CHAPTER 8

THE GOVERNMENT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION

GENERAL REVENUE ACCOUNT

GOVERNMENT SECRETARIAT

Civil Service Bureau

Administration of allowances in the civil service

Audit Commission
Hong Kong
11 October 1999
ADMINISTRATION OF ALLOWANCES IN THE CIVIL SERVICE

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ADMINISTRATION OF
ALLOWANCES IN THE CIVIL SERVICE

Summary and key findings

A. **Introduction.** In addition to their salaries, civil servants are compensated by a number of allowances for different reasons. The whole system of allowances is very complicated in terms of regulations, administrative arrangements and the nature of transactions. Audit has recently conducted a review of the administration of allowances in the civil service and found that there is room for improvement in a number of areas (paras. 1.1 and 1.3).

B. **Framework for the administration of allowances.** Many allowances were introduced a long time ago under circumstances which might have changed over time. However, the Civil Service Bureau (CSB) does not have a programme to review the various allowances on a regular basis so as to ensure that the continued existence of the allowances is still justified and that the eligibility criteria are appropriate. The Committee on Allowances (COA) serves as a forum between the CSB and the Finance Bureau (FB) to discuss matters related to allowances. Since 1980, the COA had not initiated any review of allowances (paras. 2.2 and 2.9).

C. **ICAC post allowance.** The Independent Commission Against Corruption (ICAC) post allowance was introduced on staff recruitment and retention grounds when the ICAC was set up in 1974. As the ICAC has not experienced any recruitment and retention difficulties since 1989-90, it is questionable whether the continued payment of the ICAC post allowance is justified (paras. 3.3 and 3.11).

D. **Home-to-office travelling allowance.** An officer may claim the home-to-office travelling allowance (HOTA) to partially reimburse his travelling expenses if his place of work is outside the urban area. The eligibility criteria have not kept pace with the rapid developments in the transport infrastructure linking up the urban area and the New Territories. Besides, anomalies also arise since the HOTA is only allowed under specified conditions. The no-claim limit set under the present method tends to be too low, resulting in higher HOTA payments. The Administration has not achieved the long-term objective of abolishing the HOTA set in 1975 (paras. 4.1, 4.9, 4.11, 4.15 and 4.18).

E. **Mileage allowance.** An officer authorised by his Head of Department to use his car for duty journeys may claim mileage allowance for duty journeys and home-to-office journeys. However, detailed guidelines on the conditions of using private cars for duty journeys have not been provided by the Secretary for the Civil Service. Audit notes that, in many instances, the use of private cars for duty journeys has been for convenience rather than by necessity. Furthermore, the rates of mileage
allowance include both running cost and fixed cost components which are not wholly and exclusively related to the duty journeys (paras. 5.1, 5.3, 5.11, 5.13 and 5.15).

F. **Furniture and domestic appliances allowance.** The furniture and domestic appliances allowance (FDAA) is a refund of rent to officers residing in quarters or drawing private tenancy allowance without the supply of furniture and domestic appliances. In 1981, the payment of the FDAA was extended to officers receiving assistance under the Home Purchase Scheme (HPS) even though they were not required to pay rent to the Government. These HPS beneficiaries are allowed to continue to draw the FDAA until they leave the service, even after they have received their full entitlement under the HPS. Since 1982, the FB had queried the payment of the FDAA to HPS beneficiaries. However, the CSB only agreed to discontinue the payment of the FDAA to officers joining the HPS on or after 1 October 1990 (paras. 6.2, 6.4 to 6.7 and 6.10).

G. **Dialect allowance.** The dialect allowance is paid to Chinese Language Officers, Police Translators and Court Interpreters for knowledge of various approved Chinese dialects regardless of the frequency of using the dialects in interpretation duties. Statistics indicate that the use of dialects by officers receiving dialect allowance is infrequent. Besides, the majority of officers receive dialect allowance because of their knowledge of Putonghua. With the Government’s declared aim to make the civil service biliterate and trilingual, there is a need to reconsider whether Putonghua should still be regarded as a dialect qualifying for an allowance (paras. 7.1, 7.4, 7.16, 7.18 and 7.19).

H. **Overtime allowance.** Overtime work may be compensated by the overtime allowance (OTA) for civilian officers or the Disciplined Services Overtime Allowance (DSOA) for officers in the disciplined services. In recent years, reviews on the overtime issue in selected departments were carried out by the ICAC and the CSB. In May 1998, the CSB issued a circular to remind departments that excessive or regular overtime should be discouraged and overtime work should be strictly limited and properly controlled. However, departments with significant expenditure on the OTA in earlier years still incurred significant OTA payments in 1997-98 and 1998-99. In some cases, the OTA was such a substantial and regular payment that officers might regard it as part of their take-home pay (paras. 8.1, 8.5 to 8.10 and 8.17).

I. **Acting allowance.** Acting appointments are administrative arrangements made at the discretion of the management. Audit estimated that in 1998-99, acting appointments with acting periods less than 30 days accounted for 69% of the number of appointments and 28% of the amount of acting allowance paid. According to the CSB, the making of acting appointments for temporary vacancies due to temporary absence of incumbents has become rather automatic in many departments/grades, and the need for making such acting appointments appears to be questionable. The CSB considered that the qualifying period should be sufficiently long to reflect that the acting officer has taken up substantial additional duties and responsibilities. However, since 1989, the CSB has not issued any guidelines to specify that acting appointments should only be approved on operational grounds (paras. 9.1, 9.11, 9.13 and 9.16).
J. **Audit recommendations.** Audit has made the following major recommendations:

— the Secretary for the Civil Service should:

(i) consider implementing a programme to review regularly the justifications for individual allowances at the policy level (first inset of para. 2.15);

(ii) in order to maintain a proper balance between keeping good staff relations and accountability for public expenditure on allowances, reconsider the weight that ought to be given to the importance of staff morale (third inset of para. 2.15); and

(iii) as a matter of principle, take immediate action to discontinue the payment of an allowance if it is no longer justified (fourth inset of para. 2.15);

— the Secretary for the Civil Service should, in conjunction with the Heads of Department concerned:

(i) review whether the payment of the ICAC post allowance should continue, and take expeditious action to cease the payment of the allowance if there are insufficient justifications for its continued payment (first and second insets of para. 3.15);

(ii) critically review the rationale for the provision of the HOTA having regard to the present changed circumstances and the long-term objective of abolishing the HOTA (first inset of para. 4.20);

(iii) revise the eligibility criteria and the level of the no-claim limit to eliminate the anomalies and excessive payments of the HOTA (second inset of para. 4.20);

(iv) critically review the need and the criteria for providing mileage allowance for duty journeys and consider abolishing the provision of the home-to-office mileage allowance as soon as possible (first and second insets of para. 5.17);

(v) review the current practice of paying the dialect allowance regardless of the frequency of using the dialects by the claimants of the allowance, and critically examine the justifications for including Putonghua as a dialect qualifying for an allowance (first and second insets of para. 7.22); and
(vi) regularly monitor the payment of the OTA and the DSOA by departments and take positive action to reduce regular and excessive overtime payments (third inset of para. 8.22);

— the Secretary for the Civil Service and the Secretary for the Treasury should:

(i) review the formula for determining the rates of mileage allowance to remove the existing over-generous incentive elements and to reimburse only the direct costs incurred in the use of private cars for duty journeys (para. 5.18);

(ii) re-examine the justifications for allowing HPS beneficiaries to draw the FDAA, particularly for those who have already received their full entitlement under the scheme, and take prompt action to cease payment of the FDAA to HPS beneficiaries if it is decided that they should no longer be eligible for the allowance (first and second insets of para. 6.12); and

(iii) take urgent action to ensure that acting appointments are made only when there are genuine operational needs, and promulgate guidelines requiring Policy Secretaries and Heads of Department to exercise due care in making acting appointments (para. 9.18); and

— the Secretary for the Treasury should:

(i) through her participation in the COA, take an active role in the administration of allowances and exercise tight financial control over allowances (para. 2.16); and

(ii) consider tightening up the budgetary control over the acting allowance by limiting the provision of funds for short-term acting appointments (second inset of para. 9.18).

K. **Response from the Administration.** The Administration agrees with most of the audit recommendations. The Secretary for the Civil Service has said that the audit report is timely as he is now taking a critical look at various benefits and allowances payable to civil servants in the context of the Civil Service Reform. He agrees that there is a need to review the continued payment of all allowances.
PART 1: INTRODUCTION

Background

1.1 In addition to their salaries, civil servants are compensated by a number of allowances for different reasons including:

— the provision of fringe benefits;

— the performance of overtime and additional duties;

— special skills required at work;

— expenses incurred during duty; and

— the special nature of duties.

Over the years, different types of allowance have been introduced to take into account the specific nature and circumstances of officers in different ranks and grades of the civil service. There are currently six broad categories of allowances. The whole system of allowances is very complicated in terms of regulations, administrative arrangements and the nature of transactions. The administration of the system of allowances has become an important function of the Civil Service Bureau (CSB). In 1998-99, the total expenditure on allowances was $7,584 million. An analysis of expenditure on allowances in 1998-99 is shown in Table 1 below.

