

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

### **HEAD 47 – GOVERNMENT SECRETARIAT : OFFICE OF THE GOVERNMENT CHIEF INFORMATION OFFICER**

### **HEAD 76 – INLAND REVENUE DEPARTMENT**

#### **Subhead 000 Operational expenses**

Members are invited to recommend to the Finance Committee the following changes with effect from 1 April 2005 –

- (a) the creation of the following permanent post in the Inland Revenue Department –

1 Chief Systems Manager  
(D1) (\$92,650 - \$98,300); to be offset by

- (b) the deletion of the following permanent post in the Office of the Government Chief Information Officer –

1 Chief Systems Manager  
(D1) (\$92,650 - \$98,300)

### **PROBLEM**

There is a need to strengthen the directorate input in information technology (IT) in the Inland Revenue Department (IRD) on a permanent basis and to regularise the establishment structures of IRD and the Office of the Government Chief Information Officer (OGCIO)<sup>Note</sup>.

**/PROPOSAL .....**

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<sup>Note</sup> OGCIO was established on 1 July 2004 following a merger of the then Information Technology Services Department and the information technology-related divisions of the Commerce, Industry and Technology Bureau (Communications and Technology Branch).

## PROPOSAL

2. The Commissioner of Inland Revenue, with the support of the Secretary for Financial Services and the Treasury and the Government Chief Information Officer, proposes to permanently redeploy a Chief Systems Manager (CSM) post (D1) from OGCIO to IRD with effect from 1 April 2005.

## JUSTIFICATION

### *Need for a permanent CSM in IRD*

3. The Information Systems (IS) Division of IRD is responsible for the overall development and application of IT within IRD, including Information Systems Strategy (ISS) planning, IT programme and project management, system development and maintenance, computer operations, data and record administration, IT outsourcing, budgetary control, computer training and implementation of changes to cope with the development of electronic commerce. At present, IS Division is divided into two streams, namely the Computer Section (Operations) and the Computer Section (Systems). The former, headed by a Chief Assessor (D1), is responsible for the operation and day-to-day application of IRD's various systems, formulating functional requirements for new systems and system enhancement from a user perspective. The latter is headed by a CSM who has been assigned by the then Information Technology Services Department (ITSD) since December 2000 to provide dedicated service to IRD in respect of IT system development, maintenance and enhancement, IT outsourcing, security management and to provide advice on IT matters from a technical perspective.

4. Having regard to the strategic importance of IT to IRD and in line with OGCIO's policy to devolve IT responsibilities to bureaux/departments, both OGCIO and IRD agreed that the latter should create a permanent CSM post in its own establishment to provide dedicated and professional support to the senior management in the following aspects –

#### **(a) Information Systems Strategic Planning and Implementation**

IT applications are of strategic importance to IRD for achieving its business objectives and corporate missions. The department must constantly review its ISS, and draw up and implement ISS plan to make full use of IT to support and enhance the department's operation and service delivery, including tax assessment, collection, investigation and taxpayer services. With the central policy to devolve IT responsibilities to bureaux/departments, it is essential for

IRD to have a professional IT officer at the directorate level to assist the senior management to formulate IT strategic plans, and to keep constant review, maintenance and migration of the vital systems to cope with the changing technological advancement and new e-government initiatives. The CSM will play a vital role in providing expert technical advice and support on matters concerning IT standards, technologies, infrastructure, planning and implementation of IT projects, and deployment of IT resources.

**(b) IT Management**

Following the implementation of the major projects (System Infrastructure and Data Management Enhancements, Assess First Audit Later System, Electronic Lodgement Services, Document Management and e-Stamping services) under the second ISS Plan, the IT infrastructure of IRD has been thoroughly revamped and enhanced. A three-tier system architecture comprising mainframe, mid-range and personal computer local area network (PC-LAN) technology has been built to form an integrated platform for IRD to deliver its service to both internal and external users. The overall management of the sophisticated and complex systems requires dedicated leadership at the directorate level. These systems also require continuous review on the platform strategy as technology advances. The CSM will have to observe the development in existing and emerging technologies and identify opportunities for adopting modern technology in conducting IRD's business.

