

GUIDELINES FOR INTEGRITY MANAGEMENT IN THE CONSULTING INDUSTRY

FIDIC is the International Federation of Consulting Engineers

FIDIC was founded in 1913 by three national associations of independent consulting engineers within Europe. The objectives of forming the federation were to promote in common the professional interests of the member associations and to disseminate information of interest to members of its component national associations.

FIDIC membership at present numbers over 60 countries from all parts of the globe. The federation represents most of the private practice consulting engineers in the world.

FIDIC arranges seminars, conferences and other events in the furtherance of its goals: maintenance of high ethical and professional standards; exchange of views and information; discussion of problems of mutual concern among member associations and representatives of the international financial institutions; and development of engineering consulting in developing countries.

FIDIC publications include proceedings of various conferences and seminars, information for consulting engineers, project owners and international development agencies, contract documents and client/consultant agreements. They are available from the Secretariat in Switzerland, and at www.FIDIC.org/bookshop.

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Preface

Throughout its history, FIDIC has exercised its mandate in the preparation of various documents, contract forms, guides and manuals to assist consultants worldwide to perform and deliver services to their clients. These publications have facilitated the business practice of consultants to establish standards or norms which are used by a large and increasing number of consultants and their clients.

Some of the documents, for example contract forms, are very specific, while others are more of a guideline. All FIDIC products have benefited from the contributions of a number of volunteer members in their production. The present Guidelines are no exception.

These Guidelines have been developed as a living document, subject to periodic review and updating in order to provide consultants with comprehensive documentation on Integrity Management. The document will be supplemented and enhanced as more experience is gained in its application.

The Guidelines set out reasons why consultants should apply Integrity Management in all of their work, and provide an introduction to initiating the integrity management process in their firms.

In many firms, the development of an Integrity Management System (IMS) will often be accompanied by

improved business practices designed to enhance the quality of business management. FIDIC Member Associations and their member firms are encouraged to take advantage of the *FIDIC Training Kit on Integrity Management*, of the professional seminars and published material offered by FIDIC and others on the general subject, and to customize the material for their own specific requirements. For further information, reference is made to Appendix E.

FIDIC's initiative on Integrity Management was strongly supported by The World Bank's proposal, made during the *Biennial Meeting of the Lending Agencies with the Consulting Industry (BIMILACI)*, Washington DC, USA, 1999, to create a Joint Working Group on Integrity, under FIDIC's leadership, with participation by the Inter-American Development Bank and the Pan-American Federation of Consultants (FEPAC).

The Test Edition of these Guidelines were prepared and edited by the Joint Working Group under the chairmanship of Dr. Felipe Ochoa, Mexico. Significant contributions were made by Stan Kawaguchi, USA, Dr. Jorge Díaz Padilla, Mexico, Fatma Çölaşan, Turkey; and José Speziale, Argentina.

FIDIC and FEPAC would be pleased to receive suggestions for improvement, and feedback from the users of these Guidelines on their usefulness.



1 Introduction

These *Guidelines for Integrity Management in the Consulting Industry* have three main aims:

- To provide background information on, and an introduction to, Integrity Management, with convincing evidence that member firms must adopt effective Integrity Management practices, focused on a step-by-step process through involvement of all of the firm's staff.
- To outline what constitutes an Integrity Management System for consulting firms.
- To outline the steps to be followed in order to initiate the implementation of an Integrity Management System in a consulting firm.

1.1 Background

1 Widespread concern

It is evident that corruption has been a fact of life since the early history of mankind. Its forms have changed over time, and most of the world is increasingly aware of the pervasive nature of this plague, particularly in our era of economic globalization. Today, it is hardly in dispute that both developed and developing countries carry a shared responsibility, be it on the demand side or the supply side of corruption.

There has been a dramatic change of attitude since the early-1990s when it became evident that corruption is extremely harmful to development. This change of attitude was due not only to an increased awareness of widespread corruption, but also because of a perceived increase in the systemic financial risk that was building up as a natural consequence of economic globalization. These factors gave rise to the first successful international initiatives against corruption.

A global consensus has steadily developed over the past five years that corruption is not only wrong, but also destructive to economic development and free market systems in an era of globalization¹.

The work of the OECD, which was initiated in 1989 by the United States, brought the issue of corruption to the centre of public attention. The rationale was initially driven by a first-world agenda: to establish a level playing field for commerce among the major worldwide competitors, by ensuring that corruption did not become a market barrier.

The immediate consequence was that in 1994 the Organization of American States and the European Union started work on fighting corruption, and a non-governmental organization called Transparency International was founded.

The OECD recommendation of 1994, in which industrialized nations pledged to undertake efforts to reduce the supply-side of bribery worldwide, was a catalyst for other initiatives. It became the seedbed for the December 1997 OECD Convention on bribery which was co-signed by 34 countries.

Also crucial was the move by The World Bank in 1996 to fundamentally redefine its policy on corruption, and to take on a much more proactive stance in public statements, and in procurement guidelines for everyday practice. Shortly afterwards, the International Monetary Fund, the World Trade Organization, and other regional development banks such as the Inter-American Bank and the Asian and African Development Banks, began focusing on ways to reduce corruption. Recently, The World Bank appointed a Director for Institutional Integrity to address the issue.

The active involvement of the World Bank has been central to the anti-corruption "revolution" now underway. The U.S. Under-Secretary of State, addressing the *OECD Washington Conference on Corruption* in January 1999, highlighted the serious nature of international corruption. As an example, corruption was stated as being one of the main causes for the Asian financial crisis in late-1998, which nearly led to a worldwide financial breakdown.

1 Introduction

1.2 FIDIC's initiative

Consultants in both developing and industrialized countries are confronted with the hazards of corruption in their every day work, particularly when it comes to government procurement.

FIDIC, as the world's leading organization representing the international consulting engineering industry, formally raised the issue during its annual conference in Istanbul in 1995. A policy statement on corruption was issued in 1996 as the first step in exploring ways, together with the large multilateral funding institutions, to protect the consulting engineering industry from exposure to corruption.