Table 1

Analysis of expenditure on allowances in 1998-99

<table>
<thead>
<tr>
<th>Category</th>
<th>Expenditure ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reimbursement of expenses</td>
<td>226</td>
</tr>
<tr>
<td>Overtime and additional duties</td>
<td>1,595</td>
</tr>
<tr>
<td>Job-related allowances</td>
<td>905</td>
</tr>
<tr>
<td>Housing and housing related benefits</td>
<td>3,618</td>
</tr>
<tr>
<td>Education and passage allowances</td>
<td>680</td>
</tr>
<tr>
<td>Allowances for the disciplined services</td>
<td>560</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,584</strong></td>
</tr>
</tbody>
</table>

*Source: Treasury’s records and Audit’s analysis*
According to the mechanism for the determination of their rates, job-related allowances (e.g. extraneous duties allowances and hardship allowances) can be classified as "standard" and "non-standard" allowances. The rates of standard job-related allowances are expressed as a percentage of Point 1 of the Master Pay Scale (MPS). Non-standard job-related allowances encompass all those allowances, the rates of which are otherwise determined.

1.2 The eligibility criteria and regulations for allowances are determined by the Secretary for the Civil Service in conjunction with the Secretary for the Treasury and Heads of Department concerned, and are laid down in the Civil Service Regulations (CSRs) and CSB circulars.

Audit objectives and scope

1.3 Audit has recently conducted a review of the administration of allowances in the civil service. The review covers the framework for the administration of allowances and a number of selected allowances based on considerations of risk assessment, materiality and value for money. The audit review indicates that there is room for improvement in a number of areas. Allowances mentioned in recently issued audit reports (Note 1) have been excluded from this audit review.

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Note 1: Examples of allowances mentioned in recently issued audit reports are **housing benefits** (paragraphs 1.1 to 1.57 of the Director of Audit’s Report No. 25, paragraphs 4.1 to 4.58 of the Director of Audit’s Report No. 26 and Chapter 1 of the Director of Audit’s Report No. 28) and **passage allowances** (Chapter 1 of the Director of Audit’s Report No. 27).
PART 2: FRAMEWORK FOR THE ADMINISTRATION OF ALLOWANCES

The roles of the CSB and Heads of Department

2.1 The CSB is responsible for the overall administration of allowances. Heads of Department are responsible for approving the payment of job-related allowances to individual officers. Heads of Department are also required to carry out regular reviews, at intervals of not more than two years, to confirm that payment of the allowances is still justified.

The Committee on Allowances

2.2 The Committee on Allowances (COA) was set up in August 1977 and took over the functions of the former Standing Committee on Allowances for Government Officers. The COA is chaired by the Secretary for the Civil Service and includes representatives of the CSB and the Finance Bureau (FB). It serves as a forum between the two bureaux to discuss matters related to allowances. Its main terms of reference, as stipulated in CSR 660, are “to keep under regular review the incidence and rates of the allowances covered by Chapter IV of CSRs and of such other allowances as may be referred to it by the Government Secretariat”. Before 1980, the COA held regular meetings to review various allowances. In 1980, the COA decided that it should only consider questions of policy on allowances. Thereafter, the COA had not initiated any review of allowances. Regular formal meetings have been replaced by exchange of correspondence between the CSB and the FB.

The role of advisory bodies

2.3 The Standing Commission on Civil Service Salaries and Conditions of Service (Standing Commission) advises the Chief Executive on matters related to the administration of allowances. Since 1981-82, the Standing Commission has conducted a fringe benefit survey on the private sector annually, and has also performed reviews on allowances from time to time. In particular, the Standing Commission performed two major reviews on the overall system of job-related allowances in 1986 and 1991. The Standing Committee on Disciplined Services Salaries and Conditions of Service (Standing Committee) advises the Chief Executive on matters related to the disciplined services staff. The Standing Committee also conducted a review on the job-related allowances for the disciplined services in 1991.

Arrangement for modifying the terms and conditions of service

2.4 According to the agreement made in 1968 between the Government and the main staff associations, the Government undertakes not to make any “considerable change” to conditions of service which affects a substantial part of the civil service as a whole, or of the members of one or more of the main staff associations without prior consultation with the appropriate associations. Such consultation shall take place through the Senior Civil Service Council, which consists of members appointed by the Chief Secretary for Administration and the main staff associations. The main staff associations comprise the Hong Kong Chinese Civil Servants’ Association, the Association of Expatriate Civil Servants of Hong Kong and the Senior Non-Expatriate Officers’ Association.
2.5 The 1968 Agreement also provides for a mechanism for appointing an independent Committee of Inquiry under specified circumstances if there are no prospects of reaching an agreement after consultation.

Policy on the revision of allowances

2.6 An allowance which constitutes a fringe benefit is regarded as part of the terms and conditions of employment laid down in the memorandum on conditions of service, which is issued with every letter of appointment. The memorandum states that the Government reserves the right to alter any of the officers’ terms of appointment or conditions of service should the Government at any time consider it necessary. However, under the CSB’s established practice of “non-deprivation of existing benefits”, serving officers are allowed the options of retaining the existing benefits and of receiving new benefits. The Administration considers that this arrangement is important in helping to maintain the stability of the civil service. A recent example of the application of the “non-deprivation of existing benefits” is the cessation of the furniture and domestic appliances allowance (FDAA). The cessation is only applicable to new recruits to the civil service who were appointed on or after 1 May 1999 (see paragraph 6.8 below). Civil servants appointed before that date can continue to receive the allowance.

2.7 On the other hand, allowances paid to civil servants to compensate them for aspects of work which are not normally expected of their grades or ranks do not constitute a fringe benefit. The policy of the CSB is that such allowances should be discontinued when the requirement for the extra aspects of work no longer exists.

2.8 In its Report No. 34 dated January 1998, the Standing Commission expressed strong reservations about the practice of “non-deprivation of existing benefits” as it did not accord with the prevailing practice in the private sector, where existing arrangements were normally superseded by new ones. The Standing Commission noted that this was the main reason for the more generous fringe benefit packages provided to civil servants. The Standing Commission expressed its concern that the Administration’s practice of “non-deprivation of existing benefits” would restrict the Standing Commission in giving its advice on the modernisation of civil service remuneration.

Audit observations

2.9 Given the substantial expenditure involved, a sound framework is required to ensure that value for money is obtained in the administration of allowances. Many allowances were introduced a long time ago under circumstances which might have changed over time. The justifications and terms of payment of individual allowances should be subject to regular reviews. **In this regard, Audit notes that the CSB does not have a programme to review the various allowances on a regular basis so as to ensure that the continued existence of the allowances is still justified and that the eligibility criteria are appropriate.** The CSB only performs policy reviews of allowances on an ad hoc basis. There is no assurance that policy reviews of allowances are conducted on a timely basis and that all allowances are reviewed systematically over a period of time.

2.10 Although a system is in place for reviews to be undertaken at the operational level by Heads of Department, they are not in the best position to review whether an allowance is justified at the policy level. A case in point is the Independent Commission Against Corruption (ICAC) post allowance. Although its staffing position has greatly improved, the ICAC has not initiated action to
examine whether the justifications for the ICAC post allowance are still valid (see paragraphs 3.7 to 3.11 below).

2.11 Staff objections or anticipation of staff objections have hindered the process of altering or withdrawing some allowances. For example, while the CSB noted that the ICAC post allowance was outdated, it decided to let the allowance “die a natural death”, instead of withdrawing it immediately. As a result, the Government incurred substantial nugatory expenditure (see paragraphs 3.12 to 3.14 below).

2.12 The CSB does not define clearly how the Administration can modify the terms of payment of particular allowances or withdraw the payment of such allowances. For allowances regarded as part of the conditions of service, the CSB’s practice was that any changes should not apply to serving officers on grounds of staff morale and stability. Audit appreciates that under the 1968 Agreement with the main staff associations, staff consultation is important before making any change to the conditions of service. However, Audit notes that it is stated in the memorandum on conditions of service that the Government has the right to modify the terms of appointment and conditions of service. Furthermore, the Standing Commission has reservations about the established practice of “non-deprivation of existing benefits” (see paragraph 2.8 above). Audit shares the views of the Standing Commission.

2.13 The COA could have provided an appropriate forum for the FB to monitor the administration of allowances jointly with the CSB. However, since 1980, the function of the COA in respect of reviews of allowances has been reduced and the role of the FB on monitoring the expenditure on allowances has also diminished.

2.14 In Audit’s view, more in-depth reviews should be conducted at the policy level to ensure that the continued payment of allowances is justified. Audit considers that while staff morale is important, it should also be weighed against accountability for public money spent.