**(c) IT Security**

The rapid increase in the use of IT has enabled the department to function more effectively and efficiently. On the other hand, it has also given rise to more information security risks that threaten the confidentiality, integrity and availability of IRD's information assets. Internally, a vast amount of taxpayer data is readily available to various levels of officers for performing their duties where access must be properly controlled. Externally, Internet-borne threats in the midst of global interconnections such as break-ins, viruses, worms, Trojans, denials of services (DOS) attacks have become more sophisticated and ambitious. To ensure smooth operations of the department and to preserve data confidentiality as required by the secrecy provision of the Inland Revenue Ordinance and the Personal Data (Privacy) Ordinance, IRD must pledge to protect

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the confidentiality and integrity of taxpayer data. The ongoing challenge of securing information and infrastructure and preserving data confidentiality demands a trained and experienced technical expert at the senior management level. His input is essential in steering and managing a more vigorous and disciplined approach to information security management compliant to Government's security regulations, and OGCIO's standards and practice. The latter involves regular audit assessment, analysis of risk exposure, effective implementation of controls to be commensurate with the risks and continuous testing and monitoring.

**(d) Management of Information Technology Management Unit (ITMU) and IT Staff**

In April 2001, in line with the devolution of IT support from the then ITSD to bureaux/departments, IRD set up its own ITMU, which is currently the Computer Section (Systems) Group in IS Division, for effective management of its IT services. ITMU comprises a core team of Analyst/Programmer grade posts transferred from the establishment of the then ITSD to IRD. A permanent CSM post is required to head ITMU and lead various ongoing IT activities, and be responsible for the management, staff development, career posting and quality assurance of the unit. He will also serve as the main liaison point between IRD and OGCIO on service-wide IT initiatives and grade management matters.

***Regularisation of the establishment structures in IRD and OGCIO***

5. To facilitate the rationalisation of the institutional structure, the then ITSD and the IT-related divisions of the Communications and Technology Branch of the Commerce, Industry and Technology Bureau were merged on 1 July 2004 to form OGCIO. In EC(2004-05)8 explaining the merger, we have already indicated that the CSM post would not be shown under the organisation chart of OGCIO as the post was fully designated to IRD's IT projects and business. The present proposal regularises the establishment structures of IRD and OGCIO.

6. The proposed permanent CSM post, to be designated as CSM (Inland Revenue), will report directly to Assistant Commissioner (Headquarters). The proposed job description is at Enclosure 1. The existing and proposed organisation charts of IS Division, Headquarters Unit are at Enclosures 2 and 3 respectively.

Encl. 1  
Encls. 2  
& 3

*/Alternatives .....*

*Alternatives considered*

7. IRD has considered the option of using IT support from OGCIO and the deployment of a Senior Systems Manager (SSM) to take up the CSM's duties, but has concluded that the proposal is not feasible. First, with the devolution of IT support to bureaux/departments, OGCIO has repositioned its core services and has since relinquished its technical support services to individual bureaux/departments other than providing generic advice and guidelines and government-wide infrastructure support. IRD has to take care of its own needs for IT support and development. Second, having regard to the workload, system complexity, project scale and the number of IT staff in the current hierarchy, it is considered that the competencies required to discharge these responsibilities far exceed those of an SSM. Experience gathered since the assignment of the CSM to IRD from OGCIO has reaffirmed this need.

8. IRD has also critically examined the feasibility of identifying a directorate post within the department to absorb the duties of the CSM, but has come to the view that this is not operationally feasible as all the existing directorate posts lack the requisite competence in IT, and they are also fully engaged with their existing responsibilities.

9. The absence of an IT expert at the directorate level to provide advice and support to IRD on ISS and IT development and to lead its ITMU in IT planning, co-ordination, implementation and IT operation is unacceptable from the operational as well as e-business planning points of view.

