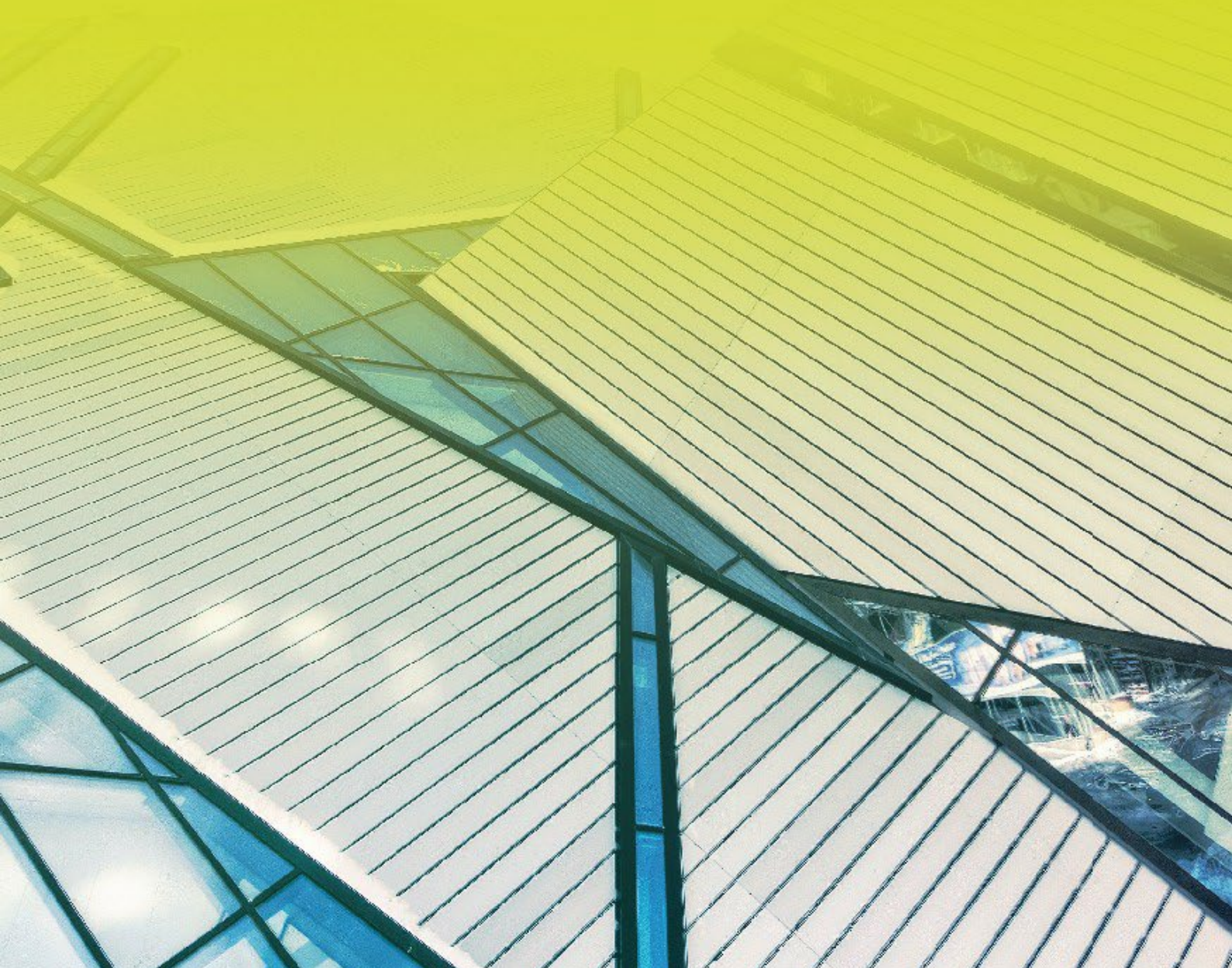
5.5 Performance Management

5.5.1 The CIC has established a robust performance management system consisting of the performance indicators and targets for the departments and campuses. It is an effective channel to communicate what the CIC expects from the staff. It aims at driving continued improvements to the operations and in turn ensures sustainability of the CIC.

5.5.2 Individual performance is measured under the Performance Management and Development System (PMDS) which has close linkage to the achievement of goals of the CIC.



6. REPORTING AND COMMUNICATIONS



6. Reporting and Communications

To enable the industry stakeholders and the public to understand how the CIC achieves its vision and mission, the CIC emphasises the significance of transparent disclosure of its operations and the related information.

6.1 Stakeholder Communications

- 6.1.1 Members and senior management have close connection and relationship with the industry stakeholders, including the Government, developers, contractors, subcontractors, graduates of the Hong Kong Institute of Construction and industry-related chambers, associations and institutions, through Committee, Board and Task Force meetings, training sessions and presentations. The CIC proactively updates the stakeholders on the initiatives undertaken by the CIC to foster consensus on industry issues.
- 6.1.2 The CIC regularly organises luncheons, seminars, forums and conferences for the construction industry aiming at providing an effective communication channel for the industry practitioners to exchange views and establish a close collaboration between them and the CIC.
- 6.1.3 Training and trade testing information is regularly reported to the relevant stakeholders to update the industry with up-to-date workforce trends. Training and trade testing statistics, which are updated periodically, are posted to the CIC website for public access.

6.2 Disclosure of Information

- 6.2.1 The CIC prepares an annual report providing details regarding the past year's activities and the upcoming initiatives. It also discloses the financial results and the auditors' report. The annual report is available at the CIC website for public access.
- 6.2.2 The CIC strictly adheres to the CICO requirements to submit the report of activities, statement of accounts and the audit report within 6 months after the end of a financial year to the Secretary for Development who shall table the documents to the Legislative Council.

6.3 Internal Communications

- 6.3.1 Senior management has regular face-to-face meetings and discussions with staff, on an individual or a group basis, to directly communicate the management expectations to and collect views from staff.
- 6.3.2 The open communication environment encourages staff to report any malpractices directly to senior management where necessary.

