

**LEGISLATIVE COUNCIL BRIEF**

**Electoral Affairs Commission Ordinance (Cap. 541)**

**Electoral Affairs Commission (Financial Assistance for  
Legislative Council Elections) (Application and  
Payment Procedure) (Amendment) Regulation 2007**

**INTRODUCTION**

On 7 May 2007, the Electoral Affairs Commission (“EAC”) made the EAC (Financial Assistance for Legislative Council Elections) (Application and Payment Procedure) (Amendment) Regulation 2007 (“the Amendment Regulation”). This brief informs Members of the main provisions of the Amendment Regulation at **Annex A**.

**BACKGROUND**

2. Financial assistance for election candidates was first introduced in the 2004 Legislative Council (“LegCo”) election. As an initiative to encourage more public-spirited candidates to participate in public elections and to cultivate an environment to facilitate the development of political talents in Hong Kong, the financial assistance scheme will be extended to District Council (“DC”) election candidates from the 2007 DC election onwards.

3. The District Councils (Amendment) Ordinance 2007 (“the Amendment Ordinance”), which was passed by LegCo on 17 January 2007, provides a legal basis to implement the financial assistance scheme for DC election candidates. Under the Amendment Ordinance, DC election candidates who are elected or who receive 5% of valid votes or more are eligible for financial assistance as follows:

- (a) in respect of a candidate in a contested constituency, the amount payable is-
  - (i) the amount obtained by multiplying the total number of valid votes cast for the candidate by the specified rate (i.e. \$10 per vote);or

- (ii) 50% of the declared election expenses of the candidate,  
whichever is the lower;
- (b) in respect of a candidate in an uncontested constituency, the amount payable is-
  - (i) the amount obtained by multiplying 50% of the number of registered electors for the constituency by the specified rate (i.e. \$10 per vote); or
  - (ii) 50% of the declared election expenses of the candidate,  
whichever is the lower.

4. Under the original financial assistance scheme for LegCo election candidates, the amount of financial assistance was also capped by the difference between the declared election expenses and declared election donations of a candidate. Taking into account the views and feedback received during consultation with the LegCo Panel on Constitutional Affairs on 21 April 2006 and the public<sup>1</sup>, any election donations a DC election candidate may have received will not be taken into account in calculating the amount of financial assistance payable to a candidate. The Amendment Ordinance has also made similar changes to the formula for calculating the amount of financial assistance payable to a LegCo election candidate.

5. The Amendment Ordinance empowers the EAC to make regulation to provide for the detailed operational procedures of the scheme for DC election candidates. Accordingly, the Amendment Regulation expands the scope of the existing EAC (Financial Assistance for LegCo Elections) (Application and Payment Procedure) Regulation (Cap. 541N) (“the principal Regulation”), which provides for the operational procedures of the financial assistance scheme for LegCo election candidates, to cover the procedures of the scheme for DC election candidates as well.

6. Under the Amendment Regulation, the application and payment procedures of the scheme for DC election candidates are basically the same as those of the existing scheme for LegCo election candidates. The only difference is that a DC election candidate will not be required to submit an auditor’s report on the

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<sup>1</sup> The public was consulted on the proposal to introduce a financial assistance scheme for DC election candidates during the public consultation on the Review on the Role, Functions and Composition of DCs held between April and July 2006.

accounts in his election return when making the claim<sup>2</sup>. To safeguard public expenditure, the Registration and Electoral Office (“REO”) will endeavour to check whether the election returns submitted by the applicants comply with the relevant requirements. Where necessary, the REO will require the applicants to provide further information. For cases which require more in-depth checking, the REO will refer such cases to an outside audit firm for further checking. The Chief Electoral Officer (“CEO”) will effect payment of financial assistance to the applicants concerned only after he is satisfied that the returns submitted by the applicants have set out accurately all the election expenses incurred by the applicants.

## **AMENDMENT REGULATION**

7. The main provisions of the Amendment Regulation are explained below.

Title to the principal Regulation  
(*section 2 of the Amendment Regulation*)

8. The title to the principal Regulation is amended as “EAC (Financial Assistance for LegCo Elections and DC Elections) (Application and Payment Procedure) Regulation” to reflect that its scope covers both LegCo and DC elections.

Interpretation  
(*section 3 of the Amendment Regulation*)

9. The existing principal Regulation only caters for the financial assistance scheme for LegCo election candidates. Due to the widening of its scope to cover the scheme for DC election candidates as well, certain existing definitions in section 2 of the principal Regulation are expanded or amended as appropriate. Furthermore, as the amount of election donations received by a candidate will not have to be taken into account in calculating the amount of financial assistance payable to a candidate, the definition of “declared election donations” in section 2 of the principal Regulation is repealed.

