

For discussion
on 5 January 2009

**Legislative Council
Panel on Financial Affairs**

**Downgrading of an Assistant Director of Accounting Services Post
to a Chief Treasury Accountant Post in the
Official Receiver's Office**

PURPOSE

This paper seeks Members' views on the proposed downgrading of an Assistant Director of Accounting Services ("ADAS")(D2) post to a Chief Treasury Accountant ("CTA")(D1) post of the Official Receiver's Office ("ORO") to rationalize the directorate structure of the Financial Services Division ("FSD") of the 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 ADAS(D2) to CTA(D1) level with immediate effect upon approval by the Finance Committee ("FC").

JUSTIFICATIONS

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 realized from assets in bankruptcy and winding-up estates. An organization chart of the FSD upon the establishment of ORO in 1992 is at **Annex A** and the job description for the ADAS post is at **Annex B**.

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 changing circumstances as more

cases were outsourced 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 formerly engaged in accounting and financial investigation work were deleted in phases, retaining one dedicated team engaged in forensic accounting investigation work.

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 ORO departmental finance duties. To recognize such change in the level of duties and for better manpower resource management, ORO downgraded, on a trial basis, the head of FSD from AD 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. The organization chart of FSD after the streamlining in 2004 is at **Annex C**.

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 to pave way to launch 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. ORO monitors the performances of the PIPs mainly through examining or auditing their accounts. For non-summary insolvency cases, the FSD fully examines all the accounts submitted by PIPs. Furthermore, the FSD, on the basis of established criteria, selects accounts for field audit :-

- (a) to ensure that moneys received by the PIPs are properly recorded, 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 monitor the performance of the PIPs and 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 monies¹ from liquidation and bankruptcy cases.

9. Having considered the operational needs in future, we consider it appropriate that the FSD should be led by a ‘director’ accounting professional at the CTA rank on a permanent basis in view of the necessary professional expertise that the post demands. 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 organization of FSD is at **Annex D** and the proposed job description for the CTA post is at **Annex E**. There will be no change in the existing non-directorate support in FSD.

FINANCIAL IMPLICATIONS

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

Permanent Post	\$	No. of post
CTA	+1,276,800	+1
Less ADAS	-1,518,000	-1
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Net Saving	-241,200	0

The net savings in full annual average staff cost, including salaries and on-costs, would amount to \$181,512.

