

**Report on the Activities of  
The Legislative Council Commission  
2013 - 2014**

**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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## The Chairman's Review

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The year of 2013-2014 was a challenging and fruitful year for The Legislative Council Commission, with important strides made in strengthening the administrative support and services provided by the Secretariat for the Council, enhancing public understanding of the work of the Council, improving facilities for Members and providing office accommodation for staff of the Secretariat.

To cope with the growing workload arising from the increased membership of the Fifth Legislative Council ("LegCo") and demands for new and improved services, funding was obtained from the Administration to employ additional committee, legal, research and translation staff. Funding was also obtained to provide simultaneous Putonghua and sign language interpretation services for Council and committee meetings. With such funding, the Secretariat is now able to service more committees as well as provide simultaneous Putonghua interpretation for Council and committee meetings. The Secretariat also plans to provide simultaneous sign language interpretation for committee meetings, in addition to Council meetings, when more sign language interpreters are available in the near future.

Two new initiatives were introduced in the year to enhance information services provided to the Council and Members. Since November 2013, a new publication "Research Brief" has been issued periodically to provide concise summaries on subject matters of interest or concern to Members. Another initiative was a new Library series entitled "Stay informed - Latest overseas policy reports" and "Stay informed – Latest parliamentary news". This new service was launched in November 2013 to keep Members' abreast of the latest policy papers, major inquiry reports, important legislative and financial proposals, as well as changes in parliamentary procedures in selected overseas places.

The Commission attaches great importance to providing public access to the Council's and other documents and records kept by the Secretariat. On 1 January 2014, the Commission introduced a formal policy on access to information in respect of the documents and records of the Commission. In formulating the policy, Members, the media, the academia, and the general public were extensively consulted. The consultation work of the Commission also paved the way for the Council's resolution passed on 21 March 2014 to amend the Rules of Procedure to set out

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the Council's policy on access to the documents and records of the Legislature as well as the establishment of the Committee on Access to the Legislature's Documents and Records to oversee the implementation of the policy.

In response to emerging on-line trends locally, the Commission, upon obtaining the approval of the Council, has since January 2014 set up a YouTube channel for posting video records of Council meetings and a Flickr account for posting photos of Members' official events and activities. The Commission also launched a mobile application in February 2014 to disseminate information about Members and meetings and activities of the Council and its committees.

The year of 2013 marked the 170<sup>th</sup> Anniversary of the Hong Kong Legislature. To celebrate this occasion, special commemorative stamps were issued. Furthermore, to enable the public to better understand the evolution of the composition and functions of the Legislature over the years, thematic exhibitions and special educational tours were held in the LegCo Complex from December 2013 to January 2014.

In December 2013, staff of the Translation and Interpretation Division

and the Research Office of the Information Services Division moved from their temporary accommodation at the Murray Road Multi-storey Carpark Building to 46/F Queensway Government Offices. Suitable office space will continue to be identified to meet the Secretariat's outstanding accommodation needs.

In response to Members' request for a direct, separate and covered access from Admiralty to the LegCo Complex in view of LegCo's constitutional role and independent image, the Finance Committee approved in June 2013 the construction of a footbridge from CITIC Tower to the LegCo Complex. The footbridge will also provide improved access for persons with disabilities from Admiralty to the LegCo Complex. Construction of the footbridge has commenced and is scheduled for completion in August 2015.

Achieving a green environment for users of the LegCo Complex is an on-going commitment of the Commission. With the efforts made in fine-tuning the building management systems and adopting good practices in green management, a year-on-year reduction of 11.8% in electricity consumption in the LegCo Complex was recorded in the year. Paper consumption also reduced

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significantly by 28.7%. To further enhance environmental protection, the Secretariat has commissioned a consultant to conduct a carbon audit for the LegCo Complex. The audit aims to study the greenhouse gas emissions in the LegCo Complex with a view to devising appropriate measures to reduce such emissions. The audit report is expected to be ready in November 2014.

Incidents of protestors storming the LegCo Complex in June this year posed unprecedented challenges to the Commission in managing the security of the LegCo Complex and ensuring the safety of Complex users. Fourteen security staff of the Secretariat were injured and some facilities of the Complex were damaged in these incidents. The Secretariat is conducting a review on how security management of the LegCo Complex can be improved to ensure that the operation of the Legislature is free of hindrance and disruption while the Complex remains an open and welcoming place for members of the public. The Commission has appointed a security consultant to assist in the review.

Looking forward, it will be another busy and challenging year ahead. I am confident that with the support of Commission members and the hard work

of staff, the Secretariat will continue to provide highly effective and efficient administrative support and services for the Council and Members.



**Hon Jasper TSANG Yok-sing**

Chairman

The Legislative Council Commission

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## The Legislative Council Commission

The Legislative Council Commission ("the 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 ("LegCo") Secretariat ("the 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 2013-14, 12 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 LegCo Complex ("the Complex");
- the **Committee on the Use of Legislative Council Square** which considers and approves applications for the use of the LegCo 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**.

Through a separate head of expenditure in the Hong Kong Special Administrative Region Government's annual Estimates, the Commission is provided with funds to support the work of LegCo. 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'

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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.

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 2013-2014 amounted to \$680.6 million, which comprised \$221.9 million for Members' remuneration and operating expenses reimbursements, and \$458.7 million for the Secretariat's staff emoluments and general expenses. As shown in the audited accounts on pages 26 to 59, the surplus for the year was \$3.8 million.

The Commission decided in March 2013 that a policy on access to information should be introduced to formalize the prevailing practice of the Secretariat in dealing with requests for access to the Council's and other documents and records kept by the Secretariat from the public. Following extensive consultation to gauge the views of Members, the media, the academia and members of the public, the policy on access to the documents and records of the Commission was implemented on 1 January 2014.

The consultation work carried out by the Commission also paved the way for the Council's resolution passed on 21 March 2014 to amend the Rules of Procedure to



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set out the Council's policy on access to the documents and records of the Legislature as well as the establishment of the Committee on Access to the Legislature's Documents and Records to oversee the implementation of the policy.

### **The Legislative Council Secretariat**

Administrative support and services to the Legislature are provided by the Secretariat which operates under the Commission. The mission of the Secretariat is to provide efficient secretariat, research and administrative support for the Council, enhance community understanding of the activities of the Council and ensure an effective avenue for redress.

The Secretary General, who is appointed by the Commission, is the chief executive of the Secretariat. The Secretary General is also the Clerk to LegCo. The Secretary General is responsible to the Chairman of the Commission for the effective management and administration of the Secretariat.

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.

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. Secretariat staff are required to serve the Council with complete political impartiality.

The Commission regularly discusses succession planning for as well as training and development needs of different grades of staff. A staff succession committee, chaired by the Secretary General and comprising the Deputy Secretary General and all Heads of Divisions as its members, has been set up to develop overall staff succession planning strategies. Six career development subcommittees have also been formed for the following grades to consider the career development needs of officers concerned:

- Council Secretary grade;
- Assistant Legal Adviser grade;
- Translation Officer and related grades;
- Information services support grades;

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- Corporate communication grades; and
  - Professional, general and administration grades.

As at 31 March 2014, there were 601 posts on the establishment of the Secretariat. The staff establishment by number and rank is set out in **Appendix 2**. The Secretariat has continued to adopt measures to promote the employment of persons with disabilities in the Secretariat. As at 31 March 2014, 12 staff members or about 2% of the Secretariat's strength are persons with disabilities. To show its support for this worthy cause, the Secretariat joined the "Talent-wise Employment Charter and Inclusive Organizations Recognition Scheme" in September 2013. The Scheme was launched by the Labour and Welfare Bureau in collaboration with the Rehabilitation Advisory Committee, the Hong Kong Council of Social Service and the Hong Kong Joint Council for People with Disabilities to promote the employment of persons with disabilities in both public and private organizations.

