

## **ITEM FOR ESTABLISHMENT SUBCOMMITTEE OF FINANCE COMMITTEE**

### **HEAD 116 - OFFICIAL RECEIVER'S OFFICE Subhead 001 Salaries**

Members are invited to recommend to Finance Committee the creation of the following supernumerary post in the Official Receiver's Office for a period of two years with effect from 19 December 2000 -

1 Administrative Officer Staff Grade B  
(D3) (\$127,900 – \$135,550)

### **PROBLEM**

The Official Receiver (OR) needs directorate support to take forward a fundamental revamp and overhaul of the management system in the Official Receiver's Office (ORO), to conduct an in-depth review of the procedures and practices in the administration of insolvency cases, and to develop a framework for implementing recommendations of a consultancy study to review the OR's role.

### **PROPOSAL**

2. The OR, with the support of the Secretary for Financial Services (SFS), proposes to create a post of Administrator at the rank of Administrative Officer Staff Grade B (AOSGB) for a period of two years with effect from 19 December 2000.

### **JUSTIFICATION**

#### ***Background***

3. The ORO was established on 1 June 1992 to replace the Insolvency Division of the former Registrar General's Department (RGD). Its functions are to provide an effective service in administering insolvency cases; to monitor the  
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conduct of private insolvency practitioners who act as liquidators in compulsory liquidations and as trustees in bankruptcies; to investigate the causes of business failures; to prosecute persons for insolvency offences; and to apply for disqualification of company directors, where appropriate.

4. The ORO comprises five divisions, namely, the Case Management Division, the Legal Services Divisions 1 and 2, the Financial Services Division and the Departmental Administration Division. The OR, a legal officer at the rank of DL4, is supported by four Assistant ORs at the rank of DL2 or D2 from the Insolvency Officer Grade, the Treasury Accountant Grade and the Unified Solicitor Grade, and a Departmental Secretary at the rank of Chief Executive Officer who head the five divisions respectively. As at 1 September 2000, the ORO's approved establishment was 257 staff members.

#### *Need for management review*

5. The current management structure and work procedures within the ORO have not changed significantly since 1992 when the ORO was first established. This may not be entirely satisfactory in view of the growing expectation of the public over the services to be provided by the ORO and the evolving role of the OR. However, due to changing socio-economic circumstances, in particular the economic downturn towards the end of the 1990s, the workload of the ORO has increased manyfold in recent years. Although additional resources have been allocated to ORO to meet case load and clear backlog through employment of temporary staff and contracting out, the senior management is still required to devote much effort to handle the day-to-day administration of the cases which has been on the rapid rise in the past few years. Engrossed with an increasing workload, the directorate officers of the ORO have not been able to review its management structure or to streamline and simplify its operational procedures for more effective and efficient delivery of service. This has left much to be desired.

6. To improve effectiveness and efficiency of service delivery, in March 1999, OR invited the Management Services Agency (MSA) to carry out a management study on the operation of the ORO using the Case Management Division as a start. The study aimed to identify areas for improvement and optimise case throughput. A report containing recommendations on improvements to the case management process was issued in December 1999.

#### *Director of Audit's Report*

7. In February 2000, the Director of Audit (D of Audit) published its report on the ORO's services ("the Audit Report"). The D of Audit reviewed the economy, efficiency and effectiveness of the ORO's services and identified many areas in need of improvement and further study.

8. A general theme that runs through both the D of Audit and MSA reports is the weak management system, the lack of a mechanism to collect management information, weak internal controls, and cumbersome and elaborate operational procedures.

9. As a result of such deficiencies, the efficiency and effectiveness of the ORO's work has been undermined. While making some recommendations on the immediate measures to improve the ORO, both reports indicated that further work on a number of areas would be necessary. These include establishing performance measures, setting up a time recording system, developing and modernising operational guidelines, and reviewing the possibility of introducing other cost-effective measures.

10. The ORO has accepted almost all the recommendations in the two reports. The recommendations can be classified into measures which can be taken on board immediately (for example, simple procedural streamlining and speeding up the dividend distribution process) and measures which require further development (for example, establishing performance measures for assessing staff productivity and setting up a time recording system for recording manpower resources budgets).

