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**Subcommittee on Members' Remuneration  
and Operating Expenses Reimbursement**

**Background Brief on  
Entertainment and Travelling Expenses Reimbursement**

**Purpose**

This paper sets out the background to the development of the current arrangement for Members' claims for reimbursement of their entertainment and travelling expenses on a non-accountable basis. It also summarizes deliberations in respect of views and recommendations, including those put forward by the Independent Commission Against Corruption (ICAC), on the rules, practices and procedures governing LegCo Members' claims for reimbursement of entertainment and travelling expenses.

**Background**

2. LegCo Members are provided with a monthly remuneration, which is a taxable income; and operating expenses reimbursements ("OERs") to cover expenses arising out of their LegCo duties. The OERs are broken down into different reimbursable amounts for different types of expenses, which are proposed by the Administration on the advice of the Independent Commission on Remuneration for Members of the Executive Council and the Legislature of the Hong Kong Special Administrative Region<sup>1</sup> ("the Independent Commission"), and approved by the Finance Committee ("FC").

3. The OERs include office operating expenses to cover the leasing of office accommodation, hiring of staff/consultancy services, purchase of equipment and furniture, etc. up to \$1,603,050 per year (2008 – 2009 figure) as well as entertainment and travelling expenses up to a maximum of \$164,390 (2008 – 2009 figure) a year. In addition, Members are entitled to separate expenses reimbursements for setting up offices and procuring IT equipment and services. Except for entertainment and travelling expenses, all other expenses are reimbursed on an accountable basis.

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<sup>1</sup> The Commission has been renamed as the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the Hong Kong Special Administrative Region to reflect the expansion of its terms of reference with effect from 1 April 2008 to cover the remuneration for officials under the Political Appointment System.

4. To assist Members in making claims, the LegCo Secretariat has issued A Guide for Reimbursement of Operating Expenses for Members of the LegCo ("the Reimbursement Guide") based on the principles laid down by the Independent Commission. The Reimbursement Guide sets out in detail the types of operating expenses which are reimbursable and the rules and procedures for seeking reimbursement, and provides standard claim forms for various types of expenses.

### **Entertainment and Travelling Expenses Reimbursement**

5. The OERs were first established in 1993 to reimburse Members of their operating expenses arising from their LegCo duties. They covered a range of reimbursement items including travelling and entertainment which amounted to \$10,000, claimable under an honour system without any supporting documents. In 1995, in accordance with the "principle that LegCo Members' use of their expenses allowance should be accountable and transparent as far as possible" and in view of the difficulty to obtain receipts for travelling expenses and some entertainment expenses (such as refreshments for visitors), 70% of this travelling and entertainment portion was proposed to be made accountable (i.e. to be supported by receipts). The proposal was endorsed by the FC on 14 July 1995.

6. In April 1996, on the basis of the recommendation of the Independent Commission which accepted Members' difficulties in obtaining receipts to support claims for travelling and minor entertainment expenses, the Administration proposed, and the FC approved, the decrease of the accountable portion of the travelling and entertainment component of LegCo Members' operating expenses reimbursement from 70% to 50%.

7. In 1999, following a study of Members' request for more resources to improve office operation, the Independent Commission while appreciating Members' need for resources, considered it inappropriate to increase the operating expenses reimbursements due to the then economic environment. Instead, it recommended a number of new arrangements to provide Members with further flexibility in the reimbursement for staff and office expenses. Among these new arrangements was the removal of the then 50% ceiling for the non-accountable portion of the allowance for "entertainment and travelling expenses" to streamline administrative arrangement and save costs. The Administration put forward this recommendation to the FC in July 1999 as part of its proposal to give Members greater flexibility in the use of their operating expenses reimbursements and more support to help them in discharging their functions. In addition, to meet Members' need to expend more on staffing, the Administration also put forward the proposal to allow Members to deploy up to 50% of the allowance for "entertainment and travelling expenses" for meeting staff expenses on an accountable basis. As the Government had to pick up the cost of severance payments to these staff upon the winding up of offices by Members, the requirement for such claims to be supported by receipts was considered necessary.

8. The above proposals were approved by the FC on 2 July 1999. The approved arrangement has remained unchanged up to this date.

9. Extracts of the relevant provisions from the Reimbursement Guide governing the claims for entertainment and travelling expenses are in the **Appendix**.