The Secretariat is committed to eliminating discrimination in employment and providing equal employment opportunities for people irrespective of their disability, sex, marital

status, pregnancy, age, family status, sexual orientation and race. This policy is clearly stated in all the recruitment advertisements for positions in the Secretariat. The Government earlier issued the "Code of Practice against Discrimination in Employment on the Ground of Sexual Orientation" to facilitate employers and employees in eliminating discriminatory practices in employment. The Secretariat has adopted the Code and will follow the good practices recommended therein.

Administrative support and services are provided for the Council and its committees through the following 10 functional Divisions -

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

The organization of the Secretariat as at 31 March 2014 is shown in **Appendix 3**.

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## **Activities of The Legislative Council Commission in 2013-2014**

### **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. Servicing work of Council meetings includes processing questions, bills, proposed resolutions and motions as well as amendments to bills, proposed resolutions and motions. The secretariat and administrative services provided to committees include preparing background briefs, discussion papers, reports and minutes of meetings as well as collating and analyzing public views. These four Divisions also provide services to meetings-cum-luncheons held between Members and District Council members and councillors of Heung Yee Kuk. Matters which require follow-up actions are referred by the respective Divisions to the relevant Panels or dealt with in case conferences with the Administration. The respective responsibilities of these four Divisions are described below.

#### ***Division 1***

Council Business Division 1 provides secretariat and administrative services for the Finance Committee and its two subcommittees (i.e. the Public Works Subcommittee and Establishment Subcommittee), seven Panels as well as Bills Committees and subcommittees dealing with proposed legislation and policy issues relating to the terms of reference of these Panels.

During the period from 1 April 2013 to 31 March 2014, the Division serviced a total of 311 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 6 660 questions submitted by Members seeking the Administration's replies on details of the expenditure items shown in the Estimates.

The Division also provided service to 12 duty visits, including two conducted outside Hong Kong. In April 2013, a delegation of the Panel on Environmental Affairs visited the Republic of Korea to study the experience of the country in various aspects of waste management. In March 2014, another delegation of the

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same Panel visited the United Kingdom, the Netherlands, Denmark and Sweden to obtain first-hand information about the development and operation of thermal waste treatment facilities.

During the year, 38 of the 311 meetings were held to receive public views, at which a total of 1 235 individuals and deputations had given views. On research support, the Division prepared a total of 179 background briefs and 8 discussion papers this year. Some of the major briefs, such as those on the proposed North East New Territories New Development Areas, extension of landfills, integrated waste management facilities, increasing housing land supply, the Stamp Duty (Amendment) Bill 2013 and the Securities and Futures (Amendment) Bill 2013, were prepared to facilitate detailed study of the subject matters by the relevant committees. In addition, a total of 57 committee reports were prepared by the Division in the period.

### ***Division 2***

Council Business Division 2 provides secretariat and administrative services for the House Committee, seven Panels as well as Bills Committees and subcommittees dealing with proposed

legislation and policy issues relating to the terms of reference of these Panels.

During the period from 1 April 2013 to 31 March 2014, the Division serviced a total of 225 meetings. In addition, it also provided services to 11 local duty visits, and one overseas duty visit conducted by a delegation of the Subcommittee on Poverty appointed under the House Committee. The delegation visited Taiwan and Japan to study their experience in alleviating poverty, particularly elderly poverty and working poverty.

During the year, 52 of the 225 meetings were held to receive public views, at which a total of 1 374 individuals and deputations had given views. On research support, the Division prepared a total of 183 background briefs and 67 discussion papers during the report period. Some of the major subjects covered in the background briefs and discussion papers included retirement protection in Hong Kong, constitutional development, the Pilot Scheme on Community Care Service Voucher for the Elderly, matters relating to rural elections, proposed licensing scheme for private columbaria and supply of public niches, the Health Protection Scheme, Police's handling of public meetings and public processions, and the West Kowloon

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Cultural District Project. The Division also prepared a total of 39 committee reports during the period.

### ***Division 3***

Council Business Division 3 provides support services for the conduct of meetings of the Legislative Council. During the period from 1 April 2013 to 31 March 2014, the Division serviced 31 regular meetings of the Council. In servicing these meetings, the Division processed, among other things, one petition, 663 questions, 26 bills and 1 023 amendments thereto, 61 proposed resolutions and one amendment to a proposed resolution, and 63 motions and 227 amendments thereto. In addition, the Division serviced four meetings for the Chief Executive's Question and Answer Sessions, which were held in May, July and October 2013, and January 2014.

The Division also services the Committee on Members' Interests. During the year, the Division serviced three open meetings and two closed meetings of the Committee, and prepared a total of 13 discussion/consultation papers and one report.

### ***Division 4***

Council Business Division 4 provides secretariat and administrative services to the Public Accounts Committee, the Committee on Rules of Procedures, the Parliamentary Liaison Subcommittee of the House Committee, four Panels as well as the Bills Committees and subcommittees dealing with the proposed legislation and policy issues relating to the terms of reference of these Panels. During the year under review, the Division also serviced the Select Committee to Inquire into Matters Relating to Mr Timothy TONG's Duty Visits, Entertainment, and Bestowing and Receipt of Gifts during his Tenure as Commissioner of the Independent Commission Against Corruption, which was formed pursuant to the referral by the Council of the petition jointly presented by Hon Cyd HO and Hon Dennis KWOK at the Council meeting of 8 May 2013.

During the period from 1 April 2013 to 31 March 2014, the Division serviced a total of 142 committee meetings, including 15 public hearings and 23 meetings held by the Public Accounts Committee.

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During the year, 28 of the 142 committee meetings serviced by the Division were held to receive public views, at which a total of 433 individuals and deputations gave views. On research support, the Division prepared a total of 66 background briefs and 81 discussion papers. Some of the major subjects covered in the background briefs and discussion papers included applications for domestic free television programme service licences, establishment of an independent legal aid authority, provision of 15-year free education and retirement age of civil servants. A total of 23 committee reports were prepared by the Division, including three reports of the Public Accounts Committee submitted to the Council on its examination of the Director of Audit's value for money audit reports.

During the report period, the Division also coordinates the production of "A Companion to the history, rules and practices of the Legislative Council of the Hong Kong Special Administrative Region" ("the Companion") to provide details about the Council's rules and practices as well as the historical development of its organisation and procedures. The Companion, targeted to be completed in 2016, comprises three parts. Part I of the Companion was tabled in the Council on 18 June 2014

and has been uploaded onto the LegCo Website.

### ***Legal Service Division***

The Legal Service Division provides legal advice and support to the Council and its committees in their scrutiny of bills and subsidiary legislation, examination of public policies, inquiries into matters of public interest, 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 Council. In addition, the Division provides in-house legal service for the Commission and the Secretariat. It is the Division's mission to provide independent, 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.

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### ***Public Information Division***

The Public Information Division provides public relations advice and media support services for the Council and Members, manages the operation of a televising system to broadcast live all open meetings of the Council and its committees, and enhances public understanding of the work of the Council through education, visitor and online services. The Division also provides a daily newspaper clipping service for Members to keep them informed of media reports and public views on topical issues.

During the period from 1 April 2013 to 31 March 2014, the Division issued a total of 292 press releases on the business and activities of the Council and organized 55 official media briefings and interviews for Members and senior staff of the Secretariat. The Division filmed and televised 1 872 hours of 662 open meetings of the Council and its committee and 23 media briefings. It also received and handled 11 239 telephone, fax and walk-in enquiries as well as 4 227 e-mail enquiries.

Upon obtaining the Council's approval, the LegCo YouTube Channel and Flickr photo album were launched in January 2014. Video recordings of Council

meetings and videos introducing the functions and work of LegCo to the public may be viewed on LegCo YouTube Channel, while photos of Members' official events and activities are available on LegCo's Flickr photo album.

On 1 January 2014, the policy on public access to the documents and records of the Commission was implemented. This followed extensive consultation work with Members, the media, the academia and members of the public conducted by the Division to gauge their views on the formulation of such a policy.

During the year, the Division serviced 44 meetings held between Members and visiting dignitaries from places outside Hong Kong. In addition, 2 682 guided educational tours were conducted for 71 042 visitors including members of the public and students. The Division also operates a Souvenir Shop which offers a variety of unique souvenirs and publications about the Council to enrich visitors' experience.

