

**REPORT OF THE
PUBLIC ACCOUNTS COMMITTEE
ON
THE REPORTS OF THE DIRECTOR OF AUDIT
ON
THE ACCOUNTS OF THE GOVERNMENT OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION
FOR THE YEAR ENDED
31 MARCH 1999
AND THE RESULTS OF
VALUE FOR MONEY AUDITS (Report No. 33)**

February 2000

P.A.C. Report No. 33

Chapter 7

Administration of allowances in the civil service

The Committee noted that Audit had conducted a review of the framework for the administration of allowances in the civil service and of the following allowances:

- the Independent Commission Against Corruption (ICAC) post allowance;
- home-to-office travelling allowance (HOTA);
- mileage allowance;
- furniture and domestic appliances allowance (FDAA);
- dialect allowance;
- overtime allowance (OTA); and
- acting allowance.

Framework for the administration of allowances

2. The Committee noted from paragraph 2.2 of the Audit Report that the Committee on Allowances (COA), set up in August 1977, was responsible for keeping under regular review the incidence and rates of the allowances. Before 1980, the COA held regular meetings to review various allowances. However, in 1980, the COA decided that it should only consider questions of policy on allowances and had not initiated any review of allowances thereafter. Regular formal meetings had been replaced by exchange of correspondence. The Committee queried how, in the circumstances, the Civil Service Bureau (CSB) and the Finance Bureau (FB) could keep the various allowances up-to-date.

3. **Mr LAM Woon-kwong, Secretary for the Civil Service**, responded that:

- because there were other mechanisms for close liaison between the CSB and the FB concerning resources and policies, there was no need to hold intensive discussions in the COA; and
- notwithstanding that no formal meetings had been held by the COA, there had been reviews on allowances. In view of Audit's comments on the COA, the CSB was liaising with the FB about the need to re-activate the mechanism for reviewing allowances.

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4. According to paragraph 2.3 of the Audit Report, the Standing Commission on Civil Service Salaries and Conditions of Service (Standing Commission) had performed two reviews on the overall system of job-related allowances in 1986 and 1991. The Committee asked what the contents and results of the two reviews were, and whether the Standing Commission had recommended elimination of any allowances.

5. In reply, **Mr Duncan Pescod, Deputy Secretary for the Civil Service**, stated that:

- the Standing Commission was one of the three committees which advised the Administration on matters affecting civil service pay and conditions of service. The CSB referred to the Standing Commission issues that needed a particular review or advice. The CSB would then follow up the advice. Over the last 10 years, of the 14 exercises on job-related allowances, the Standing Commission had recommended that one allowance be deleted, two allowances be re-classified and others be continued. The recommendations made were subject to the circumstances of particular allowances; and
- in May 1999, the CSB had commissioned the Standing Commission to undertake a comprehensive review of job-related allowances. The review would cover the system to monitor and update various allowances. The review was expected to be completed in mid-2000 and the CSB would definitely take forward the recommendations.

6. At the Committee's request, the **Secretary for the Civil Service**, in his letter of 15 December 1999 in *Appendix 16*, informed the Committee of the outcome and effectiveness of the Standing Commission's two reviews on job-related allowances. He stated that:

- in the 1983 exercise, the Standing Commission set out the role of the job-related allowances in the civil service, laid down the general principles governing these allowances, and reviewed the rates, categorisation and administration of allowances. The review took two years to complete and the Standing Commission published the results in its Report No. 15 in 1986. The main principles established in the Report for job-related allowances were now still in force; and

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- in 1991, the Standing Commission undertook a minor review on the rates, eligibility and categories of job-related allowances. The review confirmed the general validity of the framework for job-related allowances established in its Report No. 15.

7. The Committee were concerned about the lack of a mechanism for reviewing the various allowances on a regular basis. Referring to paragraph 2.10 of the Audit Report, the Committee noted Audit's view that although there was a system for reviews to be undertaken at the operational level by Heads of Department (HODs), they were not in the best position to review whether an allowance was justified at the policy level. The Committee shared Audit's comment and considered that as HODs were also entitled to some of the allowances, it might not be appropriate for them to review the allowances due to conflict of interest. Moreover, they might give unduly heavy weight to staff morale and might not want to arouse discontent of their own staff. In the circumstances, the Committee asked whether the CSB had considered not allowing HODs to conduct such reviews.

8. Responding to the Committee's concern, the **Secretary for the Civil Service** stated that:

- the CSB had devolved the responsibility for reviewing individual allowances to HODs so that, according to the operational needs of their own departments, they could assess whether certain allowances should continue. Even if there was justification to continue the allowances, HODs could evaluate whether the allowances should continue to be disbursed to such a number of staff within their departments. If HODs discovered that there were certain allowances which were no longer necessary or they felt that such allowances were not adequate for attracting people to their departments, they could advise the CSB;
- from time to time, the CSB did take the initiative in reviewing different allowances. As an example, back in 1992, the CSB had already identified the ICAC post allowance as outdated. Therefore, the whole process was an interactive one;
- even when the CSB had made a decision, it would not implement it unilaterally. It would invite the Standing Commission to examine the issue because the Standing Commission was regarded as a third party and would be able to give independent comment on the CSB's decision; and

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- the CSB would consider whether the regular review should be conducted by HODs or by the CSB on a more frequent basis, taking into account Audit's comments.

9. The **Deputy Secretary for the Civil Service** stated that:

- the reviews of policy were performed by the CSB with the advice of the Standing Commission and the Standing Committee on Disciplined Services Salaries and Conditions of Service (Standing Committee), not by the HODs. This was an important control to ensure that there was no conflict of interest. HODs were only requested to review the operational need for the various allowances, which did change from time to time; and
- directorate officers were not entitled to most of the allowances, one example being the ICAC post allowance. Thus, there was no conflict of interest in asking HODs to undertake reviews at the operational level. Nevertheless, if a HOD felt uncomfortable conducting a particular review, he could refer that back to the CSB and the CSB would find other ways to conduct the review.

10. At the Committee's invitation, **Mr Dominic CHAN Yin-tat, Director of Audit**, responded that:

- he shared the view of the CSB that it was a good practice for a party outside the civil service structure to conduct the reviews on allowances; and
- it was preferable to have the Standing Commission/Standing Committee and the CSB reviewing the allowances in conjunction, rather than to have only one party performing the review.

11. The Committee noted from the Audit Report that sometimes HODs might have reservations about withdrawing or altering certain allowances because they did not want to adversely affect staff morale. The Committee enquired whether the CSB had laid down any criteria for measuring staff morale and the weight the CSB should give to the importance of staff morale.