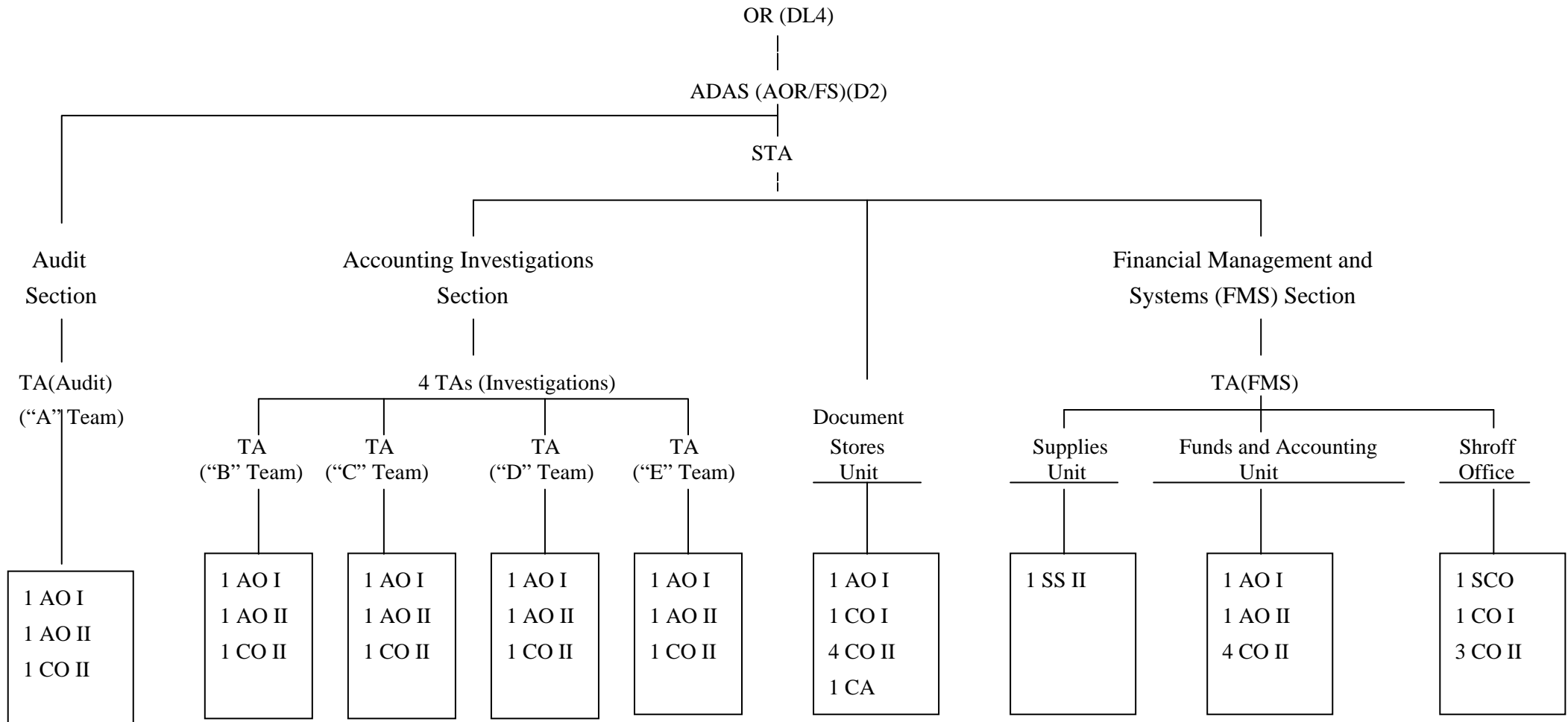
ADVICE SOUGHT

11. Subject to Members’ views, we plan to put the staffing proposal to the Establishment Subcommittee at the earliest opportunity.

Financial Services and the Treasury Bureau
December 2008

¹ The total amount of estate monies under the management of FSD is about \$3 billion.

**Organization Chart of Financial Services Division, ORO
(June 1992)**



Notes : Legend –

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

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)

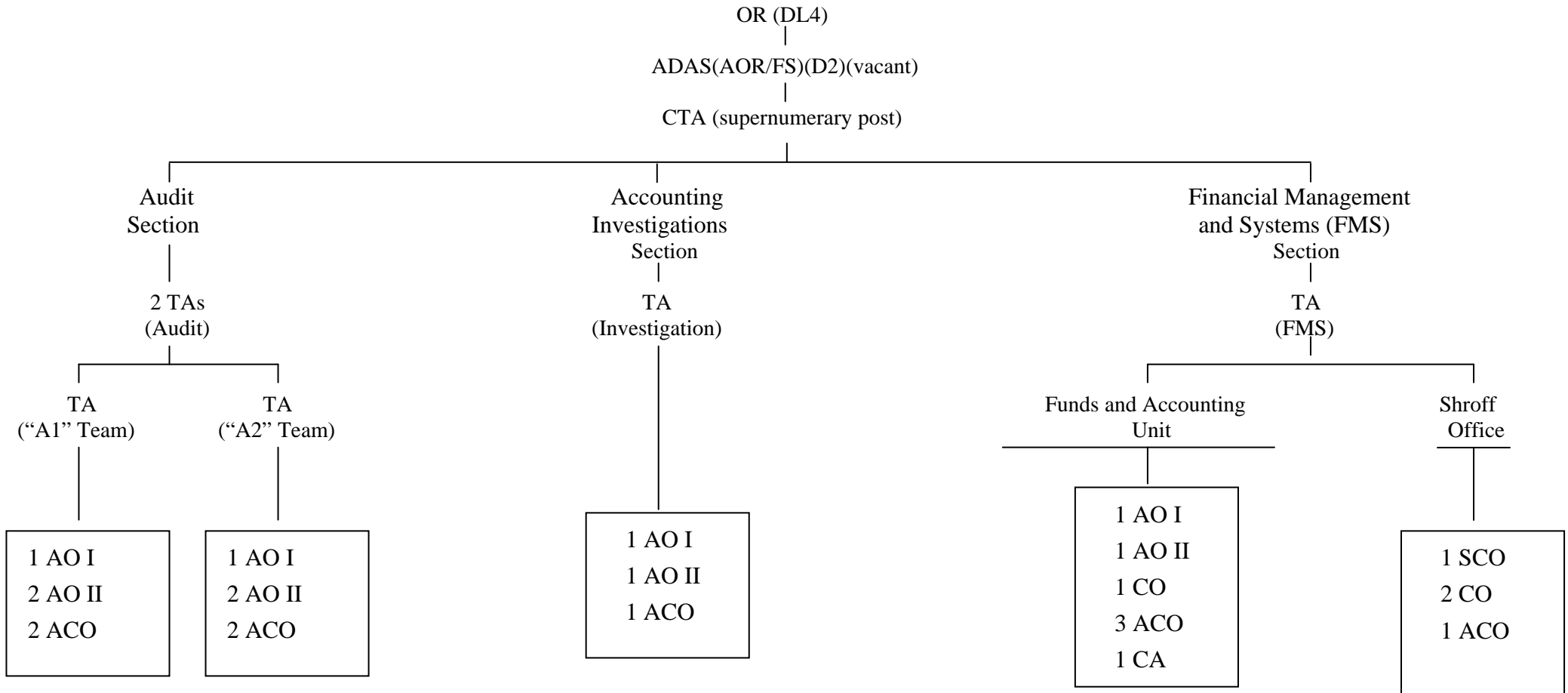
Responsible to : Official Receiver (DL4)

Main Duties -

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; and
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.