FIDIC's policy statement concludes that corruption is basically wrong because it undermines the values of society, breeds cynicism and demeans the individuals involved. It is more than stealing funds, it is stealing trust.

A formal effort to identify specific courses of action that could lead to reduced corruption in consulting began in 1998. This led to the proposal to develop a practical tool, namely a comprehensive Integrity Management System (IMS) for consulting firms. An Integrity Management Task Force was mandated by FIDIC's Executive Committee to develop such a system.

The Task Force presented its initiative to the multilateral banks during the 1999 *Biennial Meeting of the International Lending Agencies with the Consulting Industry (BIMILACI)*². The World Bank enthusiastically endorsed the initiative, and proposed the creation of a Joint Working Group on Integrity (JWGI) under FIDIC's leadership, with the Inter-American Development Bank and the Pan-American Federation of Consultants

(FEPAC) joining the Group at the same time as members.

The JWGI worked on the development of the guidelines for an Integrity Management System which are presented in this document, as well as on the recommended action plan to be pursued by the international funding institutions to support the work of FIDIC and FEPAC member firms.

In view of the pursuit of the world-wide harmonization in standards, and the removal of barriers to international trade in services based on the International Standards Organization's standards, the guidelines for the IMS proposed by FIDIC have been structured to reflect a standards-based approach. This allows for the possible eventual proposal of an IMS standard if the development of such a standard proves to be both feasible and advisable.

In view of the mounting and irrevocable pressure from law enforcement agencies, governments and international organizations, FIDIC's recommendations to its Member Associations to support the IMS is a timely policy. FIDIC and its member firms must maintain the momentum by focusing on practical methods to bring about change in everyday working practice. This will yield enhanced awareness, credibility and respect with the international funding institutions, governments, and other organizations involved in project delivery.

FIDIC has started a pilot programme to implement the IMS, and has engaged volunteer Member Associations and some of their member firms to develop trial applications.

1 Introduction

1.3 Why firms should adopt an IMS

1 The only way to stay in business

FIDIC firmly believes that in the medium- to long-term, the existence of an Integrity Management System will be crucial for successful consulting firms. The pursuit of integrity, like the pursuit of sustainability, will be a prerequisite for FIDIC's member firms. Maurice Strong, addressing FIDIC's 2000 Annual Conference in Hawaii, reminded the Federation that "moral and ethical principles should guide the organization to implement sustainability".

In communicating this message on Integrity Management, FIDIC has received the support of The World Bank and the Inter-American Development Bank. In the biennial meetings with international funding institutions, the first item on the agenda has been to report progress on initiatives to combat corruption.

2 Integrity pays off

FIDIC is convinced that integrity pays off. If corruption is considered to be a cost of doing business, eliminating it will reduce costs and increase the volume of work. A strong anticorruption legal framework will make it too costly not to comply. In addition to cost becoming an issue, commercial risk will increase substantially, since the international anticorruption strategy is to increase the risk associated with corrupt practices.

The North American Development Bank requires companies to certify that they will not bribe either foreign or domestic officials involved with any of its funded projects. These companies have responded by instituting anti-bribery policies; they have had no convictions for bribery over the last five years.

3 The economics of integrity

It makes economic sense to curb corruption, since it is a zero-sum-game, with the cost paid for by society. It is also becoming evident that the world cannot accept the potential systemic financial risk that could be generated by corrupt practices. A legal framework to help limit risk has been put place, and is being strengthened.

By leading the initiative to curb "supply side" corruption, the consulting industry will be in a position to regain its spearheading role in society, and to set in place the terms for Integrity Management, instead of having international pressure establishing them on the industry's behalf.

In the case of the consulting industry, the harmonization of government procurement practices includes strong prerequisites to curb corrupt practices.

1 Introduction

1.4 The integrity management concept

1 A business imperative

A firm's procedures will have to conform more and more to generally accepted "best practices" for it to operate successfully in an increasingly globalized world while subjected to the competitive pressures of a free market. In particular, ethical behaviour toward all of the firm's stakeholders - clients, suppliers, owners, employees and society in general - must be foremost and visible.

Integrity Management calls for an internal system within the consulting firm that is designed as an effective tool to prevent corrupt behaviour, and to encourage integrity.

2 Complementary to Quality Management

FIDIC continuously promotes best practices in consulting work, and strongly recommends that member firms adopt Quality Management to enhance the quality of business. The implementation of a Quality Management System is a step-by-step process that entails a serious commitment on the part of the firm in terms of policies and resources, regardless of the size of the firm.

engaged in quality management. It should be implemented within frameworks similar to those used for Quality Management, and be totally compatible with the ISO 9000 family of quality management standards. Consequently, the IMS proposed by FIDIC can be operated independently, concurrently or in parallel with a firm's Quality Management System.

From the outset, FIDIC instructed its Integrity Management Task Force to develop the Integrity Management System (IMS) concept in a complementary fashion to established Quality Management systems. The IMS should be designed so that it would add value and generate economies of scale for consulting firms

This document does not refer to a particular integrity standard since Integrity Management is an innovative concept. However, it parallels in structure, if not in content, the system for Quality Management proposed by FIDIC to its member firms in the *FIDIC Guide to Quality Management*³.

2 Integrity management in the consulting industry

2.1 FIDIC and Integrity Management

Consulting in general, and consulting engineering in particular, have evolved and flourished to become major industries worldwide. Member firms are increasingly considering greater participation in foreign markets. They would like to do so without concerns about corruption, and be assured of competitive bidding on equal terms.

Since 1985, with the growing importance attached to corruption, clients are increasingly requiring assurance that consulting firms operate an Integrity Management System

(IMS). This is especially so in government procurement where the implementation of adequate anticorruption measures is becoming a condition for awarding work. Pioneering member firms agree that a functioning IMS will enhance future business, so they are positioning themselves to anticipate this irreversible trend. Meanwhile, forward-looking FIDIC Member Associations are positioning themselves to support and assist their member firms in formalizing an IMS.