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12. The **Deputy Secretary for the Civil Service** informed the Committee that:
- there were clear guidelines available for HODs when they were requested to examine the continuing need for a particular allowance. The guidelines were set out in the regulations governing individual allowances, which HODs had to follow when conducting their reviews;
 - as for staff morale, that was a judgement that HODs had to take. The CSB could not impose the criteria centrally because HODs had to take into account their operational need. Where the CSB considered that the HODs were not firm enough, the CSB would step in and discuss with the HODs concerned to obtain an understanding as to why they considered the issue of staff morale to be overriding;
 - the weight that should be given to the importance of staff morale could not be specified. It depended on the circumstances. In one department staff morale might be an important issue while in another department, staff retention and motivation might be the issue; and
 - there were a number of ways to deal with the issue of staff morale. For example, counselling service was available. As for job-related allowances, such as typhoon duty allowance and black rainstorm duty allowance, they were specific to the particular situation that a department had to face.

“Non-deprivation of existing benefits”

13. According to the third inset of paragraph 2.17 of the Audit Report, there were legal constraints on the CSB in withdrawing existing benefits from serving civil servants. The Committee asked:

- whether the principle of “non-deprivation of existing benefits” could be changed and the legal implications; and
- whether the CSB had sought legal advice on the issue.

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14. The **Secretary for the Civil Service** explained that:

- there were two categories of allowances, namely fringe benefits and job-related allowances. Fringe benefits, though might be provided in the form of allowances, were offered to eligible officers as part of their terms of appointment. In other words, these were contractual provisions. Examples were housing allowance and education allowance;
- job-related allowances, such as typhoon allowance, dangerous duties allowance, overtime allowance and acting allowance, did not constitute part of the contract of employment. This category of allowances was not safeguarded by law and its continuation would depend on the needs;
- all through the years the Administration had respected the contractual provisions concerning allowances. However, it did not mean that they could not be changed. For instance, there was a major change to the housing allowance about 10 years ago. The provision of quarters was eventually changed to the home finance allowance, etc. The representatives of the staff councils had been consulted and their agreement to the changes obtained. Another example was the overseas education allowance, which was deleted several years ago; and
- because the Administration respected contractual provisions, changes to fringe benefits were only applicable to new recruits. Whenever the CSB carried out a review or made changes to fringe benefits, it would seek legal advice. Regarding the legal implications of making unilateral changes, that was hypothetical because throughout the years, the Administration had not tried to do that.

15. In the light of the Secretary for the Civil Service's response, the Committee asked whether there were legal constraints on abolishing job-related allowances and whether the principle of 'non-deprivation of existing benefits' applied to such allowances. The **Deputy Secretary for the Civil Service** said that:

- the principle applied primarily to allowances which were contractually obligated but not job-related allowances. Job-related allowances could be stopped and changed subject to the need. When a job-related allowance was abolished, every person who was previously qualified to receive the allowance would no longer be qualified. There were precedents where the Administration had removed such allowances from staff. In 1992, the

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extraneous duties allowance (supplementary duty level 1) was abolished; and

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- as circumstances changed within a department, even though an allowance might remain extant, the beneficiaries might change. Hence, there was no restriction on the Administration's ability to change the job-related allowances.

16. Responding to the Committee's question, the **Deputy Secretary for the Civil Service** confirmed that out of the seven allowances reviewed by Audit, only the furniture and domestic appliances allowance was regarded as a fringe benefit. The rest were all job-related allowances.

17. On the question of the Administration's power to alter the conditions of service of the civil service, the Committee noted from paragraph 2.12 of the Audit Report that the memorandum on conditions of service (MOCS) stated that the Government had the right to modify the terms of appointment and conditions of service. It thus appeared that there were legal grounds on the basis of which the Government could modify contractual provisions. The Committee asked about the Administration's stance on the issue and whether it was a golden rule that certain benefits, even though they were outmoded, could not be changed without the consent of the staff side.

18. The **Secretary for the Civil Service** stated that:

- according to the MOCS, the Government as the employer did have great power. However, the reality was that the CSB could not consider the matter solely from a purely legal point of view. As a good employer, the Government did not want to arbitrarily and unilaterally alter any contractual benefits without first obtaining the staff's consent. In the Government's perspective, when the Government first employed the staff, it had informed them that they could enjoy certain fringe benefits. Such benefits were therefore contractual obligations that an employer should honour;
- other factors that had to be considered included staff morale, the HOD's ability to handle staff morale if such benefits were withdrawn, public opinion concerning the unilateral withdrawal of such benefits and the response of Legislative Council Members to such a move by the CSB, etc. Thus, when the CSB reviewed fringe benefits, it was inclined to be more generous to the staff;

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- it was difficult to comment whether there would be legal problems if the CSB was to withdraw a fringe benefit. It would be up to the court to decide whether by so doing, the Government was in breach of the contract; and
- nevertheless, the Administration did agree that it had to strike a balance between being a good employer and its accountability for public expenditure. When the Administration reviewed civil service benefits, it would first consider whether the staff side would accept the changes before putting forward the proposals.

19. The Committee enquired whether there were any documents setting out what constituted fringe benefits and which provision in the MOCS empowered the Government to change the conditions of service. In his letter of 15 December 1999 in *Appendix 16*, the **Secretary for the Civil Service** provided the Committee with the requisite information. He stated that:

- the terms of appointment and conditions of service of civil servants were set out in a MOCS attached to the appointment letter when an appointment was made. The MOCS set out the details of the employment conditions and the remuneration package provided to the recruit. It served as an employment agreement between the Government and the employee. The recruit was offered the benefits as detailed in the relevant sections of the MOCS when he accepted the appointment;
- the MOCS did not contain any separate section on job-related allowances because such allowances were only provided on grounds of operational need and were not granted as an entitlement to individual civil servants. Provisions on eligibility and payment of these allowances were set out in the Civil Service Regulations, CSB circulars and departmental guidelines; and
- there was a standard clause in the MOCS stating that the Government reserved the right to alter any of the terms of appointment or conditions of service of an officer as set out in the MOCS when the Government considered this to be necessary.

20. As to the Committee's question on case law relating to alteration of terms and conditions of employment by the Government, the **Secretary for the Civil Service** stated in his letter of 15 December 1999 that:

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- in the court case of LAM Yuk-ming & Others, the court held that as the initial terms of service made it clear to the public officer that such a power was reserved to the Government, the terms of the contract between the Government and its public servants was capable of unilateral variation;
- despite the above case and the legal power set out in the MOCS, the Government had always observed the convention that being a responsible employer, it was not appropriate to unilaterally withdraw existing benefits from serving civil servants. The staff had legitimate expectation that the terms of the MOCS would be enforced;
- even though from the private law point of view, unilateral variation of the conditions of service by the Government was permissible, civil servants had a legitimate expectation and a right in public law to be consulted and to make representations before a decision was made; and
- it had been the Government's long-standing practice to consult the staff side before making significant variations to their terms of employment. The case of the Council of Civil Service Unions v Minister for the Civil Service emphasized the importance of staff consultation.