**FINANCIAL IMPLICATIONS**

10. The proposal is cost-neutral with no change in the Government's directorate establishment, as shown below –

	<b>Notional Annual Salary Cost at Mid-point \$</b>	<b>Full Annual Average Staff Cost \$</b>	<b>No. of posts</b>
<i><b>IRD</b></i>			
CSM (D1)	1,144,200	1,792,000	1
Less <i><b>OGCIO</b></i>			
CSM (D1)	1,144,200	1,792,000	1
	0	0	0
	0	0	0

**/ESTABLISHMENT .....**

**ESTABLISHMENT CHANGES**

11. The establishment changes in OGCIO/the then ITSD and IRD for the last two years are as follows –

Establishment (Note)	Number of Posts			
	Existing (as at 1 December 2004)	As at 1 April 2004	As at 1 April 2003	As at 1 April 2002
	OGCIO	the then ITSD		
A	18#	17	17	17
B	134	130	155	171
C	480	474	532	580
<b>Total</b>	<b>632</b>	<b>621</b>	<b>704</b>	<b>768</b>
<b>IRD</b>				
A	24#	24	25	25 (+1)
B	357	362	368	372
C	2 578	2 667	2 780	2 863
<b>Total</b>	<b>2 959</b>	<b>3 053</b>	<b>3 173</b>	<b>3 260 (+1)</b>

Note:

A - ranks in the directorate pay scale or equivalent

B - non-directorate ranks the maximum pay point of which is above MPS Point 33 or equivalent

C - non-directorate ranks the maximum pay point of which is at or below MPS Point 33 or equivalent

( ) - number of supernumerary directorate post. One supernumerary CSM post was created on 1 December 2000 for two years to oversee specific IT projects. This supernumerary post lapsed on 1 December 2002. Since then, the CSM assigned by the then ITSD has been providing general IT support in IRD on a secondment basis.

# As at 1 December 2004, there was no unfilled directorate post in OGCIO and IRD.

**CONSULTATION WITH LEGISLATIVE COUNCIL PANEL**

12. We consulted the Legislative Council Panel on Financial Affairs on 6 December 2004. Members indicated support for the proposal and noted that the proposal would not involve additional cost for the supporting staff. A Member remarked that the Administration should further strengthen the use of IT in the work of IRD.

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**CIVIL SERVICE BUREAU COMMENTS**

13. Having regard to the operational need for a technical expert at the directorate level to steer the IT needs and to oversee and manage the ITMU and IT investments in IRD, the Civil Service Bureau supports the proposed creation of one CSM post in IRD, to be offset by the deletion of one CSM post in OGCIO.

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

14. The Standing Committee on Directorate Salaries and Conditions of Service has advised that the grading proposed for the post would be appropriate if the proposal were to be implemented.

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Financial Services and the Treasury Bureau  
Commerce, Industry and Technology Bureau  
January 2005

