

**Report on the Activities of  
The Legislative Council Commission  
2012 - 2013**

**Prepared for tabling in the Legislative Council  
in accordance with section 13(5) of  
The Legislative Council Commission Ordinance (Cap. 443)**

## The Legislative Council Commission

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*Hon Emily LAU Wai-hing, JP*

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## The Chairman's Review

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This year under report was a very eventful year for the Legislature of Hong Kong. For the first time since reunification, there has been an increase in the number of seats in the Legislative Council. The number of Members was increased from 60 to 70, comprising 35 Members returned by geographical constituencies and by functional constituencies each. Notwithstanding a substantial change in the composition of the Council and the joining of 28 complete newcomers, both incumbent and new Members have settled in well with the professional assistance from the Secretariat.

To cope with the increase in workload arising from the 10 additional Members, the Secretariat has continued to identify ways to enhance efficiency through measures such as internal redeployment, streamlining of work processes and re-engineering efforts. At the same time, the Commission has sought additional resources from the Administration to support the work of the Council and relieve the heavy workload of the Secretariat on a need basis.

Under the leadership of the new Secretary General, Mr Kenneth CHEN, the Secretariat completed an organizational review and implemented a series of changes to the organizational structure, staffing, and operations of the Secretariat. The major ones include the creation of a new Information Services Division to consolidate the Research, Library and Archives Divisions into an integrated management structure with a view to providing better research services to Members and the public; the restructuring of the Administration Division and the redeployment of a Principal Council Secretary to share out the extra administrative

work arising from the relocation of the Council to the new Complex, and the increase in financial and human resources-related matters of the Secretariat; and the transfer of the visitor-related services to the Public Information Division so as to economize the use of existing resources for promoting the work of the Council. The Commission will continue to explore other areas and opportunities to improve organizational effectiveness and enhance service quality of the Secretariat.

One of the major tasks of the Commission this year is to formulate an access to information policy covering all records including archival records to facilitate public access to a broad range of information and records kept by the Legislative Council Secretariat. Apart from consultation with Members on the proposed policy and related issues to facilitate its further consideration of the matter, the Commission conducted a public consultation exercise in August/September 2013. Briefing sessions had been conducted for selected groups including the media and academics. The Secretariat is collating and analyzing the views collected and it is hoped that this new policy will be formulated soon.

The Commission is committed to providing barrier-free access for people with disabilities and a green working environment for Complex users. In June 2013, the Finance Committee approved the funding application for the construction of a footbridge from CITIC Tower to the Complex. This project will largely improve public access to the Complex, in particular for wheelchair-bound users from the Admiralty MTR Station.


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With the efforts made in fine-tuning the building management systems and adopting good practices in green management, a substantial decrease in electricity consumption in the Complex was recorded in the first half of 2013. Paper consumption is also reduced with the introduction of new saving measures, such as the use of electronic means for submitting Members' questions on the Estimates of Expenditure and the replacement of hardcopies by softcopies wherever feasible.

As part of the efforts to promote barrier-free communication, the Commission has since January 2010 launched a trial scheme of partially providing simultaneous sign language interpretation for meetings of the Council and its committees. Another trial scheme of partially providing simultaneous Putonghua interpretation for meetings of the Council and its committees was also launched at the same time with a view to helping the Putonghua-speaking community to understand the proceedings of the Council. In view of the satisfactory result of these trial schemes, the Commission decided earlier this year to formally launch these services by phases. Starting from October 2013, simultaneous sign language and Putonghua interpretation services will be provided for all Council meetings and meetings of some committees. These services would be extended to all committees subject to the availability of funding and qualified interpreters.

We faced many new challenges last year but the operation of the Legislative Council over the past year was normal and smooth. In closing, I would like to thank the Commission

members and staff of the Secretariat for their contribution to enable the Council to maintain its effective and efficient operation.



**Hon Jasper TSANG Yok-sing**  
Chairman  
The Legislative Council Commission

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## **The Legislative Council Commission**

The Legislative Council Commission is a body corporate established under The Legislative Council Commission Ordinance (Cap. 443). The Ordinance, which was enacted in April 1994, provides the legal framework for the Commission and the independent Legislative Council Secretariat to operate with managerial and financial autonomy.

The membership of the Commission is set out in page 2 of this report.

Meetings of the Commission shall be held at such time and place as the Commission or the Chairman may from time to time appoint. In 2012-13, 11 meetings were held.

Five committees have been appointed by the Commission to carry out certain delegated functions. These are -

- the **Committee on Personnel Matters** which deals with appointment and other personnel matters;
- the **Committee on Members' Operating Expenses** which advises on the processing of Members' operating expenses reimbursement claims;
- the **Committee on Facilities and Services** which oversees the provision of services, accommodation and facilities to the Council and the Secretariat, and deals with matters relating to the display of artworks in the Legislative Council Complex;

- the **Committee on the Use of Legislative Council Square** which considers and approves applications for the use of the Legislative Council Square and imposes conditions of use where necessary; and
- the **Appeals Committee on the Use of Legislative Council Square** which considers appeals against the decisions of the Committee on the Use of Legislative Council Square.

The terms of reference and membership of the five committees are set out in **Appendix 1**.

## **The Legislative Council Secretariat**

Administrative support and services to the Legislature are provided by the Legislative Council Secretariat which operates under the Commission. The Legislative Council Secretariat consists of the Secretary General, who shall be appointed by the Commission, and the other staff employed by the Commission. The mission of the Legislative Council Secretariat is to provide efficient administrative, secretariat and research support for the Council, enhance community understanding of the activities of the Council and ensure an effective avenue for redress.

The Secretary General is the Clerk to the Legislative Council and the chief executive of the Legislative Council Secretariat. The Secretary General is responsible to the Chairman of the Commission for the effective management and administration of the Secretariat. In connection with the retirement of the former Secretary General Ms Pauline NG in September 2012, the

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Commission conducted an open-cum-internal recruitment exercise to fill the post of Secretary General of the Secretariat. Mr Kenneth CHEN was appointed to succeed Ms Pauline NG as Secretary General of the Secretariat from 29 September 2012.

The Commission has reinstated the post of Deputy Secretary General having regard to the growth in complexity in Council business and the expanded scope of responsibilities in the management of staff, facilities and services for the public in recent years. The Deputy Secretary General mainly assists the Secretary General to oversee the management of all internal support services as well as information and education services for the public. The Deputy Secretary General also deputizes for the Secretary General, services Council meetings and assists the Secretary General in advising the President on Council procedures.

The Special Duties Team, which was created in March 2011 to, inter alia, oversee the transformation of the Legislative Council Library into a constitutional library and conduct management reviews, was dissolved in March 2013 upon completion of its work.

A new Information Services Division was established in March 2013 to consolidate the Research, Library and Archives Divisions with a view to improving organizational effectiveness and enhancing service quality, as well as delivering better services to Members and the public at large.

As at 31 March 2013, there were 523 posts on the establishment of the Secretariat. The staff establishment by number and rank is set out in **Appendix 2**. Administrative support and services are provided for the Council and its committees through the following 10 divisions -

- Council Business Division 1
- Council Business Division 2
- Council Business Division 3
- Council Business Division 4
- Legal Service Division
- Information Services Division
- Complaints Division
- Public Information Division
- Translation and Interpretation Division
- Administration Division

The organization of the Secretariat as at 31 March 2013 is shown in **Appendix 3**.

## **Functions and Services of the Legislative Council Secretariat**

### **Council Business Divisions**

Servicing of meetings of the Council and its committees is undertaken by four divisions: Council Business Divisions 1, 2, 3 and 4. The four divisions are each headed by an Assistant Secretary General. Their respective responsibilities are described below -

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### ***Division 1***

Council Business Division 1 provides secretariat and administrative services for the Finance Committee and its two subcommittees, nine Panels<sup>1</sup> as well as the Bills Committees and subcommittees dealing with proposed legislation and policy issues relating to the terms of reference of these Panels. The division also provides support to the Subcommittee to Study Issues Arising from Lehman Brothers-related Minibonds and Structured Financial Products which was set up under the House Committee and authorized by resolution of the Council to exercise the powers conferred by section 9(1) of the Legislative Council (Powers and Privileges) Ordinance. The Subcommittee tabled its Report at the Council meeting of 6 June 2012.

During the period from 1 April 2012 to 31 March 2013, the division serviced a total of 293 meetings.

In addition, the division provided support to the 20 sessions of special Finance Committee meetings held over five days for the examination of the Estimates, and processed 5 471 questions submitted by Members seeking the Administration's replies on details of the expenditure items shown in the Estimates.

In servicing committees, the division assists in researching and analyzing information, as

well as collating and analyzing public views. During the year, 21 of the 293 meetings were held to receive public views, at which a total of 500 individuals and deputations had given views. On research support, the division prepared a total of 128 background briefs and 29 discussion papers this year. Some of the major briefs, such as those on housing demand in Hong Kong, the review and update of the Railway Development Strategy 2000, the Stamp Duty (Amendment) Bill 2012 and the subsidiary legislation for the implementation of the new Companies Ordinance, were prepared to facilitate detailed study of the subject matters by the relevant committees. In addition, a total of 40 committee reports were prepared by the division in the period.

The Chief Council Secretaries in the division, with the support of Council Secretaries on a rotation basis, also provide services to meetings-cum-luncheons held between Members and District Council members. Matters which require follow-up actions are referred to the Panels concerned or dealt with in case conferences serviced by the Complaints Division.

### ***Division 2***

Council Business Division 2 provides secretariat and administrative services for the House Committee, nine Panels<sup>2</sup> as well as Bills Committees and subcommittees dealing with proposed legislation and policy issues

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<sup>1</sup> Following the redistribution of duties among the Council Business Divisions, Division 4 took up the servicing of two Panels from Division 1 with effect from 1 October 2012, and the number of Panels serviced by Division 1 was reduced from nine to seven.

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<sup>2</sup> Following the redistribution of duties among the Council Business Divisions, Division 4 took up the servicing of two Panels from Division 2 with effect from 1 October 2012, and the number of Panels serviced by Division 2 was reduced from nine to seven.



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relating to the terms of reference of these Panels. During the year under review, the division also serviced the Select Committee to Study Mr LEUNG Chun-ying's Involvement as a Member of the Jury in the West Kowloon Reclamation Concept Plan Competition and Related Issues which was appointed by a resolution passed by the Legislative Council on 29 February 2012. The Select Committee tabled its Report in the Council on 27 June 2012.

During the period from 1 April 2012 to 31 March 2013, the division serviced a total of 247 meetings, including three public hearings and 15 closed meetings held by the Select Committee.

In servicing committees, the division assists in researching and analyzing information, as well as collating and analyzing public views. During the year, 48 of the 247 meetings were held to receive public views, at which a total of 1 224 individuals and deputations had given views. To facilitate detailed study of the subject matters by the relevant committees, the division prepared a total of 179 background briefs and 59 discussion papers during the report period. Some of the major subjects covered in the background briefs and discussion papers included measuring poverty, measures to stabilize supply of formula products for infants and young children, policy study on standard working hours, proposed re-organization of the Government Secretariat, abolition of District Council appointment system, legislating for paternity leave, regulation of medical beauty treatments/procedures, and production, sale and use of substandard cooking oil. The division also prepared a

total of 42 committee reports during the period.

The Chief Council Secretaries of the division, with the support of Council Secretaries on a rotation basis, provide services for meetings-cum-luncheons held between Members and District Council members. Matters which require follow-up actions are referred to the Panels concerned or dealt with in case conferences serviced by the Complaints Division.

### ***Division 3***

Council Business Division 3 provides support services for the conduct of meetings of the Legislative Council. During the period from 1 April 2012 to 31 March 2013, the division serviced 38 meetings of the Council, including five meetings devoted to the Chief Executive's Question and Answer Sessions. These five meetings were held in June, July, November and December 2012, and January 2013.