Audit recommendations

2.15 Audit has recommended that the Secretary for the Civil Service should:

— consider implementing a programme to review regularly the justifications for individual allowances at the policy level;

— consider defining the responsibilities and strengthening the role of the COA in reviewing allowances;

— in order to maintain a proper balance between keeping good staff relations and accountability for public expenditure on allowances, reconsider the weight that ought to be given to the importance of staff morale; and
— as a matter of principle, take immediate action to discontinue the payment of an allowance if it is no longer justified.

2.16 Audit has also recommended that the Secretary for the Treasury should, through her participation in the COA, take an active role in the administration of allowances and exercise tight financial control over allowances.

Response from the Administration

2.17 The Secretary for the Civil Service has said that:

— the audit report is timely as he is now taking a critical look at various benefits and allowances payable to civil servants in the context of the Civil Service Reform. He agrees that there is a need to review the continued payment of all allowances;

— fringe benefits, though may be provided in the form of allowances, are offered to eligible officers as part of their terms of appointment. Other allowances are mostly payable to civil servants to compensate them for those extra aspects of work which are not normally expected of the particular grade or rank and which have not been reflected in the normal pay scales, or to compensate them for expenses incurred while on duty;

— he notes the criticism of the policy that serving officers should not be affected when withdrawing benefits. Notwithstanding the legal constraints which he would face if he was to pursue such a course, he also feels strongly that, as a matter of principle, he should not act arbitrarily in his dealings with staff. Being a good employer, he does not think it appropriate to withdraw existing benefits from serving civil servants. However, he does want to assure Audit that it has always been the CSB’s practice to update terms and conditions of service in line with changing circumstances. In doing so, the CSB continues to strive to maintain a balance between maintenance of staff morale and accountability for public expenditure;

— he acknowledges that more action should be taken to review various allowances. As a first step, he has asked the Standing Commission and the Standing Committee to review the job-related allowances for non-disciplined services staff and disciplined services staff respectively. The reviews are expected to be completed in mid-2000; and

— he agrees that there should be a system to monitor and review various allowances. This issue will be addressed in the reviews by the Standing Commission and Standing Committee. He also agrees that as a matter of principle, if an allowance is no longer justified, action should be taken to withdraw it provided that this can be achieved in a reasonable manner.

2.18 The Secretary for the Treasury has said that she welcomes this audit review which is most timely. The Financial Secretary, in his 1999 Budget Speech, said that the Government needed to critically examine the justifications for various allowances paid to civil servants against
present-day circumstances and practices in the private sector and elsewhere. She will support the Secretary for the Civil Service in taking forward the changes as needed. She has also said that:

— there has been no lack of a forum for the CSB and the FB to discuss the issues relating to allowances. There is a standing CSB/FB Liaison Group which meets regularly to discuss issues of mutual concern. The Liaison Group is co-chaired by the Secretary for the Civil Service and her and comprises senior officers from the two bureaux. Over the past few years, the Liaison Group has discussed and reviewed various allowances. She has no strong view on whether the regular review recommended in the audit report should take place in the COA or the existing forum. She can assure that the FB will continue to play an active role;

— to instil a greater sense of effective management and public accountability, she has over the years devolved resource management responsibility to Bureau Secretaries and Controlling Officers. As long as the provision sought by bureaux and departments is within the acceptable level and subsequently approved by the Legislative Council, she does not consider it appropriate for the FB to scrutinise provision for individual allowances proposed by departments. After all, the FB is too removed from the departmental operations to judge what is the appropriate level of expenditure on individual items within the overall budget of the department. Any budgetary control or tightening up by the FB in the Estimates process over individual items of expenditure would run the risk of being arbitrary; and

— she can see useful FB input in the following aspects:

(i) continue to monitor the overall expenditure on certain allowances across the civil service as a whole and draw the attention of the CSB and relevant bureaux to areas of concern;

(ii) assist the CSB in reviewing the justifications for the allowances, the eligibility criteria and the rates of payment as appropriate, to ensure optimum use of public resources;

(iii) remind Controlling Officers that they should only seek a level of financial provision under the subheads on allowances in the draft Estimates that is absolutely essential; and

(iv) create an enabling environment for Controlling Officers to effectively manage their expenditure on allowances, for example, by allowing for redeployment between subheads as necessary or for counting towards gains under the Enhanced Productivity Programme.
PART 3: ICAC POST ALLOWANCE

Background

3.1 The ICAC post allowance is payable to officers working in the ICAC at the rates shown in Table 2 below.

Table 2

Rates of ICAC post allowance

<table>
<thead>
<tr>
<th>Officers on ICAC Pay Scale (Point)</th>
<th>Officers on MPS (Point)</th>
<th>Monthly allowance ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>—</td>
<td>1 — 6 (and Model Scale 1)</td>
<td>200</td>
</tr>
<tr>
<td>1 — 9</td>
<td>7 — 15</td>
<td>400</td>
</tr>
<tr>
<td>10 — 37</td>
<td>16 — 44</td>
<td>700</td>
</tr>
<tr>
<td>38 — 40</td>
<td>—</td>
<td>1,000</td>
</tr>
</tbody>
</table>

Source: Treasury’s records

Senior officers on the Directorate Pay Scale or equivalent are not eligible for the ICAC post allowance.

3.2 Payment of the allowance is stipulated in the letters offering appointment to the ICAC. In 1998-99, the total expenditure on the ICAC post allowance was about $8.7 million.

Origin and justification

3.3 The ICAC post allowance was introduced when the ICAC was set up in 1974. It was intended to give an additional financial incentive to attract people to join the new, somewhat isolated, and developing ICAC where the work was unlikely to be popular and could at times be unpleasant and arduous. The Commissioner, Independent Commission Against Corruption considered that few people of the right calibre would volunteer their services for the ICAC unless an incentive by way of a post allowance was paid to attract and, more importantly, to retain them.

3.4 The ICAC post allowance attracted adverse comments from many civil servants, especially from the Hong Kong Police Force (Police Force). It was argued that since the allowance was paid on staff recruitment and retention grounds, it should be abolished when and if the ICAC no longer had recruitment and retention difficulties.
Reviews of ICAC post allowance

3.5 Since its introduction in 1974, three reviews have been conducted on the ICAC post allowance. In 1979, the Standing Commission was invited to review the pay and conditions of service of ICAC officers. In its Report No. 3 published in June 1980, the Standing Commission concluded that:

— there was still a need to retain the ICAC post allowance as an additional financial incentive to attract and retain staff; and

— the then prevailing level of allowance was considered adequate for the purpose.

3.6 In 1989, the Administration examined the ICAC post allowance in the context of the review of the pay scale of the ICAC relative to comparable ranks in the Police Force, and concluded that the ICAC post allowance should remain unchanged.

3.7 In November 1992, a CSB internal review identified the ICAC post allowance as an "outdated civil service benefit" that should be reviewed and rationalised. The CSB’s review found that, for the period 1989-90 to 1991-92, the ICAC had no recruitment and retention difficulties. Therefore, the justification for retaining the allowance was not strong. However, the CSB decided not to withdraw the ICAC post allowance on the following grounds:

— as the allowance had been granted since the ICAC was set up, the staff considered it as part of their take-home pay. It would be very difficult to convince the staff that it was not justifiable to continue paying them the allowance;

— the feeling and opposition of the staff would be very strong. Very good reasons had to be shown for withdrawing the allowance; and

— over the years, the value of the allowance had declined. The impact of the allowance on government resources was diminishing.

3.8 The CSB considered that withdrawing the allowance would damage staff relation considerably and might also entail legal challenge. It was likely that the staff and management of the ICAC would put up a fight against the proposal. It was concluded that though the Administration had a good reason to cease payment of this allowance, whether it was acceptable to the staff was a separate matter for serious consideration. It was therefore decided to continue paying the allowance with its real value eroded and let it "die a natural death". However, there were no indications that the CSB had consulted the staff or the management of the ICAC during the review.
3.9 Since 1992, no review has been conducted on the justification for or the rates of the ICAC post allowance. There were also no indications or representations from the CSB or the ICAC that there were recruitment and retention difficulties in the ICAC. The current rates of the ICAC post allowance are the same as those of 1974 when the allowance was first introduced (see paragraph 3.1 above).

Audit observations

3.10 Audit found that, for the years from 1993 to 1998, the vacancy rate and wastage rate of the ICAC were consistently below 5% and 7% respectively. In recent years, ICAC’s recruitment exercises had received good response. In 1996, the ICAC recruited 76 Assistant Investigators from over 1,800 applicants. In 1997, 66 Assistant Investigators were selected from over 2,100 applicants. Appendix A shows that the wastage rate of ICAC officers steadily improved from 11% in 1989 to 5.1% in 1998.

3.11 Based on the findings of the CSB’s review (see paragraph 3.7 above) and Audit’s review mentioned above, since 1989-90 the ICAC has not experienced recruitment and retention difficulties. Therefore, it is questionable whether the continued payment of the ICAC post allowance is justified.