2.2 Integrity means safe business

FIDIC has chosen the term "Integrity Management" on purpose. The Federation advocates ethical integrity to fight corruption on the supply side. Integrity Management, as opposed to corruption control or integrity assurance, most accurately reflects the all-encompassing importance of integrity and its practice throughout an organization's operations.

Integrity then becomes the firm's ability to fulfill in practice its commitment to a code of conduct on behalf of all its stakeholders, with Integrity Management considering the holistic implications of all elements of management on an organization's products and services.

FIDIC believes that an emphasis on stakeholder satisfaction through the management of integrity will be essential for a successful organization

This concern for all stakeholders explains the importance of having "integrity orientated" management. Integrity Management seeks to satisfy all the stakeholders,

internal as well as external. It also seeks continuous integrity assurance, at every transaction point along the way toward the delivery of the services offered by the firm.

The IMS that a consulting firm must develop and implement generally makes the conduct of business more explicit, and hence easier to monitor. It may require an important cultural shift in thinking, and in the mode of operating, throughout the firm. In any case, a vital prerequisite for the success of any IMS is total support from senior management in thought, word and deed.

FIDIC developed its guidelines for Quality Management in response to a new international trend. In the case of Integrity Management, FIDIC is leading the way, convinced that pursuing integrity will be a prerequisite for its member firms to stay in business. FIDIC is determined to maintain the initiative so that the consultants may establish the terms for integrity management, instead of permitting international pressure to establish them for the consulting industry.

2 Integrity management in the consulting industry

2.3 The FIDIC policy on Integrity Management

In joining FIDIC, all Member Associations subscribe to FIDIC's *Code of Ethics* which calls for member firms to perform their professional services with integrity (see Appendix B).

In 1996, FIDIC developed a policy statement to assist Member Associations and their member firms pursue a commitment to integrity. This statement should be read in conjunction with FIDIC's other policy statements, in particular those on quality management and sustainability. The FIDIC policy statement on integrity, in seeking to prevent the blight of corruption, has been updated recently in the light of the Integrity Management Task Force recommendations.

FIDIC recommends that:

- Member firms must have a commitment to integrity through the implementation of an Integrity Management System involving all levels of management and every employee, focusing on corruption prevention.

FIDIC also recommends that:

- Member Associations should assist member firms in developing Integrity Management Systems by providing guides, training and general support.
- Member firms should have access to an independent evaluation of their Integrity Management System, with guidelines developed by the industry.

2.4 The principles of Integrity Management

FIDIC has identified a number of principles for Integrity Management. Each of these principles is a comprehensive and fundamental belief for operating an organization, aimed at preventing corruption in any of its forms, be it bribery, extortion, fraud or collusion.

1 Leadership

The Board of Directors and the Chief Executive Officer (CEO) of the firm must demonstrate, in a clear and visible way, that they are fully committed to Integrity Management. The commitment must be evident to all staff, in words and deeds. The CEO must lead in the initial steps, in the formulation of the code of conduct and in the allocation of resources to the Integrity Management initiative. Most importantly, the CEO must demand that the IMS be adhered to. There should be no misunderstanding that top management demands compliance to integrity values, and is prepared to take the necessary actions for achieving integrity.

The firm's leadership must develop and implement a plan to promote Integrity Management.

The adoption of these principles by a consulting firm will be a precondition for achieving integrity within the firm. The principles, which apply to firms of all sizes, are summarised below.

Its tasks are the following:

- Establish the firm's Code of Conduct.
- Acquire knowledge on integrity.
- Arrange and bring about total staff involvement.
- Improve communication and information systems to generate and drive data to meet needs.
- Develop a procedure-oriented plan that guarantees integrity behaviour in the various processes that arise in providing consulting services.

2 Integrity management in the consulting industry

2 Involvement of staff

The involvement of every employee is critical to the successful implementation of Integrity Management in a consulting firm. Every task in the day-to-day operation of a firm, and in the conduct of professional services, includes staff who have to commit to integrity, and focus on it in their responsibilities.

Synergy, where the whole is greater than the sum of the parts, is an important element of Integrity Management. Synergy can be developed by generating trust and a positive environment within which to work. A working environment committed to integrity empowers staff.

3 A process approach

The holistic nature of Integrity implies that each of the processes performed by a consulting firm to provide a service has to be accomplished with integrity. The identification of potential opportunities for corruption, and the control of all processes, are important activities in a consulting firm.

A process is an orderly sequence of defined activities, some of which may be repetitive, and can therefore be guided by integrity protocols. Other activities will have to be defined as part of the planning process.

Assuring that the goal of Integrity Management is achieved requires that adequate time be spent in planning. Integrity Management simply cannot function without effective planning.

Preventive measures to avoid all types of potential corruption require information related to the administrative management of each activity. The information will have to be recorded, and it must be available on an "on request" basis. The storage and retrieval of this information, on either a short- or long-term basis, requires an organized and consistent approach.

Effective communication is essential to the successful implementation of Integrity Management in a consulting firm. The prerequisite for successful teamwork is that all the parties involved obtain and maintain the same understanding of the project while it is being carried out. This requires appropriate communication and co-ordination.

In a consulting engineering firm, the typical sequence of activities for a major project is as follows:

- Marketing of engineering services
- Engineering design or project execution
- Preparation of tender documents and specifications
- Prequalifying and evaluating tenders
- Supervision of those responsible for construction
- Issuing of payment certificates to contractors
- Decision-making on contractors claims
- Purchase of equipment and supplies by the consulting firm
- Delivery of service fees and collection
- Accounting and preparation of financial statements.

2 Integrity management in the consulting industry

4 A systems approach

Identifying potential areas of corruption and managing interrelated processes to ensure integrity requires a systems approach.