Regarding education activities, 935 role-play sessions on the work of the Council for students and 401 story-telling sessions for young children were held. Support was given to youth organizations to conduct mock Council debates in the

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Complex, with a total 12 debate sessions and six training workshops organized during the period under review. Under the "Meeting with Members" programme organized by the Division, students hold discussions with Members on topics relating to the work of the Council and social issues. A total of 24 meeting sessions were organized for 471 students and 17 Members.

To commemorate the 170<sup>th</sup> year of history of the Hong Kong Legislature since its establishment in 1843, special stamps were issued in December 2013. The Division also staged a special programme "Our Legislative Council – Then and Now" in the Complex from 5 December 2013 to 28 January 2014 which was attended by 19 554 people. The programme comprised thematic exhibitions on the evolution of the composition and functions of the Legislature over the years as well as special guided educational tours of the Complex.

### ***Information Services Division***

The Information Services Division provides information services to the Council, committees, Members, Members' staff and Secretariat staff through the Research Office as well as the LegCo Library and Archives.

The Research Office undertakes search tasks and produces write-ups on topical issues and other areas of interest or concern on request. The publications prepared by the Research Office include research reports, information notes, fact sheets, and research briefs. Research reports provide in-depth analysis of the broad policy issues under study in the light of overseas experience. Information notes are focused studies on selected issues of concern. Fact sheets are short research papers containing factual information and statistics. As regards research briefs, it is a new initiative launched in November 2013. They are issued periodically to provide concise summaries on subject matters which may be of interest or concern to Members.

During the period from 1 April 2013 to 31 March 2014, the Research Office issued one research report, 30 information notes, 67 fact sheets and five research briefs. A list of the major subjects studied is in **Appendix 4**.

The LegCo Library provides reference support through its collections of LegCo records as well as constitutional, Basic Law, and general reference materials. The LegCo Library is a constitutional library. The size of the constitutional and parliamentary collection reached 23 269 items, equivalent to 52% of the total



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number of books, as of March 2014. A new Library series entitled "Stay informed - Latest overseas policy reports" and "Stay informed – Latest parliamentary news" has also been launched since November 2013 to keep Members abreast of the latest policy papers, major inquiry reports, important legislative and financial proposals, as well as changes in parliamentary procedures in selected overseas places.

During the year, the number of visits made to the Library was 22 587. The figure almost doubled that of last year as a segment of the thematic exhibitions of the "Our Legislative Council – Then and Now" programme was staged in the Library from 5 December 2013 to 28 January 2014. The number of books accessed was 6 693 while the number of enquiries handled was 3 004. The Library also conducted 59 search tasks.

The Library is also responsible for managing the LegCo Website. During the year, the Library revamped the LegCo Website by introducing more user-friendly enhancements. The latter included more efficient search engines, a more attractive landing page, enhanced inter-linkages between webpages and improved organization of information. Voting results of the Council, the House Committee and Finance Committee are

also provided in open data format, making them more accessible and readily available for the public to view, share and reuse. The number of visits made to the LegCo Website was 6.7 million, while the number of times the pages were viewed was 79.3 million.

The LegCo Archives selects, acquires and preserves valuable records which document the history, core functions and activities of the Council. It also provides records reference, research and access services. The Archives preserves over 700 linear metres of archival records. Its collections continue to grow in quality and quantity through systematic in-house records preservation and acquisition of materials from outside sources. To promote public interest in and appreciation of archival records, visits to the Archives for schools and professional associations are regularly organized. The Archives is also responsible for giving advice on the processing of access to information requests from the public, which covers a wide range of documents and records held by the Secretariat, since the implementation of the Commission's Access to Information Policy on 1 January 2014.

During the year, the Archives held 47 organized visits for 622 visitors, answered 698 reference and research

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enquiries and handled 13 access to information requests. About 50 linear metres comprising 1 663 archival records were identified for permanent preservation and 1 775 records were authorized for destruction.

### ***Translation and Interpretation Division***

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

The Division is responsible for the production of the "Official Record of Proceedings of the Legislative Council" ("the Official Record"), also known as the Hansard, which is the verbatim report of proceedings of the Council. The Official Record 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 Official Record are available on the LegCo Website. For the 35 Council meetings held during the period under review, the Division produced 13 760 pages of the floor version of the Official Record. The floor version was subsequently rendered into 17 249 pages of English text and 12 672 pages of

Chinese text. 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 Division's performance pledges.

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 12 727 460 words. The Division continues to strive for productivity gains through streamlining of work processes, effective use of information technology and flexible deployment of staff under pooling arrangements.

Under the supervision of the Division, simultaneous sign language ("SSL") interpretation is now provided for all Council meetings as a regular service, and simultaneous Putonghua interpretation is also provided for meetings of the Council and some committees. As regards SSL interpretation service, it can only be provided for Council meetings for the time being owing to insufficient supply of SSL interpreters. It is planned that the service be extended to committee meetings when more SSL interpreters are available.

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### ***Complaints and Resources Management Division***

The Complaints and Resources Management Division comprises the Public Complaints Office, the Accounts Office and the Human Resources Office.

The Public Complaints Office provides support service for Members to deal with complaints and representations lodged under the Redress System of LegCo. The Office 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 Office includes meeting and corresponding with complainants, examining the cases lodged, communicating with relevant organizations and government departments, assisting Members in determining appropriate courses of action, as well as servicing Duty Roster Members' interviews with complainants and case conferences with government officials. During the period from 1 April 2013 to 31 March 2014, the Office assisted Members in handling 16 472 cases, which comprised 208 group representations and 16 264 individual cases.

The Accounts Office is responsible for all accounting matters of the Secretariat. It co-ordinates the preparation of the budget of the Commission, exercises budgetary control, prepares the payroll, processes and arranges all payments, compiles financial reports, invests the Commission's funds and reserves, implements the Commission's financial policies and assists in preparing each year's Resource Allocation Exercise submissions. In addition, the Office administers Members' remuneration and operating expenses reimbursements and assists in servicing the Subcommittee on Members' Remuneration and Operating Expenses Reimbursement. During the year, the Office serviced one meeting of the Subcommittee and assisted it in conducting a survey on staff turnover in Members' offices.

The Human Resources Office is responsible for formulating and implementing a manpower strategy to meet service needs by attracting, motivating and retaining talents. It is also responsible for arranging training and development programmes to ensure that Secretariat staff will have the necessary skills and expertise to maintain effective support for Members and the Council. In addition, the Office oversees matters relating to staff relations and staff welfare, and makes constant efforts in enhancing

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communication between staff and management.

During the year, a total of 43 recruitment exercises were conducted, including seven open recruitment, 21 internal-cum-open recruitment and 15 internal recruitment. A total of 57 new staff and 74 serving staff were appointed or promoted. In addition, the Office made arrangements for staff to attend 12 training programmes outside Hong Kong and 49 in-house training workshops. It also arranged 312 staff members to participate in training courses organized by the Civil Service Training and Development Institute and other local training institutes. These training activities focused on developing staff members' professional expertise, strengthening management capabilities, enhancing work efficiency, as well as promoting occupational safety and health.

### ***Administration Division***

The Administration Division comprises the General Administration Office, the Estate and Security Office and the Information Technology Office. The General Administration Office provides secretariat service for the Commission and its committees as well as internal administrative support for other Divisions

of the Secretariat. During the period from 1 April 2013 to 31 March 2014, the Division serviced 12 meetings of the Commission, one meeting of the Committee on Personnel Matters, and one meeting of the Committee on the Use of Legislative Council Square.

The General Administration Office provides receipt and despatch services; procurement and supplies services for all Divisions of the Secretariat; and steward and catering services for Members during meetings and corporate liaison functions. The Office is also responsible for liaising with the Administration to identify suitable accommodation for the Secretariat.