3.12 Audit notes that the rates of the ICAC post allowance have not been revised for nearly 25 years. However, the salary scales were revised upwards during the same period. As a result, the real value of the ICAC post allowance has been eroded considerably. A comparison of the rates of the ICAC post allowance with the eligible officers’ salaries is shown in Table 3 below.

<table>
<thead>
<tr>
<th>Amount of allowance ($</th>
<th>1973-74 (%)</th>
<th>1998-99 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>200</td>
<td>30.8%</td>
<td>2.0%</td>
</tr>
<tr>
<td>400</td>
<td>30.4%</td>
<td>2.2%</td>
</tr>
<tr>
<td>700</td>
<td>21.1%</td>
<td>1.5%</td>
</tr>
<tr>
<td>1,000</td>
<td>14.9%</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

Source: Audit’s computations

As can be seen from Table 3 above, in 1998-99, the value of the allowance is very small relative to an ICAC officer’s basic salary. Therefore, it is doubtful whether the allowance still serves its original purpose as a financial incentive.
On the other hand, the total amount of the ICAC post allowance paid is not insignificant. The annual expenditure on the allowance from 1993-94 to 1998-99 is shown in Table 4 below.

### Table 4

**Expenditure on ICAC post allowance**

1993-94 to 1998-99

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual expenditure ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993-94</td>
<td>7.4</td>
</tr>
<tr>
<td>1994-95</td>
<td>7.7</td>
</tr>
<tr>
<td>1995-96</td>
<td>7.8</td>
</tr>
<tr>
<td>1996-97</td>
<td>8.2</td>
</tr>
<tr>
<td>1997-98</td>
<td>8.3</td>
</tr>
<tr>
<td>1998-99</td>
<td>8.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>48.1</strong></td>
</tr>
</tbody>
</table>

*Source: Treasury’s records*

In Audit’s view, had immediate action been taken after the CSB’s review in 1992 to discontinue the payment of the ICAC post allowance from 1993-94 onwards, up to 1998-99, a total saving of about $48 million would have been achieved.

**Audit recommendations**

Audit has recommended that the Secretary for the Civil Service should:

- in consultation with the Commissioner, Independent Commission Against Corruption, review whether the payment of the ICAC post allowance should continue, having regard to its original objective of attracting and retaining staff and the present staffing position of the ICAC; and

- take expeditious action to cease the payment of the ICAC post allowance if there are insufficient justifications for its continued payment.
Response from the Administration

3.16 The Secretary for the Civil Service has said that he has invited the Standing Committee to conduct a review on job-related allowances for disciplined services staff. The review will cover the ICAC post allowance.

3.17 The Commissioner, Independent Commission Against Corruption has said that:

— the considerations for the introduction of the ICAC post allowance in 1974 are still relevant today. While there is now public acceptance of the ICAC, its work nature is unlikely to be popular and is at times unpleasant and arduous. ICAC officers often find themselves unsociable and kept at arm’s length by officers in various government departments as well as by people in the private sector. As officers employed under agreement terms, they have less job security than civil servants who are employed under pensionable terms. In addition, ICAC officers are subject to very stringent discipline and control;

— while its real value has been eroded over the years, the allowance is still a financial incentive for junior staff. Having been paid since the establishment of the ICAC, the allowance has assumed a symbolic significance. It is a recognition by the Government of the unique contribution of ICAC officers in eradicating corruption in Hong Kong;

— any attempt to abolish the ICAC post allowance would damage staff morale. There are already staff concerns over the reduction of contract gratuity payment to cover the employer’s contribution under the Mandatory Provident Fund Scheme when their contracts are renewed. At this uncertain time when the Government is introducing a series of civil service reform measures, it is anticipated that there will be strong staff resistance if the allowance were abolished; and

— some staff may also see the proposed abolition of the ICAC post allowance as an erosion of their conditions of service, and this could be subject to legal challenge.
PART 4: HOME-TO-OFFICE TRAVELLING ALLOWANCE

Origin and eligibility criteria

4.1 Under the CSRs, an officer may claim a home-to-office travelling allowance (HOTA) to partially reimburse his travelling expenses if his place of work is outside the urban area (i.e. in the New Territories). The amount of reimbursement is limited to those travelling expenses of the cheapest route in excess of a no-claim limit. The limit is regularly revised having regard to the prevailing gazetted fares of the franchised bus companies in the territory. It was set at $10.8 for a return journey and $5.4 for a single journey for the period 1 July 1998 to 30 June 1999. On 1 July 1999, the no-claim limit was revised to $11.4 for a return journey and $5.7 for a single journey. In 1998-99, the Government’s expenditure on the HOTA was $67 million.

4.2 The HOTA was first introduced in 1959 when the New Territories was a remote area. At that time, travelling to and within the New Territories was not easy and many places were inaccessible by public transport. Postings to the New Territories were unpopular to officers due to the long distance and inconvenience. The HOTA was, therefore, introduced to compensate officers working in the New Territories for the inconvenience of going to work in remote and far away areas, and for the additional travelling expenses.

Reviews of the HOTA

4.3 Since its introduction, the HOTA had been reviewed several times by the Administration in view of the changing circumstances.

The 1975 review

4.4 In May 1975, the Administration carried out the first review of the HOTA. A working party was formed to recommend measures to economise on the payment of the HOTA. With the rapid expansion of public transport in the New Territories, the working party considered that the distinction between the urban area and the New Territories was becoming less realistic. A proposal to abolish the HOTA was put forward. However, the working party recognised that the officers concerned were naturally likely to oppose the abolition of the allowance which they had long enjoyed and treated as part of their regular monthly income. The staff associations and government departments concerned were unlikely to support such a move.

4.5 In its report of October 1975, the working party concluded that on balance it could not recommend the abolition of the HOTA at that stage. However, it recommended that the long-term objective should be to abolish the allowance. In December 1975, the then Standing Committee on Allowances for Government Officers endorsed the long-term objective of abolishing the HOTA.

The 1979 to 1985 review

4.6 In 1979, another working party was formed to examine the HOTA and to recommend changes where appropriate. The working party completed the review in August 1983 and submitted its report to the CSB. In May 1984, the CSB concluded that:
— there remained a case for compensating the staff who had to travel to work in the New Territories;

— the criteria needed to be tightened, principally to restrict payment of the HOTA to those officers working in the “outer” New Territories; and

— on the basis that working in the urban area was the norm, there was no case for subsidising travel costs from the New Territories to the urban area unless staff were required to live in the New Territories.

4.7 The CSB considered that it would be unrealistic to abolish the HOTA immediately. As a first step to move towards the long-term objective of abolishing the allowance, the no-claim limit should be raised to a more realistic level. In September 1984, the CSB proposed to peg the no-claim limit to the average of all bus fares in the urban area, and to revise the boundary applicable to the allowance such that officers who worked in Tsuen Wan, Kwai Chung and Sha Tin would not be eligible to claim the HOTA. However, there was adverse reaction from the staff side on the revision of the boundary. The proposal was withdrawn in November 1984, although the staff side accepted that the no-claim limit should be subject to regular reviews taking into account the prevailing bus fares. In January 1985, the CSB concluded that the scheme of the HOTA and its eligibility criteria would be retained.

The 1992 review

4.8 In January 1992, the CSB reviewed the HOTA and explored the possibility of changing the reimbursement criteria. Information on the expenditure pattern and the likely staff reaction was collected from six departments (i.e. the Fire Services Department, the Regional Services Department, the Department of Health, the Agriculture and Fisheries Department, the Hospital Services Department and the Police Force). The proposal to redefine areas for claiming reimbursement (i.e. excluding Tsuen Wan, Kwai Chung and Sha Tin from the eligibility boundary of the allowance) was put forward again. However, in anticipation of strong staff reaction, in August 1992, the CSB decided that this proposal should be shelved and put in reserve as a bargain for future improvement in civil service benefits which the staff side might request.

Audit observations

Changes in circumstances giving rise to the HOTA

4.9 Audit notes that the eligibility criteria of the HOTA have remained unchanged since its introduction in 1959 but significant developments have taken place. There are rapid developments in the transport infrastructure through the construction of tunnels, highways and modernised mass transit rail systems. Most parts of the territory are now linked by a well-developed transport network. The improvement of the transport system has facilitated the development of New Towns in the New Territories and the shifting of the population from the urban area to the New Territories. By 1998, nearly half of the population was residing in the New Territories. The shift in geographical distribution of the population from 1966 to 1998 is shown in Figure 1 below.
4.10 The urbanisation of the New Territories and improvement of the transport infrastructure have integrated the urban area with many parts of the New Territories. Nowadays travelling to and within many parts of the New Territories is as convenient, in terms of time and cost, as travelling in the urban area. It is, therefore, no longer appropriate to adopt a broadbrush approach in which the entire New Territories is regarded as outside the urban area. Many parts of the New Territories (e.g. Tsuen Wan, Kwai Chung and Sha Tin) should be excluded for the purpose of claiming the HOTA.

