

**LegCo Panel on Financial Affairs**

**List of follow-up actions arising from discussions in previous sessions**  
(Position as at 30 June 2005)

<b>Subject</b>	<b>Date(s) of relevant meeting(s)</b>	<b>Follow-up actions</b>	<b>Outcome</b>
1. Reinsurance cover for employee compensation insurance policies	20 December 2001	The Administration was requested to provide written reports, on a quarterly basis, on the up-to-date market situation of reinsurance coverage for terrorist activities on treaty arrangements and the Administration's assessment of the continued need for the \$10 billion facility as approved by Finance Committee on 11 January 2002.	The twelfth quarterly report provided by the Administration was circulated to members vide LC Paper No. CB(1)1288/04-05(01) on 15 April 2005.
2. Loan Guarantee Scheme for Severe Acute Respiratory Syndrome Impacted Industries	Referred by the Finance Committee at its meeting held on 25 April 2003	The Administration undertook to report the operation of the Scheme to the Panel one year after its implementation, and to submit progress report at six month intervals thereafter.	The third report on the operation of the Scheme was circulated to members vide LC Paper No. CB(1)1420/04-05(01) on 29 April 2005.
3. Briefing on the work of the	1 November 2004	HKMA was requested to provide information in due	Information provided by HKMA

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Hong Kong Monetary Authority (HKMA)		course on the outcome of its review of findings by authorized institutions regarding the terms and conditions for banking services, including safe deposit box service.	on the results of the second part of the review of the terms and conditions of banking services was circulated to members vide LC Paper No. CB(1)1804/04-05(01) and (02) on 16 June 2005.
4. Proposal of re-structuring the filing fees for non-Hong Kong companies	3 January 2005	The Administration was requested to report to the Panel in due course on the situation about non-Hong Kong companies' compliance with the new requirement for them to file a full annual return. The report should include, inter alia, the statistics on compliance, non-compliance and late returns, enforcement actions taken/to be taken (if any), and measures proposed by the Administration to improve the situation.	Information awaited.
5. Consultation conclusions on legislative proposals to establish the Financial Reporting Council (FRC)	6 May 2005	I. Noting that the function of FRC was purely investigatory and that it might, upon completion of the investigation, refer a case of auditors' irregularities to the Hong Kong Institute of Certified Public Accountants (HKICPA) for disciplinary actions or to the law enforcement bodies for criminal investigation, a member was concerned that the investigation reports of FRC were not	Administration's responses were circulated to members vide LC Paper No. CB(1)1805/04-05(02) on 16 June 2005.

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		<p>connected with the subsequent “prosecution” work of HKICPA or the law enforcement bodies. As a result, HKICPA or the law enforcement bodies might have to conduct its own investigation to collect the required evidence and use the investigation reports of FRC as a reference only. This would result in duplication of efforts and wastage of resources. The Administration was requested to explore, in consultation with HKICPA, how the concern could be addressed. Two possible options suggested by the member were outlined as follows -</p> <ul style="list-style-type: none"><li data-bbox="904 890 1637 967">(a) To empower FRC to undertake “prosecution” after investigation; or</li><li data-bbox="904 1015 1637 1246">(b) To put in place a mechanism for HKICPA or the law enforcement body to set out the suspected irregularities, including stating all possible offences of an auditor, for FRC to undertake investigation to collect the relevant evidence.</li></ul> <p>II. Members noted that one of the respondents to the consultation had requested its name not to be disclosed (item 25 in Annex A to LC Paper</p>	

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		<p>No. CB(1)1312/04-05(07)). In this connection, the Administration was requested to take the following actions:</p> <p>(a) To confirm whether the respondent had also requested its views not to be disclosed and whether its views had been incorporated in the summary of written submissions provided by the Administration (Annex B to LC Paper No. CB(1)1312/04-05(07)); and</p> <p>(b) In the event that some respondents to a public consultation exercise requested their names and views not to be disclosed, to consider how the situation should be handled so that the public would have a full picture of the views collected during consultation and know whether the Administration had taken on board the views.</p>	
<p>6. Briefing by the Financial Secretary on Hong Kong's latest overall economic situation</p>	<p>6 June 2005</p>	<p>I. The Administration was requested to provide Hong Kong's recent submission to the United Nations (UN) on measures taken to address the problems of poverty and youth unemployment in Hong Kong, and the comments made by the UN Secretary-General, Mr Kofi ANNAN, on the submission.</p>	<p>Administration's response awaited.</p>

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		<p>II. It was noted that despite the seasonally adjusted unemployment rate had fallen from around 7% in the first quarter of 2004 to 5.9% in the three months ending April 2005, the overall labour earnings in the fourth quarter of 2004 had decreased by 0.6% in money terms (0.9% in real terms) over a year earlier (paragraph 8 and chart 6 of LC Paper No. CB(1)1678/04-05(03)). To facilitate members' understanding of the phenomenon, the Administration was requested to provide the following information:</p> <ul style="list-style-type: none"> <li>(a) The relevant statistics for working out the overall labour earnings for the said period;</li> <li>(b) The reasons for the decrease in the overall labour earnings over the period (e.g. more workers engage in part-time work); and</li> <li>(c) In connection with item (b) above, to provide the average hourly wage rate of the part-time workers.</li> </ul> <p>III. To provide statistics quantifying the benefits</p>	