As there was a shortage in office space in the Complex, staff of the Translation and Interpretation Division were temporarily accommodated in Murray Road Multi-storey Carpark Building since September 2012. In December 2013, they and staff of the Research Office moved to 46/F, Queensway Government Offices which was provided to the Commission by the Administration. There is still a shortfall of 566 square metres which has been approved by the Government. The Secretariat is in the course of discussion with the Administration on the arrangement for providing the office space at a suitable location.

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Estate management as well as building and conference security services in the Complex are provided by the Estate and Security Office of the Division. The Office maintains close liaison with government departments and works agent to ensure the structural integrity as well as sound operation of building services in the Complex. It follows relevant legislation as well as the instructions and guidelines given by the Commission in carrying out its duties to ensure the security of the Complex and the safety of Members and other users of the Complex.

During the year, the Office continued to monitor the progress of the construction of a footbridge connecting CITIC Tower and the Complex, which provides a direct, separate and covered access from Admiralty MTR Station to the Complex. The project was approved by the Finance Committee in June 2013 and is scheduled for completion in August 2015. Upon completion, the footbridge will also provide improved access for persons with disabilities to the Complex.

The Information Technology Office provides information technology services for Members, their staff and Secretariat staff and support to meetings of the Council. During the year, several information technology projects were

completed, including the upgrading of the Library System, development of the Committee Stage Admission for Appropriation Bills System and enhancement of the Special Finance Committee Question Input System. User acceptance tests of other administrative systems including the Human Resources Management Information System, Assets Tracker System, and Payroll System, and Electronic Archiving Management System were conducted.

The Office developed and launched a mobile application, the LegCo App, to disseminate various types of information including LegCo calendar, Members' contact directory, and LegCo photo gallery. It also provided technical support for setting up and managing the LegCo YouTube and Flickr channels.

### **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 LegCo 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

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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 seventh audit report covering the 2012-2013 legislative year was presented to the Commission in April 2014. 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 instruction of the Commission, the audit report is available for public inspection at the LegCo Library.

## **Environment Protection**

The Secretariat is committed to conducting all its activities and operations in an environmentally responsible manner and 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. A 11.8% reduction in electricity consumption in the Complex and a 28.7 % reduction in paper

consumption were recorded during the period from 1 April 2013 to 31 March 2014 over the previous year.

During the year, a consultant was commissioned to conduct a carbon audit for the Complex to study the greenhouse gas emissions in the Complex with a view to devising appropriate measures to reduce such emissions. A waste audit, which was suggested by Cable TV and the Hong Kong Baptist University, was conducted in conjunction with the Conservancy Association in the Complex to raise public concern about waste reduction and waste recycling. Findings of the waste audit were used for identifying waste reduction and waste recycling opportunities in the Complex.

The Secretary General's environmental report for 2013-2014 is in **Appendix 5**.

## **Staff Consultative Committee**

The Staff Consultative Committee, comprising 23 elected representatives of various grades, namely the Council Secretary grade, Assistant Legal Adviser grade, information services support grades, corporate communication grades, Translation Officer and related grades, as well as professional, general and administration grade, provides a channel

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for staff to directly express their views on matters affecting them to the Secretary General who chairs the meeting.

The Committee held four meetings during the year. Views expressed through these representatives mainly concerned conditions of service, employees' benefits, working environment, staff relations, training needs, etc. Views and suggestions raised by staff are followed up by the Divisions concerned.

### **Staff Recreation Club**

A Staff Recreation Club is formed to promote friendship and mutual support among Secretariat staff. In 2013-2014, the Club organized a Family Day to Mai Po Nature Reserve where staff and their family members enjoyed a day of fun in a green outdoor environment. Another event organized by the Club is the annual Christmas Party which provides a forum for staff to put aside their work and celebrate together the festive occasion at a lunch gathering. The Club also organized interest classes, which included Chinese painting, Tai Chi, dessert making, planting and Chinese paper cutting, during the year.

# 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 26 to 59, which comprise the balance sheet as at 31 March 2014, 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 2014, 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.



Mrs Josephine Ng  
Director of Audit (Atg)

8 July 2014

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 2014

(Expressed in thousands Hong Kong dollars)

	Note	2014	2013
<b>Income</b>			
Financial provisions from Government	3(a)	<b>680,553</b>	643,070
Investment income	3(b)	<b>5,978</b>	5,733
Other income	3(c)	<b>1,485</b>	2,079
		<b>688,016</b>	650,882
<b>Expenditure</b>			
<i>Recurrent</i>			
Members' remuneration, medical allowances and end-of-service gratuities	4(a)	<b>73,859</b>	92,945
Members' operating expenses reimbursements	4(a)	<b>144,141</b>	115,457
Staff emoluments	4(b)	<b>346,223</b>	332,348
General expenses	4(c)	<b>113,256</b>	112,289
<i>Non-recurrent</i>			
Members' non-recurrent expenses reimbursements	4(d)	<b>4,214</b>	9,403
Other non-recurrent expenses	4(e)	<b>2,481</b>	1,463
		<b>684,174</b>	663,905
<b>Surplus/(Deficit) for the year</b>		<b>3,842</b>	(13,023)

The notes on pages 31 to 59 form part of these financial statements.

# The Legislative Council Commission Statement of Comprehensive Income for the year ended 31 March 2014

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*(Expressed in thousands of Hong Kong dollars)*

	<b>2014</b>	2013
<b>Surplus/(Deficit) for the year</b>	<b>3,842</b>	(13,023)
<b>Other comprehensive income</b>		
(Loss)/Gain arising from revaluation of available-for-sale securities – to be reclassified to income and expenditure account upon disposal of the investments	<u>(1,162)</u>	<u>974</u>
<b>Total comprehensive income/(loss) for the year</b>	<b><u>2,680</u></b>	<b><u>(12,049)</u></b>

*The notes on pages 31 to 59 form part of these financial statements.*

# The Legislative Council Commission

## Balance Sheet as at 31 March 2014

(Expressed in thousands of Hong Kong dollars)

	Note	2014	2013
<b>Non-current assets</b>			
Fixed assets	5	42,583	59,617
Operating funds advanced to Members	7	17,877	17,795
Held-to-maturity securities	8	4,039	4,049
Structured deposit	9	-	8,347
Available-for-sale securities	10	21,120	12,644
		<b>85,619</b>	102,452
<b>Current assets</b>			
Souvenir stock		1,326	1,060
Prepayments, deposits and other receivables	11	3,468	4,015
Held-to-maturity securities	8	-	5,003
Structured deposit	9	8,667	7,762
Bank deposits		183,161	150,904
Cash at bank and in hand	12	4,514	4,206
		<b>201,136</b>	172,950
<b>Current liabilities</b>			
Payables and accruals	13	51,321	53,136
Contract gratuities accrued	2.7.1	22,283	21,774
		<b>73,604</b>	74,910
<b>Net current assets</b>		<b>127,532</b>	98,040
<b>Total assets less current liabilities</b>		<b>213,151</b>	200,492
<b>Non-current liabilities</b>			
Contract gratuities accrued	2.7.1	34,907	24,931
Deposits received		154	151
		<b>35,061</b>	25,082
<b>Net assets</b>		<b>178,090</b>	175,410
<b>Accumulated funds</b>			
Operating reserve		133,603	113,198
Investment revaluation reserve		(107)	1,055
Accumulated surplus		44,594	61,157
		<b>178,090</b>	175,410

Approved and authorized for issue by The Legislative Council Commission on 8 July 2014



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 31 to 59 form part of these financial statements.

# The Legislative Council Commission

## Statement of Changes in Accumulated Funds

### for the year ended 31 March 2014

(Expressed in thousands of Hong Kong dollars)

	2014	2013
<b>Operating reserve</b>		
At beginning of year	<b>113,198</b>	119,325
Transfer from/(to) accumulated surplus	<u>20,405</u>	<u>(6,127)</u>
At end of year	<u>133,603</u>	<u>113,198</u>
<b>Investment revaluation reserve</b>		
At beginning of year	<b>1,055</b>	81
Other comprehensive (loss)/income for the year	<u>(1,162)</u>	<u>974</u>
At end of year	<u>( 107)</u>	<u>1,055</u>
<b>Accumulated surplus</b>		
At beginning of year	<b>61,157</b>	68,053
Surplus/(Deficit) for the year	<b>3,842</b>	(13,023)
Transfer (to)/from operating reserve	<u>(20,405)</u>	<u>6,127</u>
At end of year	<u>44,594</u>	<u>61,157</u>
<b>Total accumulated funds at end of year</b>	<u><b>178,090</b></u>	<u><b>175,410</b></u>

The notes on pages 31 to 59 form part of these financial statements.

