

Suggested Areas of Compliance Audit in Response to the Independent Commission Against Corruption’s Recommendations on the Procedures for the Reimbursement of LegCo Members’ Operating Expenses

Audit Objectives	Extent of Test	Remarks
1. Leasing of offices		
(a) Ascertain whether the Member and his/her relatives have any financial interest in the offices leased with the Operating Expenses Reimbursement (OER)	All offices (for subsequent audits, all new leases)	
(b) Ensure leasing from close acquaintances and related parties or organizations (hereafter referred as “related parties”) has been properly declared	All offices	
(c) Ensure valid valuation reports have been obtained by the Member concerned to prove that the rentals for offices leased from related parties are not above the fair market value at the time when the leases are entered into; and subsequent adjustments (if any) are in accordance with the terms of the leases concerned	All offices	
(d) Ensure Members’ offices are clearly demarcated and separated from other non-LegCo business; ensure the measurements and office layout plan stated in the valuation report submitted to the LegCo Secretariat for public inspection are consistent with the current demarcation of the office	All offices	
(e) Ensure the proportion of rental shared is reasonable if the Member’s office is not the sole tenant of an individually identifiable lease	All offices	
(f) Ensure only LegCo-related activities are carried out in Members’ offices	At least two occasions in a year	

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2. Staff recruitment		
(a) Ensure new staff are openly recruited	at least 1 in 10 new staff	ICAC to advise whether recruitment of part-time staff (say 20 hours a week) and temporary staff (say for distribution of leaflets) should be subject to the same rule. A dividing line has to be defined.
(b) Ensure the recruitment and selection processes are properly documented, with declarations (on the issue of conflict of interest) from all persons involved	at least 1 in 10	
3. Entertainment and travelling expenses		
?(a) Ensure reimbursements claimed are supported by payment records with dates and amounts (plus locations, parties concerned and <i>purposes</i>)	at least 5% in number and 10% in value	Members have reservations on the logging of expenses and the obtaining of receipts, as they are too cumbersome.
?(b) Ensure receipts are available for supporting the payment records, unless on occasions where receipts are not normally available	at least 5% in number and 10% in value	
4. Procurement of goods and services		
(a) Ensure at least three quotations are obtained for any purchase/contract over \$5000, whether it be a one-off purchase or a multi-year contract	5% in number	Service and consultancy contracts are covered by this rule unless Members determine otherwise.

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(b) Ensure assessment factors and selection decisions are properly documented, with declarations (on the issue of conflict of interest) from all persons involved	5% in number	
5. Sharing of expenses		
(a) Ensure separately identified and billed equipment and expenses (for which reimbursement has been claimed) are used on LegCo business	5% of such expenses (in value)	By observation of the location and usage rate of such equipment; where appropriate, usage rate or consumption records should be inspected.
(b) Ensure sharing bases of common expenses (if any) are reasonable	5% of such expenses (in number)	
6. Public inspection		
(a) Ensure declarations of interests relating to OER claims are available at the LegCo Library for public inspection	5% of such declarations	

Legislative Council Secretariat
May 2005