Organization Chart of Financial Services Division, ORO
(from December 2004 onwards)



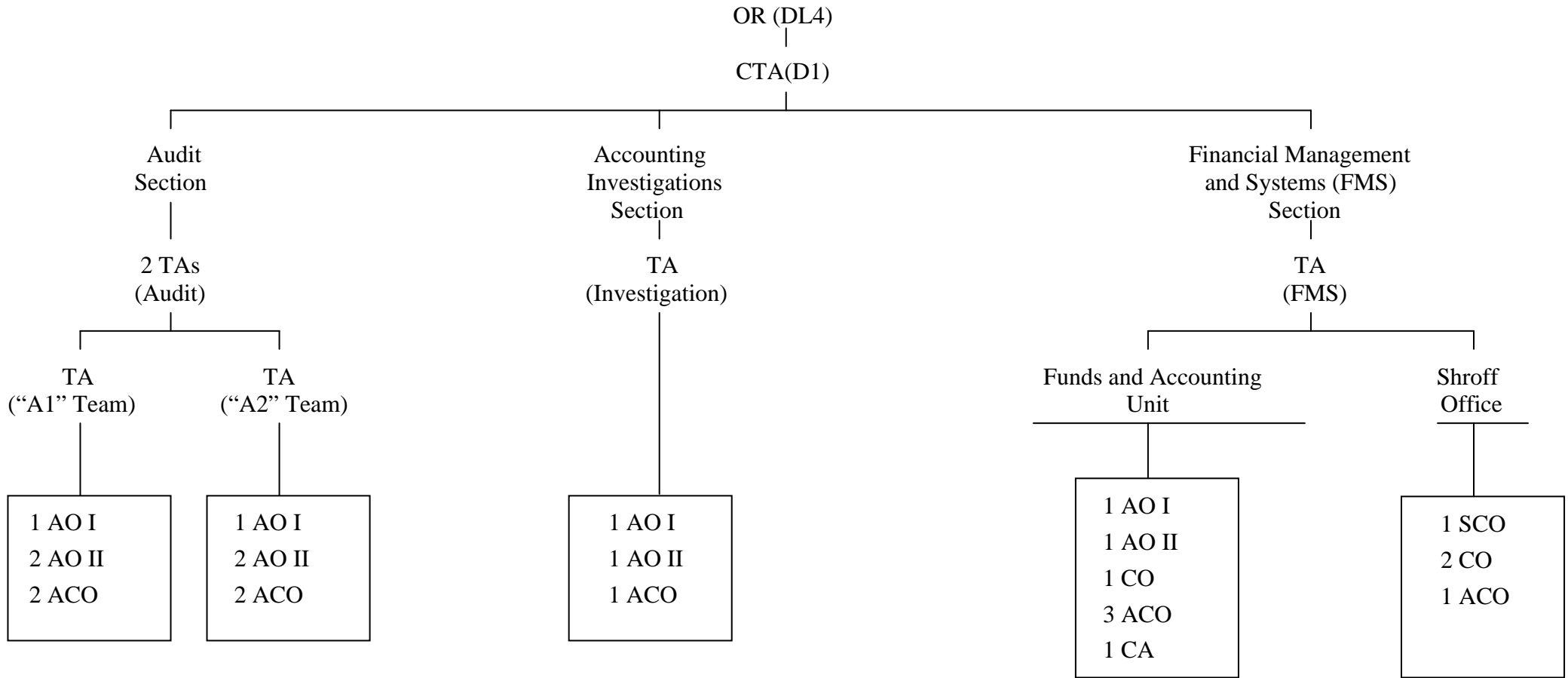
Notes : Legend –

- OR : Official Receiver
- ADAS : Assistant Director of Accounting Services
- AOR(FS) : Assistant Official Receiver (Financial Services)
- CTA : Chief Treasury Accountant
- TA : Treasury Accountant
- AO I : Accounting Officer I
- AO II : Accounting Officer II
- SCO : Senior Clerical Officer
- CO : Clerical Officer
- ACO : Assistant Clerical Officer
- CA : Clerical Assistant

Establishment –

ADAS(D2)	:	1
TA	:	4
AO I	:	4
AO II	:	6
SCO	:	1
CO	:	3
ACO	:	9
CA	:	1
Total	:	29

Proposed Organization Chart of Financial Services Division, ORO
(as at 1.6.2009)



Notes : Legend –

OR	:	Official Receiver
CTA	:	Chief Treasury Accountant
TA	:	Treasury Accountant
AO I	:	Accounting Officer I
AO II	:	Accounting Officer II
SCO	:	Senior Clerical Officer
CO	:	Clerical Officer
ACO	:	Assistant Clerical Officer
CA	:	Clerical Assistant

Establishment –

CTA	:	1
TA	:	4
AO I	:	4
AO II	:	6
SCO	:	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 -

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; and
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.