# The Legislative Council Commission

## Statement of Cash Flows

### for the year ended 31 March 2014

(Expressed in thousands of Hong Kong dollars)

	Note	2014	2013
<b>Cash flows from operating activities</b>			
Financial provisions received from Government	3(a)	<b>680,553</b>	643,070
Other income received		<b>1,436</b>	2,081
Payments to and on behalf of Members		<b>(225,251)</b>	(220,012)
Payments to staff		<b>(333,953)</b>	(345,082)
Payment of operating expenses		<b>(91,057)</b>	(89,771)
<b>Net cash from/(used in) operating activities</b>		<b>31,728</b>	(9,714)
<b>Cash flows from investing activities</b>			
Purchase of fixed assets		<b>(8,660)</b>	(24,008)
Proceeds from sale of fixed assets		<b>2</b>	4
Redemption of held-to-maturity securities		<b>5,000</b>	1,000
Redemption/(Placement) of structured deposit		<b>7,756</b>	(8,760)
Purchase of available-for-sale securities		<b>(12,895)</b>	(1,736)
Disposal of available-for-sale securities		<b>3,395</b>	-
Decrease in bank deposits with original maturity over three months			
Uplifts		<b>225,324</b>	200,162
Placements		<b>(195,357)</b>	(163,949)
		<b>29,967</b>	36,213
Interest received		<b>6,036</b>	3,883
Dividends received		<b>605</b>	330
<b>Net cash from investing activities</b>		<b>31,206</b>	6,926
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>62,934</b>	(2,788)
<b>Cash and cash equivalents at beginning of year</b>		<b>26,163</b>	28,699
<b>Effect of foreign exchange rate changes</b>		<b>(280)</b>	252
<b>Cash and cash equivalents at end of year</b>	12	<b>88,817</b>	26,163

The notes on pages 31 to 59 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).

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#### 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.

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 Commission measures certain financial instruments at fair value at each balance sheet date. The fair values of financial instruments carried at amortized cost are disclosed in note 18.2.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either (a) in the principal market for the asset or liability, or (b) in the absence of a principal market, in the most advantageous market for the asset or liability; and the Commission has access to these markets at the measurement date.

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The fair value of an asset or a liability is measured with those assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Commission uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The Commission measures fair values using the following fair value hierarchy that reflects the significance of inputs used in making the measurements:

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 input that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Commission determines whether transfers between levels in the hierarchy should be reflected in the financial statements by re-assessing categorization (based on the level of input that is most significant and relevant to the fair value measurement as a whole) 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 2.5.3). 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 2.5.3). 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.

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### 2.5.2 Derecognition of fixed assets

The carrying amount of a fixed asset shall be derecognized on disposal or when no future economic benefits are expected from the use or disposal of the asset.

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.

### 2.5.3 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.

## 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.

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### 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.

### 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.

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### 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.

Impact of those new and revised HKFRSs relevant to the Commission are set out in notes 2.10.1 and 2.10.2. The Commission has not applied any new standard that is not yet effective for the current accounting period (note 19).

### 2.10.1 Amendments to HKAS 1, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 require entities to present separately those items of other comprehensive income that would be reclassified to the income and expenditure account in future if certain conditions are met from those that would never be reclassified. The presentation of other comprehensive income in the statement of comprehensive income in these financial statements has been modified accordingly.

The amendments also introduce a new title for the income statement, namely "Statement of Profit or Loss". The use of this new title is not mandatory. The Commission has chosen to retain the title of the "Income and Expenditure Account" as it reflects more appropriately the nature of the Commission's business.



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## 2.10.2 HKFRS 13, *Fair Value Measurement*

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial assets. To the extent that the requirements are applicable to the Commission, disclosures have been provided in note 18.

## 3 INCOME

### (a) Financial provisions from Government

	2014	2013
<b>Financial provisions from Government for specified ambits</b>		
Recurrent items		
Members' remuneration, medical allowances and operating expenses reimbursements	217,192	208,988 #
Secretariat's operating expenses	451,690	412,880
Non-recurrent items		
Members' non-recurrent expenses reimbursements	4,703	8,808
Secretariat's non-recurrent expenses	6,143	11,414
	<u>679,728</u>	<u>642,090</u>
<b>Allocation warrants issued by government departments and utilized during the year</b>		
Recurrent and non-recurrent items		
Secretariat's expenses	825	980
<b>Total</b>	<u>680,553</u>	<u>643,070</u>

# Included in the amount was \$29.8 million provided by the Government for the payment of end-of-service gratuities to Members at the end of the Fourth Legislative Council.

<b>(b) Investment income</b>	<b>2014</b>	2013
Interest income from financial assets not at fair value		
Held-to-maturity securities	<b>244</b>	428
Structured deposit	<b>48</b>	110
Bank deposits	<b>4,159</b>	4,071
	<b>4,451</b>	4,609
Interest income from financial assets designated at fair value		
Structured deposit	<b>908</b>	-
Total interest income	<b>5,359</b>	4,609
Dividend income from available-for-sale securities	<b>551</b>	343
Net exchange (losses)/gains	<b>(400)</b>	1,186
Gain on disposal of available-for-sale securities	<b>139</b>	-
Gain/(loss) arising from revaluation of financial assets designated at fair value	<b>329</b>	(405)
<b>Total</b>	<b>5,978</b>	5,733
<b>(c) Other income</b>	<b>2014</b>	2013
Souvenir sales	<b>969</b>	905
Sundry income	<b>516</b>	1,174
<b>Total</b>	<b>1,485</b>	2,079

#### **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 2013 to Sept 2014 (\$)</b>	<b>Oct 2012 to Sept 2013 (\$)</b>	<b>Oct 2011 to Sept 2012 (\$)</b>
<b>Monthly remuneration</b>			
President	174,900	168,980	146,300
President's Deputy and House Committee Chairman	131,180	126,740	109,730
Members not serving on the Executive Council of the Government	87,450	84,490	73,150
Members serving on the Executive Council of the Government	58,300	56,330	48,770
<b>Annual medical allowance</b>	30,450	29,420	28,020
<b>Annual operating expenses reimbursements</b>			
Office operation expenses	2,242,130	2,166,310	1,719,290
Entertainment and travelling expenses	191,610	185,130	176,310
Entertainment expenses in the President's capacity	191,790	185,300	176,480

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>2014</b>	2013
Salaries	<b>277,758</b>	262,139
Contract gratuities	<b>41,163</b>	40,289
Cash allowances	<b>15,426</b>	15,199
MPF contributions	<b>7,532</b>	7,167
Other job-related allowances	<b>2,959</b>	5,893
Increase in accrued leave pay	<b>1,385</b>	1,661
<b>Total</b>	<b><u>346,223</u></b>	<u>332,348</u>

**(c) General expenses**

	<b>2014</b>	2013
Utilities, communication and building services	<b>30,119</b>	28,500
Professional and other services	<b>29,948</b>	35,140
Depreciation	<b>25,063</b>	23,748
Publications, publicity and broadcasting	<b>11,054</b>	9,644
Repairs and maintenance	<b>5,603</b>	3,296
Information services	<b>4,605</b>	4,506
Office supplies	<b>2,106</b>	3,156
Staff-related expenses	<b>1,891</b>	2,768
Travelling and duty visits	<b>1,845</b>	450
Cost of souvenirs sold	<b>620</b>	638
Others	<b>402</b>	443
<b>Total</b>	<b><u>113,256</u></b>	<u>112,289</u>