4.11 In Audit’s view, the HOTA has become outdated. Anomalies may also arise in that the payment of the HOTA is only allowed for officers travelling to work in the New Territories. For example, an officer who lives in Wan Chai and works in Sha Tin is eligible for the HOTA, whereas another officer who lives in Sha Tin and works in Wan Chai is not. Yet both of them incur the same amount of daily travelling expenses. Another anomaly is that, if an officer living in Sheung Shui takes the Kowloon-Canton Railway for commuting to his office in Sha Tin, he may claim the HOTA. However, if his office is in Mong Kok, he cannot claim the HOTA despite the additional travelling time and expenses.
Audit examination of the claims for the HOTA

4.12 An audit examination of a random sample of 100 claims for the HOTA in June 1999 revealed that about 40% of the HOTA was paid to officers whose places of work were in areas well served by public transport. Some typical examples are:

— New Towns along the mass transit railway lines such as Kwai Chung, Tsuen Wan, Sheung Shui, Sha Tin and Tai Po; and

— New Towns well served by the highways such as Tseung Kwan O and Ma On Shan.

4.13 Audit considers that the payment of the HOTA is no longer justified for many of the home-to-office journeys to the above locations. Audit estimates that the Government’s annual expenditure on the HOTA would be reduced by about $27 million (i.e. 40% of $67 million in 1998-99) if these journeys were excluded for the purpose of claiming the HOTA.

Determination of the no-claim limit

4.14 At present, the no-claim limit is determined by averaging the gazetted bus fares of 182 urban routes and 29 cross-harbour routes. The no-claim limit thus determined is in fact the average travelling expenses within the urban area.

4.15 In Audit’s view, it is not appropriate to use the average travelling expenses for setting the no-claim limit. The reason for providing the HOTA is to reimburse an officer that part of his travelling expenses which is considered excessive and unreasonable for the officer to bear. It follows that the no-claim limit should be set at a level above which travelling expenses are considered excessive and unreasonable, rather than at a level representing the average bus fare. The no-claim limit set under the present method tends to be too low, resulting in higher HOTA payments. For example, in deriving the no-claim limit of $10.8 for a return journey applicable for the period 1 July 1998 to 30 June 1999, the bus fares used ranged from $4.6 to $22. It seems that the no-claim limit of $10.8 was too low as many working people had to pay more than that amount for their daily home-to-office journeys.

4.16 Furthermore, many working people travel across the harbour to go to work by the Mass Transit Railway (MTR) or by bus. It costs $18 to $26 per day for two MTR journeys across the harbour, and $14.6 to $21.2 per day for two journeys by cross-harbour buses. For those people living in the New Territories and travelling to work in the Hong Kong Island, they will incur even higher travelling expenses. The working population will not find daily travelling expenses in the range of $20 to $30 unreasonably high as many people are in fact paying at or above this level. They would regard this as an acceptable level of travelling expenses.
4.17 In Audit’s view, it would not be unreasonable to set a higher no-claim limit, say $25 (average of $20 and $30) instead of $10.8 per return journey. Had this been done, Audit estimated that the HOTA would have been reduced by $41 million for 1998-99 alone. Details of Audit’s computations are at Appendix B.

Reviews of the HOTA

4.18 The Administration was aware of the need to review the HOTA as early as 1975 and had set the long-term objective of moving towards its abolition. Reaction of the staff side was the major obstacle to revising the terms of the HOTA. The Administration has tolerated the anomalies of the HOTA and has not been able to convince the staff side of the need for revamping the HOTA.

4.19 Audit noted that, in December 1997, the CSB commenced a new round of review of the HOTA. In January 1998, questionnaires were sent to various government departments to survey the home-to-office travelling expenses incurred by staff. In August 1999, the CSB issued a consultation document on the proposed changes to the HOTA. Audit considers that there is a need to expedite action on the review and rectify the anomalies of the HOTA in order to eliminate unnecessary payments at an early date.

Audit recommendations

4.20 Audit has recommended that the Secretary for the Civil Service should:

— critically review the rationale for the provision of the HOTA having regard to the present changed circumstances and the long-term objective of abolishing the HOTA;

— revise the eligibility criteria and the level of the no-claim limit to eliminate the anomalies and excessive payments of the HOTA; and

— finalise the review of the HOTA at an early date, taking into account the audit observations.

Response from the Administration

4.21 The Secretary for the Civil Service has said that:

— he notes the examples of anomalies on the HOTA highlighted in the audit report. It is apparent that improvements in transport networks within and to the New Territories are
sufficient reason to change the present system. This is precisely what he intends to do as a result of his current review of the HOTA;

— Audit’s sample of 100 claims represents only 0.56% of the 18,000 claims processed monthly and therefore cannot be taken to be indicative of the overall journey patterns. The total reimbursement of $67 million annually includes a significant element of travels in the small hours at a much higher cost than daytime journeys to and from duty places at town centres in the New Territories. The opening of the new airport in July 1998 which was followed by a significant increase in HOTA claims makes any major reduction in the total expenditure unlikely (Note 2). In any case he is finalising his review of the HOTA, which should result in substantial savings;

— he acknowledges that, had the no-claim limit been raised to a higher level, savings in HOTA payments would have been achieved. Whilst he has not been successful in raising the limit to a higher level, he has kept to the principle that only the cheapest public transport routes are allowed for reimbursement. This has helped in containing the amount of expenditure; and

— he agrees that the existing rationale for the provision of the HOTA should be reviewed and he has obtained detailed information on the home-to-office travel patterns for this purpose. He is consulting staff and the necessary advisory bodies with a view to introducing at an early date a new system which will meet the operational requirements of departments and the needs of staff.

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**Note 2:** Audit notes that there are many government offices located in the New Towns (e.g., Sha Tin and Tsuen Wan) and many officers working in these offices are claiming the HOTA. The audit sample, though involving only a small portion of the claims for the HOTA, serves to illustrate that the modification of the existing arrangements could result in substantial savings. The audit results, which took into account the need for reimbursing travelling expenses incurred in the small hours, revealed that about 40% of the HOTA payments were in respect of journeys in places and at times well served by public transport (see paragraph 4.12 above).
PART 5: MILEAGE ALLOWANCE

Origin and rationale

5.1 According to the CSRs, officers are eligible, under stipulated conditions, to claim mileage allowance for the use of their private motor vehicles for duty journeys and home-to-office journeys. The duty mileage allowance was introduced in the 1940s, based on the principle that an officer should be reimbursed the actual expenditure incurred in using his private motor vehicle for duty journeys. When the HOTA was introduced in 1959 (see paragraph 4.2 above), officers working in the New Territories were allowed, as a concession, to claim the home-to-office mileage allowance instead of the HOTA, on the condition that they used their private motor vehicles for official duty after arrival at the office.

5.2 For duty journeys, the CSRs stipulate that the order of priority of the modes of transport should be:

- public transport (except taxis);
- private motor vehicles (Note 3);
- departmental transport;
- pool transport provided by the Government Land Transport Agency; and
- taxis.

5.3 In normal circumstances, an officer should travel by public transport (except taxis) for duty journeys. The use of private car is allowed when the officer has been authorised by his Head of Department to use his car on duty. In order of priority, the use of private car follows the use of public transport (except taxis) because it is considered that paying the duty mileage allowance is more economical to the Government than using departmental transport, pool transport or taxis. Indeed, to reduce the pressure on departmental transport and pool transport, incentive elements have been added to the mileage allowance in the CSRs to attract officers to use private cars for duty journeys.

5.4 One of the incentives is to allow an officer working in the New Territories to claim the home-to-office mileage allowance instead of the HOTA, provided that “the officer uses his car for duty journeys on the same day”. Where an officer has used his car for official duty on more than 13 days in a calendar month, he may claim the home-to-office mileage allowance for all working days in that month.

Note 3: Motor vehicles include both motor cars and motor cycles. The rates of mileage allowance for motor cars and motor cycles are different. However, motor cycles are rarely used in claiming mileage allowance and have been excluded from this review.
In order to encourage officers to use private cars for duty journeys, another incentive is incorporated into the formula for determining the rates of mileage allowance to ensure that the rates are set at an attractive level (i.e. officers are allowed to claim more than the direct running costs incurred by them in using their private cars for duty journeys). Details are given in paragraphs 5.6 and 5.7 below.

**Determination of the rates of mileage allowance**

The formula for determining the rates of mileage allowance was set in the 1960s and had been revised over the years. The present formula, determined in July 1990, includes a set of cost components for both the running costs and fixed costs of a vehicle. The rates of mileage allowance are revised regularly in line with fluctuations in the prices of the cost components. The current rates of mileage allowance are $3.44 per kilometre for duty journey and $2.44 per kilometre for home-to-office journey. Table 5 below shows the composition of the cost components of mileage allowance.

