

ITEM FOR ESTABLISHMENT SUBCOMMITTEE OF FINANCE COMMITTEE

HEAD 116 – OFFICIAL RECEIVER’S OFFICE Subhead 000 Operational expenses

Members are invited to recommend to Finance Committee the creation of the following permanent post in the Official Receiver’s Office with immediate effect –

1 Chief Treasury Accountant
(D1) (\$103,400 - \$109,700)

to be offset by the deletion of the following permanent post –

1 Assistant Director of Accounting Services
(D2) (\$122,700 - \$130,300)

PROBLEM

We need to rationalise the directorate structure of the Financial Services Division (FSD) of the Official Receiver’s Office (ORO) to reflect changes in responsibilities and workload.

PROPOSAL

2. We propose to downgrade the ranking of the head of the FSD of the ORO from Assistant Director of Accounting Services (ADAS) (D2) to Chief Treasury Accountant (CTA) (D1) level with immediate effect upon approval by the Finance Committee (FC)¹.

/JUSTIFICATION

¹ Subject to this Subcommittee’s agreement, we will put the downgrading proposal to FC for approval at its meeting on 24 April 2009.

JUSTIFICATION

FSD's organisational structure before 2004

3. Since the establishment of the ORO in June 1992, the FSD was headed by an ADAS who was responsible for carrying out financial management functions in the ORO, performing financial and accounting investigations into insolvency cases, conducting statutory audit of accounts submitted by private-sector insolvency practitioners (PIPs), preparing and vetting statements of affairs of insolvency cases, and managing and investing funds realised from assets in bankruptcy and winding-up estates. An organisation chart of the FSD and the job description for the ADAS post upon the establishment of ORO in 1992 are at Encls. 1&2 Enclosures 1 and 2 respectively.

4. As the number of insolvency cases in late 1990s shot up following the Asian financial crisis, the ORO began to outsource the administration of liquidation cases to PIPs to cope with the increasing caseload. Outsourcing has the advantage of helping ORO to meet occasional increase in caseload without the need for strengthening its staffing complement. With the outsourcing of more cases to PIPs since late 1990s, the demand for accounting assistance and support in the direct administration of liquidation cases by the FSD had diminished. Since 1999, three out of the four teams under FSD formerly engaged in accounting and financial investigation work were deleted in phases, retaining one dedicated team engaged in forensic accounting investigation work.

Downgrading arrangement on trial in 2004

5. In view of the above development, the head of the FSD had since been mainly responsible for planning, overseeing and reviewing of tender exercises on outsourcing insolvency work, and monitoring the performance of PIPs, including conducting professional forensic accounting investigations, on top of his other duties in planning and monitoring the investigation work directly performed by the remaining investigation team, and overseeing ORO departmental finance duties. To recognise such a change in the level of duties and for better manpower resource management, ORO downgraded, on a trial basis, the head of FSD from ADAS to CTA level in December 2004, by freezing the ADAS post and creating a supernumerary CTA post under delegated authority. At the same time, a Senior Treasury Accountant post and other non-directorate supporting posts in FSD were deleted to streamline the reporting lines and achieve greater efficiency and economy. As a result of these deletions, the establishment of the FSD has been reduced by 31% from 42 posts in 1992 to 29 in 2004.

/Proposed

Proposed regularisation of the downgrading arrangement

6. Since then, in parallel with the outsourcing of liquidation cases to PIPs, ORO started preparation for the outsourcing of summary bankruptcy cases to PIPs, which resulted in the enactment of the Bankruptcy (Amendment) Ordinance 2005 in July 2005 and other consequential amendments to relevant legislation subsequently. These legislative efforts enabled the launch of a pilot scheme for the outsourcing of summary bankruptcy cases in May 2008. ORO will review the outcome of the pilot scheme in two years' time.

7. As mentioned above, with a wider use of the outsourcing approach, the priority of the FSD has switched to monitoring the performance of the PIPs, amongst other things. The FSD discharges its monitoring tasks mainly through examining or auditing the accounts submitted by PIPs. Furthermore, FSD will, on the basis of established criteria, select accounts for field audit –

- (a) to ensure that monies received by the PIPs are properly recorded, and the cash balance as well as the outstanding assets are properly reflected in the accounts;
- (b) to detect any material fraud and errors; and
- (c) to report to the legal officers of the ORO any misconduct or non-compliance.

8. In addition to departmental financial management and accounting duties, the head of the FSD is required to supervise and direct two audit teams and one investigation team to carry out forensic accounting functions, and maintain contacts with senior members of the PIPs, including partners and directors of the relevant professional firms. The head of FSD is also responsible for controlling and investing a large pool of estate monies² from liquidation and bankruptcy cases.