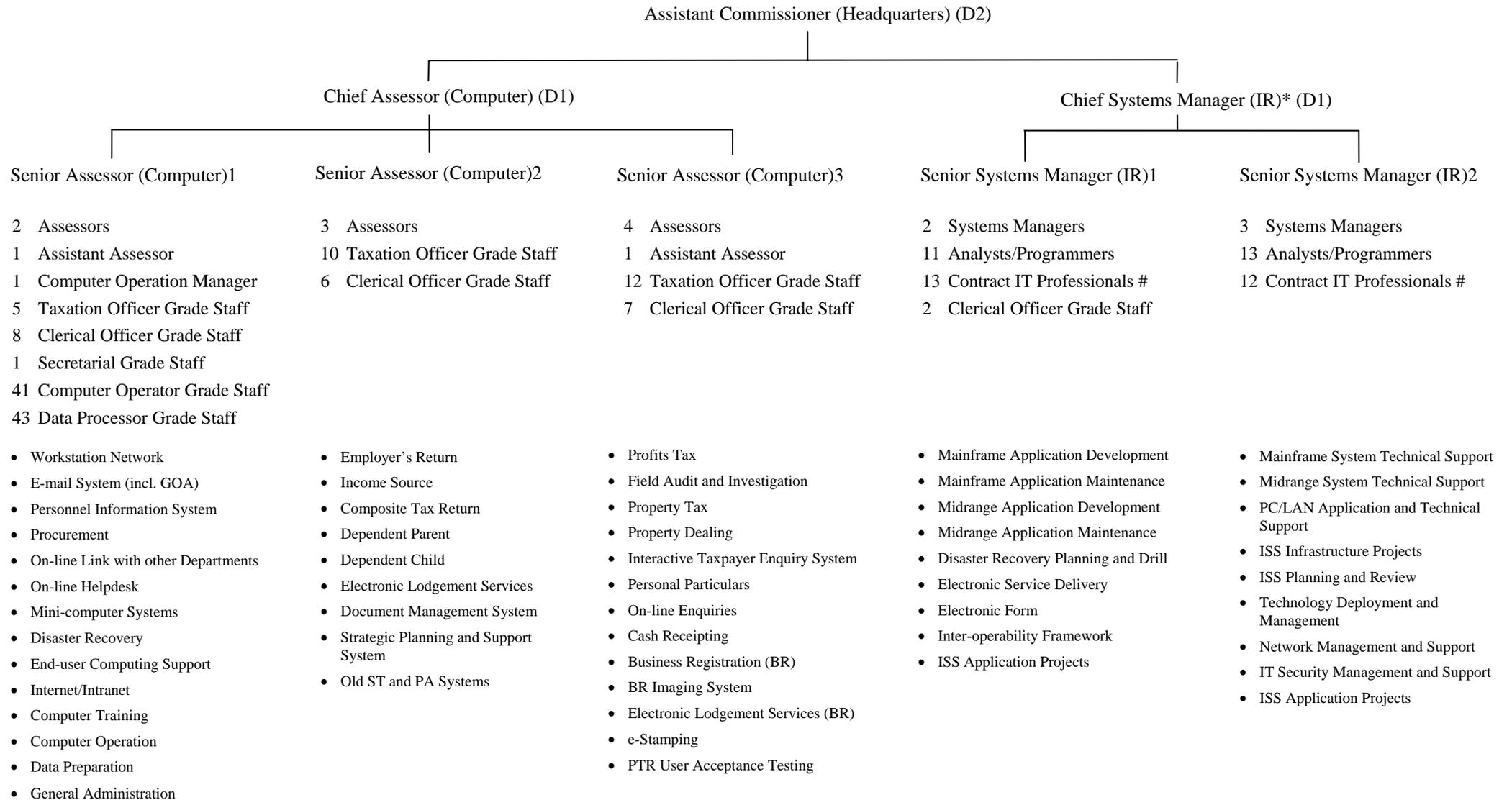
**Proposed Job Description of  
the Permanent Chief Systems Manager Post (D1)**

The Chief Systems Manager (Inland Revenue) is responsible to the Deputy Commissioner of Inland Revenue (Operations) through the Assistant Commissioner (Headquarters) for the planning, management, co-ordination, implementation and delivery of information technology (IT) services in the Inland Revenue Department (IRD). The main duties and responsibilities include –

1. To oversee the computer operations and system maintenance within IRD, and the manpower planning, staff management and staff training of the Information Technology Management Unit in IRD.
2. To formulate management and deployment strategy for building IT infrastructure, systems architecture, information systems and database management system migration.
3. To provide advice on all IT related technical and policy matters and on technology management, and promote government's IT standards and practices in IRD; and to represent IRD in meetings related to IT matters.
4. To co-ordinate the delivery of E-government services in support of the E-government strategy.
5. To oversee the information security management and develop related standards, guidelines and procedures for meeting IT security requirements.
6. To be responsible for the planning, management, co-ordination and implementation of the Information Systems Strategy Plan.
7. To steer IT staff, Computer Operator staff, Data Processing staff, Contract IT staff and external contractors in delivering the computer related products and services.
8. To formulate, recommend and execute strategies for IT outsourcing and the procurement of IT services and equipment.
9. To co-ordinate and support activities to enhance IT awareness and competence of IRD staff, and to encourage better and more intensive use of IT in IRD.
10. To act as the focal liaison point between IRD and the Office of the Government Chief Information Officer on issues concerning service-wide IT initiatives, technology infrastructure and grade management matters.