21. In the same letter, the **Secretary for the Civil Service** described the established procedure of staff consultation in the civil service. He said that:

- the Government undertook in the 1968 Agreement signed between the Hong Kong Government and the main staff associations that the Government should not make any significant change to the conditions of service which affected a substantial part of the service as a whole, or of the members of one or more of the main staff associations, without prior consultation with the appropriate associations;
- if agreement could not be reached after the consultation, the dispute might be referred to an independent Committee of Inquiry appointed by the Chief Executive for investigation. A Committee of Inquiry was last called in in 1988 when there was a dispute between the Government and staff over the 1988 pay adjustment. The Committee made a number of recommendation in 1989 on revising the civil service pay determination system and the Government accepted most of them. The Administration had strictly observed this consultation mechanism for more than three decades; and

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- it was in this light that the Administration's practice of applying changes to conditions of service only for new recruits had evolved. When practicable, the Administration made these changes available as an option for serving staff such that those who found the new conditions agreeable might opt for them. In this way, the Government was not acting arbitrarily against legitimate staff interests.

22. Referring to the Committee of Inquiry, the Committee asked whether its recommendations were binding on both the Government and the staff side. In his letter of 24 December 1999 in *Appendix 17*, the **Secretary for the Civil Service** informed the Committee that:

- according to the 1968 Agreement, the Committee of Inquiry would submit its recommendations to the Chief Executive (the then Governor). The recommendations would be binding on the Government and the staff associations provided they were acceptable to both parties. The Committee of Inquiry might also make reference to the Chief Executive -in-Council and/or the Legislative Council on the need for further consultation with the staff side; and
- the system of appointing a Committee of Inquiry to arbitrate provided for a fair and impartial mechanism to resolve disputes between the Government and the staff side. The Government would accept the Committee of Inquiry's recommendations where practicable.

23. On the principle of "non-deprivation of existing benefits", the Committee asked whether that was simply a convention or an established policy which had been endorsed by the Executive Council (ExCo) or the COA. The **Secretary for the Civil Service**, in his letter of 13 January 2000 in *Appendix 18*, informed the Committee that:

- the COA had not considered the principle of "non-deprivation of existing benefits". The COA was charged with the responsibility for reviewing the incidence and rates of job-related allowances only. The issue of withdrawal of existing benefits applied to those fringe benefits and related allowances which were covered by the MOCS. Reviewing the provision of fringe benefits to civil servants did not fall within the purview of the COA; and

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- when the Administration introduced any changes to conditions of service, it usually made the changes available as an option for serving staff. It did not compel the staff to accept the changes without their consent. The arrangements in each case were set out clearly in the relevant submission when policy approval from the ExCo was sought.

ICAC post allowance

24. The Committee noted from paragraph 3.11 of the Audit Report that since 1989-90, the ICAC had not experienced recruitment and retention difficulties. Thus, Audit considered that it was questionable whether the continued payment of the ICAC post allowance was justified. The Committee asked why the Commissioner, ICAC, as recorded in the Audit Report, considered that the allowance was not outdated in present-day circumstances.

25. **Mr Alan LAI Nin, Commissioner, ICAC**, said that:

- the considerations for the introduction of the ICAC post allowance in 1974 were still relevant today, although the weighting had changed as the monetary values of the allowance had reduced over the years. Nowadays, ICAC officers still found themselves kept at arm's length by other people. Moreover, the allowance served as a symbol of the Government's recognition of the contribution and importance of ICAC officers; and
- any attempt to abolish the allowance would create a feeling in the officers that their efforts were no longer recognized and staff morale would be damaged as a result. If the allowance was to be withdrawn, some staff might even think that their conditions of service were changed and might resort to litigation.

26. In the light of the response of the Commissioner, ICAC, the Committee considered that over the years, what was originally an allowance had become a fringe benefit in the eyes of the staff. At the Committee's invitation, the **Deputy Secretary for the Civil Service** confirmed that the ICAC post allowance was a job-related allowance, not a fringe benefit. It would be covered in the review of job-related allowances by the Standing Committee.

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27. Given that ICAC staff perceived the ICAC post allowance as part of their conditions of service, the Committee asked whether the ICAC would rationalise the arrangement and include the allowance as part of the remuneration package of ICAC staff. The **Commissioner, ICAC** said that he would consider this carefully in the course of the review.

28. The Committee referred to paragraph 3.10 of the Audit Report which revealed that in 1996, the ICAC recruited 76 Assistant Investigators from over 1,800 applicants. In 1997, 66 Assistant Investigators were selected from over 2,100 applicants. The good response suggested that the job was very popular. The Committee queried why the ICAC claimed that the jobs were obnoxious where nobody would like to take up. The **Commissioner, ICAC** stated that the figures were relative. Compared to jobs in other departments, the number of applicants for those jobs might even be greater.

29. The Committee further asked whether the ICAC staff had been consulted on the proposed abolition of the ICAC post allowance and whether they were really concerned about withdrawing the allowance, which was of small monetary value. The **Commissioner, ICAC** said that:

- he understood that the CSB was carrying out a review on the allowance and he did not want to create public opinion. The staff associations would be consulted in the course of the review; and
- in the last review by the CSB, the views of the management had been gauged.

30. To understand whether the work nature of the ICAC was unpopular and if the ICAC had any recruitment difficulties, the Committee asked how the education qualifications of the new entrants compared to those of the entrants several years ago. The **Commissioner, ICAC** said that, similar to other disciplined services, in recent years the ICAC was able to recruit people with university qualifications to take up posts at lower ranks. The ICAC would not hire people who were not up to the standard.

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31. The Committee asked what actions the CSB would take to enhance the esteem of ICAC staff so that a proper weight would be given to the importance of the allowance. In reply, the **Secretary for the Civil Service** stated that:

- to enhance staff esteem, the CSB's focus was on human resource management. It was hoped that staff morale could be enhanced through improved communication, management methods and in-house training, etc.; and
- staff morale, however, was also affected by some external factors beyond the Administration's control, such as the public opinion on the performance of civil servants.

Home-to-office travelling allowance

32. Referring to paragraph 4.18 of Audit Report, the Committee noted that the Administration was aware of the need to review the HOTA as early as 1975 and had set the long-term objective of moving towards its abolition. In addition, in paragraph 4.11 of the Report, Audit considered that the HOTA had become outdated. Against this background, the Committee enquired whether the CSB agreed with the Audit's comment and whether there was a plan to delete the allowance.