9. After reviewing the trial downgrading arrangement that has been in place since December 2004, we consider that the duties referred to in paragraphs 7 and 8 above can be effectively performed by an accounting professional at the CTA level. Taking this into account and having considered the necessary professional expertise that the post demands as well as the operational needs in future, we

/consider

² As at 31 December 2008, the total amount of estate monies under the management of FSD was about \$3 billion.

consider it appropriate to regularise the downgrading arrangement for the FSD to be led by a directorate accounting professional at the CTA rank on a permanent basis. We therefore propose to create a permanent CTA post to be offset by the deletion of the ADAS post in the establishment to head the FSD. The proposed organisation of FSD, largely reflecting the position since December 2004, is at Enclosure 3 and the proposed job description for the CTA post is at Enclosure 4. There will be no change in the existing non-directorate support in FSD.

Encl. 3

Encl. 4

Alternatives Considered

10. We have critically re-examined whether the existing trial arrangement of freezing the ADAS post and maintaining a supernumerary CTA post to head the FSD of ORO should continue. As explained in paragraphs 7 to 9 above, we believe that the need to re-create a ADAS or D2 post in ORO to head the FSD or to perform other duties would not arise in the foreseeable future. It is therefore appropriate for the head of the FSD to be downgraded to a directorate professional staff at CTA rank on a permanent basis from the operational and resources management perspectives.

FINANCIAL IMPLICATIONS

11. The proposed staffing changes will bring about the following net savings in notional annual salary cost at mid-point –

	Post	\$	No. of post
	CTA (D1)	1,276,800	1
Less	ADAS (D2)	1,518,000	1
	Net Saving	241,200	0

The net savings in full annual average staff cost, including salaries and on-costs, would amount to \$100,000.

PUBLIC CONSULTATION

12. We briefed the Legislative Council Panel on Financial Affairs on 5 January 2009 on the proposed downgrading of the ranking of the head of the FSD of the ORO from ADAS (D2) to CTA (D1) level with immediate effect upon approval by the FC. Members in general supported the staffing proposal.

/ESTABLISHMENT

ESTABLISHMENT CHANGES

13. The establishment changes under Head 116 – ORO for the last two years are as follows –

Establishment (Note)	Number of posts			
	Existing (as at 1 February 2009)	As at 1 April 2008	As at 1 April 2007	As at 1 April 2006
A [#]	8	8	8	8
B	27	27	26	26
C	188	188	189	193
Total	223	223	223	227

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

– the supernumerary CTA (D1) post covered in this paper, being held against one vacant ADAS (D2) post, is not included. As at 1 February 2009, there was no unfilled directorate post in ORO.