5 A documented process

Integrity has to be documented for it to be managed. Documenting information should be a continuous process, rather than taking place on a single occasion, which runs the risk that important events will be missed.

Management should periodically analyze and review the Integrity Management System, so as to assure its continued suitability and effectiveness, and to keep it permanently updated.

Appropriate methods must be developed to monitor the Integrity Management System, and to identify corrective actions that may be required to assure integrity in all phases of the consulting process.

Auditing is a procedure which subjects randomly chosen aspects of Integrity Management to detailed examination. If described protocols exist as part of an implemented Integrity Management System, the defined conditions are monitored. Comments on ways to improve the audit may be added. Management is made aware of the results, and must decide on corrective measures and the level of resources to be committed.

Integrity must be reinforced at every step. The integrity process helps prevent opportunities for corruption to arise, and makes the firm's code of conduct a reality.

For a consulting firm, relationships with sub-consultants and contracted organizations included in the provision of services bring about substantial mutual benefits. Mutual trust and an understanding of each other's integrity cultures tend to be developed over time. A consulting firm with an IMS will often select sub-consultants and subcontractors that are also implementing, or have already implemented, their own IMS.

Consulting firms need to pay attention to the whole project, and to all of its activities, when they analyse the relationships between the various processes that make up a project.

It is necessary for the IMS to obtain external or client feedback. This can be done by:

- Client evaluations: these may be solicited in a number of ways, including a direct inquiry asking for comments on specific issues, or through an easy-to-complete questionnaire.
- Conducting follow-up debriefings on proposals, won or lost, and on completed assignments.
- Commissioning an external audit, not necessarily for certification purposes, but to obtain an independent evaluation of the IMS.
- Peer review, to assist the firm in identifying areas that require further attention.

3 Developing an IMS

3.1 Introduction

The Integrity Management System proposed by FIDIC comprises ISO inspired guidelines for monitoring integrity in the provision of consulting services. The present Guidelines are intended to become widespread in the consulting industry: they have the support of the international funding institutions, FIDIC, FEPAC and a number of Member Associations and consulting firms. If successful in its initial application, the system will be eventually be refined to increase its universality. Ultimately, the Guidelines may be incorporated into some form of mutually recognized guidelines for the consulting industry.

The goal of the IMS is to ensure the ethical delivery of consulting services. The system is voluntary, and can be

adopted by firms of any size. A firm adhering to the concept of Integrity Management must implement an IMS to ensure compliance with these Guidelines.

In describing how a typical Integrity Management System can be implemented in a consulting firm, it is important to recognize that each firm is a unique entity that will have to customize a system to meet its own special characteristics and markets.

A training kit giving information and outlining the evaluation that is needed to develop an IMS is available from FIDIC in the form of a PowerPoint presentation.

3.2 An Integrity Management System for consulting firms

An IMS is a set of interrelated components designed in such a way that the consulting firm be managed by integrity principles. It is what the consulting firm does to insure that its workflow is corruption free.

The components and their interactions constitute a practical system for preventing, detecting and sanctioning corrupt practices.

The design of the Integrity Management System requires the definition of each of the components and their interrelationships. These Guidelines have been prepared to facilitate this process for those consulting firms considering implementing their own IMS.

The components of a firm's IMS include:

- the Code of Conduct and the integrity policy
- the organizational structure
- specifications of responsibilities and training programmes
- corruption-free procedures for all of the firm's main processes
- resources, manuals, forms, check-lists and records that facilitate Integrity Management within the firm.

3 Developing an IMS

1 Commitment of senior management

The importance of the consulting firm's Board of Directors and senior management in the implementation of an IMS cannot be over-emphasized.

The role of senior management is to personally lead the organization of the integrity process. Senior management must approach the creation of an IMS process with the goal of making it a permanent way of doing business.

Management has a number of important responsibilities when an IMS is implemented in a firm:

- Based on the firm's values and ideals, and FIDIC's own *Code of Conduct*, to formulate a code of conduct in writing, and visibly demonstrate management's commitment to it.
- To ensure that all employees understand Integrity Management and are equally committed.
- To be active in the planning, implementation and review of the IMS.
- To allocate the necessary resources.
- To monitor the IMS on a formal regular basis.

2 System development and implementation

Most consulting firms are "doing their best" to define and implement anticorruption policies. But while firms establish their own procedures to assure integrity and fight corruption, many lack consistency in the day-to-day implementation of anticorruption policies, and fail to obtain systematic feedback which may improve the Integrity Management process.

What is missing is a framework which may be used to connect and transform isolated acts of integrity assurance into a complete management system. The figure below illustrates the components and

interrelations of an IMS, and the sequence of events. For such a system, the formal procedures of an IMS may be helpful in identifying potential risks, preventing and combating corruption, and implementing integrity policies for every project throughout the entire organization.

Developing and implementing an IMS for a consulting firm can be done in a step-by-step fashion, each involving clearly defined tasks.



The process components for an operational IMS

3 Developing an IMS

STEP 1 Formulation of a Code of Conduct

In order to ensure commitment and the upholding of the firm's values, it is essential that the firm's Code of Conduct be developed by the Board of Directors and senior management.

The firm's code should be clear, simple and easy to communicate and apply. It should be consistent with FIDIC's own *Code of Conduct* (see Appendix B), and with the code promulgated by the firm's Member Association.

Appendix C presents a model Code of Conduct for consulting firms: it can be customized to meet the needs of a particular firm.

STEP 2 Formulation of the integrity policy

The requirements in these Guidelines for a firm's integrity policy are based mainly on the *OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions* and on FIDIC's *Code of Ethics*.

The Guidelines illustrate how a consulting firm can comply with the following requirements:

Bribery

Non-engagement in offering, promising, or giving a payment, gift or other advantage directly or indirectly to a public official or private client as undue consideration to influence selection, execution or compensation procedures.

Extortion

Non-engagement in threatening any public official or private client, his family or property in order to influence selection or compensation procedures, or the execution of an assignment.