33. The **Deputy Secretary for the Civil Service** stated that:

- the CSB had no dispute with the Audit's rationale and comment. The CSB had completed a review on the HOTA and would shortly put forward proposals to the Legislative Council for abolishing the allowance and replacing it with a new arrangement, taking into account the need to compensate officers who were posted to remote offices;
- the CSB considered that it was still necessary to provide some form of compensation for officers who were required to travel long distances to their place of work because, unlike the private sector where most employees were employed to work within a defined location, civil servants could be deployed anywhere within the territory. Therefore, there was a need to compensate them for the expense beyond the normal level of travel costs; and

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- under the new arrangement, there would be a list of designated remote locations including such places as the border area, some outlying islands and remote locations within Sai Kung. There would also be a regular review mechanism to ensure that the list was updated on a regular basis and the allowances were kept within reasonable levels. The allowances would be adjusted according to Consumer Price Index (A) so that the allowances would be kept in step with the costs.

34. The Committee were concerned about the possible staff reaction to the proposed abolition of the HOTA and asked:

- whether the staff unions had been consulted; and
- whether the Administration would try to post civil servants to offices close to their residence so as to avoid long home-to-office journeys.

35. The **Deputy Secretary for the Civil Service** stated that:

- the staff unions had been consulted and they had accepted the proposal. In fact, during the course of consultation, the proposals had been modified slightly to accommodate some of the unions' concerns. The Standing Commission had also been consulted and the Standing Committee was being consulted. It was expected that the new package would be acceptable to all parties concerned; and
- as for postings, there were a large number of officers who had to work on the border, including immigration officers, customs officers and police officers. While the Administration gave due regard to the need to avoid long home-to-office journeys, that was not an overriding consideration. It was possible that during the course of an officer's career he might be working near where he lived, then he might be posted to another location within two or three years.

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36. The Committee understood that since its introduction, the HOTA had been reviewed in 1975, 1984 and 1992. However, as revealed by paragraph 4.18 of the Audit Report, throughout the years reaction of the staff side had been the major obstacle to revising the terms of the HOTA. Noting that the staff unions had agreed to the new package after consultation, the Committee enquired whether the Administration had gone through the formal consultation procedure in the past reviews before concluding that there would likely be very strong reaction from the staff if the HOTA was abolished.

37. The **Deputy Secretary for the Civil Service** stated that the circumstances in 1999 were sufficiently different from those in 1975, 1984 and 1992. Hence, the consultation exercises should be perceived in context.

38. In his letter of 24 December 1999 in *Appendix 17*, the **Secretary for the Civil Service** provided the details of the three reviews of the HOTA as follows:

- the 1975 working party focused on ways to economise on payment of the home-to-office-mileage allowance (HOMA). It also considered the option of abolishing the payment of home-to-office travelling expenses (HOTE) but recognised that many outlying offices remained inadequately served by public transport. The Administration in the end formally consulted the staff sides of its intention to tighten up the payment of the HOTE. The no-claim limit was subsequently raised although not without staff objection. Abolition of the HOTE was considered as a long-term objective;
- after reviewing the subject again in 1984, the Administration maintained that the abolition of the HOTE should remain as a long-term objective. Proposals were then formally put forward to the staff side again to tighten up the payment of the HOTE. These included the exclusion of Tsuen Wan, Kwai Chung and Shatin from eligible areas for claiming the traveling allowance but the proposal was finally dropped due to strong objection from the staff side. Nevertheless, a revised method on adjusting the no-claim limit with reference to prevailing bus fares was agreed; and

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- in 1992, the Administration conducted its third review aiming again at excluding Tsuen Wan, Kwai Chung and Shatin from the areas for payment of the HOTE. Major departments with the largest expenditure on the HOTE/HOMA (namely, Fire Services Department, Regional Services Department, Agriculture and Fisheries department, Department of Health, Hospital Services Department and Royal Hong Kong Police Force) were asked to gauge the staff reaction to the proposal. The advice received was that staff would object strongly to the proposal and that there would be serious posting problems. In view of the adverse implications, the Administration considered it not opportune to pursue the proposal.

Mileage allowance

39. The Committee asked for the CSB's comment on Audit's view recorded in paragraph 5.18 of the Audit Report that there were over-generous incentive elements in the existing formula for determining the rates of mileage allowance.

40. The **Deputy Secretary for the Civil Service** said that:

- the CSB did not consider that the provision of mileage allowance had too much of an incentive side. The Administration's objective was to provide fair recompense for officers who used their private cars for duty purposes;
- under the Civil Service Regulations, officers had to obtain approval before they could use their private cars for duty journeys and they must demonstrate that they had actually used their cars for duty purposes; and
- in some cases, efficiency was indeed enhanced and public expenditure saved when an officer used his car for accessing a remote location because there was no need to tie up a government vehicle and driver.

41. At the Committee's invitation, the **Director of Audit** clarified that he did not consider the entire mileage allowance to be over-generous. For example, fuel cost, being the direct cost incurred by an officer in using his car for duty journeys, should be reimbursed. However, reimbursing the maintenance cost and the fixed cost was over-generous.

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42. The Committee noted from paragraph 5.19(f) of the Audit Report that there would be a review on the mileage allowance and enquired what the progress so far was. The **Deputy Secretary for the Civil Service** replied that:

- the CSB would undertake a review on the provision of duty mileage allowance, including the payment formula, to make sure that it was up-to-date and reasonable; and
- at present, the review had not yet commenced. Once commenced, he expected that it would take between four to six months to complete. The staff side would be consulted once a proposal was drawn up.

Furniture and domestic appliances allowance

43. Regarding the FDAA, the Committee noted from paragraph 6.5 of the Audit Report that the CSB held the view that the FDAA was part of the conditions of service which could not be withdrawn from serving officers unless they were willing to forgo such benefits. The Committee enquired when the FDAA first appeared as a condition of service of the civil service.

44. In his letter of 24 December 1999 in *Appendix 17*, the **Secretary for the Civil Service** informed the Committee of the origin of the FDAA. It was stated that:

- the FDAA was payable in lieu of the supply of furniture and domestic appliances (FDA) to staff eligible for quarters. The origin of the supply of FDA dated back to the 1950s. At the time, it was determined that the rent paid by officers for their quarters included charges for quarters, furniture and refrigerators. Therefore, officers who were provided with quarters were also entitled to the provision of FDA by the Government. In those days, if an officer did not draw any furniture item, \$25 would be deducted from his monthly rent. If no refrigerator was supplied, \$5 would be deducted. The rent deduction was later transformed into allowances (i.e. the FDAA); and
- the origin and development of the FDAA could be traced back to the then Colonial Secretary's memo of 20 October 1955, an extract from a Finance Committee paper of 10 August 1960 and Establishment Regulation 862 in 1964.

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45. According to paragraph 6.4 of the Audit Report, when the Home Purchase Scheme (HPS) was introduced in 1981, officers (on or above the old Master Pay Scale Point 38) receiving assistance under the HPS would be eligible for the FDAA. Paragraphs 6.5 to 6.7 revealed that since 1982, the FB had queried whether HPS beneficiaries should be eligible for the FDAA. In February 1988, the CSB finally agreed to abolish the FDAA for officers joining the HPS on or after 1 October 1990. In this connection, the Committee asked about the CSB's rationale for changing the eligibility criterion for the FDAA in 1990 but not earlier.