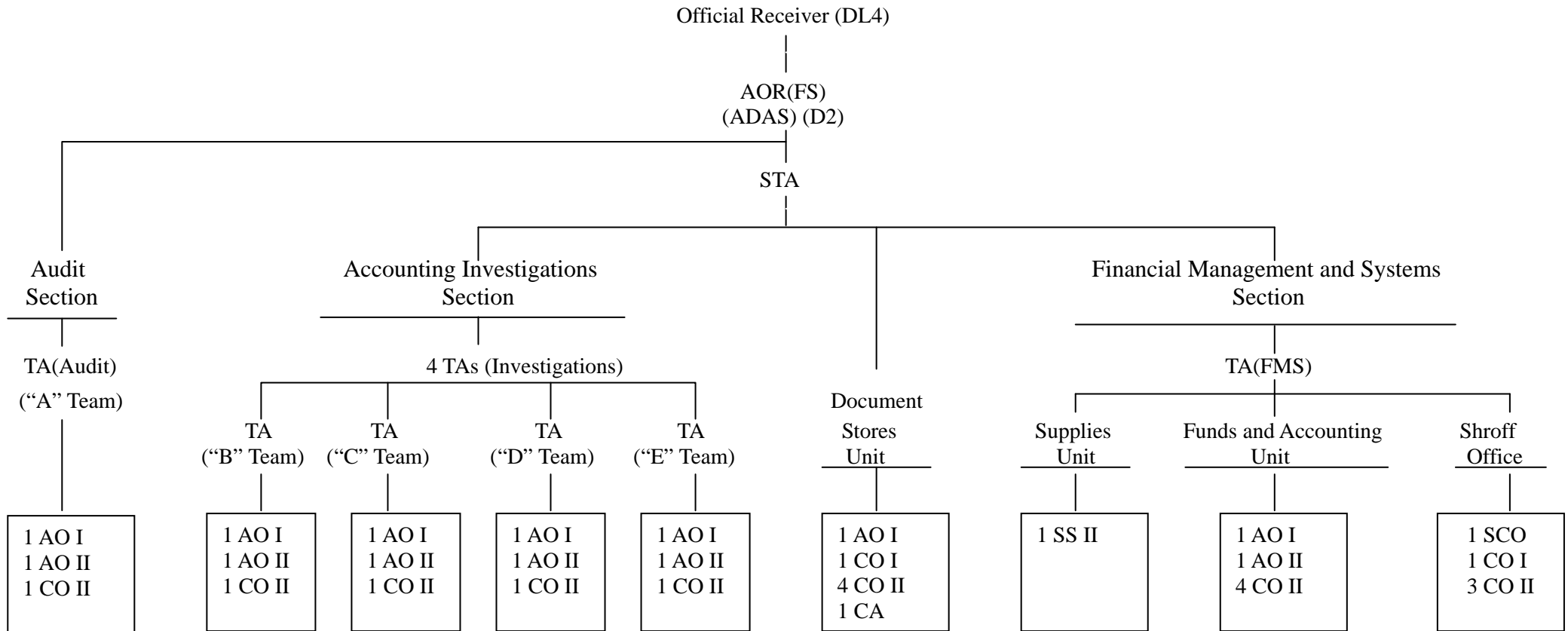
CIVIL SERVICE BUREAU COMMENTS

14. The Civil Service Bureau supports the proposed creation of the CTA post to be offset by the deletion of the ADAS post. The proposed ranking of the post is considered appropriate having regard to the level and scope of the responsibilities concerned.

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

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

**Organisation Chart of Financial Services Division, Official Receiver's Office
(June 1992)**



Legend – ADAS : Assistant Director of Accounting Services
 AO I : Accounting Officer I
 AO II : Accounting Officer II
 AOR(FS) : Assistant Official Receiver (Financial Services)
 CA : Clerical Assistant
 CO I : Clerical Officer I (now titled as Clerical Officer)
 CO II : Clerical Officer II (now titled as Assistant Clerical Officer)
 FMS : Financial Management and Systems
 SCO : Senior Clerical Officer
 SS II : Supplies Supervisor II
 STA : Senior Treasury Accountant
 TA : Treasury Accountant

Establishment – ADAS (D2) : 1
 STA : 1
 TA : 6
 AO I : 7
 AO II : 6
 SCO : 1
 CO I : 2
 CO II : 16
 CA : 1
 SS II : 1
 Total : 42

**Job Description of
Assistant Official Receiver (Financial Services) (AOR(FS))**

Rank : Assistant Director of Accounting Services (D2)

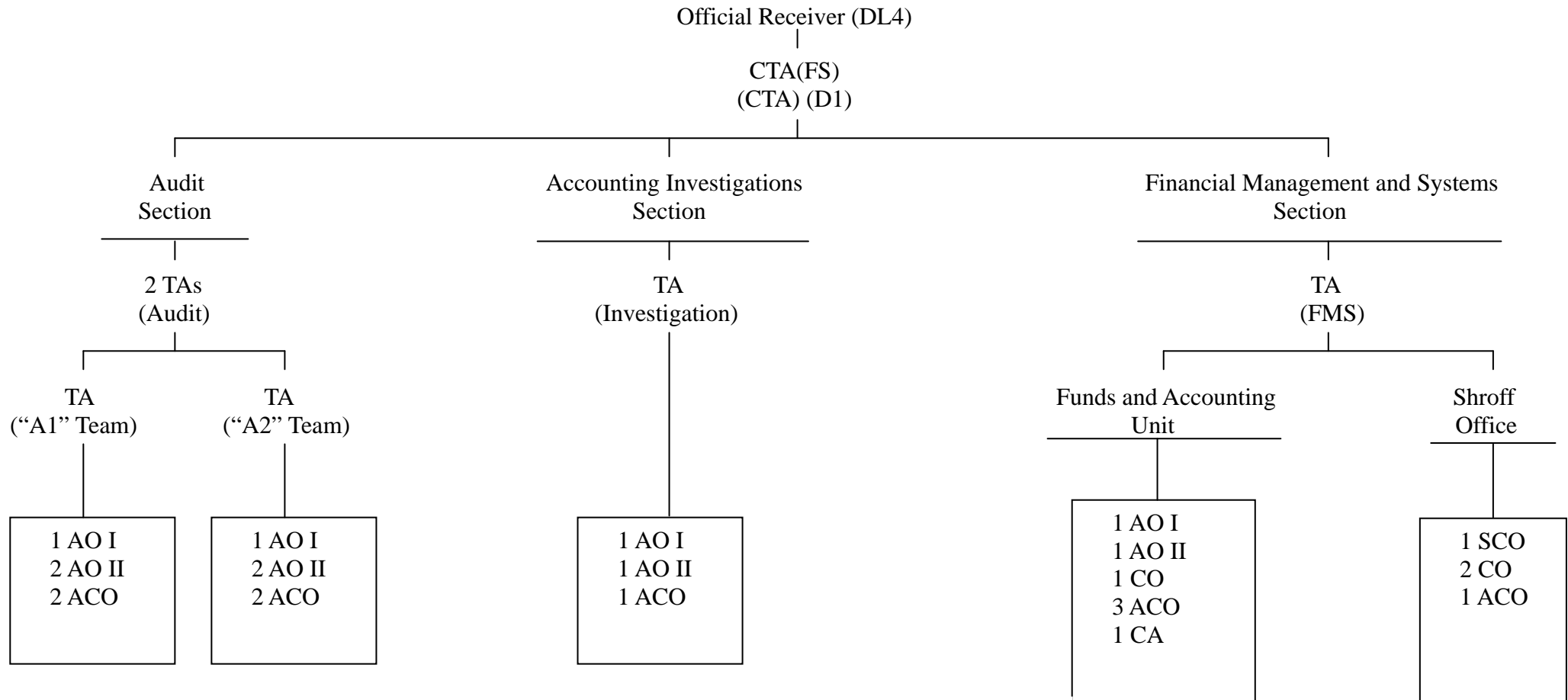
Responsible to : Official Receiver (DL4)