The division services a standing committee of the Council, namely the Committee on Members' Interests. During the report period, the Committee on Members' Interests held four open meetings and four closed meetings, conducted three consultation exercises to seek Members' views, and submitted one report to the Council. From 1 April to 31 July 2012, the division also serviced the Committee on Rules of Procedure which held three meetings and submitted one report to the Council.

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The Chief Council Secretaries of the division, with the support of Senior Council Secretaries, provide services for meetings-cum-luncheons held between Members and District Council members. Matters which require follow-up actions by Members are referred to the Panels concerned or dealt with in case conferences serviced by the Complaints Division.

#### ***Division 4***

Council Business Division 4 was formerly responsible for, among others, overseeing the relocation of the Legislative Council to the new Legislative Council Complex at Tamar and also the development of new services, such as archival services and education and visitor services, for the public in the new Complex. With the commissioning of the Legislative Council Complex in October 2011 and the implementation of various new services in the new Complex, the Commission conducted a review of the responsibilities of the division in June 2012.

Following the review and starting from the new legislative term in October 2012, the division has been tasked to provide support services to the Public Accounts Committee, the Committee on Rules of Procedures and the Parliamentary Liaison Subcommittee of the House Committee, as well as four Panels from Council Business Divisions 1 and 2 and any Bills Committees or subcommittees on policy issues or legislative proposals relating to the terms of reference of these Panels. The division has also been responsible for coordinating and providing support services for the legislature's corporate and

parliamentary liaison activities, and planning and providing education and visitor services.

During the period from 1 April 2012 to 31 March 2013, the division serviced a total of 88 committee meetings, including 11 public hearings and 23 meetings held by the Public Accounts Committee. Apart from coordinating Legislative Council Members' regular meetings and lunches with councillors of Heung Yee Kuk and members of the 18 District Councils, the division serviced two such meetings during the year. In addition, the division serviced 51 meetings held between Members of the Council and visiting parliamentarians and dignitaries.

In servicing committees, the division assists in researching and analyzing information, as well as collating and analyzing public views. During the year, 19 of the 88 committee meetings serviced by the division were held to receive public views, at which a total of 517 individuals and deputations gave views. On research support, the division prepared a total of 40 background briefs and 48 discussion papers. A total of 8 committee reports were prepared by the division, including two reports of the Public Accounts Committee submitted to the Council on its examination of the Director of Audit's value for money audit reports.

To enhance public understanding of the work of the Council, guided educational tours of the Legislative Council Complex are provided for the public. During the period under review, 2,657 guided educational tours were conducted by the division for 75,441 visitors including members of the public and students.

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As for educational activities, 813 role-play on the work of the Legislative Council sessions for students and 373 story-telling sessions for young children were held. In November 2012, a "Meeting with Members" Programme was introduced as a regular educational activity in addition to the "Meeting with LegCo President" Programme to provide more opportunities for students to communicate and interact with Members. These two Programmes jointly provided 19 meeting sessions to 356 students and 13 Members were involved.

### **Legal Service Division**

The Legal Service Division provides legal advice and support to the Legislative Council and its committees, in their scrutiny of bills and subsidiary legislation, examination of public policies, and the handling of complaints, and other legal matters. The division also renders legal advice to individual Members on matters relating to the business of the Legislative Council. In addition, the division provides in-house legal service for The Legislative Council Commission and the Legislative Council Secretariat. It is the division's mission to provide comprehensive and reliable legal advice, analysis, research, and information services that are timely, objective, non-partisan, and where necessary, confidential, thereby contributing to an informed legislature.

Apart from being head of the Legal Service Division, the Legal Adviser is also the Counsel to the Legislature. Under the Rules of Procedure, the Counsel to the Legislature has the general duty of advising the President and the Clerk to the Legislative Council on

legal issues in relation to the business or administration of the Council.

### **Information Services Division**

Established in March 2013, the Information Services Division provides integrated information services to Members and staff through the Research Office, Library and Archives.

The Research Office provides research services to the Council and its committees as well as Secretariat staff. It also undertakes search tasks and produces write-ups on topical issues and other areas of interest on request.

The publications prepared by the Research Office can be categorized into research reports, information notes and fact sheets. Research reports provide in-depth analysis of the policy issues under study and extensive coverage of the situations in several overseas jurisdictions identified for comparison. Information notes are focused researches on topical issues. The scope of information notes is usually not as broad as that of research reports, as they deal with selected topics of concern. Fact sheets are relatively short research papers containing basic factual information and statistics about a particular issue, usually in the local context.

During the period under review, the Research Office completed a total of 115 research publications comprising 40 information notes and 75 fact sheets. A list of the major subjects studied is in **Appendix 4**.

The Legislative Council Library provides reference support for Members and their

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assistants, Secretariat staff, researchers and members of the public through its five major categories of collections including Legislative Council records, constitutional collection, Basic Law collection, civic education publications, and general reference materials. Following the endorsement of the Commission to transform the Library into a constitutional library, the size of the constitutional and parliamentary collection in the Library reached 22 515 items, equivalent to 52% of the total number of books as of March 2013.

During the period, the number of visits made to the Library was 12 389 and the number of books accessed 3 958. The Library also handled a total of 3 130 enquiries and conducted 22 search tasks which involved search for and collation of in-depth information from various sources. The number of visits made to the Legislative Council Website was 6.5 million, while the number of pages viewed was 43.3 million.

The Legislative Council Archives selects, acquires and preserves invaluable records which document the history, core functions and activities of the Legislative Council and provides records reference and access services for Members and their assistants, staff of the Secretariat and members of the public. Established according to international standards and best practices, the Archives preserves over 600 linear metres of archival records. Its collections continue to grow in quality and quantity through systematic in-house records disposal and acquisition of materials from other sources. To promote public interest in and appreciation of archival records, organized visits to the Archives for

schools and professional associations are conducted regularly.

The Archives adopts an integrated approach in managing records as a vital information resource from creation to final disposal through staff training, provision of guidelines and standards, centralized inactive records storage, advisory service and periodic reviews. An access to information policy covering all records including archival records is being prepared to facilitate members of the public to gain easy access to a broad range of information and records maintained by the Legislative Council Secretariat.

### **Complaints Division**

The Complaints Division provides support service for Members to deal with complaints and representations lodged with the Redress System of the Legislative Council. The division assists Members in processing cases to redress grievances and bring to light the need for improvement in government policies and procedures where appropriate.

The work of the division includes meeting and corresponding with complainants, examining the cases lodged, communicating with relevant organizations and government departments, assisting Members in determining suitable courses of action, as well as scheduling and servicing interviews with complainants and case conferences with government officials.

In 2012-2013, the division assisted Members in handling 2 617 cases, which comprised 199 group representations and 2 418 individuals' cases. The topical issues

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dealt with included those related to "subdivided units" in factory buildings, assistance provided to Mainland-Hong Kong families, the integrity of the Chief Executive, and the implementation of the Old Age Living Allowance.

During the period, the division continued to streamline the processing of cases by staff to maximize the use of resources. To enhance further the proficiency of staff in complaints handling, arrangements were made for them to attend workshops on topical issues of complaint, courses on effective handling of complainants with emotional problems, and sessions on experience sharing.

### **Public Information Division**

The Public Information Division provides public relations advice and media support services for the Legislative Council and its Members, and enhances public understanding of the work of the Council through the development and implementation of information and publicity programmes on the Legislature.

The division issues press releases on all Council business related matters, handles press and public enquiries, provides press marshalling services and arranges media briefings and interviews for the Council and its committees. It also issues "the Legislative Council Reporter" after each Council meeting to record the business transacted and important decisions made at the meeting. During the period from 1 April 2012 to 31 March 2013, the division issued a total of 265 press releases on the business and activities of the Council and organized 44 official media briefings and interviews for

Members (including the President) and senior staff of the Secretariat. It also received and handled 18 831 telephone, fax and walk-in enquiries and 1 475 e-mail enquiries.

The operation of the televising system in the Legislative Council Complex is managed by the Public Information Division. From 1 April 2012 to 31 March 2013, the division filmed and televised a total of 1 856 hours of open meetings of the Council and its committee and media briefings. Footages of these meetings and briefings were widely used in the news reports of various TV news organizations. The division also provides photographic and video-filming services for Members and all official events of the Council and maintains a "Photo and Video Gallery" on the Legislative Council Website which presents Council related photos and videos for public viewing.

The division provides a daily newspaper clipping service for Members to keep them abreast of media reports and public views on topical issues. The division is responsible for the production of Council publications, including the Legislative Council Annual Reports, Legislative Council calendars, and fact sheets introducing the work of the Council and the facilities of the Legislative Council Complex. It also produces Legislative Council e-cards for use by Members and the public.

### **Translation and Interpretation Division**

The Translation and Interpretation Division provides translation, interpretation and Chinese transcription services for the Council and its committees.

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The division is responsible for the production of the Official Record of Proceedings of the Legislative Council, also known as the Hansard, which is the verbatim report of proceedings of the Council. The Hansard is published, in the first instance, in the language of the speeches delivered on the floor, i.e. the floor version, and then translated into two versions, one in Chinese and the other in English. Both the floor and translated versions of the Hansard can be viewed on the Council's website. For the 38 Council meetings held during the period under review, the division produced 20 461 pages of the floor version of the Hansard, representing a 112% increase over the same period in the previous year. The floor version was subsequently rendered into 20 390 pages of English text and 15 526 pages of Chinese text.

The division also translates questions, motions, committee papers, minutes of meetings and other Council papers. During the year, it yielded a total translation output of 12 720 930 words.

During the period, sustained efforts were made to ensure the timely release of draft, confirmed and translated versions of the Hansard within three, seven and 24 working days respectively under the performance pledges. As a service enhancement, the provision of simultaneous sign language interpretation service had been extended to all Council meetings on a trial basis since January 2013. Simultaneous Putonghua interpretation was also provided partially for meetings of the Council and some committees.

## **Administration Division**

The Administration Division provides secretariat service for the Commission and its Committees, and internal administrative support for other divisions of the Secretariat. The division also administers Members' remuneration and operating expenses reimbursements, and organizes the Council's corporate and social functions.

The division assists the Secretary General in executing the administrative, financial and human resources policies of the Commission. It also provides building management and security services in Council premises, and supervises the development and application of information technology in the Secretariat.

During the year, the division serviced 11 meetings of the Commission, one meeting of the Committee on Facilities and Services, and one meeting of the Committee on the Use of Legislative Council Square. It also organized a total of 59 corporate and social functions for Members.

The division also services the Subcommittee on Members' Remuneration and Operating Expenses Reimbursement which was formed by the House Committee in 2008 with a view to examining issues relating to the level of remuneration and operating expenses reimbursement for Legislative Council Members. During 2012-2013, the Subcommittee held one meeting to follow up the outstanding issues arising from the recommendations of 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

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Administration Region regarding the remuneration package for Members of the Fifth LegCo as accepted by the Chief Executive in March 2012.

## **Financial Arrangement and Audit**

Through a separate head of expenditure in the HKSAR Government's annual Estimates, the Commission is provided with funds to support the work of the Legislative Council. Recurrent funding is provided through an Operating Expenditure Envelope ("OEE") which sets the ceiling for each year's funding. The OEE is sub-divided into two subheads in the Estimates: one for Members' remuneration and operating expenses reimbursements, and the other for Secretariat expenses, which comprise staff emoluments and general expenses. Basically, the funding for Members' remuneration and operating expenses reimbursements is adjusted annually according to the movement of Consumer Price Index (C), while that for Secretariat expenses is adjusted according to the target expenditure level of the Government. Only savings in the subhead for Secretariat expenses may be put into an Operating Reserve for future deployment at the discretion of the Commission. In addition, non-recurrent funding is obtainable for capital and time-limited projects.