46. The **Deputy Secretary for the Civil Service** said that:

- in 1981, the issue was not examined thoroughly. Consideration was not given to the withdrawal of the FDAA at that time; and
- in 1989, the CSB introduced major changes to housing-related benefits and a completely different set of housing benefits was put in place, including the home finance allowance, the accommodations allowance and a modified HPS. At that time, the CSB did consider the question of whether or not it should make consequential changes to housing-related benefits, including the FDAA.

47. Referring to paragraph 6.13 of the Audit Report, the Committee acknowledged that the Secretary for the Civil Service agreed that the justifications for allowing HPS beneficiaries to draw the FDAA should be re-examined. The Committee enquired what the outcome was. The **Deputy Secretary for the Civil Service** stated that the CSB had consulted the staff and obtained their agreement to the cessation of the FDAA. The cessation had already been effected on new recruits appointed on or after 1 May 1999. The Committee noted that serving officers were still entitled to the FDAA. According to paragraph 6.10 of the Audit Report, as at 31 December 1998, there were 2,347 HPS beneficiaries drawing the FDAA.

Dialect allowance

48. According to paragraph 7.20 of the Audit Report, the average cost of obtaining dialect interpretation service by the payment of dialect allowance was \$4,952 per hour. In contrast, the hourly rate for part-time interpreters was only \$204. The Committee asked why there was such a great differential.

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49. **Mr LEE Lap-sun, Commissioner for Official Languages**, explained that:

- the average cost was high because in 1998 only about 210 hours of dialect interpretation work had been performed, whereas dialect allowance of about \$1.04 million had been paid to the officers. In other words, having claimed the dialect allowance, the claimants performed dialect interpretation very infrequently; and
- he agreed that there was a need to review the arrangement. As the demand for dialect interpretation was small, he would consider the termination of payment of the dialect allowance for the dialects in question, except Putonghua.

50. With reference to paragraph 7.18 of the Audit Report, the Committee noted that the Government announced in 1995 its aim to make the civil service biliterate and trilingual. As such, the Committee asked whether the Administration would consider excluding Putonghua as a dialect qualifying for an allowance.

51. The **Commissioner for Official Languages** stated that:

- at present, there were not a large number of Chinese Language Officers (CLOs) who were proficient in Putonghua. The policy of developing a biliterate and trilingual civil service had only been introduced for a short period of time. When the staff in the Putonghua interpretation pool were recruited, Putonghua was not an entry requirement. They started to undergo training in Putonghua after they were recruited and expected some financial recognition for providing such an additional service; and
- new recruits in the CLO grade were required to possess a certain level of proficiency in Putonghua. However, it was still questionable whether they could reach the level of proficiency required for interpretation duties. Hence, the Official Languages Agency (OLA) could cease the payment of Putonghua dialect allowance only when the civil service had really become biliterate and trilingual.

52. On the question of part-time interpreters, the Committee asked whether such interpreters could be used more frequently so as to reduce cost.

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53. **Mr Wilfred TSUI Chi-keung, Judiciary Administrator**, stated that:
- most lower courts were already using part-time dialect-Cantonese interpreters; and
 - it would not be feasible to use part-time interpreters for complicated litigation conducted in English because interpretation from one language to another was difficult. The qualifications of the part-time interpreters currently on the Judiciary's register would not be high enough to perform the job.
54. The **Commissioner for Official Languages** stated that:
- the OLA seldom used part-time interpreters, apart from part-time simultaneous interpreters who belonged to another grade; and
 - as for Putonghua interpretation, the OLA deployed full-time staff to provide the service. There was a Putonghua Interpretation Section with seven interpreters to provide high-standard service. They had to accompany delegations to the Mainland and might deal with confidential matters. Hence, it was not appropriate to use outside part-time staff.
55. The Committee noted that the OLA kept detailed record of the number of hours which CLOs spent on interpretation work and hence should be well aware that the dialect allowance claimants had not performed the interpretation duty frequently. The Committee queried why the OLA had not taken the initiative to review the situation.
56. The **Commissioner for Official Languages** said that:
- the OLA realised that from 1989 to 1998, there had been a considerable demand for Putonghua. Starting from 1996, the demand for the other dialects had been reduced very substantially; and
 - actually, before the issue of the Audit Report, the OLA had discussed the issue with the CSB. He had also raised the problem with his staff.
57. The **Director of Audit** commented that the question was whether the discussion had any outcome.

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58. On the keeping of statistics, the **Judiciary Administrator** said that in the past, the Judiciary did not keep record of the number of hours spent on interpretation duties by court interpreters. He accepted that dialect allowance should only be given on a value-for-money basis. In future, statistics on the interpretation duties would be kept.

59. Referring to paragraph 7.8 of the Audit Report, the Committee asked whether the CSB had formally consulted the staff on the proposal of replacing the dialect allowance with a bonus scheme before deciding not to implement it. The **Deputy Secretary for the Civil Service** confirmed that the suggestion had been discussed by the Senior Civil Service Council. The staff side's reaction was not positive. Thus, the proposal was dropped.

60. The Committee further asked about the progress in rationalising the payment of dialect allowance. The **Deputy Secretary for the Civil Service** stated that the CSB had reached agreement-in-principle with the heads of grade over the payment arrangements. The staff side would be consulted.

Overtime allowance

61. The Committee noted from paragraph 8.11 and Table 14 of the Audit Report that the Post Office ranked consistently as the topmost department, in terms of the total payments of OTA and Disciplined Services Overtime Allowance (DSOA) to staff expressed as a percentage of total departmental salary payments. From 1994-95 to 1998-99, the percentage was consistently over 30%. In 1997-98, it even reached 41.5%. In this connection, the Committee asked:

- whether the high level of overtime payment indicated problems in staffing arrangement; and
- what actions had been taken to rectify the situation and what the results were.

62. **Mr LUK Ping-chuen, Postmaster General**, informed the Committee that:

- there was a historical background to the high level of overtime payment in the Post Office. Before August 1995, the Post Office was a government department and had to bid for resources from central allocation. When the bids for permanent posts were unsuccessful, apart from employing temporary staff, existing staff would have to work overtime; and

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- the volume of mail was beyond the Post Office's control. Overtime work was an effective means to respond to increased workload expeditiously.