<table>
<thead>
<tr>
<th>Cost components</th>
<th>Duty ($/kilometre)</th>
<th>Home-to-office ($/kilometre)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>0.69</td>
<td>0.53</td>
</tr>
<tr>
<td>Licence fee</td>
<td>0.18</td>
<td>—</td>
</tr>
<tr>
<td>Insurance premium</td>
<td>0.66</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total fixed costs</strong></td>
<td><strong>1.53</strong></td>
<td><strong>0.53</strong></td>
</tr>
<tr>
<td><strong>Running costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuel</td>
<td>0.96</td>
<td>0.96</td>
</tr>
<tr>
<td>Maintenance items (Note 1)</td>
<td>0.95</td>
<td>0.95</td>
</tr>
<tr>
<td><strong>Total running costs</strong></td>
<td><strong>1.91</strong></td>
<td><strong>1.91</strong></td>
</tr>
<tr>
<td><strong>Rates of mileage allowance</strong></td>
<td><strong>3.44 (Note 2)</strong></td>
<td><strong>2.44</strong></td>
</tr>
</tbody>
</table>

*Source: CSB’s records and Audit’s computations*

*Note 1: Maintenance items comprise repairs and maintenance (82%), tyres (11%), greasing (4%) and lubricating oil (3%).*

*Note 2: The basic rate of duty mileage is applicable for claims of mileage allowance on the first 4,800 kilometres in a financial year. For claims beyond the first 4,800 kilometres, a reduced rate at 80% of the basic rate will apply.*
5.7 For both duty and home-to-office journeys, bridge and tunnel tolls are reimbursable provided that the most direct and economical route is used. Parking fees incurred on duty journeys are also reimbursable.

Analysis of expenditure on mileage allowance

5.8 In 1998-99, the Government spent $62.36 million on mileage allowance. For duty mileage, $47.46 million was paid to 4,971 officers with an average payment of $9,547. For home-to-office mileage, $14.9 million was paid to 1,568 officers with an average payment of $9,503. Appendix C gives a breakdown of the expenditure on mileage allowance by department in 1998-99.

Audit observations

Need to economise on travelling expenses

5.9 Table 6 below is a detailed analysis of the Government’s expenditure on travelling expenses in 1998-99.

Table 6

Analysis of the Government’s expenditure on travelling expenses for duty and home-to-office journeys in 1998-99

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Mileage allowance</th>
<th>Reimbursement of travelling expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Duty journeys</td>
<td>Home-to-office journeys (i.e. HOTA)</td>
</tr>
<tr>
<td></td>
<td>($ million)</td>
<td>($ million)</td>
</tr>
<tr>
<td>Mileage allowance</td>
<td>47.46</td>
<td>14.90</td>
</tr>
<tr>
<td>Reimbursement</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>47.46</td>
<td>14.90</td>
</tr>
</tbody>
</table>

Comprising:

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Duty journeys</th>
<th>Home-to-office journeys</th>
<th>Duty journeys by public transport</th>
<th>Duty journeys by taxi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duty journeys</td>
<td>47.46</td>
<td>—</td>
<td>8.20</td>
<td>1.79</td>
</tr>
<tr>
<td>Home-to-office journeys</td>
<td>—</td>
<td>14.90</td>
<td>67.01</td>
<td>—</td>
</tr>
</tbody>
</table>

Number of officers 4,971 1,568 31,699 N.A. N.A. N.A.
Average per officer $9,547 $9,503 $2,114 N.A. N.A. N.A.

Source: Treasury’s records and Audit’s computations
5.10  In 1998-99, the Government spent $139.36 million on travelling expenses for duty and home-to-office journeys. For duty journeys, $47.46 million out of $57.45 million (or 83%) was incurred on duty mileage allowance involving the use of private cars. Only $9.99 million (or 17%) was spent on duty journeys using public transport. In Audit’s view, there is a need to make more use of public transport for duty journeys.

Need to use private cars for duty journeys

5.11  Although it is stipulated in the CSRs that mass public transport should be given top priority as the method of conveyance for duty journeys, Heads of Department have been given the discretion to approve officers to use private cars for duty journeys. The conditions of using private cars instead of public transport are not clearly spelt out in the CSRs and the Secretary for the Civil Service does not provide detailed guidelines in this respect. Audit considers that private cars should only be used for duty journeys when mass public transport is not available or its use is not feasible, and that detailed guidelines should be issued to ensure that the use of private cars for duty journeys is due to necessity rather than for convenience.

5.12  Audit scrutinised a number of claim forms for duty mileage allowance and found that many duty journeys involved trips to areas that were well served by public transport. For trips to remote areas, Audit noted that the journeys could have been made by taking mass public transport (e.g. the MTR and the Kowloon-Canton Railway) to the nearest transport interchange and then taking taxis to the destination. This would have been more economical than paying the duty mileage allowance for the whole trip. Audit has reservations about the argument, which has been put up to justify the payment of duty mileage allowance (see paragraph 5.3 above), that the use of private cars is more economical than using departmental transport, pool transport or taxis. In Audit’s view, the option of using more frequently public transport and/or taxis has not been given due consideration.

The Government’s traffic management policy

5.13  It is part of the Government’s overall traffic management policy to restrain the growth in the number or use of private cars. Moreover, the public transport network in Hong Kong has achieved significant development in the last two decades and now extends to nearly all areas in the territory. As such, Audit considers that the use of private cars for duty journeys in many instances is for convenience rather than by necessity. The use of private cars for duty journeys is therefore uneconomical and inconsistent with the Government’s traffic management policy. There is a need for the Government to restrict the use of private cars by officers for duty journeys to only those cases in which travelling by public transport is not possible.
Need to provide home-to-office mileage allowance

5.14 The mileage allowance for home-to-office journeys is given as an incentive for officers working in the New Territories to use private cars for duty journeys. In 1998-99, the expenditure for this incentive was $14.9 million for 1,568 officers, with an average payment of $9,503 (this was about the same as the amount of average duty mileage allowance of $9,547 per officer—see Table 6 above). As a result, the Government had in fact paid mileage allowance for both the duty journeys and home-to-office journeys for the 1,568 officers working in the New Territories. In Audit’s view, it is not necessary nowadays to provide an incentive to officers to use private cars for duty journeys because public transport is both available and convenient in many parts of the New Territories.

Determination of the rates of mileage allowance

5.15 As shown in Table 5 above, the cost components for determining the rates of mileage allowance include both running costs and fixed costs. In Audit’s view, the direct cost incurred by an officer in using his car for duty journeys is the fuel cost. Costs on maintenance items are indirect running costs which are not wholly and exclusively related to the duty journeys. Moreover, to a car owner, all the items of fixed cost (i.e. depreciation of the capital cost of the car, licence fee and insurance premium) are unavoidable. Audit considers that the Government is over-generous in reimbursing an officer more than the direct cost incurred by him in using his private car for duty journeys. In effect, the Government is indirectly subsidising car ownership of the officers concerned.

5.16 Audit considers that the rates of mileage allowance should be reduced to remove the incentive element and to reimburse only the direct cost incurred by an officer. Audit estimated that, if the rates of mileage allowance were reduced by excluding all the elements of fixed cost, the annual savings would be $23.08 million. If the rates were further reduced by excluding all running costs except the fuel cost, the estimated annual savings would be $42.61 million. Details are shown in Table 7 below.
Table 7
Calculation of the estimated savings from the reduction of the existing mileage rate

<table>
<thead>
<tr>
<th></th>
<th>Duty mileage</th>
<th></th>
<th>Home-to-office mileage</th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rate</td>
<td>Expenditure</td>
<td>Rate</td>
<td>Expenditure</td>
<td>($ million)</td>
</tr>
<tr>
<td></td>
<td>($/kilometre)</td>
<td>($ million)</td>
<td>($/kilometre)</td>
<td>($ million)</td>
<td>($ million)</td>
</tr>
<tr>
<td>(A) Actual expenditure under existing rates</td>
<td>3.44</td>
<td>47.46</td>
<td>2.44</td>
<td>14.89</td>
<td></td>
</tr>
<tr>
<td>Estimated expenditure using a reduced rate which only reimburses running costs</td>
<td>1.91</td>
<td>27.61</td>
<td>1.91</td>
<td>11.66</td>
<td></td>
</tr>
<tr>
<td><strong>Estimated saving</strong></td>
<td><strong>19.85</strong></td>
<td><strong>3.23</strong></td>
<td></td>
<td><strong>23.08</strong></td>
<td></td>
</tr>
<tr>
<td>(B) Actual expenditure under existing rates</td>
<td>3.44</td>
<td>47.46</td>
<td>2.44</td>
<td>14.89</td>
<td></td>
</tr>
<tr>
<td>Estimated expenditure using a reduced rate which only reimburses fuel cost</td>
<td>0.96</td>
<td>13.88</td>
<td>0.96</td>
<td>5.86</td>
<td></td>
</tr>
<tr>
<td><strong>Estimated saving</strong></td>
<td><strong>33.58</strong></td>
<td><strong>9.03</strong></td>
<td></td>
<td><strong>42.61</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Treasury’s records and Audit’s computations

Note: The calculation of the estimated saving for duty mileage has taken into account the reduced rate, at 80% of $3.44 per kilometre, for claims beyond the first 4,800 kilometres in a financial year.
Audit recommendations

5.17 Audit has recommended that the Secretary for the Civil Service should:

— critically review the need and the criteria for providing mileage allowance for duty journeys having regard to the availability of public transport and the Government’s traffic management policy;

— consider abolishing the provision of the home-to-office mileage allowance as soon as possible; and

— issue guidelines, including the criteria for approval, to ensure that the mileage allowance is only provided for duty journeys where the use of public transport is not possible.