Where additional resources are required for the introduction of new and improved services, the Commission will put forward bids under the Government's annual Resource Allocation Exercise. The bids will be considered by the Government on their own merits. If the proposed bids for recurrent resources are successful, funds will

be provided in the OEE, starting from the forthcoming financial year.

For the purposes of the Public Finance Ordinance (Cap. 2), the Secretary General is designated as the Controlling Officer responsible for the financial resources afforded to the Commission.

The Commission's accounts are subject to examination by the Director of Audit. The Director is empowered to conduct value-for-money audits and examinations into the economy, efficiency and effectiveness with which the Commission uses its resources in performing its functions and exercising its powers.

The net financial provisions for the Commission in 2012-2013 amounted to \$643.1 million, which comprised \$217.8 million for Members' remuneration and operating expenses reimbursements, and \$425.3 million for the Secretariat's staff emoluments and general expenses. To ensure the efficient and effective support for the Legislative Council and its committees, the Commission approved a budgeted deficit of \$29.2 million for the Secretariat's operations, with the understanding that it might have to be absorbed by the Commission's Operating Reserve. As shown in the Statement of Changes in Accumulated Funds in the audited accounts on pages 22 to 53, the actual deficit absorbed for the year was \$6.1 million. The deficit was mainly due to the need to undertake special inquiries, namely the setting up of a subcommittee to study the issues arising from Lehman Brothers-related minibonds and structured financial products, and a select committee to study Mr LEUNG

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Chun-ying's involvement as a member of the jury in the West Kowloon Reclamation Concept Plan Competition.

### **Compliance Audit on Members' Claims for Reimbursement of Operating Expenses**

To enhance the accountability and transparency in Members' claims for reimbursement of operating expenses that arise out of their Legislative Council duties, an independent audit firm has been appointed to conduct field audits at Members' offices. The primary objective of the audit is to ensure that the provisions on conflict of interest and declaration of interest stipulated in the Guide for Reimbursement of Operating Expenses for Members of the Legislative Council ("the Reimbursement Guide") are complied with.

The sixth audit report covering the 2011-2012 legislative year was presented to the Commission in April 2013. It stated that nothing had come to the audit firm's attention that caused them to believe that there was any material violation to the provisions on conflict of interest and declaration of interest as stipulated in the Reimbursement Guide. On the instructions of the Commission, the audit report is open for public inspection at the Legislative Council Library.

### **Appointment of Staff**

Appointment of Secretariat staff is normally on a three-year agreement basis. Grading, remuneration and other terms and conditions of service of staff are broadly in line with

those applicable to civil servants. Remuneration comprises a basic salary paid in accordance with the salary scale applicable to civil servants holding comparable jobs, a cash allowance in lieu of certain fringe benefits enjoyed by civil servants, and an end-of-agreement gratuity. Staff of the Commission are required to serve the Council with complete political impartiality.

Following the principles of prudent use of public money and financial accountability, the Legislative Council Secretariat has all along addressed the growing demands for services through internal re-deployment of existing resources, outsourcing and streamlining of work processes wherever possible. It is only when additional demands cannot be absorbed within approved funding or when new services are required that the requests for additional resources are put forward to the Administration. With additional funding support from the Administration, 47 new posts were created in April 2013.

During the year, a total of 28 recruitment exercises were conducted, including 13 open recruitment exercises, eight internal-cum-open recruitment exercises and seven internal recruitment/selection exercises. A total of 56 new staff and 43 serving staff were appointed or promoted through these exercises.

To enhance the recognition for Associate Degree qualification for appointment to the Secretariat, a pilot scheme was implemented on the grant of an incremental credit of one salary point above the entry point to successful candidates who have attained Associate Degree qualification or above for



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appointment to the rank of Assistant Visitor Services Officer which requires two passes at Advanced Level in the Hong Kong Advanced Level Examination plus three credits in the Hong Kong Certificate of Education Examination ("2A3O") in the Secretariat. Having regard to the promising results in the pilot scheme, the scheme was extended to the other 2A3O grade of Legislative Assistant ("LGA") in April 2012 and three serving LGAs had their salaries revised upward by one point.

In view of the unique nature of work involved in servicing the Legislative Council and the importance to retain a reasonable pool of high quality and experienced Secretariat staff to ensure the stability and sustainability of development of the Secretariat's services, the Commission endorsed the policy regarding service beyond the age of 60 for staff members of the Secretariat. Staff members are allowed to serve beyond the age of 60 in the Secretariat, but not exceeding the age of 65, subject to operational needs, satisfactory performance of the staff concerned and there being no promotion blockage being caused to suitable staff at the lower rank.

### **Staff Development and Succession Planning**

The Commission regularly discusses succession planning for and training needs of different grades of staff of the Secretariat as well as the measures to provide greater opportunities for staff to develop their potential and advance their careers. A staff succession committee chaired by the Secretary General and comprising the Deputy Secretary General and all Heads of Divisions

has been set up to develop staff succession planning strategies. Six career development subcommittees have also been formed for each grade or groups of related grades to consider the career development needs of individual officers of the respective grade, develop the competencies and skills required of the grade, and draw up succession plans.

To maintain a high standard of service to the Council, the Secretariat attaches great importance to identifying training and career development needs of different grades of staff and providing suitable training to them at regular intervals.

In 2012-2013, 256 staff members enrolled in training programmes/seminars on various training courses organized by the Civil Service Training and Development Institute and the General Grades Office of the Civil Service Bureau. To meet the specific operational needs of the Secretariat, in-house training for skills enhancement and professional development was also arranged with the attendance of 978 staff. Such training covered a wide range of areas including Council practice and procedures, law-related issues, complaints handling, writing skills, language skills, research skills, library services, archives and records management, information technology, financial reporting standards, environmental protection, energy management and audit, catering, human resources management, occupational safety and health, administrative practices, filing practices, team building, presentation skills, security reinforcement, fire safety, first aid, and storytelling to young children.

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Staff also conducted duty visits or attended development programmes outside Hong Kong to broaden their exposure. Details are as follows –

- the Secretary General visited the Clerk of the House of Commons and the Clerk of the Senate of the Parliament of Canada;
- the Secretary General and the Legal Adviser gave a presentation at the workshop on the Role of Ad-hoc Committee in Performing the Core Functions of the National Assembly in Vietnam;
- a Principal Council Secretary and an Assistant Legal Adviser attended the Professional Development Programme arranged by the Parliament of the United Kingdom;
- an Assistant Legal Adviser attended the Advanced Legislative Drafting Programme at the International Law Institute followed by a duty visit to the United States Congress;
- an Assistant Legal Adviser and a Chief Council Secretary attended the Parliamentary Officer's Study Programme organized by the Parliament of Canada;
- the Chief Archivist attended the International Council on Archives Congress 2012 in Australia;
- two Assistant Legal Advisers and three Chief Council Secretaries attended the national studies at Peking University and Tsinghua University;
- a Senior Translation Officer attended the Mainland Immersion Course at Fudan University of Shanghai; and
- two Archivists attended a workshop on Organizing and Conducting Oral History Projects in Macao.

### **Staff Consultative Committee**

The Staff Consultative Committee, comprising 23 elected representatives of various grades of staff of the Secretariat and chaired by the Secretary General, provides a channel for staff to express their views on matters affecting them. The Committee held four meetings during the year.

### **Staff Recreation**

A Staff Recreation Club is formed to promote friendship and mutual support among staff of the Secretariat, and to organize recreational activities. The recreational activities organized during the period under review included outings, interest classes and Christmas party.

### **Accommodation**

The new Legislative Council Complex provides the Legislative Council with more and better conference, education, media and other facilities under one roof which enable the provision of new and enhanced services to Members and the public. Each of the 70 Members is provided with a 60m<sup>2</sup> office in the Complex. Most of the Secretariat staff are also accommodated in the Complex.

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Some facilities and offices of the Council are temporarily accommodated at the Murray Road Multi-Storey Carpark Building which will be relocated to the Queensway Government Office in late 2013.

All staff of the Secretariat will continue to make efforts to protect the environment through the green measures set out in the report. Special efforts to reduce electricity consumption and paper consumption were made during the year under review.

## **Information Technology**

The Information Technology Office of the Administration Division provides various information technology services to Members, their assistants, and Secretariat's staff, in support for their daily work and for the daily operation of Council business. During 2012-2013, several information technology projects were completed, including the enhancement of the Bills and Scripts System which aims to assist staff in preparing scripts for bills and Committee stage amendments to bills more efficiently, and the development of a new application system to receive questions from Members on the Estimates of Expenditure. Upgrading of other administrative systems including the Human Resources Management Information System, Assets Tracker System, and Payroll System, and development of a new Electronic Archiving Management System are underway.

## **Environmental Protection**

The Legislative Council Secretariat is committed to conducting all its activities and operations in an environmentally responsible manner. A report covering the environmental goal, policy and management adopted by the Secretariat is in **Appendix 5**.

# Report of the Director of Audit

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**Audit Commission**  
The Government of the Hong Kong Special Administrative Region

## **Independent Audit Report**

### **To The Legislative Council Commission**

I have audited the financial statements of The Legislative Council Commission set out on pages 22 to 53, which comprise the balance sheet as at 31 March 2013, and the income and expenditure account, statement of comprehensive income, statement of changes in accumulated funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **The Legislative Council Commission's Responsibility for the Financial Statements**

The Legislative Council Commission is responsible for the preparation of financial statements that give a true and fair view in accordance with section 13(3)(a) of The Legislative Council Commission Ordinance (Cap. 443) and Hong Kong Financial Reporting Standards, and for such internal control as The Legislative Council Commission determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with sections 13(3)(b) and 13(4) of The Legislative Council Commission Ordinance, section 15(1)(a) of the Audit Ordinance (Cap. 122) and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by The Legislative Council Commission, as well as evaluating the overall presentation of the financial statements.

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I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements give a true and fair view of the financial position of The Legislative Council Commission as at 31 March 2013, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with section 13(3)(a) of The Legislative Council Commission Ordinance.



David Sun  
Director of Audit

16 July 2013

Audit Commission  
26th Floor  
Immigration Tower  
7 Gloucester Road  
Wanchai, Hong Kong

# The Legislative Council Commission Income and Expenditure Account for the year ended 31 March 2013

(Expressed in thousands of Hong Kong dollars)

	Note	2013	2012
<b>Income</b>			
Financial provisions from Government	3(a)	<b>643,070</b>	584,113
Investment income	3(b)	<b>5,733</b>	6,494
Other income	3(c)	<b>2,079</b>	1,026
		<b>650,882</b>	591,633
<b>Expenditure</b>			
<b>Recurrent</b>			
Members' remuneration, medical allowances and end-of-service gratuities	4(a)	<b>92,945</b>	53,310
Members' operating expenses reimbursements	4(a)	<b>115,457</b>	103,851
Staff emoluments	4(b)	<b>332,348</b>	306,501
General expenses	4(c)	<b>112,289</b>	77,985
<b>Non-recurrent</b>			
Members' non-recurrent expenses reimbursements	4(d)	<b>9,403</b>	1,741
Other non-recurrent expenses	4(e)	<b>1,463</b>	15,190
		<b>663,905</b>	558,578
<b>(Deficit)/Surplus for the year</b>		<b>(13,023)</b>	33,055

The notes on pages 27 to 53 form part of these financial statements.