Main Duties and Responsibilities :

As head of the Financial Services Division, AOR(FS) is responsible for the following duties –

1. To plan and develop appropriate procedures and standards for investigation of the financial and accounting aspects of commercial insolvency cases.
2. To plan and set up appropriate standards and procedures for scrutiny/audit of private sector liquidators and trustees' accounts, and to carry out financial investigation into complaints against relevant liquidators and trustees.
3. To control and invest the estate monies from liquidation and bankruptcy cases.
4. To ensure that all accounting and financial requirements are satisfactorily executed in accordance with government policies and regulations, and to regularly review the department's financial/accounting systems.
5. To oversee the financial management and accounting functions of the department, including the preparation of draft estimates of the department, monitoring of departmental expenditure and revenue against estimates, and reviewing of fees and charges.
6. To represent the department in establishing and maintaining contacts with senior members of the insolvency professional bodies and financial institutions, and to liaise with relevant bureaux and departments on financial matters.

Proposed Organisation Chart of Financial Services Division, Official Receiver's Office



Legend –

ACO	:	Assistant Clerical Officer
AO I	:	Accounting Officer I
AO II	:	Accounting Officer II
CA	:	Clerical Assistant
CO	:	Clerical Officer
CTA(FS)	:	Chief Treasury Accountant (Financial Services)
FMS	:	Financial Management and Systems
SCFO	:	Senior Clerical Officer
TA	:	Treasury Accountant

Establishment –

CTA (D1)	:	1
TA	:	4
AO I	:	4
AO II	:	6
SCFO	:	1
CO	:	3
ACO	:	9
CA	:	1
Total	:	29

**Proposed Job Description of
Chief Treasury Accountant (Financial Services) (CTA(FS))**

Rank : Chief Treasury Accountant (D1)

Responsible to : Official Receiver (DL4)

Main Duties and Responsibilities :

As head of the Financial Services Division, CTA(FS) is responsible for the following duties –

1. To lead major tender exercises on contracting out of insolvency work to private-sector insolvency practitioners (PIPs) and to monitor the performance of PIPs.
2. To lay down appropriate standards and procedures for the audit of private sector liquidators and trustees' accounts, to oversee statutory audits on accounts submitted by PIPs and to provide professional accounting advice relating to the prosecution against insolvency offences; to lead the audit teams and investigation team in examination and field audit of accounts submitted by PIPs, and to carry out forensic accounting functions.
3. To control and invest the estate monies from liquidation and bankruptcy cases.
4. To ensure that all accounting and financial requirements are satisfactorily executed in accordance with government policies and regulations, and regularly review the department's financial/accounting systems.
5. To oversee the financial management and accounting functions of the department, including the preparation of draft estimates of the department, monitoring of departmental expenditure and revenue against estimates, and reviewing of fees and charges.
6. To represent the department in establishing and maintaining contacts with senior members of the insolvency professional bodies and financial institutions, and to liaise with relevant bureaux and departments on financial matters.