#### *Creation of a supernumerary AOSGB post for six months*

11. The implementation of the recommendations in the two reports requires the dedicated effort and steer of an officer at directorate level with strong administrative skills and broad experience in the management of departments. We consider that an Administrative Officer at AOSGB rank will have the requisite skills and experience to take the matter forward. In June 2000, we created a supernumerary AOSGB post, designated as Administrator, under delegated authority for six months to oversee the implementation of the recommendations in the two reports and more importantly to formulate the ORO's strategic plan and to translate such plan into operational targets. The job description of the Administrator is at Enclosure 1. The Administrator is tasked with responsibility to introduce a new management culture in the department, to create and inspire commitment to a clear organisational vision, to adopt a forward looking approach in making strategic decisions to reform the current operational systems of the department having regard to the overall organisational and wider Government objectives.

Encl. 1

12. With the dedicated efforts of the Administrator, among others, the ORO has in the past few months implemented a number of improvement measures including the distribution of dividends in cases which are more than one year old and have sufficient cash to pay such dividend; the initiation and implementation of measures to close long outstanding winding up cases; the development of a  
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framework to monitor staff workload and performances with, as the first step, a time study on the work procedures and the commencement of a comprehensive review of all the practices and procedures in the ORO.

*Proposal for extending the post for two years*

13. Looking ahead, the Administrator together with the Financial Services Bureau has made an assessment of the necessary work to fully implement the recommendations in the two reports and to modernise the management structure of the ORO as well as the procedures for the administration of insolvency cases. Specifically we now have come to the view that the following major tasks are essential -

- (a) Setting performance targets for Insolvency Officers: At present, there are no performance targets for Insolvency Officers. This is not satisfactory from the staff management and service delivery point of view. It is necessary to establish the standard time required for the different processes to enable management to determine the performance targets in terms of the number of cases to be handled and to set the time-frames for completing different categories of insolvency cases. The Administrator is required to design and implement a system to set objective performance targets. We will set some preliminary performance targets by the end of 2000. Such preliminary targets will have to be reviewed and fine-tuned in the light of operational experience. We expect that long term targets will be in place by the third quarter of 2001. The Administrator will develop a system to review such performance targets in future, so that the targets can be updated taking into account the changing nature of the work of the OR.
- (b) Comprehensive review of the procedures and practices in the ORO: The studies conducted by the MSA and D of Audit have looked at the procedures and practices in some of the operational divisions of the ORO. Bearing in mind the lack of a management review since the ORO was set up in 1992, we consider it necessary to conduct a comprehensive review of all procedures and practices involving not only the Case Management Division, which is the main focus of the studies conducted by the MSA and D of Audit, but also the Financial Services Division, the Legal Services Divisions and the supporting services of the Departmental Administration Unit, with a view to rationalising and streamlining the procedures and practices to improve efficiency and productivity. The Administrator has assumed an overall co-ordinating and steering role. Specifically, the Administrator is tasked with taking an overall view of the strategy and approach to be adopted in the review, co-ordinating the efforts of

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the individual divisions to ensure that they work towards the ORO's policy objectives, and ensuring that the procedures are simplified while maintaining the quality of services. Given its very nature and the all-embracing scope of the review, the exercise, which is already in progress, is expected to take about 15 months to complete.

- (c) Enhancement of the Management Information System: For effective monitoring of case load, staff productivity as well as the progress of individual cases, it is necessary to enhance the current management information system. The Administrator will play an active role in the design and implementation of the enhancements as part of her work on the management revamp.
  