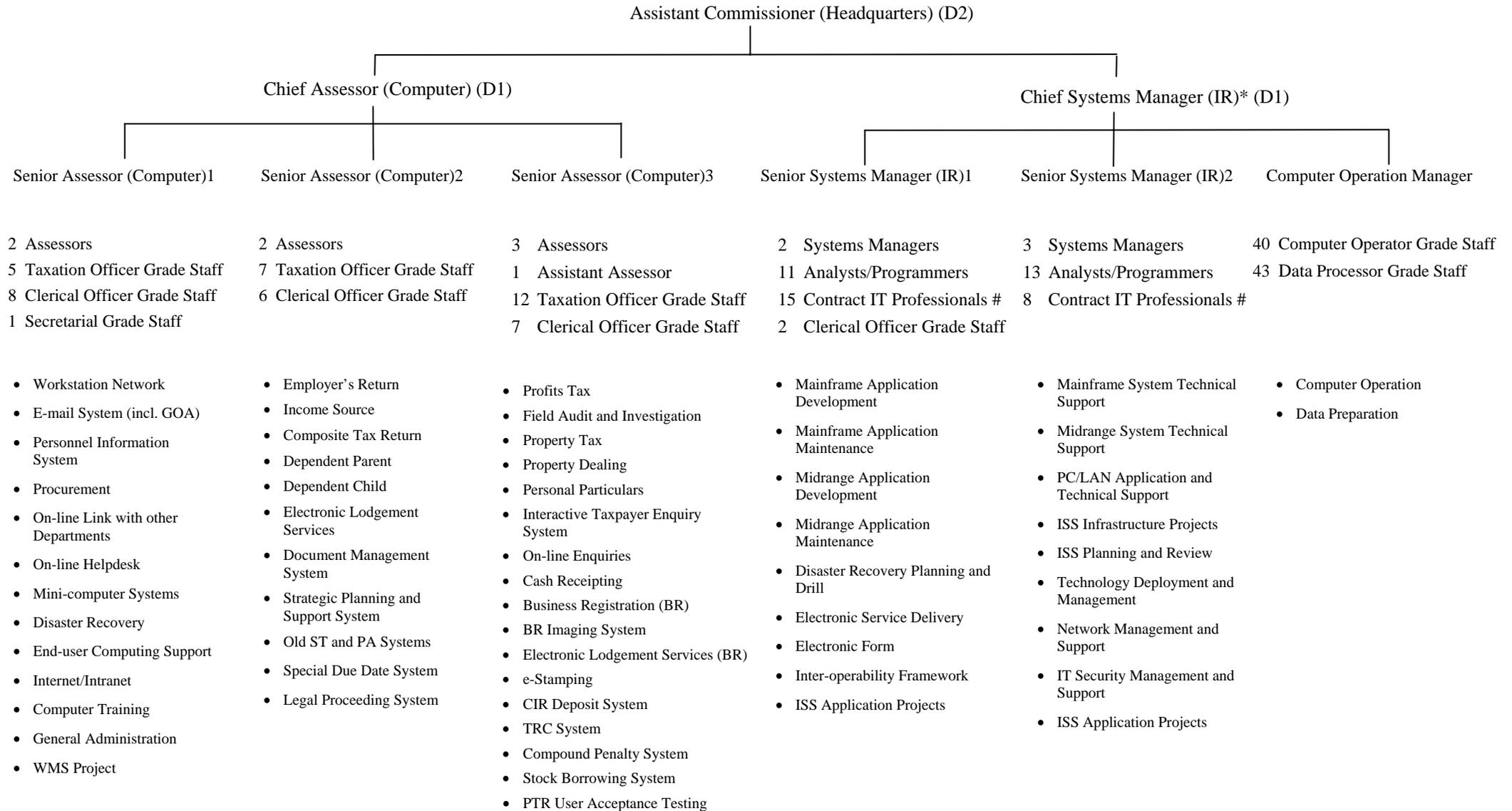
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**Existing Organisation Chart of the Information Systems Division,  
Headquarters Unit of Inland Revenue Department as at 1 December 2004**



\* Seconded from the Office of the Government Chief Information Officer  
# Including contract IT professionals hired for the development of ISS projects

**Proposed Organisation Chart of the Information Systems Division,  
Headquarters Unit of Inland Revenue Department as at 1 April 2005**



\* Post proposed to be created

# Including contract IT professionals hired for the development of ISS projects