### **Review of the reimbursement procedures**

10. In November 2004, in connection with the public's concerns over the leasing of office accommodation which might give rise to conflict of interest situations, the Subcommittee on Members' Remuneration and Operating Expenses Reimbursement of the House Committee ("the Subcommittee") invited ICAC to assist in a study of the reimbursement procedures in respect of claims for office operating and other related expenses, including the travelling and entertainment expenses.

11. Upon completion of the study, ICAC recommended, amongst other things, that "LegCo should review the whole entertainment and travelling expenses arrangement. If the reimbursement arrangement is to be continued, then it should be made clear to the Members that the claims are accountable and Members should be reminded that they could only claim the exact amount of what they have actually expended. Alternatively, entertainment and travelling expenses should be made non-accountable in the form of a lump-sum allowance, or part of a Member's remuneration." It further recommended that "Members should keep a log of their entertainment and travelling expenses, and where practicable, retain receipts issued for such expenses."

12. In deliberating ICAC's recommendations, the Subcommittee referred to the Independent Commission's report in 1999 and noted that the non-accountable arrangement had aimed to streamline administrative arrangements and save costs, and to provide greater flexibility for Members to make use of resources available to them. The Subcommittee considered ICAC's recommendation a retrograde step. Moreover, it would be administratively very cumbersome, if not impossible in some cases, to obtain receipts and log down every meal and trip (e.g. refreshments for visitors and MTR/bus fares).

13. In response to the Subcommittee's reservations, ICAC stated that the key point of its recommendation was 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 decided to continue with the existing reimbursement mode, ICAC would encourage Members 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 were fraudulent in nature. ICAC understood that some Members and their assistants did keep a record of the expenses in order to

calculate the total amount of claims each month. Therefore, its recommendation to keep receipts or a log should not give rise to extra administrative work. It also understood that this was a common practice in the public sector.

14. Taking into account ICAC's comments, the Subcommittee sought Members' views in an opinion survey on the following four options:

- (a) adopt ICAC's original recommendation, i.e. if Entertainment and Travelling Expenses Reimbursement continued to be claimed on a reimbursement basis, it should be accountable;
- (b) adopt ICAC's alternative recommendation, i.e. Entertainment and Travelling Expenses Reimbursement should be made non-accountable in the form of a lump-sum allowance, or part of a Member's remuneration;
- (c) introduce a hybrid arrangement, i.e. for expenses with receipts, classify as reimbursement; for expenses without receipts, classify as allowance or Members' remuneration; and
- (d) maintain the existing arrangement.

15. The great majority of Members (i.e. 43 out of 55 respondents to the survey) were of the view that (d), i.e. the then existing arrangement, should continue.

16. Notwithstanding the above, the Subcommittee had taken on board a number of suggestions put forward by ICAC to enhance the accountability of Members when using public funds and alleviate public concerns arising from individual incidents. The House Committee endorsed the Subcommittee's proposal to implement the new arrangements in the 2005-06 LegCo session at its meeting on 8 July 2005. These proposals included the conduct of compliance audit on Members' OER claims on an annual basis undertaken by an external auditor and centrally coordinated by the LegCo Secretariat.

**Extract from A Guide for Reimbursement of Operating Expenses  
for Members of the Legislative Council**

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**Entertainment and Travelling Expenses Reimbursement**

**Amount**

35. Up to **\$164,390** a year (i.e. from October to September next) can be reimbursed on a non-accountable basis except for the portion used to meet staff expenses as explained in paragraph 41 below.

**Claimable Items**

36. Entertainment, liaison or travelling expenses incurred by a Member or his/her staff in or outside Hong Kong for LegCo business may be reimbursed against claims certified by the Member without supporting documents.

37. Although no supporting documents such as receipts have to be submitted, Members should only claim what they have actually expended.

38. Entertainment expenses refer to expenses for the provision of food or drink, for consumption on the occasion when it is provided, and of any other entertainment connected with, or provided at the same time as, such provisions.

39. Liaison expenses include expenses on —

- (a) floral arrangements and wreaths sent on ceremonial occasions;
- (b) functions organized by the Secretariat on LegCo premises for liaison with persons other than LegCo Members; and
- (c) compliments advertised in publications.

40. Travelling expenses refer to —

- (a) local travelling and vehicle running expenses; and
- (b) travelling and accommodation expenses outside Hong Kong.

41. A Member may use up to 50% of the amount for entertainment and travelling expenses reimbursement set out in paragraph 35 above to meet staff expenses on an accountable basis. Future associated severance payments may be reimbursed out of the office operation expenses reimbursement and winding up expenses reimbursement.

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