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19 June 2003

Ms Miranda HON
Clerk
Public Accounts Committee
Legislative Council
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Dear Ms HON,

**The Director of Audit's Report on the
results of value for money audits (Report No. 40)**

**Chapter 5: Subvention for staff emoluments
of The Legislative Council Commission**

Thank you for your letter of 16 June 2003 seeking my comments on the letter of 14 June 2003 from the Secretary General of the Legislative Council Secretariat (LCS) providing additional information on the captioned chapter of the Audit Report.

**The Legislative Council Commission's expenditure
on select committees in the past three financial years**

I have no comments on the additional information provided by the Secretary General.

**Contract gratuities for the new posts
created during the period 1996-97 to 1998-99**

In paragraph (b) of the Secretary General's letter, he stated that the funding requests made by The Legislative Council Commission (the LCC) and agreed to by the Administration were not in respect of *posts* to be created but in respect of *services* to be provided or enhanced. I wish to point out that every year when the Star Chamber considered whether additional resources were to be allocated in respect of *services*, the amount of allocation was, in fact, determined with reference to the new *posts* to be created for the services. This is indicated:

- (a) in the letter dated 13 September 1996 (Appendix IA) and the fax dated
..... 20 September 1996 (Appendix IB) on the 1996 Resource Allocation
Exercise (for new posts to be created in 1997-98); and
- (b) in the letter dated 8 August 1997 (Appendix II) on the 1997 Resource
Allocation Exercise (for new posts to be created in 1998-99)

from the then Secretary for the Treasury to the Secretary General.

Although the funds finally provided for the LCC were not itemised for specific components, the amount of funds to be allocated was derived by adding together specific components, including cash allowance and 100% of contract gratuities for the new posts (see para. 4.19(c) of the Audit Report). As pointed out in paragraph 4.20(c) of the Audit Report, Audit observed that, notwithstanding that full funding for contract gratuities for the new posts had already been included in the normal funding, the LCS subsequently made a double request for the funding for 85% of contract gratuities per year for such posts.

A Chinese translation of this letter will be forwarded to you shortly.

Yours sincerely,



(Patrick K Y LEUNG)
for Director of Audit

****Note by Clerk, PAC: Appendices IA, IB and II not attached.***