Fraud

Non-engagement in the misrepresentation of data, factors or qualifications to meet the terms of contract during the selection or execution of a project, or during the distribution of project funds .

Collusion

Non-engagement in actions among bidders designed to influence the bidding process and prevent the client from conducting a fair and open process.

The integrity policy hinges upon the fact that corruption is only eliminated by across-the-board honesty and integrity. Honesty is interpreted as free being from fraud or deception, and integrity as conduct whereby the firm does not obtain or keep what does not fairly belong to it.

The integrity policy should cover the accountability for integrity, ensure that the requirements meet all local rules and regulations, and that the company's Code of Conduct is fulfilled.

The integrity policy must be documented, implemented, communicated internally and externally, and be made publicly available.

3 Developing an IMS

STEP 3 Appointment of a firm's Representative

As part of the IMS, a senior member of the firm's management staff must be appointed as a Representative to assure that the requirements of the system are met. A member of the consulting staff can

also be selected to allow for communication between management and staff on behalf of the internal verification process.

STEP 4 Identification of requirements for the IMS

Identifying the requirements of an IMS is a key step in its implementation.

The requirements should reflect the needs of the processes in a given firm that call for specific actions to manage integrity.

The requirements depend on:

- size and structure of the firm
- the nature of its consulting services
- local and national regulation, and market forces
- the expectations and requirements of all the stakeholders.

STEP 5 Analysis and evaluation of current practices

An analysis should be made of the ways the firm currently deals with anticorruption issues in all of its main processes. The analysis should include identifying the location of records and of areas where appropriate documentation exists, as well as procedures or instructions describing the firm's activities.

The gap between current practices and the requirements of the Integrity Management System should be identified.

How this gap is identified and corrected will depend on past management commitments and the policies practiced by the firm. Some organizations may have a fully compliant integrity system; others may have to make a start by taking steps to implement the IMS guidelines.

For analysing business practices, FIDIC recommends a process-oriented approach that shifts attention from the service itself to the process of providing the service. The aim is to incorporate integrity considerations into the various processes that arise in providing consulting services.

Section 2.3.3 gives a list of typical activities for an engineering consulting firm. The main processes, and suggested requirements for Integrity Management, are listed in the table on the opposite page.

An Integrity checklist that can be used by the firm to identify additional Integrity Management requirements and to conduct audits is found in Appendix D.

3 Developing an IMS

Process requirements

a Marketing of services, bidding process and contract negotiation

- Integrity evaluation
- Explicit indication to client of the company's integrity policy
- Participate in "integrity pacts" with clients
- Promote the short-listing of firms with an IMS
- Refuse to participate in bidding processes for which there is a suspicion of bribery
- Explicitly abstain from project-fixing practices.

c Delivery of services, and collection

- Review by the IMS Representative of cases involving the collection of fees in less than the average time, and of cases involving an excessively long time for collection.

b Project execution

- Abstain from soliciting unnecessary project modifications
- Review by the firm's IMS Representative of all project cost adjustments
- Explicit documentation of the justification for modifying the scope, cost or other specification of the original project
- Explicit documentation on the prequalification and evaluation of tenders, on the issuing of payment certificates to contractors, and on decisions relating to contractor's claims and procurement.

d Accounting and financial statements

- Review by qualified auditors.

STEP 6 Implementation tools for the IMS

A consulting firm should use the following tools to support the planning and implementation of an IMS:

- Code of Conduct
- integrity policy
- definition of roles, responsibilities and authority
- integrity procedures for the main processes
 - proposal bidding/negotiation
 - project execution and delivery
 - project collection
- accounting structure
- enforcement measures
- declaration of integrity in the annual report.

Owing to the nature of consulting work, the IMS requires the firm to:

- Establish a procedure to evaluate subcontractors and external consultants based on their own integrity policies.
- Keep records of the subcontractors' and external consultants' commitment to integrity management.

3 Developing an IMS

STEP 7 Documentation

An IMS must be well documented in order to provide evidence that all processes that may affect the integrity of the services offered by the firm have been thoroughly addressed and planned.

The extent of documentation is a critical feature that will affect how readily an IMS will be adopted by a firm.. Care should be taken to avoid over-documentation as this may reduce interest in using manuals.

It is recommended that an IMS be documented in a general *Integrity Manual* and, if required for significant projects, in a *Project Integrity Record File*.

Integrity Manual

The *Integrity Manual* may be divided into two parts:

- A policy document containing such topics as the Code of Conduct and integrity policy, scope of application, organization checks, organizational responsibilities and authorities, and references to the firm's standard procedures.
- A document containing the standard procedures, and instructions documenting how the identified requirements are to be fulfilled within the firm.

Project Integrity Record File

The *Project Integrity Record File*, if required for a given project:

- can be prepared to identify the "what, why, who, when, where and how". The document should specify the specific Integrity Management activities, or sequence of activities, which apply to a particular project.
- in stating the results achieved in guaranteeing integrity during each of the project's processes, the *Project Integrity Record File* will provide evidence of the Integrity Management activities that have performed.

STEP 8 Establishing enforcement measures

The IMS will have to establish and enforce measures for not complying with the integrity policy. It will have to specify actions in cases where corrupt

practices are identified and proven. Appropriate actions range from admonition to suspension or separation from the firm.

3 Developing an IMS

3 Monitoring the Integrity Management Process

Implementing an IMS requires the continuous monitoring of activities and service delivery to make sure that there is compliance.

Monitoring assumes that management has initiated the process in line with the Guidelines laid out in Section 3.3. All activities would not be required for all firms.

- **Checking requirement**

Systematic and periodic reviews of the IMS should be in place to ensure that the system is adequate and responsive to the conditions of the day.

- **Corrective action**

If specific components of the guidelines are not met, the consulting firm will have to promptly establish corrective action to address the deficiencies.

4 Reviewing the Integrity Management System

When the Integrity Management System is operating properly, and the consulting firm is confident that the Guidelines are met, the firm may wish to initiate an evaluation process to assure continuous compliance and improvement. Several alternatives are available.