10. Under the existing principal Regulation, a LegCo election candidate who applies for financial assistance has to submit an auditor’s report on the accounts in his election return. The auditor appointed by the LegCo election candidate is

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<sup>2</sup> Due to the considerable difference in the electorate size between a DC election constituency and a LegCo election constituency, the amount of financial assistance received by a DC election candidate will be much smaller than that received by a LegCo election candidate. If mandatory auditing requirement is imposed on the DC election candidates who apply for financial assistance, the auditing fee will take up a significant proportion of the financial assistance payable to each candidate. This will undermine the objective of the scheme. In view of this, DC election candidates are not required to submit auditor’s reports on their accounts of election expenses under the Amendment Regulation.

required to audit the accounts in accordance with the “Standard on Assurance Engagements 200, High Level Assurance Engagements”, issued and as amended by the Council of the Hong Kong Society of Accountants<sup>3</sup> from time to time. In drafting the Amendment Regulation, the REO has consulted the Hong Kong Institute of Certified Public Accountants (“HKICPA”) on the standard that should be adopted by the auditor appointed by the CEO in verifying the election returns of DC election candidates, which require more in-depth checking. The HKICPA advised REO that the “Standard on Assurance Engagements 200, High Level Assurance Engagements” has been replaced by the “Hong Kong Standards on Assurance Engagements” and that the latter standards should be adopted in the checking of the accounts of election expenses in the election returns of LegCo or DC election candidates. Hence, section 3 of the Amendment Regulation repeals, among other things, the definition of “Standard on Assurance Engagements 200, High Level Assurance Engagements” and adds the definition of “Hong Kong Standards on Assurance Engagements”.

Requirements to be complied with when making claims  
(Section 4 of the Amendment Regulation)

11. Section 3 of the principal Regulation is amended so that the requirements that need to be complied with in making a claim under the financial assistance scheme for LegCo election candidates will also be applicable to a claim made under the scheme for DC election candidates. Nevertheless, as explained in paragraph 6 above, a claim form submitted under the scheme for DC election candidates does not have to be accompanied by an auditor's report. The opportunity is also taken to specify more clearly that if the claim under the scheme for LegCo election candidates is made in respect of a list of candidates consisting of more than one candidate, one of the candidates on the list must be nominated in the claim form to receive the payment of financial assistance on behalf of the candidates concerned. The reference to “Standard on Assurance Engagements 200, High Level Assurance Engagements” is replaced by the reference to “Hong Kong Standards on Assurance Engagements” for the reason as explained in paragraph 10 above.

Verification of claims (eligibility, further information, etc.)  
(Section 6 of the Amendment Regulation)

12. Section 5 of the principal Regulation is amended to provide that the CEO has to determine the eligibility of a candidate for financial assistance under the scheme for DC election candidates in accordance with section 60C of the District Councils Ordinance (Cap. 547). He may appoint an auditor to assist him in verifying a claim made by a DC election candidate.

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<sup>3</sup> The Hong Kong Society of Accountants has subsequently been renamed as the Hong Kong Institute of Certified Public Accountants.

### Part processing of claims

*(Section 7 of the Amendment Regulation)*

13. Section 7 of the Amendment Regulation is technical in nature as it replaces section 6 of the principal Regulation (which empowers the CEO to process only part of the election return lodged by a candidate in support of a claim in case of partial compliance of the requirements set out in the Elections (Corrupt and Illegal Conduct) Ordinance (Cap. 554)) by a new section which makes new cross references consequential upon the amendments made under other provisions of the principal Regulation.

### Payment of claims after verification

*(Section 9 of the Amendment Regulation)*

14. Section 8 of the principal Regulation is amended so that the arrangements relating to the payment of financial assistance, after verification of the claims made under the scheme for LegCo election candidates, also apply to the scheme for DC election candidates.

## **PUBLIC CONSULTATION**

15. Members of the public and the 18 District Councils were consulted on the proposal to introduce a financial assistance scheme for DC election candidates during the public consultation on the Review on the Role, Functions and Composition of DCs held between April and July 2006. The proposal was generally well received.

16. On 26 March 2007, we briefed the LegCo Panel on Constitutional Affairs on the tentative scope of the amendments to the principal Regulation, and Members did not raise any objection.