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

	<b>2014</b>	2013
Members' setting up expenses (the Fourth LegCo: October 2008-September 2012)	-	238
Members' information technology and communication equipment expenses (the Fourth LegCo)	-	583
Members' winding up expenses (the Fourth LegCo)	-	3,745
Members' setting up and information technology expenses (the Fifth LegCo: October 2012-September 2016)	<u>4,214</u>	<u>4,837</u>
<b>Total</b>	<u><u>4,214</u></u>	<u><u>9,403</u></u>

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

	2014	2013
<b>Services and non-capitalized expenses related to</b>		
Integration and application of information technology in LegCo Complex	<b>1,602</b>	520
Acquisition of standard and non-standard furniture and equipment for LegCo Complex	<b>130</b>	344
Artworks in LegCo Complex	<b>18</b>	204
Design and installation of education facilities	<b>90</b>	59
Purchase and installation of an electronic archives management system for the LegCo Archives	-	9
Purchase of archival boxes and supplies	-	98
Purchase of wireless tour guide communication system	<b>30</b>	201
Relocation of Members' offices	-	23
Production of teaching kits on the Fifth LegCo	<b>611</b>	5
<b>Total</b>	<b><u>2,481</u></b>	<b><u>1,463</u></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 2012	1,111	48,486	5,896	13,496	17,478	4,686	91,153
Additions	-	11,905	499	1,023	3,958	155	17,540
Transfers	-	16,562	-	-	(16,562)	-	-
Disposals	-	(3,425)	(1,022)	(701)	-	-	(5,148)
At 31 March 2013	<u>1,111</u>	<u>73,528</u>	<u>5,373</u>	<u>13,818</u>	<u>4,874</u>	<u>4,841</u>	<u>103,545</u>
At 1 April 2013	<b>1,111</b>	<b>73,528</b>	<b>5,373</b>	<b>13,818</b>	<b>4,874</b>	<b>4,841</b>	<b>103,545</b>
Additions	-	<b>3,220</b>	<b>245</b>	<b>872</b>	<b>5,238</b>	-	<b>9,575</b>
Transfers	-	<b>1,069</b>	-	-	<b>(1,069)</b>	-	-
Disposals	-	<b>(870)</b>	<b>(69)</b>	<b>(246)</b>	-	-	<b>(1,185)</b>
Impairment	-	-	-	-	<b>(1,536)</b>	-	<b>(1,536)</b>
At 31 March 2014	<u><b>1,111</b></u>	<u><b>76,947</b></u>	<u><b>5,549</b></u>	<u><b>14,444</b></u>	<u><b>7,507</b></u>	<u><b>4,841</b></u>	<u><b>110,399</b></u>
<b>Accumulated depreciation</b>							
At 1 April 2012	586	18,173	2,538	3,960	-	-	25,257
Charge for the year	222	21,423	983	1,120	-	-	23,748
Written back on disposal	-	(3,420)	(992)	(665)	-	-	(5,077)
At 31 March 2013	<u>808</u>	<u>36,176</u>	<u>2,529</u>	<u>4,415</u>	<u>-</u>	<u>-</u>	<u>43,928</u>
At 1 April 2013	<b>808</b>	<b>36,176</b>	<b>2,529</b>	<b>4,415</b>	-	-	<b>43,928</b>
Charge for the year	<b>189</b>	<b>22,692</b>	<b>973</b>	<b>1,209</b>	-	-	<b>25,063</b>
Written back on disposal	-	<b>(869)</b>	<b>(62)</b>	<b>(244)</b>	-	-	<b>(1,175)</b>
At 31 March 2014	<u><b>997</b></u>	<u><b>57,999</b></u>	<u><b>3,440</b></u>	<u><b>5,380</b></u>	<u>-</u>	<u>-</u>	<u><b>67,816</b></u>
<b>Net book value</b>							
<b>At 31 March 2014</b>	<u><b>114</b></u>	<u><b>18,948</b></u>	<u><b>2,109</b></u>	<u><b>9,064</b></u>	<u><b>7,507</b></u>	<u><b>4,841</b></u>	<u><b>42,583</b></u>
At 31 March 2013	<u>303</u>	<u>37,352</u>	<u>2,844</u>	<u>9,403</u>	<u>4,874</u>	<u>4,841</u>	<u>59,617</u>

## 6 CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 2014

	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	-	17,877	-	-	-	17,877
Held-to-maturity securities	-	-	4,039	-	-	4,039
Structured deposit	8,667	-	-	-	-	8,667
Available-for-sale securities	-	-	-	21,120	-	21,120
Deposits and other receivables	-	2,142	-	-	-	2,142
Bank deposits	-	183,161	-	-	-	183,161
Cash at bank and in hand	-	4,514	-	-	-	4,514
Financial assets	<u>8,667</u>	<u>207,694</u>	<u>4,039</u>	<u>21,120</u>	<u>-</u>	<u>241,520</u>
Payables and accruals	-	-	-	-	51,321	51,321
Deposits received	-	-	-	-	154	154
Contract gratuities accrued	-	-	-	-	57,190	57,190
Financial liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,665</u>	<u>108,665</u>

### 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>



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## 7 OPERATING FUNDS ADVANCED TO MEMBERS

	2014	2013
Operating funds advanced for recurrent operating expenses	<u>17,877</u>	<u>17,795</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 2014 and 2013, 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 2014, the ceiling was \$405,623 (2013: \$391,907). Funds advanced in this respect have to be returned to the Commission when the Member concerned ceases office.

## 8 HELD-TO-MATURITY SECURITIES

	2014	2013
<b>Debt securities, at amortized cost</b>		
Listed in Hong Kong	-	5,003
Unlisted	<u>4,039</u>	<u>4,049</u>
<b>Total</b>	<u><u>4,039</u></u>	<u><u>9,052</u></u>
<b>Classified as:</b>		
Current assets	-	5,003
Non-current assets	<u>4,039</u>	<u>4,049</u>
<b>Total</b>	<u><u>4,039</u></u>	<u><u>9,052</u></u>

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**9 STRUCTURED DEPOSIT**

	<b>2014</b>	2013
<b>Unlisted structured deposits at fair value</b>		
with interest linked to the exchange rate between US dollars and Renminbi	<b>8,667</b>	8,347
<b>at amortized cost</b>		
with interest at London Interbank Offered Rate, subject to a floor and a ceiling	-	7,762
<b>Total</b>	<b>8,667</b>	16,109
<b>Classified as:</b>		
Current assets	<b>8,667</b>	7,762
Non-current assets	-	8,347
<b>Total</b>	<b>8,667</b>	16,109

**10 AVAILABLE-FOR-SALE SECURITIES**

	<b>2014</b>	2013
<b>Equity securities and ETFs, at fair value</b>		
Listed in Hong Kong	<b>21,120</b>	12,644

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**11 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	<b>2014</b>	2013
<b>Prepayments to</b>		
Members	-	18
Staff	-	4
Others	<b>1,326</b>	1,046
<b>Deposits</b>	<b>29</b>	27
<b>Receivable from</b>		
Government	<b>33</b>	2
Members	<b>98</b>	12
Staff	<b>621</b>	812
<b>Accrued interest</b>	<b>1,343</b>	2,043
<b>Other receivables</b>	<b>18</b>	51
<b>Total</b>	<b>3,468</b>	4,015

**12 CASH AND CASH EQUIVALENTS**

	<b>2014</b>	2013
Cash at bank and in hand	<b>4,514</b>	4,206
Bank deposits with original maturity within three months	<b>84,303</b>	21,957
<b>Total</b>	<b>88,817</b>	26,163

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### 13 PAYABLES AND ACCRUALS

	2014	2013
<b>Payable to</b>		
Government	<b>3,534</b>	4,846
Members	<b>1,144</b>	4,145
Staff		
- accrued emoluments and reimbursements	<b>1,494</b>	1,235
- accrued leave pay	<b>34,771</b>	33,440
Others	<b>10,378</b>	9,470
<b>Total</b>	<b>51,321</b>	53,136

### 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 2014 not provided for in the financial statements were as follows:

	2014	2013
Authorized but not yet contracted for	22,285	26,447
Authorized and contracted for	1,122	963
<b>Total</b>	<b>23,407</b>	<b>27,410</b>

## 17 FINANCIAL RISK MANAGEMENT

The Commission is exposed to credit and liquidity risks in its normal course of business. The Commission's exposure to these risks, as well as market risks, and the financial risk management policies and practices are described below.