- (d) Consultancy study on the role of the OR: We are making preparation to conduct a fundamental review of the OR's role in the provision of insolvency administration services by commissioning a consultancy study. We expect the consultancy study to be carried out in two stages, with a public consultation exercise in between the two stages. Stage One will comprise a comprehensive review of the current situation and identification of options for changes. It will be followed by a public consultation exercise on the options identified during Stage One. During the consultation exercise, views of the interested parties including insolvency practitioners, the Hong Kong Society of Accountants, the Law Society of Hong Kong, Government departments and bureaux, etc. will be sought on the options. An analysis of the results of the public consultation exercise will then take place to facilitate the selection of an option. Stage Two will mainly focus on the implementation details relating to the option adopted. The Administrator will be closely involved in analysing the views expressed at the consultation stage, assessing the relative merits of the options identified by the consultants and advising the OR in determining how Stage Two of the Study should proceed. Upon completion of the Consultancy Study which is expected to take around 14 months, the Administrator will be tasked to develop a framework for implementing the Consultant's recommendations as accepted by the Administration. This task is expected to take another six months.

14. Some of the work in respect of revamping the management system and overhauling the operational procedures in the ORO has just begun. The dedicated efforts of an experienced administrator is needed to complete the above tasks. There is no indication that the workload in the ORO is subsiding, the existing management of the ORO are all occupied with their existing work portfolio and cannot spare the resources to undertake the above tasks. Moreover, as ORO's management comprises only professional and departmental grade officers, they

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may not have the strong administrative lead and managerial skills necessary to carry out the above major tasks. The OR is concerned that without the retention of the post, the progress of the overhaul work and the implementation of the recommendations in various studies will be seriously affected. Having regard to the time required for the above areas of work, the OR considers it appropriate to extend the current supernumerary post of Administrator for another two years with effect from 19 December 2000. A job description for the post is at Enclosure 2.

Encl. 2

15. An organisation chart of the ORO with the proposed supernumerary post is at Enclosure 3.

Encl. 3

**FINANCIAL IMPLICATIONS**

16. The notional annual salary cost of the proposal at mid-point is -

	\$	No. of Post
New supernumerary post	1,580,400	1

17. The full annual average staff costs, including salaries and staff on-costs, is \$2,657,000. The SFS will meet the additional salary cost of this proposal through redeployment of existing resources under his global allocation. No provision has been included in the 2000-01 Estimates under Head 116 Official Receiver’s Office to meet the cost of this proposal. Subject to Members’ approval, we shall provide the supplementary provision required under delegated authority.

**CIVIL SERVICE BUREAU COMMENTS**

18. Having regard to the need for continued directorate support to undertake the various tasks set out above, the Civil Service Bureau supports the creation of the proposed supernumerary directorate post in the ORO. The grading and ranking of the proposed post are considered appropriate.

**ADVICE OF THE STANDING COMMITTEE ON DIRECTORATE SALARIES AND CONDITIONS OF SERVICE**

19. As the post is proposed on a supernumerary basis, we will report its creation, if approved, to the Standing Committee on Directorate Salaries and Conditions of Service in accordance with the agreed procedure.

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**Job description of the Administrator post  
in the Official Receiver's Office**

**Rank** : Administrative Officer Staff Grade B

**Post Title** : Administrator

**Main Duties and Responsibilities:**

To be responsible to the Official Receiver for the following areas of work -

- (a) to formulate the department's strategic plan and to translate such plan into operational targets;
- (b) to establish standards on the productivity of the department and to devise measures to facilitate achievement of such targets;
- (c) to put in place an effective management system in the department and to ensure compliance by all staff;
- (d) to co-ordinate efforts among the different divisions in the department and to monitor the implementation of the recommendations made by the Director of Audit and others; and
- (e) to assist in ensuring that services to the public are delivered in an efficient and effective manner.

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**Post Title** : Administrator