First-Party Evaluation

First party evaluation relies essentially on a participatory process of self policing, carried out by management and the staff Representative.

In-house supervision of integrity assurance procedures makes sense since the ultimate responsibility for integrity lies with individual firms. The management and staff Representative must verify, with respect to a defined checklist, that the different procedures to guarantee the integrity of the various processes have been met, and are properly documented.

Second-Party Evaluation

Since integrity is a primary objective in fulfilling the expectations of the client's stakeholders, the clients themselves are the best source of integrity verification. Feedback on client satisfaction dealing with the ethical behaviour of the firm provides the best evidence of how effectively the Integrity Management System is operating.

Third-Party Evaluation

Third-part evaluation entails having an outside body reestablish, on behalf of the consulting firm, that the firm's specified IMS is in place, and that it is effective in preventing corrupt behaviour, and in exposing and sanctioning it whenever it occurs. Although external evaluation is important for firms, it is competition in a free market that will provide the ultimate incentive for having an IMS evaluated.

Three different types of third-party evaluation are common, namely an external audit, peer review, and some form of certification.

- **External Audit**

The consulting firm may commission an external audit, not necessarily for certification purposes, but to obtain an independent evaluation of its IMS.

- **Peer Review**

Organizational peer review: a team of experienced managers and owners of selected consulting firms reviews a firm's practices and procedures, and their effect on the firm's ability to deliver quality services.

Peer review of ethical conduct may adopt a similar approach. In this case, a group of peers experienced in integrity management reviews the procedures of the firm's

3 Developing an IMS

IMS and their ability to prevent, detect and sanction corrupt practices. The review would be a three-step process involving a review of documents, an on-site visit with interviews, and a verbal report followed by discussion with the firm's leadership.

Peer review of ethical conduct is not intended to impose external guidelines on a firm. The team will only review the internal practices and procedures for integrity management as perceived by the firm's leadership. Subsequently, it will reconcile this management view with what has actually been implemented, and what is happening in practice.

- **Certification**

a **As part of ISO 9001:2000**

The third-party evaluation of an Integrity Management System may be performed as part of an ISO 9001:2000 certification process⁴.

The ISO 9000 series of international standards for Quality Management provide a framework by which an organization can plan and implement its own quality system for the process of delivering consulting services. The new ISO 9001:2000 standard has been developed with a shift of focus from the service itself to the process of providing that service. ISO 9001:2000 is the standard that reflects the way consulting firms provide services to their clients, and is the standard recommended by FIDIC for the consulting engineering industry.

The new quality management principles for ISO 9001:2000 reflect best management practices. They can be extended to include integrity principles based on the present Guidelines.

Once a firm has an IMS in operation, it may request a third-party certification or registration. This

procedure has become familiar to the consulting industry for quality assurance over the last 10 years. In this case of integrity management, it must be stressed that the "Registrar" may only attest that the IMS implemented for a firm's particular set of processes is being followed in accordance with the original design ("say what you do; do what you say; prove it; and improve on it").

As with quality certification, integrity certification as a part of the ISO 9001:2000 standard is not a once-and-for-all-event. Consulting firms wishing to maintain their integrity management certification will need to be periodically recertified with respect to the same standard.

To fully appreciate the meaning of certification, one must understand what it is not, as well as what it is. Certification is not:

- A seal of approval implying a corruption-free status, since awarding such a seal is beyond human competence.
- An invitation to "white list" certified consulting firms.
- A one-time and everlasting acknowledgement of good practices, since regular monitoring and recertification are essential.

b **A new Integrity Management standard**

An ISO standard for Integrity Management does not exist. A new standard would have to be developed in order to cover the assessment of an Integrity Management System, and the subsequent issuing of a certificate to confirm that the applicant is in conformance with the standard's requirements.

Appendix A

Integrity Management System definitions

Integrity	The total set of values, attitudes and attributes of a firm which enables rigid adherence to a Code of Conduct and to ethical behaviour.
Integrity policy	The concept, approach and objectives of a firm with respect to integrity, as formally defined and expressed by management.
Best practices in integrity behavior	A benchmark for ways to conduct a business free of corrupt practices
Integrity management	The overall management function of a firm that determines and implements its integrity policy.
Integrity Management System (IMS)	The organizational structure, responsibilities, procedures, processes, and resources implemented in a firm to accomplish integrity management.
Process-oriented IMS	An IMS designed by focusing on the process of providing the consulting service, as opposed to the service itself.
Integrity protocol	N original record of a transaction to prevent any form of corruption.

Appendix B

FIDIC's Code of Ethics

The International Federation of Consulting Engineers recognises that the work of the engineering profession is critical to the achievement of sustainable development of society and the environment.

To be fully effective, not only must engineers constantly improve their knowledge and skills, but also society must respect the integrity and trust the judgement of members of the profession and remunerate them fairly.

All Member Associations of FIDIC subscribe to and believe that the following principles are fundamental to the behaviour of their members if society is to have that necessary confidence in its professional advisors.

The consulting engineer shall:

Responsibility to society and the profession

- 1 Accept the responsibility of the profession to society.
2. Seek solutions that are compatible with the principles of sustainable development.
3. At all times uphold the dignity, standing and reputation of the profession.

Competence

- 4 Maintain knowledge and skills at levels consistent with development in technology, legislation and management, and apply due skill, care and diligence in the services rendered to the client.
- 5 Refrain from performing any services unless competent to perform them.

Integrity

- 6 Act at all times in the legitimate interest of the client and perform professional services with integrity and faithfulness.

Impartiality

- 7 Be impartial in the provision of professional advice, judgement or decision.
- 8 Inform the client of any potential conflict of interest that might arise in the performance of the commission.
- 9 Not accept remuneration which prejudices independent judgement.