## **IMPLICATIONS OF THE AMENDMENT REGULATION**

17. The financial and civil service implications of the Amendment Regulation are set out at **Annex B**.

18. The Amendment Regulation is in conformity with the Basic Law, including the provisions concerning human rights, and has no environmental, productivity or sustainability implications. The Amendment Regulation will not affect the current binding effect of the principal Regulation.

## **LEGISLATIVE TIMETABLE**

19. The Amendment Regulation will be published in the Gazette on 11 May 2007 and tabled in the Council on 16 May 2007.

## **PUBLICITY**

20. A press release will be issued to announce the publication of the Amendment Regulation in the Gazette. A spokesman will be available for answering media enquiries.

Registration and Electoral Office  
May 2007

**ELECTORAL AFFAIRS COMMISSION (FINANCIAL ASSISTANCE  
FOR LEGISLATIVE COUNCIL ELECTIONS)(APPLICATION AND  
PAYMENT PROCEDURE)(AMENDMENT) REGULATION 2007**

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**ELECTORAL AFFAIRS COMMISSION (FINANCIAL ASSISTANCE FOR  
LEGISLATIVE COUNCIL ELECTIONS)(APPLICATION AND PAYMENT  
PROCEDURE)(AMENDMENT) REGULATION 2007**

(Made by the Electoral Affairs Commission under section 7  
of the Electoral Affairs Commission Ordinance (Cap. 541))

**1. Commencement**

This Regulation shall come into operation on 1 September  
2007.

**2. Title amended**

The title to the Electoral Affairs Commission (Financial  
Assistance for Legislative Council Elections) (Application and  
Payment Procedure) Regulation (Cap. 541 sub. leg. N) is amended by  
adding "**AND DISTRICT COUNCIL ELECTIONS**" after "**LEGISLATIVE COUNCIL  
ELECTIONS**".

**3. Interpretation**

(1) Section 2(1) is amended -

(a) by repealing the definition of "claim" and  
substituting -

"claim" (申索) means, in relation to -

(a) a list of LC candidates, a claim  
made in respect of the list for  
financial assistance payable under  
Part VIA of the Legislative Council  
Ordinance (Cap. 542);

(b) an LC candidate, a claim made by  
that candidate for financial



assistance payable under Part VIA of  
the Legislative Council Ordinance  
(Cap. 542); or

(c) a DC candidate, a claim made by that  
candidate for financial assistance  
payable under Part VA of the  
District Councils Ordinance (Cap.  
547);";

(b) by repealing the definition of "declared election  
donations";

(c) in the definition of "declared election expenses" -

(i) in paragraph (a) -

(A) by repealing "a list of candidates for a  
geographical constituency" and  
substituting "a list of LC candidates";

(B) by repealing "and" at the end;

(ii) in paragraph (b) -

(A) by repealing "a candidate for a  
functional constituency" and substituting  
"an LC candidate";

(B) by adding "or" at the end;

(iii) by adding -

- "(c) a DC candidate, the amount set out as election expenses incurred by the candidate, in the election return lodged for the relevant election;"
- (d) by repealing the definition of "eligible candidate" and substituting -
- "eligible LC candidate" (合資格的立法會選舉候選人)
- means an LC candidate who is eligible for financial assistance under section 60C(2)(a) or (b) of the Legislative Council Ordinance (Cap. 542);"
- (e) by repealing the definition of "eligible list of candidates" and substituting -
- "eligible list of LC candidates" (合資格的立法會選舉候選人名單) means a list of LC candidates that is eligible for financial assistance under section 60C(1)(a) or (b) of the Legislative Council Ordinance (Cap. 542);"
- (f) in the English text, in the definition of "specified form", by repealing ";" and substituting ".";
- (g) by repealing the definition of "Standard on Assurance Engagements 200, High Level Assurance Engagements" and substituting -

"Hong Kong Standards on Assurance Engagements" (《香港核證準則》) means the standards of auditing and assurance practices of that name issued by the Council of the Hong Kong Institute of Certified Public Accountants, as amended from time to time;"

(h) in the Chinese text, in the definition of "選舉申報書", by repealing "。" and substituting "；";

(i) by adding -

"DC candidate" (區議會選舉候選人) means a candidate nominated for election for a District Council constituency;

"election expenses" (選舉開支) has the meaning assigned to it by section 2(1) of the Elections (Corrupt and Illegal Conduct) Ordinance (Cap. 554);

"eligible DC candidate" (合資格的區議會選舉候選人) means a DC candidate who is eligible for financial assistance under section 60C of the District Councils Ordinance (Cap. 547);

"LC candidate" (立法會選舉候選人) means a candidate nominated for election for a functional constituency within the meaning of section

3(1) of the Legislative Council Ordinance  
(Cap. 542);

"list of LC candidates" (立法會選舉候選人名單) means a  
list of candidates nominated for election for  
a geographical constituency within the meaning  
of section 3(1) of the Legislative Council  
Ordinance (Cap. 542);".