5.18 Audit has also recommended that the Secretary for the Civil Service and the Secretary for the Treasury should review the formula for determining the rates of mileage allowance to remove the existing over-generous incentive elements and to reimburse only the direct costs incurred in the use of private cars for duty journeys.

Response from the Administration

5.19 The Secretary for the Civil Service has said that:

(a) it has never been the Government’s policy intention to deliberately provide incentives to encourage the use of private cars for duty journeys. The only objective is to provide fair recompense for officers who are required to use their private cars for duty purposes. Departments are required to satisfy themselves that the claims are justified and that alternative modes of transport are not feasible. Where duty journeys are required, the use of the officer’s private car does help contain public expenditure on government vehicles and drivers. This is a significant factor;

(b) there are genuine operational reasons to use private cars for duty purposes (e.g. crime investigation and site inspection at remote locations). The use of public transport may not be a suitable substitute;

(c) he notes Audit’s view that more consideration should be given to using a combination of mass public transport and taxis. However, under the existing CSRs, it has been clearly stated that Controlling Officers should ensure that their staff use the most appropriate
method of conveyance for duty journeys having regard to the efficient and economical conduct of business;

(d) the existing CSRs stipulate the priority use of public transport for duty journeys whenever suitable. He will remind Controlling Officers to exercise better control over the use of private cars for duty journeys;

(e) the fixed cost components are included only to provide an equitable level of subsidy to cover the use of private cars for duty purposes. The depreciation factor is to reflect wear and tear with increased utilisation and the insurance factor for probability of accidents with the additional journeys made; and

(f) he agrees that the provision of duty mileage and the formula for determining the rates of allowance should be reviewed. The review will be carried out as soon as possible. He will also consider whether the provision of home-to-office mileage allowance should be abolished. He will include this in his review of home-to-office travelling expenses referred to in the fourth inset of paragraph 4.21 above.

5.20 The Government Land Transport Administrator has said that, in addition to the availability of public transport, operational efficiency and availability of existing departmental transport are relevant considerations when the Secretary for the Civil Service issues guidelines and criteria for approval of duty mileage allowance.

5.21 The Secretary for the Treasury has said that she will support the Secretary for the Civil Service in taking forward the changes as needed (see also paragraph 2.18 above).
PART 6: FURNITURE AND DOMESTIC APPLIANCES ALLOWANCE

Background

6.1 The Government provides a range of housing benefits to eligible officers, including quarters and allowances for acquisition of accommodation. For those cases where officers have to pay rent to the Government in respect of the housing benefits provided to them (e.g. private tenancy allowance (PTA), non-departmental quarters or departmental quarters), the CSRs state that the Government is obliged to provide the officers concerned with a set of furniture and domestic appliances. If no furniture and domestic appliances are supplied, these officers will be granted an FDAA in lieu. As at 31 December 1998, 10,343 officers were receiving the FDAA. In 1998-99, payments of the FDAA amounted to $14.7 million.

Origin of the FDAA

6.2 The origin of the FDAA dated back to the 1950s. In 1955, the Government determined that the rent paid by officers for their quarters included charges for the quarters, and the furniture and refrigerators inside it. Therefore, officers who were provided with quarters were also entitled to the provision of furniture and domestic appliances by the Government. In those days, if an officer chose not to draw any furniture item, his monthly rent would be reduced by $25. If no refrigerator was supplied, his monthly rent would be reduced by another $5. In 1960, the rent reduction was transformed into an allowance of $30 a month (i.e. $25 for furniture and $5 for domestic appliances). The rates of the allowance were subsequently revised to $100 ($80 for furniture and $20 for domestic appliances) in 1981 and $150 ($100 for furniture and $50 for domestic appliances) in 1987. Based on its origin, the FDAA is essentially a refund of rent from the Government to the staff for not providing them with furniture and domestic appliances.

Regulations for the payment of FDAA before October 1990

6.3 The eligibility criteria for the FDAA are set out in the CSRs. Before October 1990, in accordance with the then CSRs, the Government provided:

— furniture and domestic appliances, or the FDAA in lieu, to all overseas officers, and to all local officers on the old MPS (Note 4) Point 48 and above, whether or not they were occupying quarters and were paying rent to the Government;

Note 4: As a result of the 1989 Salary Structure Review by the Standing Commission, a new MPS was introduced on 1 October 1989. For the purpose of this report, the pay scale prior to 1 October 1989 is referred to as “the old MPS” and “MPS” refers to the pay scale introduced since 1 October 1989.
— the FDAA to all local officers on the old MPS Points 38-47, whether or not they were occupying quarters and were paying rent to the Government; and

— the FDAA to local officers on the old MPS Points 21-37 provided that they were occupying quarters and paying rent to the Government.

Extension of FDAA to officers under the Home Purchase Scheme

6.4 In November 1981, the Government introduced the Home Purchase Scheme (HPS) with the objectives of encouraging home ownership among civil servants and reducing the Government’s long-term commitment for providing heavily subsidised housing for senior staff. The HPS provides for the payment of a monthly Home Purchase Allowance (HPA), geared to different salary points and for a maximum period of ten years, to assist officers with the repayment of mortgage loans from financial institutions for the purchase of residential property. According to the terms and conditions of the HPS, officers receiving assistance under the HPS were not required to pay rent to the Government. However, provided that such officers were on the old MPS Point 38 (or equivalent) and above, they would be eligible for the FDAA.

6.5 Since 1982, the FB had queried the CSB whether HPS beneficiaries should be eligible for the FDAA. The FB’s view was that the FDAA was in effect a refund of rent and hence HPS beneficiaries, who were housed in their own accommodation and did not pay any rent, should not be eligible for the FDAA. However, the CSB held the view that:

— the FDAA was part of the conditions of service which could not be withdrawn from the serving officers unless they were willing to forego such benefits; and

— an overseas officer, or a local officer on the old MPS Point 38 or above, was eligible for the PTA or the House Allowance as a condition of service. In both cases, the officer was also eligible for the FDAA. It followed that what determined an officer’s entitlement to the FDAA was not whether he was paying rent, but rather whether he had reached the eligibility point for the PTA or the House Allowance.

6.6 The FB maintained the view that:

— as officers drawing the HPA were not occupying quarters nor paying any rent to the Government, they were not eligible to draw items of furniture and domestic appliances. As such, these officers should not be entitled to the FDAA; and

— the FDAA was a compensation to officers who paid rent to the Government for their accommodation, either in the form of quarters or private tenancies. Since the rent paid
by officers included an element of furniture and domestic appliances, such an allowance should only be paid to the officer if he did not draw any items of furniture and domestic appliances from the Government.

Amendments to the CSRs

6.7 In February 1988, the CSB finally agreed to FB’s proposal to abolish the FDAA for future HPS beneficiaries. In September 1990, the CSB announced via a circular that officers who commenced to receive the HPA on or after 1 October 1990 were not eligible for the FDAA. However, officers who had been receiving the HPA before 1 October 1990 would continue to receive the FDAA until they left the service, irrespective of whether they were receiving concurrently the HPA (which is only payable for a maximum period of ten years).

Recent development

6.8 In April 1999, the CSB Circular Memorandum No. 11/99 announced that the FDAA should cease to be payable to new recruits appointed on or after 1 May 1999. In that circular memorandum, the CSB also stated that the provision of the FDAA was largely out of step with present-day circumstances and that the original reasons for the provision of the FDAA were no longer valid.

Audit observations

6.9 Audit considers that, given its background, the FDAA is in essence a partial refund of rent from the Government to officers for not providing them with furniture and domestic appliances. However, Audit noted that for a long period since the introduction of the FDAA in the 1950s to September 1990, the allowance had been paid to overseas officers and local officers on and above the old MPS Point 38, irrespective of whether or not they had paid rent to the Government. **Bearing in mind that the original objective of paying the FDAA was to refund part of the rent paid for not supplying an officer with government furniture and domestic appliances, the CSB’s practice was questionable and could result in payment of the FDAA which was at variance with the original intention.** Before the introduction of the HPS in November 1981, all officers who received housing benefits (e.g. quarters and PTA) had to pay rent. At that time, anomalous payment of the FDAA would only occur in rare cases in which the officers concerned did not occupy quarters or draw PTA.