### 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>2014</b>	2013
Operating funds advanced to Members	<b>17,877</b>	17,795
Held-to-maturity securities	<b>4,039</b>	9,052
Structured deposits	<b>8,667</b>	16,109
Deposits and other receivables	<b>2,142</b>	2,947
Bank deposits	<b>183,161</b>	150,904
Cash at bank	<b>4,490</b>	4,182
<b>Total</b>	<b><u>220,376</u></b>	<u>200,989</u>

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>2014</b>	2013
Held-to-maturity securities by credit rating		
Aa1 to Aa3 / AA+ to AA -	-	5,003
A1 to A3 / A+ to A-	<b>4,039</b>	4,049
<b>Total</b>	<b><u>4,039</u></b>	<u>9,052</u>

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 surplus 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 \$19.8 million (2013: \$48.4 million) were denominated in US dollars and \$116.4 million (2013: \$103.4 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 2014, 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 \$1.2 million (2013: \$1.0 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 2014, a 1% increase/decrease in the exchange rate of the US dollar against Renminbi would have no significant effect on the fair value of the structured deposit. Apart from that, as the Commission has the ability and intent to hold the structured deposit until its maturity, the currency risk actually hinges on the changes in the exchange rate between the Renminbi (being the currency of the structured deposit) and the HK dollar, the impact of which has already been accounted for in the preceding paragraph.

#### 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.



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The Commission's equity price risk is mainly concentrated on equity securities operating in the banking and utilities sectors 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 \$2.1 million (2013: \$1.3 million) as a result of the changes in fair value of available-for-sale securities.

## **18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

The fair value of financial instruments classified under Level 1 is based on the quoted market prices of these financial instruments at the balance sheet date, without any deduction for estimated future selling costs.

In the absence of such quoted prices, the fair value of the structured deposit classified under Level 2 is estimated by the issuer with reference to observable market data including interest rates, forward exchange rates and implied volatility. The fair value of other financial instruments classified under Level 2 is estimated using valuation techniques which maximize the use of observable data, including market yields of similar products.

### **18.1 Fair value of financial instruments carried at fair value on a recurring basis**

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

**2014**  
**Assets**

	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Structured deposit at fair value	-	<b>8,667</b>	<b>8,667</b>
Available-for-sale securities	<b>21,120</b>	-	<b>21,120</b>
	<b>21,120</b>	<b>8,667</b>	<b>29,787</b>

2013  
Assets

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

No financial assets or liabilities were classified under Level 3. There were no transfers between Level 1 and Level 2 during the reporting years.

**18.2 Fair value of financial instruments not carried at fair value on a recurring basis**

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

	<b>Carrying value</b>		<b>Fair value</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
Held-to-maturity securities	<b>4,039</b>	9,052	<b>4,328</b>	9,555
Structured deposit at amortized cost	-	7,762	-	7,806

As at 31 March 2014, the fair value of the held-to-maturity securities was classified under Level 2.

All other financial instruments were carried at amounts not materially different from their fair values as at 31 March 2014 and 2013.

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**19 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2014**

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 2014 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:

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 16, <i>Property, Plant and Equipment</i> – Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
Amendments to HKAS 36, <i>Impairment of Assets</i> – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
HKFRS 9, <i>Financial Instruments</i>	Unspecified

# 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, GBS, 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, GBS, JP

Hon Vincent FANG Kang, SBS, JP

Hon WONG Ting-kwong, SBS, JP

Hon Ronny TONG Ka-wah, SC

Hon Cyd HO Sau-lan

Hon IP Kwok-him, 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, GBS, 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