63. Regarding improvement measures, the **Postmaster General** stated that:

- the modus operandi of the Post Office had been reviewed in 1997. Starting from November 1997, overnight sorting of mail was performed in the headquarters so that the performance pledge of delivering local mail on the next day of mailing could be fulfilled. At the same time, machines were used to improve efficiency and reduce OTA. The trial was successful and the arrangement had been extended to the International Mail Centre and the Kowloon Central Post Office;
- some services had been contracted out, including using non-government vehicles to transport mail and the packaging work in the philatelic section;
- a work standards survey had commenced last year to review the delivery route details with a view to evening out the workload. The first phase had been implemented in October 1999 and another three reviews would be carried out. In addition, the Department's productivity index was being reviewed with a view to reflecting correctly the productivity of the Department as well as that of the district and branch offices;
- certain divisions of the Post Office had been merged to save manpower. For example, speed post and parcel delivery had been merged. As for manning scale of the counters, 16 branch offices had been reviewed and the manning ratio reduced. A review on the deployment of drivers had also been conducted; and
- with the completion of these reviews, it was hoped that productivity could be increased and overtime work reduced. So far the achievements had been satisfactory. Staff response was favourable. The productivity in the second quarter of 1999 had increased by 12% comparing with that of the corresponding period last year.

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64. The Committee noted the CSB's comment in paragraph 8.12 of the Audit Report that it was not readily clear why so much of the overtime work could not be undertaken by other means, such as bidding for new staff, introducing shift duties, reshuffling duties, or employing non-civil service contract staff to cover short-term job requirements. In paragraph 8.13, it was also stated that the CSB was considering the way forward for administering overtime work. The Committee enquired what progress had been made.

65. The **Deputy Secretary for the Civil Service** informed the Committee that:

- over the last few years the CSB had tried to ensure that departments did curtail the use of overtime. To this end, a number of measures had been taken. In 1998, circulars were issued to remind HODs of the need to properly control the use of overtime and that overtime work should first be compensated by time-off-in-lieu;
- the CSB had been discussing with the departments which had the largest payments of OTA, namely the Post Office, the Housing Department and the Water Supplies Department to ascertain the reasons for the large volume of overtime work and to work out ways of improvement. Proposals included restructuring of work arrangements, introduction of shifts and outsourcing to the private sector. Recently, the CSB had offered assistance by deploying additional staff to the departments if they did not have sufficient resources; and
- notwithstanding the CSB's efforts in reducing overtime work, the overtime requirement for a particular department was dictated by operational need. For instance, if there was an emergency situation where staff had to be activated overnight at short notice to work beyond their normal working hours, the HOD must have the flexibility to make the decision. The CSB could not centrally make and impose a decision on the department.

66. The **Postmaster General** stated that:

- as a trading fund department, the Post Office was very cautious about the cost implications of permanent staff. If the cost was high, there would be pressure on the Department's fees and charges. Notwithstanding that, the Post Office did try to create permanent posts. However, if the Department was to absorb all overtime work by permanent staff, over 2,000 posts would be required. Hence, instead of pursuing this route, the Department engaged non-civil service contract staff and temporary workers to cover some of the overtime work;

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- the work hours of temporary staff had steadily increased over the years. In 1994-95, they accounted for 5.66% of the total work hours. In 1998-99, they accounted for 9.44%. At present, there were more than 1,000 temporary and non-civil service contract staff in the Department, compared to about 6,000 permanent staff. However, there was problem with using non-civil service contract staff. As their turnover rate was high, the Department encountered difficulties in terms of training; and
- as regards shifts, the arrangement had all along been adopted in the Post Office. There had been two shifts and the overnight sorting work was the third shift. During this shift, only the supervisory staff were permanent staff whereas the operational staff were all non-civil service contract staff.

67. Referring to the Postmaster General's remark that a number of measures had been taken to reduce overtime work in the Post Office, the Committee queried why, according to Table 14 of the Audit Report, the percentage of OTA to total departmental salary payments in 1998-99 was higher than that in 1994-95.

68. The **Postmaster General** stated that:

- the exceptional increase in overtime hours in 1996-97 and 1997-98 was due to the philatelic boom. Extra staff had to be deployed to maintain order in the sale of stamps. The figure had already dropped in 1998-99 and would further decrease in 1999-00; and
- in 1994-95 before the Post Office had changed to a trading fund, it was not able to create the necessary number of permanent posts.

69. At the request of the Committee, the **Deputy Secretary for the Civil Service** undertook to provide the Committee with information on whether the Post Office had bid for new staff since 1994-95 and the outcome of their biddings. In his letter of 24 December 1999 in *Appendix 17*, the **Secretary for the Civil Service** provided the Committee with the outcome of the biddings for new staff by the Post Office since 1994-95, as follows:

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	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>
Posts bid under the government resource allocation exercise	394	-	-	-	-
Posts proposed in the Post Office Business and Corporate Plans	-	210	210	199	233
Posts approved	168	210	210	199	233

70. On the question of bidding for additional staff, **Mrs Carrie LAM CHENG Yuet-ngor, Deputy Secretary for the Treasury**, stated that:

- every year most departments would apply for additional staff under the resource allocation exercise. Prior to becoming a trading fund department, the Post Office did request additional staff. At the same time, starting from 1990, the Post Office claimed a substantial amount of resources for OTA every year. In other words, it had been the practice of the Post Office to use overtime work to cope with increased workload; and
- the FB hoped that, with limited resources, departments would try to use alternative means to make the best use of resources. For instance, the Police had also bid for additional resources in the annual resource allocation exercise. Failing that, the Commissioner for Police, within the existing establishment, had deployed resources more flexibly and achieved a very substantial reduction in the DSOA in recent years.

71. The **Deputy Secretary for the Civil Service** shared the view of the Deputy Secretary for the Treasury. He stated that even if departments were unsuccessful in securing additional resources, there were always ways to review the operational procedures and achieve reduction in OTA.

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72. The Committee noted from paragraph 8.5 of the Audit Report that from 1994 to 1996, the ICAC received about 600 complaints concerning malpractices in staff administration in the civil service, including falsifying attendance records, undertaking outside work during official duty hours and fraudulent claims of OTA and DSOA. In this connection, the Committee asked:

- how the Administration addressed the concerns raised by the ICAC; and
- the number of civil servants who were disciplined as a result of the ICAC investigations.

73. The **Deputy Secretary for the Civil Service** responded that:

- the CSB had been working closely with the ICAC to ensure that the excessive use of overtime work would not become a habitual practice of the departments; and
- the CSB issued a circular in 1998 to share among all departments the experience that the ICAC had gained in its investigations into the complaints.

74. In his letter of 24 December 1999 in *Appendix 17*, the **Secretary for the Civil Service** provided the outcome of the ICAC investigations, as follows:

<u>Nature of offence</u>	<u>Total number of officers given formal punishment</u>
Unauthorised absence	597
Fraudulent claim of OTA/DSOA	133
Falsification of attendance records	451
Total	<hr/> 1,181

75. According to paragraph 8.8 of the Audit Report, in 1997, in response to a request of Legislative Council Panel on Public Service, the CSB commenced a survey on OTA. The Committee asked why the Administration only conducted reviews on overtime payments after queries had been raised by the ICAC and the Legislative Council.

