

**For information
on 12 June 2017**

Legislative Council Panel on Welfare Services

**Transparency of Remuneration and Cash Allowance for Senior
Management of Social Welfare Organisations**

Purpose

This paper briefs Members on the disclosure of the remuneration and cash allowance of the staff in the top three tiers of non-governmental social welfare organisations receiving Lump Sum Grant (LSG) subventions.

Background

2. The Administration Wing of the Chief Secretary for Administration's Office (the Administration Wing) promulgated a set of guidelines in 2003 to strengthen the control and monitoring of the ranking, structure and remuneration of the top three tiers of management in subvented bodies, and to set out the arrangements for the public disclosure of such information. According to the guidelines, all subvented bodies which receive more than 50% of their operating income from the Government (aside from those falling within the exempted categories) should review the number, ranking and remuneration of their staff at the top three tiers and submit annual reports on the review findings. To enhance transparency, the subvented bodies should also publicly disclose their review reports. Subvented bodies which are exempt from these guidelines include organisations with top three-tier positions funded entirely by income from sources other than the Government and organisations receiving subventions of less than \$10 million a year.

**The Guidelines on the Disclosure of Review Report on the Remuneration
Packages for Staff in the Top Three Tiers of Social Welfare Organisations**

3. Under the subvention principle of LSG, non-governmental

organisations (NGOs) may formulate their own staff remuneration packages with reference to their human resource policies and the contracts signed with their staff. Apart from deploying resources to improve their staff's basic salaries, NGOs may also remunerate their staff through other means, such as incentive payments and cash allowances. NGOs have the autonomy to make such decisions, and in this connection, NGOs must put in place a system which is clear, fair, properly monitored and accountable. NGOs should also ensure their staff are informed about and understand their remuneration policies.

4. Based on the guidelines from the Administration Wing, the Social Welfare Department (SWD) requires NGOs receiving annual subventions of \$10 million or more from SWD and which account for over 50% of their operating income to submit a Review Report on the Remuneration Packages for Staff in the Top Three Tiers (Review Report) every year to set out the latest number, ranking and remuneration packages of staff at the top three tiers, and explain any changes as compared with the previous year. SWD reviews the Review Reports submitted by the NGOs and, where necessary, SWD will seek further explanations from the NGOs and follow-up as appropriate.

5. Pursuant to the criteria in paragraph 4 above, out of the 165 NGOs receiving LSG subventions, 66 must submit their Review Reports to SWD for the 2015-16 year. Further, all NGOs receiving LSG subventions must also submit an Annual Financial Report to SWD. SWD requires NGOs to have in place a formal public accountability framework and to disclose their Annual Financial Reports and Review Reports (if applicable) submitted to SWD so that they are publicly accountable for their use of public funds. In addition to making their Annual Financial Reports and Review Reports (if applicable) available to the public upon request, NGOs must also disclose such information through one or more of the following channels -

- (a) posting the information prominently on the notice board(s) at the Central Administration Unit/Head Office;
- (b) uploading the information onto the NGO's website;
- (c) reporting the information in the NGO's Annual Report¹; or
- (d) publishing the information through special circular(s), newsletter(s)

¹ Where an NGO publishes an Annual Report, the Annual Financial Report must be an integral part of the Annual Report. If any NGO chooses not to provide the Annual Financial Report in its Annual Report, it has to upload the full set of the latest Annual Financial Report onto its website and specify the website address linking to the Annual Financial Report in its Annual Report.

or whatever means.

Disclosure of NGOs' Annual Financial Reports and Review Reports on SWD's Website

6. In response to the request from some members of the Legislative Council raised at the case conference on 22 November 2016, and following the discussion and resolution of the Lump Sum Grant Steering Committee on 28 February 2017, SWD has been establishing hyperlinks to the NGOs' websites or uploading their Annual Financial Reports and Review Reports onto SWD's website in phases since March 2017, so as to facilitate the public's access and to enhance the NGOs' transparency and public accountability. The measure is expected to be completed by the end of June 2017. As at 1 June 2017, among the 165 NGOs receiving LSG subventions, 118 had provided their hyperlinks or had asked SWD to upload their reports onto SWD's website. 38 Review Reports are disclosed through this arrangement. SWD will continue to monitor and implement this arrangement.

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