Fairness to others

- 10 Promote the concept of "selection by ability".
- 11 Neither carelessly nor intentionally do anything to injure the reputation or business of others.
- 12 Neither directly nor indirectly attempt to take the place of another consulting engineer who is already appointed for a specific work.
- 13 Not take over the work of another consulting engineer before notifying the consulting engineer in question, and without being advised by the client of the termination of the prior appointment for that work.
- 14 In the event of being asked to review the work of another, behave in accordance with appropriate professional conduct and courtesy.

Corruption

- 15 Neither offer nor accept remuneration of any kind which in perception or in effect either a) seeks to influence the process of selection or compensation of consulting engineers and/or their clients or b) seeks to affect the consulting engineer's impartial judgement.
- 16 Co-operate fully with any legitimately constituted investigative body which makes inquiry into the administration of any contract for services or construction.

Appendix C

Model Code of Conduct for consulting firms

It is expected that the experience of FIDIC and FEPAC member firms from around the world can contribute to the development of a model Code of Conduct that would be clear, simple and easy to communicate, and capable of being applied uniformly⁵.

Being a common code, it would apply to all member firms. Individual firms would adopt regulations and procedures to fit their operations in order to implement the Code of Conduct aspects of an IMS.

The present Guidelines propose a model Code of Conduct that synthesizes a number of existing codes that have been drawn up by engineering and consulting organizations. It draws on the most important issues and incorporates the main best practices for consulting work, namely integrity, quality and technology development.

Social Responsibility

- 1 The firm accepts continuing responsibility for its consulting services before its clients and society.
- 2 The firm shall permanently contribute to the benefit of its clients and society, through sustained personnel training and technology development aimed at improving productivity.
- 3 The firm will include sustainability as a permanent goal in every project.

Quality of service

- 4 The firm shall only undertake project assignments in its areas of expertise, where it has the capabilities to deliver efficient and effective service to its clients.
- 5 The firm is committed to providing high quality services to clients. The firm will focus on Quality Management as a working methodology, and on permanent improvement as a means to improve the quality of service.
- 6 The firm is committed to the continuing improvement of its knowledge base, abilities and tools in its area of expertise. The firm will focus on technology management as a working methodology, and shall extend to its clients the benefits of its professional achievements.

Objectivity of the firm

- 7 The firm will act with loyalty to its clients, and will maintain the confidentiality of any information from the client that is obtained in the process of performing its services. The

firm will also keep confidential the documents and reports prepared for a client.

- 8 The firm shall avoid any conflict of interest, and will inform a client beforehand of any potential conflict of interest that could emerge during the execution of consulting services.
- 9 The firm will only offer its services under contracting terms that do not interfere with its independence, integrity and objectivity.
- 10 The firm will not accept any remuneration that could encourage the firm to offer a biased opinion.

Corporate integrity

- 11 The firm will only solicit consulting work and participate in private or public competitive bidding under the highest standards of corporate ethics and competitive practices, and with total integrity in its transactions.
- 12 The firm will act at all times for the benefit of clients, and will carry out services with professional integrity, while not jeopardizing the interests of society.
- 13 The promotional activity of the firm and its services will uphold the dignity and reputation of the industry. Brochures and other formal documents describing resources, experience, work and reputation, will reflect the firm's actual circumstances in a truthful manner.
- 14 The firm shall manage with integrity its internal and external affairs. The firm will focus on Integrity Management as a working methodology, consistent with the dignity of the knowledge-based consulting industry.

Appendix C

Model Code of Conduct for consulting firms

Competition

- 15 The firm favours Quality Based Selection for the contracting of its services.
- 16 If solicited to review the work performed by another consultant, the firm will act in accordance with its integrity and objectivity policies.
- 17 The firm will not endorse compensation or contribution arrangements destined to influence or secure consulting work; nor seek commissions from suppliers of equipment and services recommended to the client as part of the firm's consulting services.
- 18 The firm shall not take part in activities that could damage the reputation or business of others.

Appendix D

Integrity Management checklist

The following checklist is adapted from FIDIC's checklist for quality management. It is presented to illustrate the various elements that are necessary for the design and implementation of an Integrity Management System.

Consulting firms may wish to initially focus their efforts in specific areas, appropriate to their complexity, operational methods and other local factors. Eventually, the

Integrity Management culture will require the system to include all relevant aspects of the firm's operations.

This checklist can be used by the Chief Executive Officer to conduct a preliminary audit of the firm's integrity practices, to determine whether the introduction of a formal IMS needs to be considered, and if so, to indicate the areas on which to concentrate during the initial phases.

1 Integrity Management System

- 1 How do the firm's vision, mission statement and policies address integrity?
- 2 Are these values and principles reinforced and updated?
- 3 Is there a current Integrity Manual explaining who does what, when and where?
- 4 Does the Integrity Manual include standard operating procedures for assuring and monitoring integrity in:
 - Marketing
 - Design services
 - Procurement
 - Customer relationships

2 Management responsibility

- 5 Is the CEO committed to ensuring that integrity guidelines are identified?
- 6 Do senior executives provide effective leadership and direction in implementing and maintaining the firm's integrity policy?
- 7 Is there a written policy statement on integrity?
- 8 Is the integrity policy clearly defined, implemented and maintained?
- 9 Are all employees aware of the integrity policy?
- 10 Are ethical behavior guidelines established for each employee assignment?

3 Organizational responsibility and authority

- 11 Is the responsibility, authority and interrelationships of all who manage, perform and verify work clearly defined in integrity matters?
- 12 Is there a person or team with responsibility to identify and to take actions on integrity problems?
- 13 Is there a person or team with authority to simplify or improve integrity procedures?
- 14 Is there a clearly defined way to verify the implementation and results of the proposed simplification or improvement procedures?
- 16 Do personnel have adequate training and resources to verify integrity activities?
- 17 Do verification activities include:
 - Review at designated benchmarks?
 - Checking documentation of Project/Integrity Record Files?
 - Audits of the integrity system processes?