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76. **Miss Denise YUE Chung-ye, Secretary for the Treasury**, stated that:

- from the FB's point of view, the initiative for controlling overtime expenditure had to be from the controlling officers. The FB's responsibility was to consider the allocation of resources in a comprehensive manner to decide the amount of OTA that should be allocated to a particular department. The FB was too removed from departmental operations to judge what should be the appropriate level of OTA for individual departments;
- under the current practice, when the FB realised that the OTA expenditure of a particular department was excessive, it would refer the matter to the CSB and the relevant controlling officer. It was believed that the CSB and the relevant controlling officer would be able to introduce appropriate changes; and
- starting from 1999-2000, the FB had stipulated that a controlling officer could not apply for additional funding in the same financial year if he failed to control the OTA.

77. The **Deputy Secretary for the Civil Service** stated that the FB did draw to the CSB's attention problems that it detected and the CSB would follow up with the relevant departments. When the CSB approached the controlling officers, they always responded positively. The CSB had been working with departments, both centrally and individually, to provide the appropriate resources for them to meet the public demand. New solutions had been introduced including the use of non-civil service contract staff, which did not exist in the early 1990s. The CSB's prime role was to determine the policy on overtime. It could not administer overtime work in over 80 departments.

78. The **Deputy Secretary for the Treasury** stated that since the launching of the Enhanced Productivity Programme (EPP) in October 1998, there had been a substantial reduction in all kinds of allowances, including the OTA.

79. In the light of the remark of the Deputy Secretary for the Treasury, the Committee enquired whether the savings achieved by reducing expenditure on allowances were counted towards gains under the EPP.

80. At the Committee's request, the **Secretary for the Treasury** confirmed in her

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letter of 22 December 1999, in *Appendix 19*, that savings achieved by bureaux and department through reducing expenditure on allowances (as opposed to fringe benefits) were counted towards gains under the EPP. The FB had in fact been advised by many departments, in preparing the 2000-01 Draft Estimates, that part of the mandatory 1% savings required under the EPP in 2000-01 would be delivered through reducing expenditure on allowances, notably overtime allowance.

81. In the same letter, the **Secretary for the Treasury** provided information on the reduction in expenditure on the OTA and DSOA since the introduction of the EPP, as follows:

	1994-95 (\$m)	1995-96 (\$m)	1996-97 (\$m)	1997-98 (\$m)	1998-99 (\$m)
OTA	947.9	1,115.3	1,223.7	1,431.4	1,384.2
DSOA	481.8	522.8	587.3	537.0	353.6
Total	1,429.7	1,638.1	1,811.0	1,968.4	1,737.8

Acting allowance

82. The Committee noted from paragraph 9.12 of the Audit Report that the CSB was conducting a review on the acting appointment system and the staff side would be consulted by end-1999. The Committee asked what the progress and outcome of the review were.

83. The **Deputy Secretary for the Civil Service** stated that the CSB had embarked on a round of staff consultation with a view to modifying the acting allowance arrangements. Basically, the CSB proposed that the qualifying period should be changed to 30 days. The CSB expected to complete the consultation by the end of 1999. The staff response had not been positive.

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84. The Committee noted from paragraph 9.13 of the Audit Report that back in 1989, Audit had informed the CSB that it was not advisable to revise the qualifying period for the payment of acting allowance from 30 to 14 calendar days. As the CSB now proposed to extend the qualifying period back to 30 days, the Committee asked whether the CSB had reversed its stance. The Committee further asked whether the Administration had made reference to the private sector.

85. The **Deputy Secretary for the Civil Service** stated that:

- in 1989, the qualifying period was shortened to tie in with the trend of officers taking shorter leave which gave rise to the need for shorter acting appointments;
- presently, the proposal of extending the qualifying period was put up because it had appeared that officers did try to take longer leaves; and
- as far as he understood, making acting appointments was not a practice in the private sector. It was only a civil service arrangement.

86. Responding to the Committee's question about the potential reduction in the acting allowance following the revision of the qualifying period to 30 days, the **Secretary for the Civil Service** stated that:

- basically, there were two types of acting appointments, namely, acting appointments to test an officer's suitability for promotion and acting appointments for an officer to undertake temporarily the duties of another post which was vacant; and
- acting appointments to cover short-term vacancies only accounted for a small portion of the total expenditure on acting allowance.

87. In his letters of 24 December 1999 and 5 January 2000 in *Appendices 17 and 20* respectively, the **Secretary for the Civil Service** further provided the Committee with a breakdown of the expenditure on acting allowance in 1997-98 and 1998-99 by duration. The estimated expenditure on acting allowance by pay band and acting period in 1998-99 is as follows:

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Pay band	Acting period (in calendar days)						Total	
	<14 days		14 - 29 days		≥30 days		(No.)	(\$m)
	(No.)	(\$m)	(No.)	(\$m)	(No.)	(\$m)		
MPS 1-33	12,478	18.0	38,582	79.1	26,789	297.2	77,849	394.3
MPS 34-49	3,729	28.6	9,204	60.9	7,348	179.1	20,281	268.6
Directorate	574	4.4	1,135	9.1	932	31.6	2,641	45.1
Total	16,781	51.0	48,921	149.1	35,069	507.9	100,771	708.0

88. In his letter of 24 December 1999, the **Secretary for the Civil Service** stated that:

- acting appointments intended to test officers' suitability for promotion were normally made for a relatively longer duration, in many cases six months or even longer where necessary. Short-term acting appointments lasting for less than 30 days were in most cases made for administrative convenience to cover temporary vacancies;
- the purpose of the proposed changes to the acting appointment system was to ensure that acting appointments were made and acting allowance granted only where necessary and justified on management or operational needs. It was therefore reasonable to expect that the number of acting appointments, and in turn the expenditure on acting allowance, might be reduced; and
- in 1998-99, about \$200 million was paid for acting appointments lasting for a period of less than 30 days. With the implementation of the proposed changes, some of that expenditure might be reduced. However, given that the circumstances for making acting appointments might vary, it was extremely difficult to estimate the potential reduction in acting allowance with any degree of certainty.

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89. In her letter of 28 December 1999 in *Appendix 21*, the **Acting Secretary for the Civil Service** supplemented that:

- in terms of financial implications, acting appointments longer than 30 days accounted for more than \$500 million or 72% of the total expenditure on acting allowance in 1998-99. It was reasonable to draw a conclusion that the majority of these longer-term acting appointments were made to test suitability for promotions; and
- having completed the consultation with departmental management and the staff side on the proposed changes to the acting appointment system, the CSB was ready to implement the proposals in January 2000.

90. In view of the fact that the majority of the acting allowance was paid for acting appointments intended to test officers' suitability for promotion, and that officers appointed to act in a post in a higher rank did not receive the pay or fringe benefits of the acting post, the Committee considered that the Government might have actually saved expenditure on pay and fringe benefits as a result of such acting appointments. The Committee invited the Director of Audit's comment in this regard.