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		<p>of the growth in off-shore trade activities on Hong Kong's economy, such as the impact on government revenue.</p> <p>IV. The Administration was requested to note a member's view that more information and analyses on the performance of the property market, including the movement in rentals for commercial and retail property and its impact on Hong Kong's economy, should be included in the economic reports to be provided to the Panel in future.</p>	
<p>7. Proposal to revise fees and charges for services not directly affecting people's livelihood under the purview of the Treasury Branch</p>	<p>6 June 2005</p>	<p>The Administration undertook to provide the following information:</p> <p>(a) The up-to-date position of various bureaux in conducting the review on fees and charges for services under their respective purview; and</p> <p>(b) The timetable for various bureaux to brief the relevant Panels of the Legislative Council on the results of the review.</p>	<p>Administration's response awaited.</p>
<p>8. Proposal to write off a</p>	<p>6 June 2005</p>	<p>Members considered that the Administration had</p>	<p>Administration's response</p>

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judgement debt		<p>not provided the Panel with sufficient information for consideration of the proposal to write off the judgement debt owed to the Government by an auctioneer hired by the former Government Supplies Department (GSD) to conduct commercial disposal of unserviceable or obsolete government stores and confiscated goods. It was agreed that the Panel would further discuss the proposal in due course after the Administration had provided the supplementary information requested by members, as follows:</p> <ul style="list-style-type: none"><li data-bbox="904 810 1637 887">(a) Actions taken to recover the outstanding payments<ul style="list-style-type: none"><li data-bbox="987 932 1637 1369">(i) Please confirm whether GSD had, before reaching a Deed of Settlement with the Managing Director (MD) of the auctioneer on 31 March 1999, consulted the Department of Justice (DoJ) on whether the default in proceeds payment by the auctioneer involves any criminal offence, and whether criminal proceedings should be instituted against the auctioneer or its MD. In this connection -</li></ul></li></ul>	awaited.

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		<ul style="list-style-type: none"><li>● if GSD had consulted DoJ, please provide the advice given by DoJ;</li><li>● if GSD had not consulted DoJ, please provide the reasons for having not done so.</li></ul> <p>(ii) Please respond to a member's views and question, as follows -</p> <ul style="list-style-type: none"><li>● While the auctioneer had collected the auction proceeds for the Government, the proceeds were assets of the Government and not the auctioneer. Any proceeds owed by the auctioneer to the Government should be regarded as a liability of the auctioneer or its directors including its MD both under common law as well as under the Companies Ordinance, instead of a debt. In this connection, whether the auctioneer had gone into liquidation is irrelevant because the Government was not its creditor;</li><li>● The Government should take appropriate actions (including legal</li></ul>	



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		<p>actions) to recover the proceeds, and should not seek approval to write off the sum involved unless all possible means have been exhausted;</p> <ul style="list-style-type: none"><li>● If the MD of the auctioneer took away the proceeds, he should be held liable for the offence. The Government should pursue its tracing claim to recover the proceeds from the directors including its MD and consider whether criminal proceedings should be instituted against him; and</li><li>● In this connection, if GSD had consulted DoJ on its legal rights, please provide the advice given by DoJ. If not, please provide the reasons for having not done so.</li></ul> <p>(iii) With the discharge of the Warrant of Arrest against the MD of the auctioneer in March 2004, please confirm:</p> <ul style="list-style-type: none"><li>● whether the MD might return to Hong Kong and would be free from any liability (both criminal or civil) for the</li></ul>	

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		<p>case; and</p> <ul style="list-style-type: none"><li>● whether the Administration would conclude the case after seeking approval to write off the debt and take no further action to recover the proceeds.</li></ul> <p>(iv) In connection with item (iii) above, please confirm -</p> <ul style="list-style-type: none"><li>● what other legal actions the Administration would take to recover the proceeds; and</li><li>● if the MD was subsequently located in other jurisdictions, whether the Administration would make arrangement to extradite the MD back to Hong Kong.</li></ul> <p><u>(b) Internal investigation</u></p> <p>(i) Please provide the report of the internal investigation conducted by the Administration on the case, including –</p>	

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		<ul style="list-style-type: none"><li>● the report(s) of the disciplinary proceedings taken against the civil servants involved in the case, including a Senior Accounting Officer, a Accounting Officer I, a Principal Supplies Officer, two Chief Supplies Officers and one Senior Supplies Officer, and the dates on which the disciplinary proceedings commenced and were concluded; and</li><li>● the outcome of the investigation on the responsibilities of the senior management of the GSD in the case, in particular the responsibilities of the then Director, Deputy Director and the immediate supervisor of the Senior Accounting Officer concerned.</li></ul> <p>(ii) Please provide the procedures and requirements for the concerned staff to report to the senior management of GSD on the payment of auction proceeds during the period from 1996 to 1998 when the default happened;</p> <p>(iii) Please provide the date on which the</p>	

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		<p>default was brought to the attention of the senior management of GSD, and the reasons why the senior management was unable to identify the problem before then;</p> <p>(iv) Please set out the remedial actions taken by the senior management of GSD for the case since the default was brought to its attention in 1998; and</p> <p>(v) Please confirm whether the Administration considered that there were inadequacies in the senior management in handling the case.</p>	