Integrity Management Staff

Verification Resources and personnel

- 15 Are verification requirements identified?
- 18 Has a firm Representative been appointed to be responsible for checking the integrity management system?
- 19 Does the firm Representative report directly to senior

Appendix D

Integrity Management checklist

management or serve as part of the senior management team?

Control Documents

- 20 Are there documented procedures for controlling all the records and data required for the IMS?
- 21 Are all documents required for the IMS reviewed and approved by authorized personnel prior to issue?
- 22 Are current copies of appropriate documents available at all locations where operations require their use?
- 23 Is there a master control list that identifies the current version of the documents?

4 Resource management

Employees

- 32 Do employees, whose activities affect integrity, have appropriate education, training and experience for the assigned tasks?
- 33 Are appropriate training records kept and maintained?
- 34 Does each employee related to the IMS know and understand what is expected in his or her job?

5 Service realisation

- 39 Have the consulting services processes, which directly affect integrity, been identified?
- 40 Have the primary process characteristics, which affect integrity, been identified?
- 41 Are there documented checklists for the integrity of these procedures, and are they used to ensure conformance to requirements?
- 42 Are procedures for ensuring integrity behavior in each of the primary processes been designed and implemented?

Integrity Records

- 24 Are there documented procedures for the identification, collection, indexing, filing, storage, maintenance, and storage of integrity records?
- 25 Are integrity records being generated and maintained?
- 26 Are integrity records easily accessible?
- 27 Have retention times of integrity records been defined and recorded?

Management Review

- 28 Is the IMS periodically reviewed to ensure its suitability, adequacy and effectiveness?
- 29 Do these reviews include analysis of results of internal integrity audits?
- 30 Does management act on these reviews?
- 31 Are records of these reviews kept and maintained?

Accounting and financial management

- 35 Does the firm have project specific accounting information?
- 37 Does the firm share accounting information with its departments and project managers?
- 38 Is accurate accounting information in the form of profit and loss statements made available within days of closing a (monthly) accounting cycle?
- 39 Does the firm submit its accounts and operations to an independent outside financial audit at least once a year?

Purchasing

- 43 Are subcontractors and suppliers evaluated and selected on the basis of their ability to meet contract requirements, including integrity?
- 44 Is the result of this evaluation of subcontractors and suppliers documented?

Appendix D

Integrity Management checklist

6 Monitoring

Client satisfaction

- 45 Is there an effective and ongoing feedback system of integrity verification by clients?
- 46 Are adequate client verification records maintained by the firm?

Internal integrity verification

- 47 Has a documented procedure been implemented for conducting internal integrity audits?
- 48 Are audit procedures and follow-up actions defined and documented?
- 49 Are audit results brought to the attention of the appropriate management so that corrective action may be taken?
- 50 Are specific sanctions specified and corrective action taken on corrupt behavior cases found in the audits?

Appendix E

References

1. *North-South Solidarity Among Entrepreneurs: The Engineering Consultants Action Plan Against Corruption*: FIDIC, presented at the *OECD Conference on Corruption*, Washington, D.C., USA, January 1999
2. F. Ochoa
The Engineering Consultants Action Plan Against Corruption: presented at the *Biennial Meeting of the International Lending Agencies with the Consulting Industry*: Washington D.C., May 1999
3. *Guide to Quality Management in the Consulting Engineering Industry*, FIDIC, June 2001
4. *Guide to the Interpretation and Application of the ISO 9001: 2000 Standard for the Engineering Consulting Industry*, FIDIC, September 2001
5. M. Hager
Best Practices Certification, A New Tool to Fight Corruption: IDLI, Rome, November 1998

Appendix F

integritymanagement.org

FIDIC maintains up-to-date sources of information on Integrity Management and the FIDIC Integrity Management System (IMS) at <http://www.integritymanagement.org>.

FIDIC Integrity Management System

Comprising Guidelines, Guide and Training Kit to help FIDIC Member Associations and their member firms develop their Integrity Management System (IMS).

Guidelines for Integrity Management in the Consulting Industry

The basis for the draft guidelines for an IMS were prepared by Professor Mark Pieth (University of Basel, Switzerland) under contract to The World Bank, with FIDIC's Integrity Management Task Force acting as the contracting authority.

FIDIC Integrity Management Task Force

Recommendation to the international finance institutions calling for transparency and support of firms implementing an IMS along the lines of the FIDIC's guidelines.

Code of Ethics

Position Paper on Integrity

Integrity Management Pilot Programme

Involving FIDIC Member Associations, each with at least two member firms willing to implement their own IMS.

Promotion of the IMS

The FIDIC IMS has been presented at the following international events (texts are available):

- 10th International Anti-corruption Conference
IACC Council and Transparency International, Prague, October 2001
- Global Forum II on Fighting Corruption and Safeguarding Integrity, The Hague, May 2001
- 10th International Anti-corruption Conference: Defeating Corruption and Economic Crime
Royal Institute of International Affairs/Chatham House/TI Conference on Corruption; London, June 2001
- Biennial Meeting of the International Lending Agencies with the Consulting Industry, Washington DC, May 2001

Manuals, Articles and Presentations

Fighting Bribery: The ICC corporate practices manual (1999)

No Longer Business as Usual: OECD Publication - Fighting Bribery and Corruption (October 2000)

Bribery and the Business Sector: Managing the Relationship (November 2000) - an OECD study of Codes of Conduct

OECD Report on the implementation of the Convention on bribery in international business transactions

OECD Guidelines for Multinational Enterprises

Challenges in the Next Stages of Anti-corruption: D. Kaufmann (2000)

Promoting the Rule of Law and Anti-corruption in a Globalized Economy: S. Eizenstat (1998)

Curbing Corruption: Frank Vogl (1998)

Improving Coordination between Development Agencies, Governments and Civil Society: P.S. Mason (2000)

Fighting Corruption to Improve Governance (UNDP; 1999)

Auditing: Financial Transparency and Accountability Initiative; Transparency International Report (2000)