# The Legislative Council Commission Statement of Comprehensive Income for the year ended 31 March 2013

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*(Expressed in thousands of Hong Kong dollars)*

	<b>2013</b>	2012
<b>(Deficit)/Surplus for the year</b>	<b>(13,023)</b>	33,055
<b>Other comprehensive income</b>		
Gain/(Loss) arising from revaluation of available-for-sale securities	<u>974</u>	<u>(1,828)</u>
<b>Total comprehensive (loss)/income for the year</b>	<u><b>(12,049)</b></u>	<u>31,227</u>

*The notes on pages 27 to 53 form part of these financial statements.*

# The Legislative Council Commission

## Balance Sheet as at 31 March 2013

(Expressed in thousands of Hong Kong dollars)

	Note	2013	2012
<b>Non-current assets</b>			
Fixed assets	5	59,617	65,896
Operating funds advanced to Members	7	17,795	12,572
Held-to-maturity securities	8	4,049	9,078
Structured deposit	9	8,347	7,765
Available-for-sale securities	10	12,644	9,934
		<b>102,452</b>	105,245
<b>Current assets</b>			
Souvenir stock		1,060	961
Prepayments, deposits and other receivables	11	4,015	2,805
Held-to-maturity securities	8	5,003	1,001
Structured deposit	9	7,762	-
Bank deposits		150,904	190,926
Cash at bank and in hand	12	4,206	1,998
		<b>172,950</b>	197,691
<b>Current liabilities</b>			
Payables and accruals	13	53,136	53,751
Contract gratuities accrued		21,774	43,598
		<b>74,910</b>	97,349
<b>Net current assets</b>		<b>98,040</b>	100,342
<b>Total assets less current liabilities</b>		<b>200,492</b>	205,587
<b>Non-current liabilities</b>			
Contract gratuities accrued		24,931	17,977
Deposits received		151	151
		<b>25,082</b>	18,128
<b>Net assets</b>		<b>175,410</b>	187,459
<b>Accumulated funds</b>			
Operating reserve		113,198	119,325
Investment revaluation reserve		1,055	81
Accumulated surplus		61,157	68,053
		<b>175,410</b>	187,459

Approved and authorized for issue by The Legislative Council Commission on 16 July 2013



Hon Jasper Tsang Yok Sing, GBS, JP  
Chairman  
The Legislative Council Commission



Kenneth Chen Wei On  
Secretary General  
Legislative Council Secretariat

The notes on pages 27 to 53 form part of these financial statements.



# The Legislative Council Commission

## Statement of Changes in Accumulated Funds

### for the year ended 31 March 2013

(Expressed in thousands of Hong Kong dollars)

	2013	2012
<b>Operating reserve</b>		
At beginning of year	119,325	133,113
Transfer to accumulated surplus	<u>(6,127)</u>	<u>(13,788)</u>
At end of year	<u>113,198</u>	<u>119,325</u>
<b>Investment revaluation reserve</b>		
At beginning of year	81	1,909
Other comprehensive income for the year	<u>974</u>	<u>(1,828)</u>
At end of year	<u>1,055</u>	<u>81</u>
<b>Accumulated surplus</b>		
At beginning of year	68,053	21,210
(Deficit)/Surplus for the year	(13,023)	33,055
Transfer from operating reserve	<u>6,127</u>	<u>13,788</u>
At end of year	<u>61,157</u>	<u>68,053</u>
<b>Total accumulated funds at end of year</b>	<b><u>175,410</u></b>	<b><u>187,459</u></b>

The notes on pages 27 to 53 form part of these financial statements.

# The Legislative Council Commission Statement of Cash Flows for the year ended 31 March 2013

(Expressed in thousands of Hong Kong dollars)

	Note	2013	2012
<b>Cash flows from operating activities</b>			
Financial provisions received from Government	3(a)	<b>643,070</b>	584,113
Other income received		<b>2,081</b>	930
Payments to and on behalf of Members		<b>(220,012)</b>	(158,648)
Payments to staff		<b>(345,082)</b>	(286,355)
Payment of operating expenses		<b>(89,771)</b>	(76,620)
<b>Net cash (used in)/from operating activities</b>		<b>(9,714)</b>	63,420
<b>Cash flows from investing activities</b>			
Purchase of fixed assets		<b>(24,008)</b>	(61,159)
Proceeds from sale of fixed assets		<b>4</b>	10
Redemption of held-to-maturity securities		<b>1,000</b>	16,000
(Placement)/Redemption of structured deposit		<b>(8,760)</b>	7,800
Purchase of available-for-sale securities		<b>(1,736)</b>	-
Decrease/(Increase) in bank deposits with original maturity over three months			
Uplifts		<b>200,162</b>	265,517
Placements		<b>(163,949)</b>	(310,274)
		<b>36,213</b>	(44,757)
Interest received		<b>3,883</b>	3,996
Dividends received		<b>330</b>	277
<b>Net cash from/(used in) investing activities</b>		<b>6,926</b>	(77,833)
<b>Net decrease in cash and cash equivalents</b>		<b>(2,788)</b>	(14,413)
<b>Cash and cash equivalents at beginning of year</b>		<b>28,699</b>	42,985
<b>Effect of foreign exchange rate changes</b>		<b>252</b>	127
<b>Cash and cash equivalents at end of year</b>	12	<b>26,163</b>	28,699

The notes on pages 27 to 53 form part of these financial statements.

# Notes to the Financial Statements

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(Amounts expressed in thousands of Hong Kong dollars unless otherwise stated)

## **1 GENERAL**

The Legislative Council Commission ("the Commission") is a financially and administratively autonomous body corporate established by The Legislative Council Commission Ordinance (Cap. 443). It provides administrative support and services for the Legislative Council ("LegCo") of the Hong Kong Special Administrative Region ("HKSAR") through the Legislative Council Secretariat.

## **2 SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). A summary of the significant accounting policies adopted by the Commission is set out below.

### **2.2 Basis of preparation of the financial statements**

The measurement basis used in the preparation of these financial statements is historical cost, except that financial assets designated at fair value (note 2.3.2.1) and available-for-sale securities (note 2.3.2.4) are stated at fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, as well as income and expenses. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

#### **2.2.1 Accounting judgements and estimates**

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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There are no critical accounting judgements involved in the application of the Commission's accounting policies. There are also no key assumptions concerning the future, or other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the coming year.

## **2.3 Financial assets and financial liabilities**

### **2.3.1 Initial recognition**

The Commission classifies its financial assets and financial liabilities into different categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred. The categories are: financial assets designated at fair value, loans and receivables, held-to-maturity securities, available-for-sale securities and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value, which normally equals to the transaction price plus the direct transaction costs; except for financial assets designated at fair value, in which case the transaction costs are expensed immediately.

The Commission recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of an instrument. Regular way purchases and sales of financial assets, which require delivery of assets within the time frame established by regulation or convention in the marketplace, are recognized on a trade date basis.

### **2.3.2 Categorization**

#### **2.3.2.1 Financial assets designated at fair value**

Financial assets designated at fair value primarily consist of structured deposits which contain one or more embedded derivatives that significantly modify the interest that would otherwise be received on the deposits. The entire combined instrument is designated at fair value upon initial recognition in accordance with HKAS 39, "*Financial Instruments: Recognition and Measurement*".

At each balance sheet date subsequent to initial recognition, financial assets designated at fair value are carried at fair value. Changes in the fair value are recognized in the income and expenditure account in the period in which they arise.

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#### 2.3.2.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which the Commission has no intention of trading. This category includes operating funds advanced to Members of LegCo ("Members"), structured deposits other than those classified as financial assets designated at fair value (note 2.3.2.1), receivables, bank deposits and cash at bank.

At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method less impairment losses, if any (note 2.3.6). The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Commission estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

#### 2.3.2.3 Held-to-maturity securities

Held-to-maturity securities are non-derivative financial assets with fixed or determinable payments and fixed maturity which the Commission has the positive intention and ability to hold to maturity, other than those that meet the definition of loans and receivables.

At each balance sheet date subsequent to initial recognition, held-to-maturity securities are carried at amortized cost using the effective interest method less impairment losses, if any (note 2.3.6).

#### 2.3.2.4 Available-for-sale securities

Available-for-sale securities are non-derivative securities that are designated as available for sale or are not classified in any of the other categories above. They include securities intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in the market environment.

At each balance sheet date subsequent to initial recognition, available-for-sale securities are carried at fair value. Unrealized gains and losses arising from changes in fair value are recognized in other comprehensive income and recorded separately in the investment revaluation reserve. Gains and losses arising from foreign exchange translation are recognized in the income and expenditure account.

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When available-for-sale securities are sold, gains or losses on disposal include the difference between the net sale proceeds and the carrying amount, as well as the accumulated fair value adjustments released from the investment revaluation reserve to the income and expenditure account.

#### 2.3.2.5 Other financial liabilities

Other financial liabilities are carried at amortized cost using the effective interest method.

#### 2.3.3 Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If there is no publicly available latest traded price nor a quoted market price on a recognized stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the financial asset or financial liability is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on the management's best estimates and the discount rate used is a market rate at the balance sheet date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the balance sheet date.

#### 2.3.4 Derecognition

A financial asset is derecognized when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership have been transferred.

The Commission uses the weighted average method to determine realized gains and losses to be recognized in the income and expenditure account on derecognition.

A financial liability is derecognized when the obligation specified in the contract is discharged or cancelled, or when it expires.

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### 2.3.5 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### 2.3.6 Impairment of financial assets

The carrying amounts of loans and receivables, held-to-maturity securities and available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment.

When there is objective evidence that an impairment loss on loans and receivables or held-to-maturity securities has occurred, the loss is recognized in the income and expenditure account as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed on initial recognition of the asset. If in a subsequent period, the amount of such impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the income and expenditure account.

When there is objective evidence that an impairment loss on available-for-sale securities has occurred, the cumulative loss previously recorded in the investment revaluation reserve is removed from the investment revaluation reserve and recognized in the income and expenditure account even though the financial asset has not been derecognized. The cumulative loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income and expenditure account. Impairment losses for available-for-sale debt securities are subsequently reversed if an increase in fair value of the investment can be objectively related to an event occurring after the impairment loss was recognized. In respect of available-for-sale equity securities and exchange traded funds ("ETFs"), impairment losses previously recognized in the income and expenditure account are not reversed through the income and expenditure account in subsequent periods. Any such subsequent increases in fair value are recognized in other comprehensive income and recorded in the investment revaluation reserve.

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## 2.4 Souvenir stock

A souvenir shop is operated at the LegCo Complex.

Souvenir stock is stated at the lower of cost or net realizable value. Cost is calculated using the weighted average method. It comprises design fees, mould charges and other production costs of the souvenir items. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

## 2.5 Fixed assets

### 2.5.1 Measurement of fixed assets

2.5.1.1 Fixed asset items that are expected to be used for more than one year are capitalized, except that items costing less than \$1,000 are expensed when incurred.

2.5.1.2 Works of art acquired are capitalized and recognized in the balance sheet at cost less impairment losses, if any (note 2.5.2). They are not depreciated or revalued.

2.5.1.3 Other fixed assets are stated at cost less accumulated depreciation and less impairment losses, if any (note 2.5.2). Depreciation is calculated to write off the cost of fixed assets, less their estimated residual value, on a straight-line basis over their estimated useful lives as follows:

- Furniture and fixtures	10 years
- Motor vehicles and office equipment	5 years
- Computers and software	3 years

Work in progress is not depreciated.

Gains or losses arising from the disposal of fixed assets are determined as the difference between the net disposal proceeds and the carrying amounts of the assets, and are recognized in the income and expenditure account at the time of disposal.

### 2.5.2 Impairment of fixed assets

The carrying amounts of fixed assets are reviewed at each balance sheet date to identify any indication of impairment. If there is an indication of impairment, an impairment loss is recognized in the income and expenditure account whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use.



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## **2.6 Cash equivalents**

For the purpose of the statement of cash flows, cash equivalents include cash at bank and bank deposits with original maturity within three months.