(2) Section 2(2) is amended by repealing "candidates is to  
be construed, in relation to a list of candidates" and  
substituting "LC candidates is to be construed, in relation to a  
list of LC candidates".

(3) Section 2(3) is repealed.

#### **4. Requirements to be complied with when making claims**

(1) Section 3(2) is amended by repealing everything after  
"made by" and substituting "an LC candidate or a DC candidate, the  
claim form must be signed by the candidate who makes the claim.".

(2) Section 3(3) is amended by repealing "an eligible list  
of candidates" and substituting "a list of LC candidates".

(3) Section 3 is amended by adding -

"(3A) If the claim is made in respect of a list of  
LC candidates consisting of more than one candidate, one  
of the candidates on the list must be nominated in the  
claim form to receive the payment of financial

assistance on behalf of all the candidates on the list."

(4) Section 3(4) is repealed and the following substituted -

"(4) The claim form must be accompanied by -

(a) if the claim is made by an LC candidate or made in respect of a list of LC candidates, an election return and an auditor's report; or

(b) if the claim is made by a DC candidate, an election return."

(5) Section 3(5) is amended by adding "referred to in subsection (4)(a)" after "auditor's report".

(6) Section 3(5)(a) is repealed and the following substituted -

"(a) state that the auditor has audited the account of the declared election expenses by conducting a reasonable assurance engagement in accordance with the Hong Kong Standards on Assurance Engagements; and".

(7) Section 3(5)(b) is amended by repealing "section 37(1) and (2)(b)" and substituting "section 37(1)(a) and (2)(b)(i) and (v)".

(8) Section 3(6)(a) is amended -

(a) by repealing "an eligible candidate" and substituting "an LC candidate";

(b) by repealing "and" at the end.

(9) Section 3(6)(b) is repealed and the following substituted -

"(b) in the case of a list of LC candidates, in section 60D of the Legislative Council Ordinance (Cap. 542); or".

(10) Section 3(6) is amended by adding -

"(c) in the case of a DC candidate, in section 60D of the District Councils Ordinance (Cap. 547).".

#### **5. Presentation of claims**

(1) Section 4(1)(a) is amended by adding "if the claim is made by an LC candidate or a DC candidate or made in respect of a list of LC candidates consisting of only one candidate," before "by the candidate".

(2) Section 4(1)(b) is amended by repealing "in respect of a list of candidates" and substituting "made in respect of a list of LC candidates".

#### **6. Verification of claims (eligibility, further information, etc.)**

(1) Section 5(1) is amended by repealing everything after "Chief Electoral Officer must" and substituting -

"verify -

(a) if the claim is made by an LC candidate, whether the candidate is eligible for

financial assistance under section 60C(2) of the Legislative Council Ordinance (Cap. 542);

(b) if the claim is made in respect of a list of LC candidates, whether the list of candidates is eligible for financial assistance under section 60C(1) of the Legislative Council Ordinance (Cap. 542); or

(c) if the claim is made by a DC candidate, whether the candidate is eligible for financial assistance under section 60C of the District Councils Ordinance (Cap. 547).".

(2) Section 5(3) is amended by adding "LC" after "any candidate on the list of".

(3) Section 5 is amended by adding -

"(3A) The Chief Electoral Officer may also, in relation to a claim made by a DC candidate, appoint an auditor to assist in verifying the claim (including the auditing of the accounts in the election return accompanying the claim).

(3B) An auditor appointed under subsection (3A) must, after he has assisted in verifying the claim,

provide an auditor's report to the Chief Electoral Officer.

(3C) The auditor's report provided under subsection (3B) must -

(a) state that the auditor has audited the account of the declared election expenses by conducting a reasonable assurance engagement in accordance with the Hong Kong Standards on Assurance Engagements; and

(b) state the auditor's opinion as to whether the election return complies with section 37(1)(a) and (2)(b)(i) and (v) of the Elections (Corrupt and Illegal Conduct) Ordinance (Cap. 554) in all material respects.".

(4) Section 5(4) is amended by adding "made under subsection (3)" after "further information".