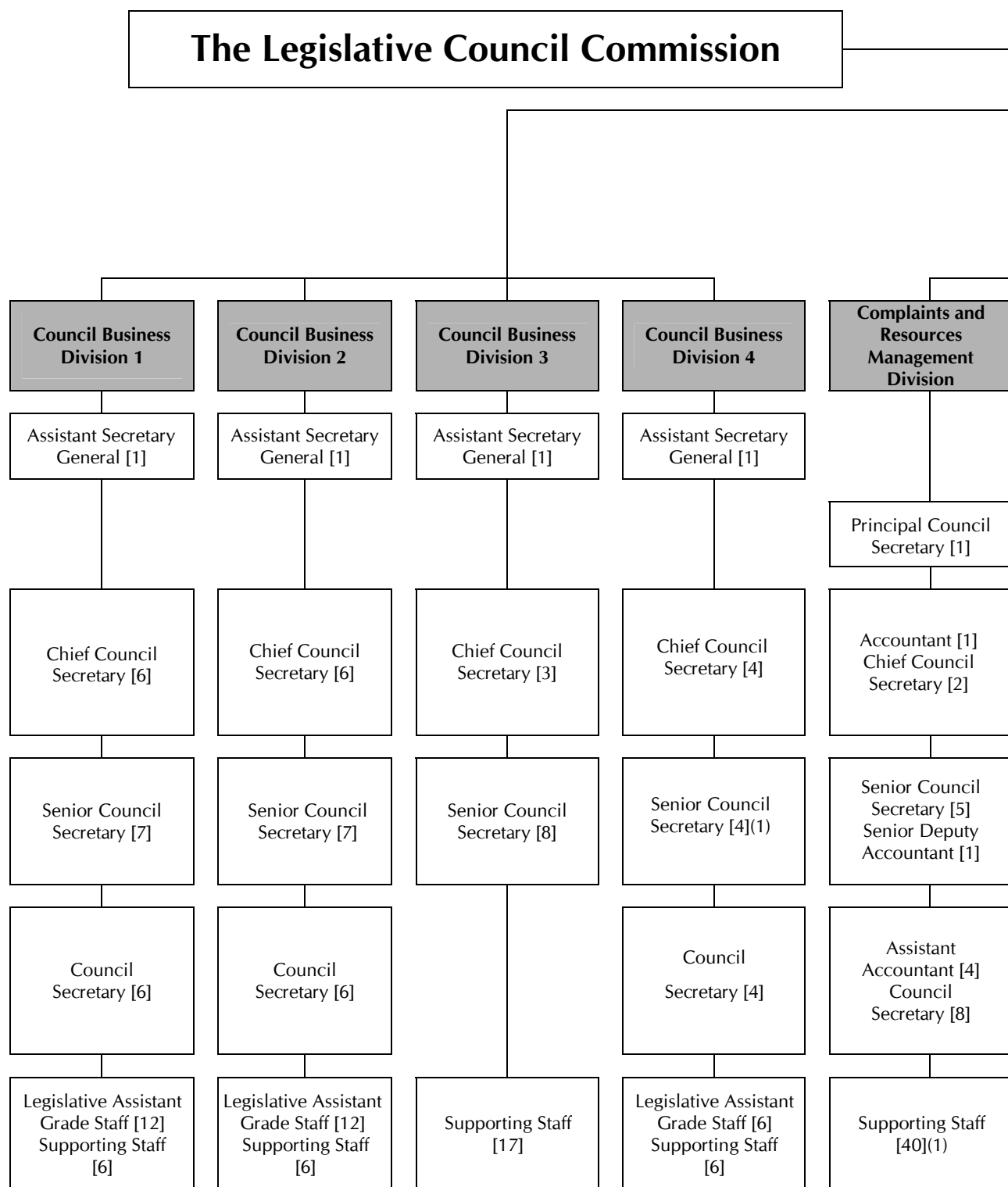
## Appendix 2

# Staff Establishment of the Legislative Council Secretariat

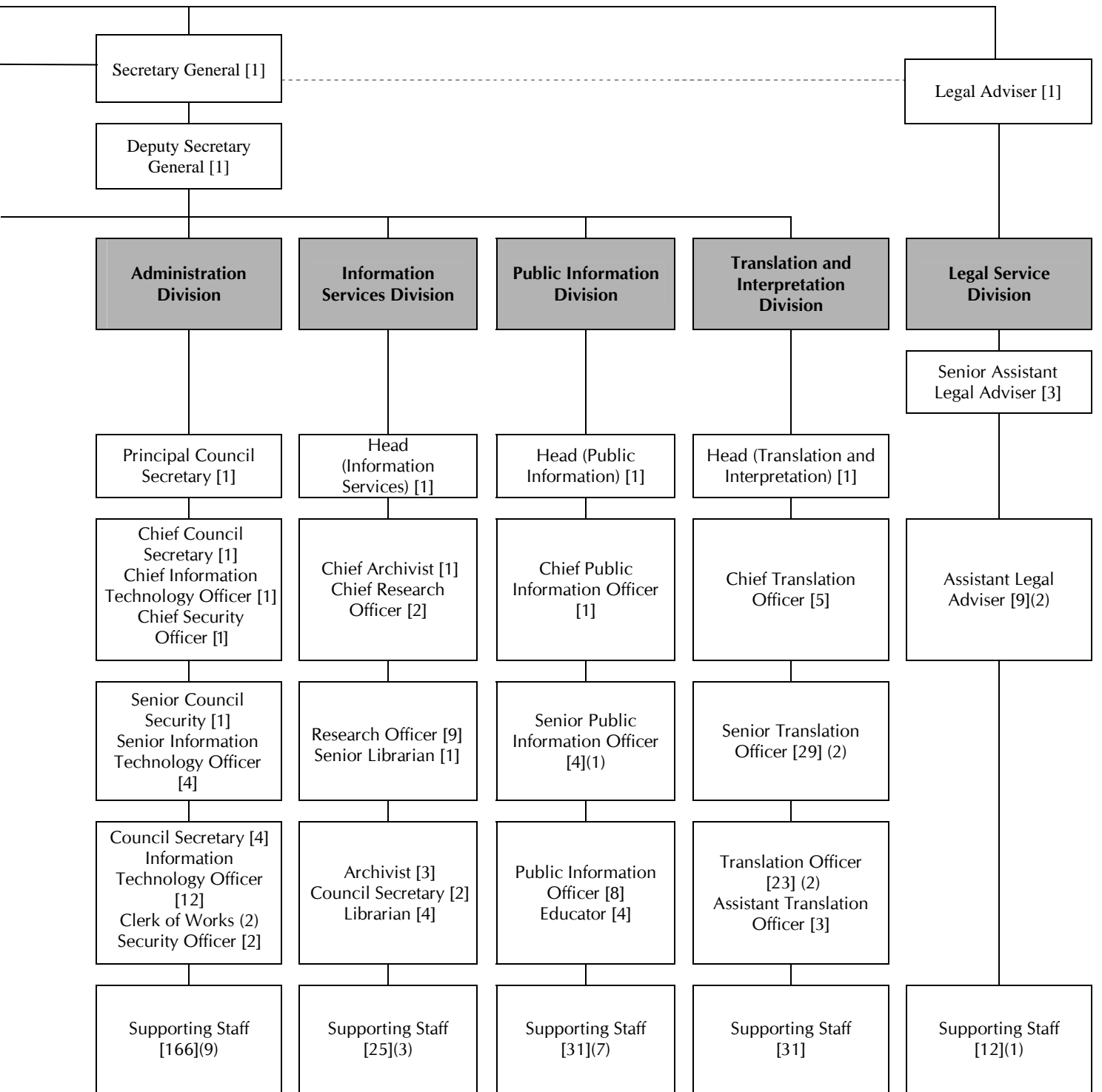
Permanent Post	As at 31.3.2014
Secretary General	1
Legal Adviser	1
Deputy Secretary General	1
Assistant Secretary General	4
Senior Assistant Legal Adviser	3
Head (Information Services)	1
Head (Public Information)	1
Head (Translation and Interpretation)	1
Principal Council Secretary	2
Accountant	1
Assistant Legal Adviser	9
Chief Archivist	1
Chief Council Secretary	22
Chief Information Technology Officer	1
Chief Public Information Officer	1
Chief Research Officer	2
Chief Translation Officer	5
Chief Security Officer	1
Research Officer	9
Senior Council Secretary	32
Senior Deputy Accountant	1
Senior Information Technology Officer	4
Senior Librarian	1
Senior Public Information Officer	4
Senior Translation Officer	29
Archivist	3
Assistant Accountant	4
Council Secretary	30
Information Technology Officer	12
Librarian	4
Public Information Officer	8
Translation Officer	23
Security Officer	2
Educator	4
Assistant Translation Officer	3
Senior Administrative Assistant	9
Senior Legislative Assistant	8
Senior Security Assistant	6
Accounting Clerk	8
Administrative Assistant I	31
Assistant Information Technology Officer	13
Senior Chinese Transcriber	2
Social Functions Assistant	1
Security Assistant I	34
Assistant Visitor Services Officer	9
Legislative Assistant	22
Administrative Assistant II	76
Chinese Transcriber	9
Personal Chauffeur	1
Security Assistant II	49
Steward	12
Chauffeur	1
Artisan	4
Motor Driver	1
Clerical Assistant	35
Visitor Assistant	13
Office Assistant	25
Workman I	1
<b>Total</b>	<b>601</b>

# Appendix 3

## Organization Structure of the Legislative Council Secretariat (as at 31.3.2014)



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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- Nomination and voting procedures governing presidential elections in selected places
- A comparison of incentive schemes offered to frequent users of railway services in selected cities
- Housing supply in Hong Kong
- Land supply in Hong Kong
- Subdivided flats in Hong Kong
- Long Term Housing Strategy
- Arrangements for the surrender of fugitive offenders between Hong Kong and the United States
- Display of objects by Members during sittings of selected overseas legislatures
- Quorum requirements, procedures and practices of selected legislatures
- Parliamentary staffing and services in selected overseas legislatures
- Mechanisms governing sponsored visits/travel in Hong Kong and selected overseas places
- Facilitation measures for the development of Islamic bond market in selected places
- Regulation of domestic helper employment agencies in selected places
- Public transport facilities and traffic control measures in Singapore
- Waste management policy in selected places
- Innovation and technology industry in selected places
- Competitiveness of the port of Hong Kong
- Offshore Renminbi Centre
- Food control measures after the Fukushima accident
- Measures to ease crowdedness of train compartments in overseas cities
- The 2014-2015 Budget

# Appendix 5

## Secretary General's Environmental Report for the Year 2013-2014

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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.

## 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 and bicycle</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 decreased by 11.8% from 11 538 423 KWh in 2012-2013 to 10 180 441 KWh in 2013-14</li> <li>• Consumption of paper decreased by 28.7% from 30 575 reams in 2012-2013 to 21 788 reams in 2013-2014</li> <li>• Collection of waste paper decreased by 26.5% from 64 878 kg in 2012-2013 to 47 681 kg in 2013-2014</li> </ul>	
<b>III. Targets for Year 2014-2015</b>	
<ul style="list-style-type: none"> <li>• Decrease electricity and paper consumption by not less than 10%, subject to the number of meetings remaining more or less the same as in 2013-2014</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 and rechargeable batteries 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>• Conduct annual carbon audit to monitor greenhouse gas emissions in the LegCo Complex</li> <li>• Clean air filters and outlets regularly</li> <li>• Launch Green Monday to serve green menus in Cafeteria and Coffee Corner</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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You Tube 頻道 YouTube Channel : [www.youtube.com/legcogovhk](http://www.youtube.com/legcogovhk)  
Flickr相片集 Flickr Album : [www.flickr.com/photos/hk\\_legislature](http://www.flickr.com/photos/hk_legislature)  
流動應用程式 Mobile App : [www.legco.gov.hk/chinese/mobile-app.html](http://www.legco.gov.hk/chinese/mobile-app.html)