## **2.7 Staff benefits**

### **2.7.1 Contract gratuities**

All full-time staff employed by the Commission are on fixed agreement terms, mainly for three years with a gratuity payable upon satisfactory completion of each term. Staff gratuities incurred but not yet due for payment are fully provided for and charged to the income and expenditure account. Those gratuities payable within one year from the balance sheet date are classified as current liabilities, while others are classified as non-current liabilities.

### **2.7.2 Contributions to Mandatory Provident Fund ("MPF")**

To comply with the requirements under the MPF Schemes Ordinance (Cap. 485), the Commission has set up an MPF Scheme by participating in a master trust scheme provided by an independent MPF service provider. Contributions paid and payable by the Commission to the Scheme are charged to the income and expenditure account.

### **2.7.3 Staff leave entitlements**

Staff's unexpired entitlements to paid annual leave as a result of services rendered up to the balance sheet date are charged to the income and expenditure account according to each individual staff member's remuneration package.

## **2.8 Revenue and expenditure recognition**

### **2.8.1 Financial provisions from Government**

Financial provisions from the HKSAR Government are recognized in the period when receivable.

### **2.8.2 Interest income**

Interest income is recognized as it accrues using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

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### 2.8.3 Other investment income

Dividend income from listed securities is recognized when the share price of the investment is quoted ex-dividend.

Realized gains or losses on financial instruments are recognized in the income and expenditure account when the financial instruments are derecognized.

### 2.8.4 Souvenir sales

Revenue from the sale of souvenirs is recognized when a souvenir item is sold to the customer.

### 2.8.5 Expenses

Members' remuneration, staff emoluments and the Secretariat's operating expenses are accounted for as they are incurred. Members' reimbursable operating expenses and medical allowances are accounted for as they are claimed; and end-of-service gratuities payable to Members are accounted for at the end of each LegCo term when back-to-back financial provisions from the Government are obtained.

## 2.9 Foreign currency translation

Foreign currency transactions during the year are translated into Hong Kong dollars at the spot exchange rates at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars using the closing exchange rates at the balance sheet date. Exchange gains and losses are recognized in the income and expenditure account.

## 2.10 Impact of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs which are effective for the current accounting period. There have been no changes to the Commission's accounting policies or impact on its operating results and financial position as a result of these developments.

The Commission has not applied any new standard that is not yet effective for the current accounting period (note 19).

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## 2.11 Change in accounting policy

Starting from 1 April 2012, the Commission has decided to recognize regular way purchases and sales of financial assets on the trade day, instead of on the settlement date. The trade day is the date that the Commission commits itself to purchase or sell a financial asset. The Commission is of the view that the revised accounting policy is more consistent with the market practice and it can provide more relevant and comprehensive information. For the year ended 31 March 2013, the change in accounting policy resulted in an increase in available-for-sale securities as well as a corresponding increase in payables and accruals by \$0.5 million. A retrospective application of the revised accounting policy would have no impact on the prior year's financial statements.

## 3 INCOME

### (a) Financial provisions from Government

	2013	2012
<b>Financial provisions from Government for specified ambits</b>		
Recurrent items		
Members' remuneration, medical allowances and operating expenses reimbursements	<b>208,988</b>	160,015
Secretariat's operating expenses	<b>412,880</b>	355,503
Non-recurrent items		
Members' non-recurrent expenses reimbursements	<b>8,808</b>	1,400
Secretariat's non-recurrent expenses	<b>11,414</b>	52,010
	<b>642,090</b>	568,928
<b>Allocation warrants issued by government departments and utilized during the year</b>		
Recurrent and non-recurrent items		
Secretariat's expenses	<b>980</b>	15,185
<b>Total</b>	<b>643,070</b>	584,113

<b>(b) Investment income</b>	<b>2013</b>	2012
Interest income from financial assets not at fair value		
Held-to-maturity securities	<b>428</b>	966
Structured deposits	<b>110</b>	164
Bank deposits	<b>4,071</b>	2,957
	<u><b>4,609</b></u>	<u>4,087</u>
Dividend income from available-for-sale securities	<b>343</b>	318
Net exchange gains	<b>1,186</b>	2,089
Loss arising from revaluation of financial assets designated at fair value	<b>(405)</b>	-
<b>Total</b>	<u><b>5,733</b></u>	<u>6,494</u>
<b>(c) Other income</b>	<b>2013</b>	2012
Souvenir sales	<b>905</b>	678
Sundry income	<b>1,174</b>	348
<b>Total</b>	<u><b>2,079</b></u>	<u>1,026</u>

#### **4 EXPENDITURE**

##### **(a) Members' remuneration, benefits and operating expenses reimbursements**

Members are provided with a monthly remuneration, an annual medical allowance, an end-of-service gratuity and reimbursements for expenses arising from LegCo duties. The rates of such remuneration, benefits and reimbursements are proposed by the Government on the advice of the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR, and approved by the Finance Committee of LegCo.

Under the delegated authority from the Finance Committee, the rates for Members' remuneration, medical allowance and recurrent operating expenses reimbursements are adjusted by the Government yearly in October according to the movement of Consumer Price Index (C). The relevant rates for each Member are as follows:

	<b>Oct 2012 to Sept 2013 (\$)</b>	<b>Oct 2011 to Sept 2012 (\$)</b>	<b>Oct 2010 to Sept 2011 (\$)</b>
<b>Monthly remuneration</b>			
President	168,980	146,300	140,800
President's Deputy and House Committee Chairman	126,740	109,730	105,600
Members not serving on the Executive Council of the Government	84,490	73,150	70,400
Members serving on the Executive Council of the Government	56,330	48,770	46,930
<b>Annual medical allowance</b>	29,420	28,020	26,970
<b>Annual operating expenses reimbursements</b>			
Office expenses	2,166,310	1,719,290	1,654,750
Entertainment and travelling expenses	185,130	176,310	169,690
Entertainment expenses in the President's capacity	185,300	176,480	169,860

An end-of-service gratuity, calculated at 15% of the remuneration earned by the Member concerned, is payable on completion of continuous service at the end of each four-year LegCo term.

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**(b) Staff emoluments**

	<b>2013</b>	2012
Salaries	<b>262,139</b>	237,995
Contract gratuities	<b>40,289</b>	37,027
Cash allowances	<b>15,199</b>	15,380
MPF contributions	<b>7,167</b>	5,786
Other job-related allowances	<b>5,893</b>	4,992
Increase in accrued leave pay	<b>1,661</b>	5,321
<b>Total</b>	<b>332,348</b>	306,501

**(c) General expenses**

	<b>2013</b>	2012
Professional and other services	<b>35,140</b>	22,898
Utilities, communication and building services	<b>28,500</b>	19,508
Depreciation	<b>23,748</b>	11,256
Publications	<b>9,644</b>	6,273
Information services	<b>4,506</b>	4,795
Repairs and maintenance	<b>3,296</b>	3,683
Office supplies	<b>3,156</b>	3,389
Staff related expenses	<b>2,768</b>	3,029
Cost of souvenirs sold	<b>638</b>	457
Travelling	<b>450</b>	2,079
Others	<b>443</b>	618
<b>Total</b>	<b>112,289</b>	77,985

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(d) **Members' non-recurrent expenses reimbursements**

	<b>2013</b>	2012
Members' setting up expenses (the Fourth LegCo: October 2008-September 2012)	<b>238</b>	1,039
Members' information technology and communication equipment expenses (the Fourth LegCo)	<b>583</b>	702
Members' winding up expenses (the Fourth LegCo)	<b>3,745</b>	-
Members' setting up and information technology expenses (the Fifth LegCo: October 2012-September 2016)	<b>4,837</b>	-
<b>Total</b>	<b>9,403</b>	1,741

For each LegCo term, a newly elected Member is entitled to a reimbursement for setting up and information technology expenses of up to \$250,000 (\$175,000 for a Member who has claimed setting up expenses in the previous term, unless there are valid reasons for reinstating the \$250,000 ceiling) to cover expenses for fitting out, purchase of furniture, equipment and software, and other related operating expenses.

A Member may claim winding up expenses reimbursement when he/she ceases office. The amount is set at one-twelfth of the annual office operation expenses reimbursement (note 4(a)), plus actual severance payments.

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(e) Other non-recurrent expenses

	2013	2012
<b>Services and non-capitalized expenses related to</b>		
Integration and application of information technology in LegCo Complex	520	9,755
Acquisition of standard and non-standard furniture and equipment for LegCo Complex	344	2,347
Artworks in LegCo Complex	204	1,147
Design and installation of education facilities	59	154
Purchase and installation of an electronic archives management system for the LegCo Archives	9	-
Purchase of archival boxes and supplies	98	54
Purchase of wireless tour guide communication system	201	226
Relocation to LegCo Complex	-	1,200
Relocation of Members' offices	23	307
Production of teaching kits on the Fifth LegCo	5	-
<b>Total</b>	<b>1,463</b>	<b>15,190</b>



## 5 FIXED ASSETS

	Motor vehicles	Computers and software	Office equipment	Furniture and fixtures	Work in progress	Works of art	Total
<b>Cost</b>							
At 1 April 2011	1,111	44,268	3,876	7,049	15,543	-	71,847
Additions	-	24,863	3,200	9,773	15,450	1,696	54,982
Transfers	-	10,495	-	30	(13,515)	2,990	-
Disposals	-	(31,140)	(1,180)	(3,356)	-	-	(35,676)
At 31 March 2012	<u>1,111</u>	<u>48,486</u>	<u>5,896</u>	<u>13,496</u>	<u>17,478</u>	<u>4,686</u>	<u>91,153</u>
At 1 April 2012	<b>1,111</b>	<b>48,486</b>	<b>5,896</b>	<b>13,496</b>	<b>17,478</b>	<b>4,686</b>	<b>91,153</b>
Additions	-	<b>11,905</b>	<b>499</b>	<b>1,023</b>	<b>3,958</b>	<b>155</b>	<b>17,540</b>
Transfers	-	<b>16,562</b>	-	-	<b>(16,562)</b>	-	-
Disposals	-	<b>(3,425)</b>	<b>(1,022)</b>	<b>(701)</b>	-	-	<b>(5,148)</b>
At 31 March 2013	<u><b>1,111</b></u>	<u><b>73,528</b></u>	<u><b>5,373</b></u>	<u><b>13,818</b></u>	<u><b>4,874</b></u>	<u><b>4,841</b></u>	<u><b>103,545</b></u>
<b>Accumulated depreciation</b>							
At 1 April 2011	364	39,725	2,985	6,496	-	-	49,570
Charge for the year	222	9,499	732	803	-	-	11,256
Written back on disposal	-	(31,051)	(1,179)	(3,339)	-	-	(35,569)
At 31 March 2012	<u>586</u>	<u>18,173</u>	<u>2,538</u>	<u>3,960</u>	<u>-</u>	<u>-</u>	<u>25,257</u>
At 1 April 2012	<b>586</b>	<b>18,173</b>	<b>2,538</b>	<b>3,960</b>	-	-	<b>25,257</b>
Charge for the year	<b>222</b>	<b>21,423</b>	<b>983</b>	<b>1,120</b>	-	-	<b>23,748</b>
Written back on disposal	-	<b>(3,420)</b>	<b>(992)</b>	<b>(665)</b>	-	-	<b>(5,077)</b>
At 31 March 2013	<u><b>808</b></u>	<u><b>36,176</b></u>	<u><b>2,529</b></u>	<u><b>4,415</b></u>	<u>-</u>	<u>-</u>	<u><b>43,928</b></u>
<b>Net book value</b>							
At 31 March 2013	<u><b>303</b></u>	<u><b>37,352</b></u>	<u><b>2,844</b></u>	<u><b>9,403</b></u>	<u><b>4,874</b></u>	<u><b>4,841</b></u>	<u><b>59,617</b></u>
At 31 March 2012	<u>525</u>	<u>30,313</u>	<u>3,358</u>	<u>9,536</u>	<u>17,478</u>	<u>4,686</u>	<u>65,896</u>