(5) Section 5(4)(a) is amended by repealing "in respect of a single candidate" and substituting "made by an LC candidate or a DC candidate or made in respect of a list of LC candidates consisting of only one candidate".

(6) Section 5(4)(b) is amended -



- (a) by repealing "in respect of a list of candidates" and substituting "made in respect of a list of LC candidates";
  - (b) by repealing "section 8(4)(b)" and substituting "section 3(3A)".
- (7) Section 5(4)(c) is amended -
- (a) by repealing "section 8(4)(b)" and substituting "section 3(3A)";
  - (b) in the Chinese text, by repealing "獲提名" where it twice appears and substituting "獲指定".

**7. Section substituted**

Section 6 is repealed and the following substituted -

**"6. Part processing of claims**

If an auditor's report provided under section 3(4)(a) or 5(3B) states that the election return only partially complies with the requirements set out in section 37(1)(a) and (2)(b)(i) and (v) of the Elections (Corrupt and Illegal Conduct) Ordinance (Cap. 554), the Chief Electoral Officer may -

- (a) process the part of the return that complies with those requirements; and
- (b) stop processing the part of the return that does not comply with those requirements."

**8. Withdrawal of claims**

(1) Section 7(2)(a) is amended by repealing "in respect of a single candidate" and substituting "made by an LC candidate or a DC candidate or made in respect of a list of LC candidates consisting of only one candidate".

(2) Section 7(2)(b) is amended by repealing "in respect of a list of candidates" and substituting "made in respect of a list of LC candidates".

(3) Section 7(4)(a) is amended by adding "if the claim is made by an LC candidate or a DC candidate or made in respect of a list of LC candidates consisting of only one candidate," before "by the candidate".

(4) Section 7(4)(b) is amended by repealing "in respect of a list of candidates" and substituting "made in respect of a list of LC candidates".

**9. Payment of claims after verification**

(1) Section 8(1) is amended by repealing everything before "Chief" and substituting -

"(1) Subject to -

(a) (in the case of a claim made by an eligible LC candidate or made in respect of an eligible list of LC candidates) section 60J of the Legislative Council Ordinance (Cap. 542); or

(b) (in the case of a claim made by an eligible DC candidate) section 60I of the District Councils Ordinance (Cap. 547), the".

(2) Section 8(4)(a) is amended by adding "in the case of a claim made by an eligible LC candidate or eligible DC candidate or made in respect of an eligible list of LC candidates consisting of only one candidate," before "to the candidate".

(3) Section 8(4)(b) is amended -

(a) by repealing "an eligible list of candidates" and substituting "a claim made in respect of an eligible list of LC candidates";

(b) by repealing "in the claim form" and substituting "under section 3(3A)".

**10. Payment in cases of death of candidate  
(multi-candidate list)**

(1) Section 10(1) is amended by adding "LC" after "eligible list of".

(2) Section 10(6) is amended by adding "LC" after "eligible list of".

**11. Mode of service of notice requiring repayment of financial assistance**

Section 11 is amended by adding "or section 60G of the District Councils Ordinance (Cap. 547)" after "Legislative Council Ordinance (Cap. 542)".

**12. Mode of repayment of financial assistance to Government**

Section 12(1) is amended by adding "or section 60G of the District Councils Ordinance (Cap. 547)" after "Legislative Council Ordinance (Cap. 542)".

**13. Making claims on behalf of deceased candidates**

Section 13(1) is amended by repealing "eligible candidate or candidate on an eligible list of candidates" and substituting "eligible LC candidate or eligible DC candidate or a candidate on an eligible list of LC candidates".

Made this 7<sup>th</sup> day of May 2007.

The Hon. Mr. Justice PANG Kin-kee  
Chairman,  
Electoral Affairs Commission

Lawrence LOK Ying-kam  
Member,  
Electoral Affairs Commission

Andrew CHAN Chi-fai  
Member,  
Electoral Affairs Commission

**Explanatory Note**

Under the amendments introduced by the District Councils (Amendment) Ordinance 2007 (1 of 2007), a scheme is implemented to provide financial assistance to candidates at a District Council election who are elected or receive at least 5% of the total number of valid votes ("the DC scheme").

2. This Regulation amends the Electoral Affairs Commission (Financial Assistance for Legislative Council Elections) (Application and Payment Procedure) Regulation (Cap. 541 sub. leg. N) ("the principal Regulation") to include provisions dealing with the detailed operational procedures of the DC scheme. Basically,

the provisions dealing with the DC scheme are modeled on those dealing with the existing financial assistance scheme implemented for Legislative Council elections ("the LC scheme") as provided for in the principal Regulation.

