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Tel. : 2826 3181

9 May 2005

Mrs. Anna Lo  
Clerk to Subcommittee  
Legislative Council Secretariat  
Legislative Council Building  
8 Jackson Road, Central  
Hong Kong

Dear

**ICAC's Review on  
"Rules and Practices for the Reimbursement of Members' Operating Expenses"**

Thank you for your letter of 27 April 2005 advising us the Subcommittee Members' views on ICAC's recommendations in respect of the above review.

We are pleased to note that Members have in general accepted the report's recommendations, except for the few issues as highlighted in your letter. Before we address the concerns expressed by some Members over these outstanding issues, perhaps it would be useful for us to share with Members our thinking and rationale behind these recommendations.

Our review was undertaken against a backdrop of allegations and public concerns that LegCo funds could be misused for possible personal gain. Hence the objective of the review is to assist LegCo to put in place a credible reimbursement mechanism that would inspire public confidence.

Given this paramount consideration, we feel that a clear delineation of LegCo resources viz-a-viz Members' private resources would be the best way to demonstrate that Members spent all the reimbursed amounts solely on activities related to their LegCo duties. As we stated in our report, intermingling of these resources could easily give rise to allegations that a Member has used public funds to subsidise his private business. This consideration underscores the basis of our recommendations.

We appreciate that such an approach in having separate staff and equipment for LegCo and private operations may cause Members some initial inconvenience and extra costs. However, we believe that this is a small price worth paying in order to maintain LegCo's long-term credibility, free from perception or allegations of financial impropriety (which often could arise from misunderstanding) in the reimbursement procedures. Hopefully the initial inconvenience would be short-lived as Members get used to the new arrangements, and the extra costs minimal.

As regards Entertainment and Travelling Expenses, the key point of our recommendation is that LegCo should review the whole arrangement for such reimbursement, i.e. whether the expenses should continue to be on a reimbursement basis (in which case it is accountable) or whether the expenses should be made non-accountable in the form of a lump sum allowance, or as part of a Member's remuneration. If LegCo decides to continue with the present reimbursement mode, we would encourage Members, as we said in our report, to retain receipts as far as practicable or at least keep a log of the expenses for their own protection in the event of an allegation that these claims are fraudulent in nature. We understand that at present Members and their assistants do keep a record of the expenses in order to calculate the total amount of claim each month. Therefore our recommendation to keep receipts or a log should not give rise to extra administrative work. We also understand that this is a common practice in the public sector.

We accept that ultimately it is LegCo's decision as to whether it should adopt all or some of ICAC's recommendations and devise alternative proposals which will satisfy public expectations. The ICAC will be glad to offer further advice on any alternative arrangements.

We hope Members will find our above comments useful.

Yours sincerely,

(Thomas Chan)  
Director of Corruption Prevention  
Independent Commission Against Corruption