## 6 CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 2013

	Financial assets designated at fair value	Loans and receivables	Held-to- maturity securities	Available- for-sale securities	Other financial liabilities	Total
Operating funds advanced to Members	-	17,795	-	-	-	17,795
Held-to-maturity securities	-	-	9,052	-	-	9,052
Structured deposits	8,347	7,762	-	-	-	16,109
Available-for-sale securities	-	-	-	12,644	-	12,644
Deposits and other receivables	-	2,947	-	-	-	2,947
Bank deposits	-	150,904	-	-	-	150,904
Cash at bank and in hand	-	4,206	-	-	-	4,206
Financial assets	<u>8,347</u>	<u>183,614</u>	<u>9,052</u>	<u>12,644</u>	<u>-</u>	<u>213,657</u>
Payables and accruals	-	-	-	-	53,136	53,136
Deposits received	-	-	-	-	151	151
Contract gratuities accrued	-	-	-	-	46,705	46,705
Financial liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,992</u>	<u>99,992</u>

### 2012

	Financial assets designated at fair value	Loans and receivables	Held-to- maturity securities	Available- for-sale securities	Other financial liabilities	Total
Operating funds advanced to Members	-	12,572	-	-	-	12,572
Held-to-maturity securities	-	-	10,079	-	-	10,079
Structured deposit	-	7,765	-	-	-	7,765
Available-for-sale securities	-	-	-	9,934	-	9,934
Deposits and other receivables	-	2,272	-	-	-	2,272
Bank deposits	-	190,926	-	-	-	190,926
Cash at bank and in hand	-	1,998	-	-	-	1,998
Financial assets	<u>-</u>	<u>215,533</u>	<u>10,079</u>	<u>9,934</u>	<u>-</u>	<u>235,546</u>
Payables and accruals	-	-	-	-	53,751	53,751
Deposits received	-	-	-	-	151	151
Contract gratuities accrued	-	-	-	-	61,575	61,575
Financial liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,477</u>	<u>115,477</u>

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## 7 OPERATING FUNDS ADVANCED TO MEMBERS

	2013	2012
Operating funds advanced for recurrent operating expenses	<u>17,795</u>	<u>12,572</u>

Members may apply for advance of funds to finance the setting up, equipping and operation of their offices. The ceilings of advance are set by the Commission.

For setting up Members' offices and equipping them with information technology and communication facilities, the ceilings of advance for each Member were \$150,000 and \$100,000 respectively. Since 1 October 2012, the ceilings have been combined to \$250,000. Funds advanced in these respects have to be settled within three months with expenses actually incurred and any excess returned to the Commission. As at 31 March 2013 and 2012, no advances for setting up and information technology expenses were outstanding.

For recurrent operating expenses, the ceiling of advance is equivalent to two months' office operation, entertainment and travelling expenses. As at 31 March 2013, the ceiling was \$391,907 (2012: \$315,933). Funds advanced in this respect have to be returned to the Commission when the Member concerned ceases office.

## 8 HELD-TO-MATURITY SECURITIES

	2013	2012
<b>Debt securities, at amortized cost</b>		
Listed in Hong Kong	5,003	5,020
Unlisted	4,049	5,059
<b>Total</b>	<u>9,052</u>	<u>10,079</u>
<b>Classified as:</b>		
Current assets	5,003	1,001
Non-current assets	4,049	9,078
<b>Total</b>	<u>9,052</u>	<u>10,079</u>

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**9 STRUCTURED DEPOSITS**

	<b>2013</b>	2012
<b>Unlisted structured deposits at amortized cost</b>		
with interest at London Interbank Offered Rate, subject to a floor and a ceiling	<b>7,762</b>	7,765
<b>at fair value</b>		
with interest linked to the exchange rate between US dollars and Renminbi	<b>8,347</b>	-
<b>Total</b>	<b>16,109</b>	7,765
<b>Classified as:</b>		
Current assets	<b>7,762</b>	-
Non-current assets	<b>8,347</b>	7,765
<b>Total</b>	<b>16,109</b>	7,765

**10 AVAILABLE-FOR-SALE SECURITIES**

	<b>2013</b>	2012
<b>Equity securities and exchange traded funds, at fair value</b>		
Listed in Hong Kong	<b>12,644</b>	9,934

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**11 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	<b>2013</b>	2012
<b>Prepayments to</b>		
Members	<b>18</b>	-
Staff	<b>4</b>	4
Others	<b>1,046</b>	529
<b>Deposits</b>	<b>27</b>	26
<b>Receivable from</b>		
Government	<b>2</b>	62
Members	<b>12</b>	89
Staff	<b>812</b>	691
<b>Accrued interest</b>	<b>2,043</b>	1,267
<b>Other receivables</b>	<b>51</b>	137
<b>Total</b>	<b><u>4,015</u></b>	<u>2,805</u>

**12 CASH AND CASH EQUIVALENTS**

	<b>2013</b>	2012
Cash at bank and in hand	<b>4,206</b>	1,998
Bank deposits with original maturity within three months	<b>21,957</b>	26,701
<b>Total</b>	<b><u>26,163</u></b>	<u>28,699</u>

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### 13 PAYABLES AND ACCRUALS

	2013	2012
<b>Payable to</b>		
Government	<b>4,846</b>	6,465
Members	<b>4,145</b>	1,098
Staff		
- accrued emoluments and reimbursements	<b>1,235</b>	741
- accrued leave pay	<b>33,440</b>	31,678
Others	<b>9,470</b>	13,769
<b>Total</b>	<b>53,136</b>	53,751

### 14 ACCUMULATED FUNDS

#### 14.1 Operating reserve

Surpluses in recurrent financial provisions for the Secretariat's operating expenses are credited to the operating reserve at the discretion of the Commission for future use on LegCo business, such as funding any deficits.

#### 14.2 Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair values of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policies in notes 2.3.2.4 and 2.3.6.

### 15 NON-CASH TRANSACTIONS WITH GOVERNMENT

Offices and certain government-operated services used by the Secretariat are either provided by the Government free of charge or funded by the respective government departments. They are not accounted for in these financial statements.

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## 16 CAPITAL COMMITMENTS

Outstanding commitments for acquisitions of fixed assets at 31 March 2013 not provided for in the financial statements were as follows:

	<b>2013</b>	2012
Authorized but not yet contracted for	<b>26,447</b>	33,517
Authorized and contracted for	<b>963</b>	7,731
<b>Total</b>	<b>27,410</b>	41,248

## 17 FINANCIAL RISK MANAGEMENT

### 17.1 General

To provide an ancillary source of income, surplus cash is invested in a portfolio of financial assets according to a target ratio set by the Commission. The portfolio includes fixed deposits, structured deposits, debt securities, equities and trust funds. It is the Commission's policy that all investments in financial assets, except equities and trust funds, should be principal-protected.

The Commission's financial assets are shown in note 6.

### 17.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Commission does not have significant concentrations of credit risk. The maximum exposure to credit risk at the balance sheet date without taking account of any collateral held or other credit enhancements is shown below:

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	<b>2013</b>	2012
Operating funds advanced to Members	<b>17,795</b>	12,572
Held-to-maturity securities	<b>9,052</b>	10,079
Structured deposits	<b>16,109</b>	7,765
Deposits and other receivables	<b>2,947</b>	2,272
Bank deposits	<b>150,904</b>	190,926
Cash at bank	<b>4,182</b>	1,974
<b>Total</b>	<b>200,989</b>	225,588

In respect of operating funds advanced to Members, the credit risk is minimal, because a great proportion of the funds advanced will be offset against Members' expenses reimbursements when they cease office.

To minimize credit risks, all fixed deposits and structured deposits are placed with licensed banks in Hong Kong. For held-to-maturity securities, which are debt securities, only those classified under the investment grade by Moody's or Standard & Poor's are considered. At the balance sheet date, the credit quality of investments in debt securities, analyzed by the lower of ratings designated by Moody's or Standard & Poor's, was as follows:

	<b>2013</b>	2012
Held-to-maturity securities by credit rating		
Aa1 to Aa3 / AA+ to AA -	<b>5,003</b>	6,021
A1 to A3 / A+ to A-	<b>4,049</b>	4,058
<b>Total</b>	<b>9,052</b>	10,079

At the balance sheet date, deposits and other receivables included mainly accrued interest, the associated credit risk of which was minimal.



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### **17.3 Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Commission employs projected cash flow analysis to manage liquidity risk, namely by forecasting the amount of cash required and monitoring the working capital of the Commission to ensure that all liabilities due and funding requirements known could be met. As the Commission has a strong liquidity position, it has a very low level of liquidity risk.

### **17.4 Market risk**

The Commission is exposed to market risk for its investment in financial instruments. Market risk comprises interest rate risk, currency risk and equity price risk.

#### **17.4.1 Interest rate risk**

Interest rate risk refers to the risk of loss arising from changes in market interest rates. This can be further classified into fair value interest rate risk and cash flow interest rate risk.

- (a) Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. As the Commission's bank deposits and held-to-maturity securities bear interest at fixed rates, their fair values will fall when market interest rates increase. However, as they are all stated at amortized cost, changes in market interest rates will not affect their carrying amounts and the Commission's deficit and accumulated funds.
- (b) Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Commission's exposure to cash flow interest risk is small as it has no major floating-rate investments other than the structured deposits and bank balances in savings accounts and overnight deposits.

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#### 17.4.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

According to the Commission's policy, any financial instrument denominated in a currency other than the HK dollar, Renminbi or the US dollar has to be covered by a back-to-back forward exchange contract for converting back the funds invested into HK dollars. Moreover, the amounts of Renminbi and US dollar denominated financial instruments, as well as their weightings in the portfolio, have to be maintained under a pre-determined level.

At the balance sheet date, financial assets totalling \$48.4 million (2012: \$59.1 million) were denominated in US dollars and \$103.4 million (2012: \$87.3 million) in Renminbi. The remaining financial assets and all financial liabilities were denominated in HK dollars. Owing to the linked exchange rate of the HK dollar to the US dollar, the Commission has a very low level of currency risk for financial assets denominated in US dollars.

For financial assets denominated in Renminbi, it was estimated that, as at 31 March 2013, a 1% increase/decrease in the exchange rate of the Renminbi against the HK dollar, with all other variables held constant, would increase/decrease the net exchange gains by \$1.0 million (2012: \$0.9 million).

For the structured deposit with interest linked to the exchange rate between US dollars and Renminbi (note 9), its fair value will decrease/increase when the exchange rate between US dollars and Renminbi increases/decreases. It was estimated that, as at 31 March 2013, a 1% increase/decrease in the exchange rate of the US dollar against the Renminbi would have no significant effect on the fair value of the structured deposit.

#### 17.4.3 Equity price risk

Equity price risk is the risk of loss arising from changes in equity prices. The Commission is exposed to equity price risk through its investment in equity securities and ETFs listed on the Stock Exchange of Hong Kong Ltd.

The Commission's equity price risk is mainly concentrated on equity securities operating in the banking industry and ETFs which seek to provide investment results that closely correspond to the performance of the Hang Seng Index, the Hang Seng China Enterprises Index or those publicly traded securities in China. The Commission sets a limit on its investment in equity securities and ETFs. A Working Group on Investment formed under the Commission advises the Commission on its investment strategies.

If equity prices at the balance sheet date had been 10% higher/lower, the investment revaluation reserve would have increased/decreased by \$1.3 million (2012: \$1.0 million) as a result of the changes in fair value of available-for-sale securities.

## 18 FAIR VALUES

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. In the absence of such quoted market prices, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions existing at the balance sheet date. The fair value of structured deposits is estimated by the issuer with reference to observable market data.