3. Section 2 amends the title to the principal Regulation to reflect the inclusion in the principal Regulation of the provisions dealing with the DC scheme.

4. Section 3 deals with definitions.

5. Section 4 amends section 3 of the principal Regulation to make the requirements that need to be complied with in making a claim under the LC scheme also applicable to a claim made under the DC scheme. Nevertheless, a claim form submitted under the DC scheme does not need to be accompanied by an auditor's report. Opportunity is also taken to specify more clearly that if the claim under the LC scheme is made in respect of a list of candidates consisting of more than one candidate, one of the candidates on the list must be nominated in the claim form to receive the payment of financial assistance on behalf of all the candidates.

6. Section 5 extends section 4 of the principal Regulation (which provides for the way for presentation of a claim for financial assistance made under the LC scheme) to cover a claim made under the DC scheme.

7. Section 6 amends section 5 of the principal Regulation to provide that the Chief Electoral Officer has to determine the

eligibility of a candidate for financial assistance under the DC scheme in accordance with section 60C of the District Councils Ordinance (Cap. 547). He may appoint an auditor to assist him in verifying a claim made under the DC scheme.

8. Section 7 is technical in nature as it replaces section 6 of the principal Regulation (which empowers the Chief Electoral Officer to process only part of the election return lodged by a candidate in support of a claim in case of partial compliance of the requirements set out in the Elections (Corrupt and Illegal Conduct) Ordinance (Cap. 554)) by a new section which makes new cross references consequential upon the amendments made under other provisions of this Regulation.

9. Section 8 extends section 7 of the principal Regulation to cover the withdrawal of claims made under the DC scheme.

10. Section 9 amends section 8 of the principal Regulation to provide for how payment of financial assistance in respect of claims under the DC scheme is to be made.

11. Section 10 makes technical amendments to section 10 of the principal Regulation.

12. Section 11 amends section 11 of the principal Regulation so that the mode of service of notice by the Chief Electoral Officer requiring repayment of financial assistance paid under the LC scheme also applies to the requirement for repayment of financial assistance paid under the DC scheme.

13. Section 12 amends section 12 of the principal Regulation so that the mode of repayment of financial assistance paid under the LC scheme to the Government also applies to repayment of financial assistance paid under the DC scheme.

14. Section 13 amends section 13 of the principal Regulation so that the arrangement for the legal personal representative or the next of kin of a deceased candidate to make a claim for financial assistance on behalf of the deceased applies not only to the LC scheme but also to the DC scheme.

15. This Regulation also makes a number of technical amendments to the principal Regulation.



**Financial and Civil Service Implications**

- At this stage we cannot assess accurately the financial implication of the financial assistance scheme for District Council (“DC”) election candidates because the total amount of financial assistance payable to the candidates is dependent on a number of factors, such as the number of candidates, votes obtained by each candidate and the actual election expenses of each candidate. Using the actual figures in the 2003 DC election, the total amount of financial assistance payable would be around \$8.35 million if the formula outlined in paragraph 3 of the LegCo Brief is adopted. Applying the 2004 LegCo election figures, the change in the formula for the financial assistance scheme for LegCo election candidates as explained in paragraph 4 of the LegCo Brief would slightly increase the financial implications from \$14 million to \$15 million. However, the way candidates plan and run their election campaigns and the way political parties or groups provide financial support (in the form of loans or donations) for their candidates may change after the formula has been revised. This may have some impact on the amount of financial assistance that candidates may claim from the scheme. Therefore, the above figures are for illustrative purpose only.
  
- The Registration and Electoral Office (“REO”) will incur additional cost for engaging an audit firm to conduct audit checks on accounts submitted by the applicants which require more in-depth checking (paragraph 6 of the LegCo Brief refers). In the 2003 DC election, there were 837 validly nominated candidates. Assuming that the cost of auditing each account is around \$4,000 and that about 84 (i.e. 10% of 837) accounts would need to be audited, the total auditing cost would be around \$336,000.
  
- REO will administer the scheme with the staff to be provided to the REO for the 2007 DC election. The proposal has no additional staffing implications.
  
- We will make use of the provision earmarked for the 2007 DC election in the Secretary for Constitutional Affairs (“SCA”)’s envelope allocation to cover the cost of the financial assistance scheme for DC election candidates. The additional expenditure for implementing the revised formula in the 2008 LegCo election financial assistance scheme will also be met from SCA’s envelope allocation.