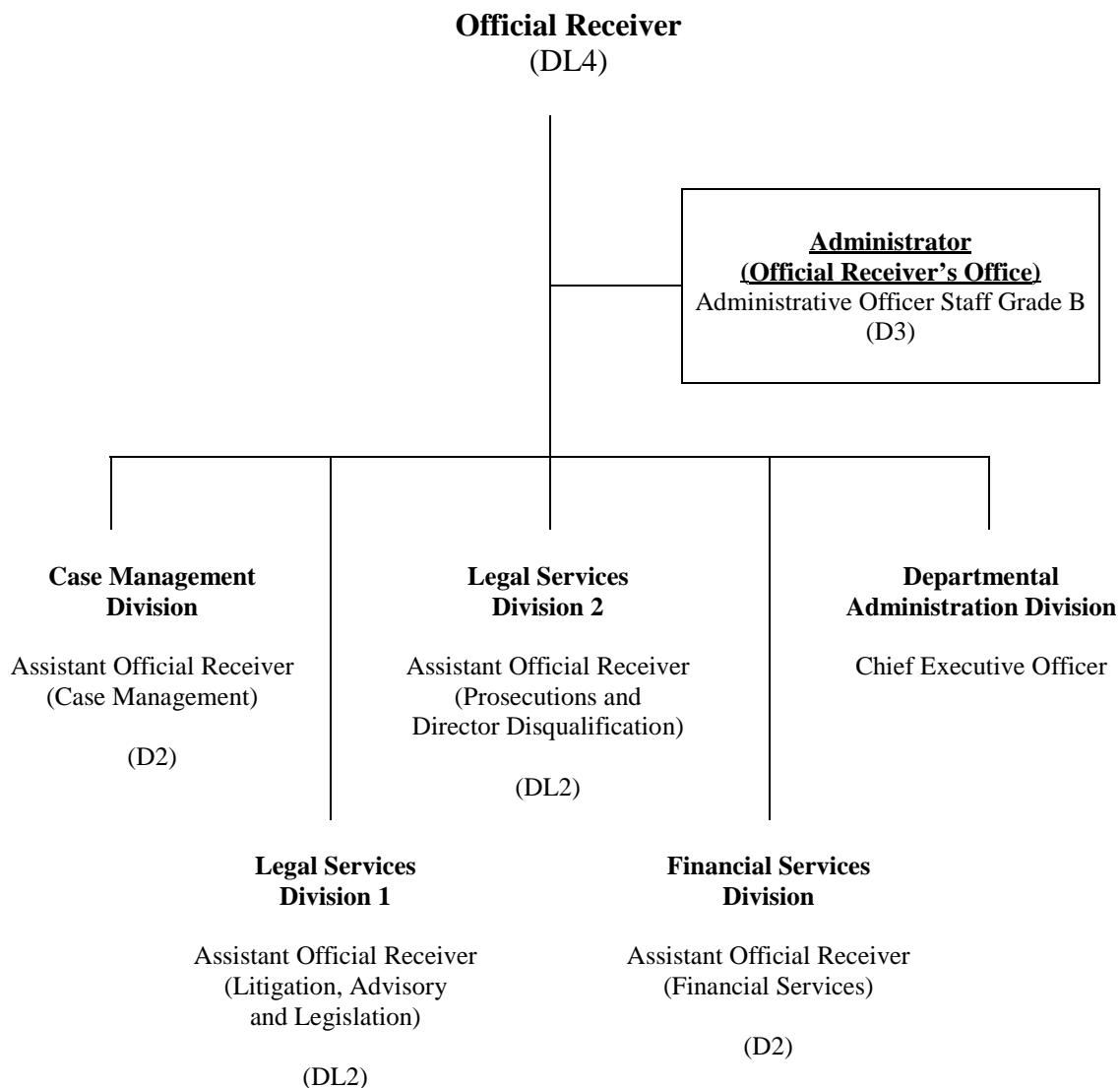
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- (b) to co-ordinate efforts among the different divisions in the department and to monitor the implementation of the recommendations made by the Director of Audit and Management Services Agency;
- (c) to put in place an effective management system in the department and to ensure compliance by all staff;
- (d) to establish standards on the productivity of the department, including establishment of performance targets and to devise measures to facilitate achievement of such targets;
- (e) to review the procedures and practices of the ORO in the administration of insolvency cases;
- (f) to assist in the monitoring and coordination of the consultancy study on the role of the Official Receiver; and
- (g) to assist in ensuring that services to the public are delivered in an efficient and effective manner.



**PROPOSED ORGANISATION CHART  
OF THE OFFICIAL RECEIVER'S OFFICE**



Proposed new post