The fair values of held-to-maturity securities and the structured deposit at amortized cost are shown below:

	Carrying value		Fair value	
	2013	2012	2013	2012
Held-to-maturity securities	<b>9,052</b>	10,079	<b>9,555</b>	10,661
Structured deposit at amortized cost	<b>7,762</b>	7,765	<b>7,806</b>	7,874

All other financial instruments were stated at fair value or carried at amounts not materially different from their fair values as at 31 March 2013 and 2012.

The carrying amount of financial instruments measured at fair value at the end of the reporting period according to the fair value hierarchy is shown below:

### 2013

#### Assets

	Level 1	Level 2	Total
Structured deposit at fair value	-	<b>8,347</b>	<b>8,347</b>
Available-for-sale securities	<b>12,644</b>	-	<b>12,644</b>
	<b>12,644</b>	<b>8,347</b>	<b>20,991</b>

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2012			
Assets			
	Level 1	Level 2	Total
Available-for-sale securities	<u>9,934</u>	<u>-</u>	<u>9,934</u>

No financial assets or liabilities were classified under level 3.

The three levels of the fair value hierarchy are:

Level 1 – fair values of financial instruments are quoted prices (unadjusted) in active markets for identical financial instruments;

Level 2 – fair values of financial instruments are determined with inputs other than quoted prices included in Level 1 that are observable for the financial instruments, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – fair values of financial instruments are determined with inputs that are not based on observable market data (unobservable inputs).

**19 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2013**

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2013 and which have not been early adopted in these financial statements.

The Commission is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial adoption. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Commission's results of operations and financial position.

The following new standards may result in new or amended disclosures in future financial statements:

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	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 1 (Revised), Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to HKAS 32, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to HKAS 36, Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to HKFRS 7, Financial Instruments: Disclosures – Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKFRS 9, Financial Instruments	1 January 2015
HKFRS 13, Fair Value Measurement	1 January 2013

# Appendix 1

## Committees of The Legislative Council Commission

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### Committee on Personnel Matters

#### *Terms of Reference*

- (1) To consider personnel matters including staffing resources, appointment, promotion, dismissal, grading, duties, remuneration and other terms and conditions of service of staff of the Secretariat which require the attention of the Commission.
- (2) To approve appointments including acting appointments with a view to promotion of officers at Chief Council Secretary level and above.
- (3) To monitor progress of appointment and personnel matters delegated to the Secretary General.

#### *Membership*

Hon Jasper TSANG Yok-sing, GBS, JP (Chairman)

Hon Andrew LEUNG Kwan-yuen, GBS, JP

Hon Emily LAU Wai-hing, JP

Hon Abraham SHEK Lai-him, SBS, JP

Hon Cyd HO Sau-lan

Hon IP Kwok-him, GBS, JP

Dr Hon Kenneth CHAN Ka-lok

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## **Committee on Members' Operating Expenses**

### ***Terms of Reference***

- (1) To advise on administrative matters relating to Members' operating expenses.
- (2) To review Secretary General's decision on a Member's claim for operating expenses reimbursement upon the Member's request.

### ***Membership***

Hon Jasper TSANG Yok-sing, GBS, JP (Chairman)

Hon Andrew LEUNG Kwan-yuen, GBS, JP

Hon Ronny TONG Ka-wah, SC

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## **Committee on Facilities and Services**

### ***Terms of Reference***

- (1) To advise on matters relating to the provision of office accommodation, furniture and equipment to the Council and the Secretariat.
- (2) To assess the needs of the Council and of individual Members for services and facilities for the conduct of Council business.
- (3) To advise on the provision of services and facilities to the public who visit the Legislative Council Complex.
- (4) To formulate solutions for meeting needs identified at (1), (2) and (3).
- (5) To consider financial matters relating to (1) to (4) above, and approve procurement of fixed assets costing above \$500,000 but not exceeding \$2,000,000.
- (6) To formulate policy/guidelines on the acquisition of works of art for the Legislative Council Complex.
- (7) To advise on matters relating to the display and management of the art collection in the Legislative Council Complex.
- (8) To monitor the progress and developments relating to (1) to (7).

### ***Membership***

Hon Jasper TSANG Yok-sing, GBS, JP (Chairman)

Hon Andrew LEUNG Kwan-yuen, GBS, JP

Hon Emily LAU Wai-hing, JP

Hon Abraham SHEK Lai-him, SBS, JP

Hon WONG Ting-kwong, SBS, JP

Hon Cyd HO Sau-lan

Hon IP Kwok-him, GBS, JP

Hon James TIEN Pei-chun, GBS, JP

Hon NG Leung-sing, SBS, JP

Hon Charles Peter MOK



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## **Committee on the Use of Legislative Council Square**

### ***Terms of Reference***

To consider and approve applications for the use of the Legislative Council Square, and to impose conditions of use where necessary, according to the guidelines endorsed by The Legislative Council Commission.

### ***Membership***

Hon Emily LAU Wai-hing, JP (Chairman)

Hon Abraham SHEK Lai-him, SBS, JP

Hon Cyd HO Sau-lan

Hon IP Kwok-him, GBS, JP

Hon NG Leung-sing, SBS, JP

Dr Hon Kenneth CHAN Ka-lok

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## **Appeals Committee on the Use of Legislative Council Square**

### ***Terms of Reference***

To consider appeals against the decisions of the Committee on the Use of Legislative Council Square not to approve an application for permission to use the Legislative Council Square, or to approve an application but subject to conditions imposed.

### ***Membership***

Hon Jasper TSANG Yok-sing, GBS, JP (Chairman)