91. In his letter of 7 January 2000 in *Appendix 22*, the **Director of Audit** commented that:

- Audit noted that, in some cases, acting appointments for more than six months were made for administrative convenience to cover temporary vacancies arising from officers' overseas training and prolonged sick leave. Audit estimated that in 1998-99, acting appointments with acting periods of more than 180 days accounted for 6% of the number of appointments made and 36% of the amount of acting allowance paid; and
- an officer might be appointed to act in a vacancy in a higher rank in order to test his suitability for substantive promotion to that rank. The officer's entitlement to fringe benefits (mainly housing benefits and passage) at certain salary points might be different. However, there was no evidence to suggest that acting appointments were made for the purpose of saving expenditure on pay and fringe benefits.

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92. Upon the Committee's request, the **Secretary for the Civil Service** provided the Committee with a copy of the paper on "Review of Acting Appointment System" submitted to the Legislative Council Panel on Public Service. A copy of the paper is in *Appendix 23*. According to the paper, the major proposed changes to the acting appointment system were:

- clear guidelines would be issued to departments to ensure that acting appointments were made only when necessary and justified to meet management or operational needs;
- the minimum qualifying period for payment of acting allowance would be 30 days for all posts including those at bureau secretary and HOD level;
- acting allowance would not be granted for doubling-down acting appointment; and
- under very exceptional circumstances, heads of department/grade might, after consultation with the CSB, grant acting allowance for a period shorter than 30 days if they were personally satisfied that such variation was essential to meet management requirements.

93. On 22 January 2000, Hon CHAN Yuen-han, Hon CHAN Kwok-keung and Hon CHAN Wing-chan of the Federation of Trade Unions submitted a letter, in *Appendix 24*, to the Committee setting out their views on the HOTA, Mileage allowance, FDAA, dialect allowance, OTA and acting allowance. The Committee noted the views of the three Legislative Council Members.

94. **Conclusions and recommendations** The Committee:

- express serious dismay that:
 - (i) the Administration has failed to abolish outdated allowances although it has long been aware that the allowances have become outmoded and no longer justified in present-day circumstances;
 - (ii) since 1980, the Committee on Allowances has reduced its own function. Thereafter, the Administration has taken limited initiative to review individual allowances and the system of administration of allowances in the civil service; and

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- (iii) in the last 20 years, there have only been three reviews on job-related allowances;
- express dismay at the Administration's strict adherence to the practice of "non-deprivation of existing benefits" where serving officers are allowed the options of retaining the existing benefits and of receiving new benefits and the self-imposed convention of not unilaterally altering the conditions of service without the staff side's agreement, which are the main reasons for continuing to provide the more generous fringe benefits to civil servants, notwithstanding that:
 - (i) these practices have not been endorsed by the Executive Council or the Committee on Allowances;
 - (ii) there are legal grounds on the basis of which the Government can modify the terms of appointment and conditions of service; and
 - (iii) there is a well-established procedure for resolving disputes with the staff associations should these occur;
- express serious concern that:
 - (i) even though the Civil Service Bureau (CSB) wanted to alter the home-to-office travelling allowance (HOTA) and withdraw the Independent Commission Against Corruption (ICAC) post allowance in 1992 as they were considered outmoded, it did not vigorously follow through the proper process of consultation; instead, it had only asked the departments concerned to gauge the staff reaction to the proposed change to the HOTA and had not consulted the ICAC staff; and
 - (ii) the CSB subsequently gave up its proposals to withdraw or alter the allowances in view of the likely difficulties it perceived;
- are encouraged by the staff associations' reasonable and positive response when the Administration formally put up the justifications and proposals for altering the allowances through the consultation mechanism, as in the cases of the HOTA where the staff side has accepted the alteration proposal and of the furniture and domestic appliances allowance (FDAA) where the staff side has agreed to the cessation of payment to new recruits appointed on or after 1 May 1999;

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- urge the Secretary for the Civil Service to:
 - (i) consider implementing a programme to review regularly the justifications for individual allowances at the policy level;
 - (ii) issue guidelines, including the criteria for approval, to ensure that the mileage allowance is only provided for duty journeys where the use of public transport is not possible;
 - (iii) in consultation with the Commissioner for Official Languages, the Commissioner of Police and the Judiciary Administrator:
 - (a) review the current practice of paying the dialect allowance regardless of the frequency of using the dialects by the claimants of the allowance; and
 - (b) critically examine the justifications for including Putonghua as a dialect qualifying for an allowance;
 - (iv) take positive action to enforce the requirement that excessive overtime work should be minimised and remind Bureau Secretaries and Heads of Department of the importance of compliance with this requirement;
 - (v) urgently review, in conjunction with the Heads of Department concerned, the significant recurrent payments of overtime allowance (OTA) in departments, with a view to reducing these payments. In particular, the Secretary for the Civil Service should:
 - (a) develop strategies to minimise the overtime work of government departments. In doing so, the CSB may wish to draw on the Hong Kong Police Force's experience in reducing the Disciplined Services Overtime Allowance (DSOA);
 - (b) require the departments concerned to conduct thorough reviews of the staff requirement so as to ascertain ways of minimising the overtime work; and
 - (c) consider seeking the assistance of the Secretary for the Treasury, in the vetting of the annual estimates for the OTA and the DSOA, with a view to reducing overtime expenditure; and

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- (vi) regularly monitor the payment of the OTA and the DSOA by departments and take positive action to reduce regular and excessive overtime payments;
- acknowledge that the CSB had implemented the proposals of the review on the acting appointment system, including prolonging the qualifying period for acting allowance to 30 days;
- express concern that the new qualifying period does not apply to officers acting in posts above the level of Bureau Secretary and Head of Department, and urge the Administration to consider applying the new rule to all officers acting in posts at all ranks;
- urge the Secretary for the Civil Service, in conjunction with the Secretary for the Treasury, to take urgent action to ensure that acting appointments are made only when there are genuine operational needs. In particular:
 - (i) the Secretary for the Civil Service should promulgate guidelines requiring Policy Secretaries and Heads of Department to exercise due care in making acting appointments. The justifications for all acting appointments should be vigorously vetted; and
 - (ii) the Secretary for the Treasury should, in consultation with the Secretary for the Civil Service, consider tightening up the budgetary control over the acting allowance;
- urge the Administration to conduct formal staff consultation with a high degree of transparency in accordance with the established procedure, with a view to working out a timetable for abolishing the outmoded allowances, paying due regard to the Director of Audit's concerns, value-for-money considerations, accountability for public expenditure, prevailing human resource practices in the private sector, and staff reaction;
- urge the Administration to continue to discuss the review on allowances with the Legislative Council; and
- wish to be kept informed of the consultation process, staff reaction, the Administration's stance, the results of the review and, if there are any allowances which are considered not outmoded, the justifications for their continuation.