Hon Andrew LEUNG Kwan-yuen, GBS, JP

Hon Ronny TONG Ka-wah, SC

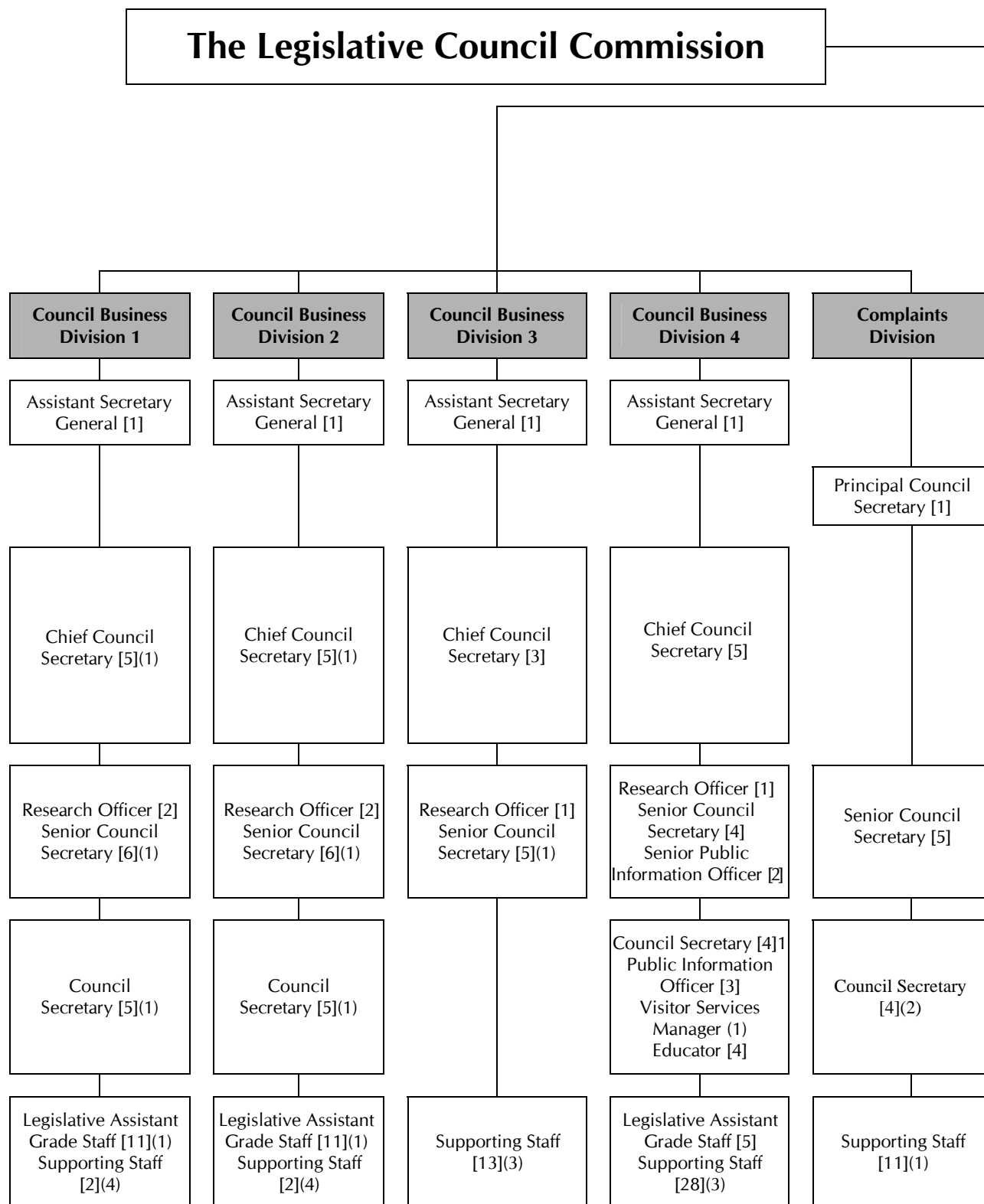
## Appendix 2

### Staff Establishment of the Legislative Council Secretariat

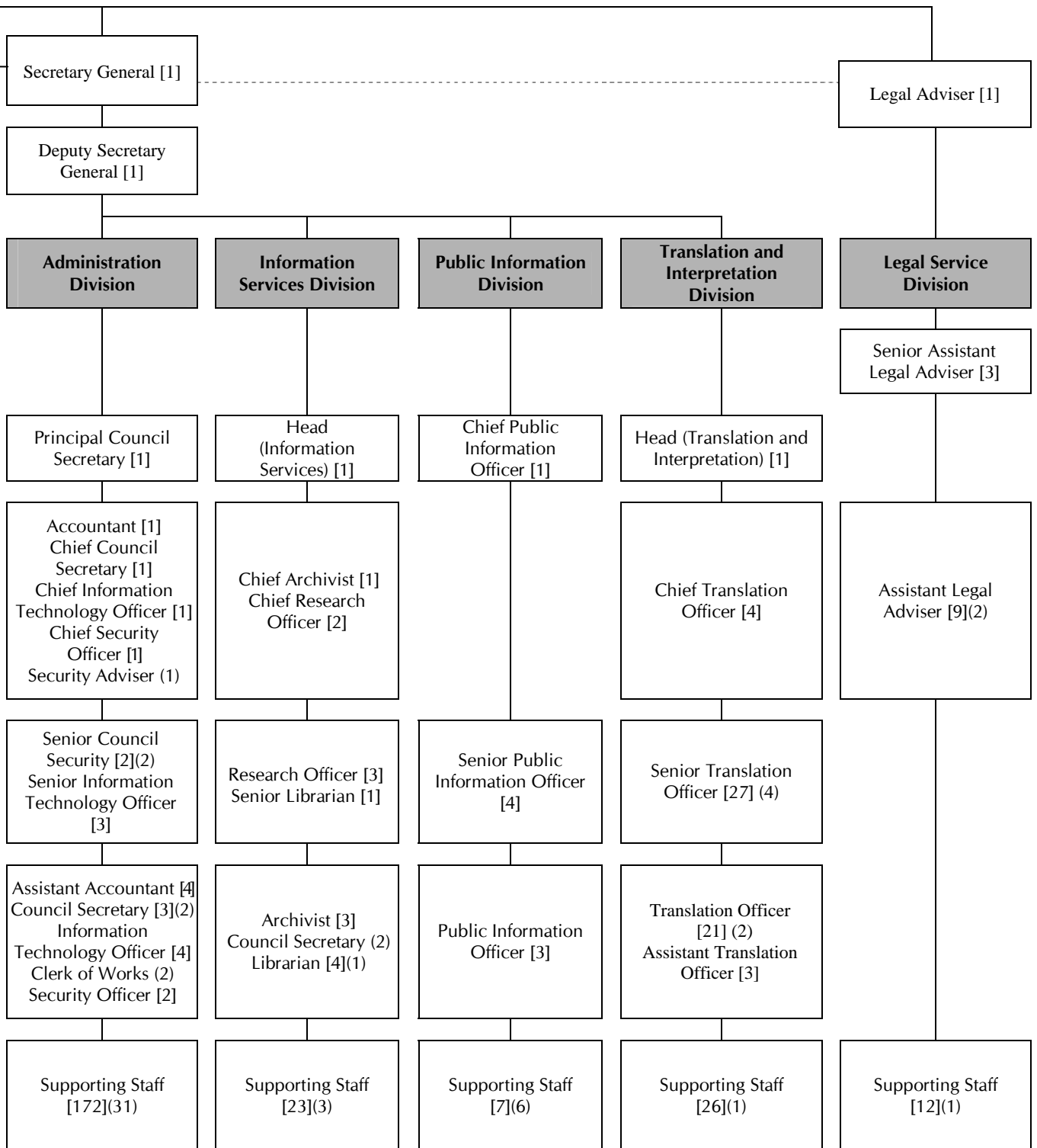
Permanent Post	As at 31.3.2013
Secretary General	1
Legal Adviser	1
Deputy Secretary General	1
Assistant Secretary General	4
Senior Assistant Legal Adviser	3
Chief Public Information Officer	1
Head (Information Services)	1
Head (Translation and Interpretation)	1
Principal Council Secretary	2
Accountant	1
Assistant Legal Adviser	9
Chief Archivist	1
Chief Council Secretary	19
Chief Information Technology Officer	1
Chief Translation Officer	4
Chief Research Officer	2
Chief Security Officer	1
Research Officer	9
Senior Council Secretary	28
Senior Information Technology Officer	3
Senior Librarian	1
Senior Public Information Officer	6
Senior Translation Officer	27
Archivist	3
Assistant Accountant	4
Council Secretary	22
Information Technology Officer	4
Librarian	4
Public Information Officer	6
Translation Officer	21
Assistant Translation Officer	3
Educator	4
Security Officer	2
Senior Administrative Assistant	9
Senior Legislative Assistant	8
Senior Security Assistant	6
Accounting Clerk	6
Administrative Assistant I	23
Assistant Information Technology Officer	7
Senior Chinese Transcriber	2
Social Functions Assistant	1
Security Assistant I	34
Assistant Visitor Services Officer	9
Legislative Assistant	19
Administrative Assistant II	69
Chinese Transcriber	7
Personal Chauffeur	1
Security Assistant II	49
Steward	10
Chauffeur	1
Artisan	3
Motor Driver	1
Clerical Assistant	27
Visitor Assistant	11
Office Assistant	19
Workman I	1
<b>Total</b>	<b>523</b>

# Appendix 3

## Organization Structure of the Legislative Council Secretariat (as at 31.3.2013)



Figures in [ ] denote no. of permanent posts  
 Figures in ( ) denote no. of time-limited posts



## **Appendix 4**

# **A List of Major Subjects Studied by the Research Office**

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- Annual adjustment and review mechanisms of Members' remuneration in selected legislatures
- Parliamentary staffing and services in selected legislatures
- Technical and procedural arrangements for the use of the Electronic Voting System in selected legislatures
- Social and political participation of women in Hong Kong
- Development of self-financing post-secondary sector
- Transition arrangements for change of government in selected places
- Development of private hospitals in Hong Kong
- Re-organization of the Government Secretariat
- Remuneration Package for Appointees under the Political Appointment System
- Hong Kong's population policy
- Standard working hours
- Regulation of aesthetic practices in Singapore
- Exchange of tax information with other jurisdictions in Hong Kong
- Overview of the Mandatory Provident Fund System
- Poverty alleviation policy for the needy elders in Hong Kong
- Housing demand in Hong Kong
- Housing policies to assist low-income households in Singapore
- Poverty alleviation strategies in selected places
- Drug Formulary of the Hospital Authority
- Minimum and maximum levels of relevant income for Mandatory Provident Fund contributions
- Handling of matters not provided for in the Standing Orders in selected legislatures
- Authority for Write-off
- Surplus generated by the University Grants Committee-funded institutions from self-financing programmes
- Commission on Poverty
- South Korea's waste management policies
- Legislative Council elections

# Appendix 5

## Secretary General's Environmental Report for the Year 2012-2013

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### ***Environmental Goal***

The Legislative Council Secretariat is committed to –

- Conducting all its activities and operations in an environmentally responsible manner
- Minimizing consumption of resources by efficient use of materials
- Minimizing negative impacts on the environment during the whole work cycle

### ***Environmental Policy***

The environmental policy of the Legislative Council Secretariat requires all staff to make a special effort to protect the environment through -

- **Saving resources**, particularly on paper and electricity
- **Reducing waste** by re-using paper, collecting recyclable materials and adopting green procurements where applicable
- **Preserving a pleasant indoor working environment** through maintenance of good indoor air quality and minimization of noisy works during office hours
- **Preventing and minimizing air pollution** through the choice of commuting modes and good driving behaviour

### ***Environmental Management***

The Administration Division regularly reviews the Secretariat's environmental objectives and oversees the implementation of the green programme in the Secretariat. To monitor the implementation of green effort measures in office premises, individual divisions are requested to complete a compliance checklist every six months.

A description of the environmental measures and the performance of these measures are included in the following table.

### ***Carbon Audit***

Following the support of the Commission to conduct a carbon audit for the Legislative Council Complex, the Secretariat is in the process of procuring service of an independent contractor to undertake the audit.

## Environmental Management and Future Targets

<b>Saving Resources</b>	
<b>I. Environmental Measures Adopted</b>	<p><b>Economy in the use of paper</b></p> <ul style="list-style-type: none"> <li>• Use blank side of used paper for drafting</li> <li>• Print on both sides of paper</li> <li>• Use double side photocopiers</li> <li>• Use recycled paper</li> <li>• Minimize photocopies (e.g. not to make unnecessary spare or personal copies, to review regularly the need for hardcopy of papers and to receive papers by electronic mail)</li> <li>• Minimize copies of circulars (e.g. circulate by electronic mail as far as possible; and if necessary, only one copy to a group of staff)</li> <li>• Use old sets of documents for re-circulation</li> <li>• Adopt green measures at festive seasons (e.g. support Green Christmas, re-use decorative materials)</li> <li>• Use plain paper fax machines</li> <li>• Avoid use of fax leader pages</li> <li>• Use blank side of used paper to print incoming fax message</li> <li>• Communicate by electronic mail</li> <li>• Request softcopies from senders to facilitate future processing by electronic means</li> <li>• Upload documents, including agenda, minutes, discussion papers, submissions, reports of all open meetings onto the LegCo website (<a href="http://www.legco.gov.hk">http://www.legco.gov.hk</a>)</li> <li>• Store documents in central information systems for common access by staff</li> <li>• Reduce subscription to newspapers and magazines by the use of electronic news platform</li> </ul> <p><b>Economy in the use of envelope</b></p> <ul style="list-style-type: none"> <li>• Stop using envelopes for unclassified documents</li> <li>• Reuse envelopes or use transit envelopes</li> </ul> <p><b>Energy conservation</b></p> <ul style="list-style-type: none"> <li>• Carry out routine checks to ensure that users switch off lights and office equipment in unoccupied areas; and during lunch and after office hours when office is not in use</li> <li>• Modify lighting groupings and adjust the sensitivity of lighting sensors to reduce lighting to minimum requirement for illumination</li> <li>• Use high efficiency electric lamps/tubes, such as LED Lamps and T5 fluorescent tubes</li> <li>• Reduce the façade lighting of the LegCo Complex</li> <li>• Procure energy efficient computers and office equipment where applicable, having regard to the information in their energy labels (if any) and other national and international energy saving standards</li> <li>• Encourage the use of staircase for inter-floor traffic</li> <li>• Minimize the operation time of lifts and escalators outside office hours</li> <li>• Issue advice on a regular basis on the need to save energy</li> <li>• As far as practicable, set the room temperature at 25.5°C during summer months</li> <li>• Monitor the operation of the air-conditioning system and review the schedule of the operation of air conditioning with a view to minimizing energy consumption</li> <li>• Reduce power consumption at Dining Hall kitchen</li> <li>• Control fuel consumption (e.g. minimize the use of official vehicles)</li> <li>• Encourage the use of public transport</li> <li>• Turn off vehicle engines while waiting</li> </ul> <p><b>Water conservation</b></p> <ul style="list-style-type: none"> <li>• Reduce the water flow of water taps</li> </ul>
<b>II. Performance on the Environmental Measures</b>	<ul style="list-style-type: none"> <li>• Consumption of electricity was 11 615 587 KWh in 2012-2013 with all major facilities co-located in the Legislative Council Complex. With all efforts made by the Secretariat, the electricity consumption from April to August 2013 has been reduced by 15% comparing with the same period in 2012</li> <li>• Consumption of paper increased by 5.4% from 29 015 reams in 2011-2012 to 30 575 reams in 2012-2013. This was mainly attributable to the increase in the number of Members and their staff, establishment of the Secretariat as well as the new services for the public in the Legislative Council Complex. With all efforts made by the Secretariat, the paper consumption from April to August 2013 has been reduced by 38.1% comparing with the same period in 2012</li> <li>• Collection of waste paper increased by 96.7% from 32 979 kg in 2011-2012 to 64 878 kg in 2012-2013</li> </ul>
<b>III. Targets for Year 2013-2014</b>	<ul style="list-style-type: none"> <li>• Decrease electricity and paper consumption by less than 10%, subject to the number of meetings remaining more or less the same as in 2012-2013</li> </ul>



Reducing Wastes	Preserving a Pleasant Indoor Working Environment
<ul style="list-style-type: none"> <li>• Reuse envelopes, loose minute jackets</li> <li>• Use refillable ball pens</li> <li>• Cease the use of wooden pencils</li> <li>• Use recycled pencils</li> <li>• Use recycled paper as far as possible</li> <li>• Use recycled printer and fax cartridges as far as possible</li> <li>• Urge staff to use their own cups instead of paper cups</li> <li>• Collect waste paper, used printer and fax cartridges, metal cans and plastic bottles for recycling</li> <li>• Use Digital Recording System to record meeting proceedings, thereby reducing consumption of cassette tapes or discs</li> <li>• Use food waste decomposer in the Dining Hall kitchen to process leftover food</li> <li>• Donate leftover food in the Dining Hall to Foodlink</li> </ul>	<ul style="list-style-type: none"> <li>• Use low emission and ozone-free photocopiers</li> <li>• Use non-volatile correction fluid</li> <li>• Carry out renovation works outside office hours</li> <li>• Conduct annual air quality tests to monitor the air quality in offices</li> <li>• Clean air filters and outlets regularly</li> </ul>
	<ul style="list-style-type: none"> <li>• The Legislative Council Complex was designated as a smoke-free building</li> <li>• The Legislative Council Complex was awarded the Indoor Air Quality (IAQ) Certificate (Excellent Class) under the IAQ Certification Scheme for Offices and Public Places in 2012</li> </ul>
<ul style="list-style-type: none"> <li>• Use recycled paper for all documents</li> <li>• Increase the use of recycled printer and fax cartridges, subject to higher quality and lower price</li> <li>• Increase collection of waste paper</li> </ul>	

**立法會行政管理委員會**  
**THE LEGISLATIVE COUNCIL**  
**COMMISSION**

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