6.10 With the implementation of the HPS from November 1981, which enabled officers to acquire their own homes, Audit considers that the CSB should have taken action to ensure that the FDAA was not paid to HPS beneficiaries because they were not required to pay rent. Unfortunately, it took more than eight years before the CSB effected changes to the CSRs to withdraw the FDAA from HPS beneficiaries. Moreover, the withdrawal of FDAA applies only to officers joining the HPS on or after 1 October 1990. **Officers joining the HPS before that date are allowed to continue to draw the FDAA until they leave the service, even after they have received their full entitlements of the HPA for ten years. In effect, they are paid the FDAA**
even when they have ceased to receive any housing benefits. Audit noted that, as at 31 December 1998, there were 2,347 HPS beneficiaries drawing the FDAA, of whom 2,052 had already received their full entitlement under the HPS.

6.11 In Audit’s view, it is important that officers should not continue to obtain benefits which are at variance with the original intention. In this connection, Audit estimates that, had the HPS beneficiaries been disallowed to draw the FDAA, over $68 million of the FDAA payment for the period from the commencement of the HPS in November 1981 to 31 March 1999 would have been avoided. Audit estimated that the annual expenditure on the FDAA, based on 2,347 HPS beneficiaries as at 31 December 1998, was $4.2 million a year. There is an urgent need for the CSB to take necessary action to stop further payments.

Audit recommendations

6.12 Audit has recommended that the Secretary for the Civil Service and the Secretary for the Treasury should:

— re-examine the justifications for allowing HPS beneficiaries to draw the FDAA, particularly for those who have already received their full entitlement under the HPS; and

— take prompt action to cease payment of the FDAA to HPS beneficiaries if it is decided that they should no longer be eligible for the allowance.

Response from the Administration

6.13 The Secretary for the Civil Service has said that:

— in the late 1980s, based on the then legal advice, there was concern that withdrawal of the eligibility of serving officers for the FDAA would pose problems on the contractual rights in their terms of employment. Hence, it was decided that restriction of the FDAA should only be imposed on those who joined the HPS on or after 1 October 1990; and

— he agrees that the justifications for allowing HPS beneficiaries to draw the FDAA should be re-examined. He intends to phase out or limit the provision of the FDAA to serving officers and he is considering a number of options, including ceasing payment of the allowance to HPS beneficiaries.

6.14 The Secretary for the Treasury has said that she will support the Secretary for the Civil Service in taking forward the changes as needed (see also paragraph 2.18 above).
PART 7: DIALECT ALLOWANCE

Background

7.1 The dialect allowance is a job-related allowance. CSR 705 states that a monthly allowance will be paid to officers in the grades of Chinese Language Officers (CLOs), Police Translators (PTRs – formerly Police Interpreters) and Court Interpreters (CIs):

— for knowledge of an approved Chinese dialect (excluding Cantonese) after they have passed an examination for this purpose; and

— provided that they are engaged wholly or partly in interpretation duties.

The approved dialects, as listed in CSR 706(1), are Amoy, Chiu Chow, Foo Chow, Hakka, Hainan, Hoklo, Putonghua, Shanghai and Toishan.

7.2 In June 1999, the number of claimants of the dialect allowance for each of the dialects is shown in Table 8 below.

Table 8

<table>
<thead>
<tr>
<th>Dialect</th>
<th>CLO</th>
<th>PTR</th>
<th>CI</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amoy</td>
<td>6</td>
<td>3</td>
<td>6</td>
<td>15</td>
<td>3%</td>
</tr>
<tr>
<td>Chiu Chow</td>
<td>16</td>
<td>21</td>
<td>24</td>
<td>61</td>
<td>12%</td>
</tr>
<tr>
<td>Foo Chow</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>5</td>
<td>1%</td>
</tr>
<tr>
<td>Hainan</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>6</td>
<td>1%</td>
</tr>
<tr>
<td>Hakka</td>
<td>7</td>
<td>16</td>
<td>8</td>
<td>31</td>
<td>6%</td>
</tr>
<tr>
<td>Hoklo</td>
<td>-</td>
<td>1</td>
<td>4</td>
<td>5</td>
<td>1%</td>
</tr>
<tr>
<td>Putonghua</td>
<td>57</td>
<td>171</td>
<td>121</td>
<td>349</td>
<td>68%</td>
</tr>
<tr>
<td>Shanghai</td>
<td>6</td>
<td>9</td>
<td>8</td>
<td>23</td>
<td>4%</td>
</tr>
<tr>
<td>Toishan</td>
<td>8</td>
<td>7</td>
<td>4</td>
<td>19</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>103</strong></td>
<td><strong>231</strong></td>
<td><strong>180</strong></td>
<td><strong>514</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Records of the Official Languages Agency, the Police Force and the Judiciary
The rate of the allowance, fixed at 10.5% of MPS Point 1 per dialect per month, is $906. In 1998-99, the annual expenditure on dialect allowance was $5.7 million.

7.3 For the three grades eligible for the dialect allowance (i.e. CLO, PTR and CI), knowledge of these dialects is not an appointment requirement. For individual officers, possession of dialect skills is either through family ties or language training. In either case, acquisition of the dialect skill is voluntary. Interpretation duties using dialects are performed incidentally.

7.4 Although CSR 705 requires that the recipients of dialect allowance be engaged wholly or partly in interpretation duties, there is no specific requirement governing the frequency or duration that the dialect must be used within a given period. Hence, the dialect allowance is paid monthly regardless of the frequency of using the dialect in interpretation duties.

Reviews of the dialect allowance

1981 CSB review

7.5 In a Finance Committee (FC) paper dated 25 March 1981, the Administration stated that eligibility for the dialect allowance should be restricted to officers “actively engaged” in interpretation work. In this connection, in April 1981, the FB requested the CSB to conduct a survey on various government departments to ascertain whether the dialect allowance was being rightly paid to officers “actively engaged” in interpretation work. The results of the survey indicated that 37% of the responding departments were unable to confirm whether the officers were actively engaged in interpretation work or not because they had doubts on the meaning of the term “actively engaged”. The CSB concluded that the additional criterion of “actively engaged” was difficult to apply and therefore decided not to change the eligibility criteria for the dialect allowance.

Standing Commission’s review of all job-related allowances

7.6 In 1983 to 1986, the Standing Commission conducted a comprehensive study of all job-related allowances. In its Report No. 15 issued in February 1986, the Standing Commission recommended a number of general principles on job-related allowances. The following two principles were relevant to the dialect allowance:

- job-related allowances should not be paid unless extra duties took up a substantial part of an officer’s time; and
- job-related allowances should not be paid simply for acquisition or possession of skills. There was a need to consider how often an officer was called upon to use the skill.

1985 CSB special review

7.7 In 1985, as a special exercise, the CSB conducted a review on the dialect allowance to ensure that it had been properly applied. The review found that 69% of the claimants did not perform any interpretation work using the dialect for which an allowance was paid. Table 9 below
summarises the information collected by the CSB on the use of dialects in interpretation work in February 1985.

### Table 9

<table>
<thead>
<tr>
<th></th>
<th>Claimants not using dialects</th>
<th>Claimants using dialects for less than 5 hours</th>
<th>Claimants using dialects for 5 hours or more</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(number)  (%)</td>
<td>(number)  (%)</td>
<td>(number)  (%)</td>
<td>(number)  (%)</td>
</tr>
<tr>
<td>CLO</td>
<td>125  75%</td>
<td>29  18%</td>
<td>12  7%</td>
<td>166  100%</td>
</tr>
<tr>
<td>PTR</td>
<td>91  84%</td>
<td>17  16%</td>
<td>—</td>
<td>108  100%</td>
</tr>
<tr>
<td>CI</td>
<td>69  49%</td>
<td>39  27%</td>
<td>34  24%</td>
<td>142  100%</td>
</tr>
<tr>
<td>Total</td>
<td>285  69%</td>
<td>85  20%</td>
<td>46  11%</td>
<td>416  100%</td>
</tr>
</tbody>
</table>

Source: CSB’s records

Based on the above results, the CSB considered that there was a need to rationalise the ambit of the dialect allowance. The CSB came up with the following preliminary views:

— the dialect allowance should not be paid unless the dialect concerned was actually used and the actual usage should be evidenced by either a qualifying period or certification by a Head of Department; and

— there should be a system of periodic re-testing of dialect skills to ensure that the claimants of the dialect allowance were at all times competent in the dialect.

7.8 Views were sought on the above from the Bureau Secretaries/Heads of Department managing the three grades. While the Bureau Secretaries/Heads of Department expressed different opinions on the re-testing issue, all of them had reservations about the qualifying period of actual usage. The CSB subsequently proposed to replace the dialect allowance with a bonus scheme. Officers who had passed a dialect examination would each be paid a lump sum, provided that they were committed to providing interpretation services. However, due to unfavourable response, the bonus scheme was not implemented.
1991 Standing Commission follow-up review

7.9 In 1991, the Standing Commission conducted a follow-up review on job-related allowances. The general principles established in its Report No. 15 issued in 1986, as mentioned in paragraph 7.6 above, were re-affirmed.

Interpretation duties

Chinese Language Officers

7.10 The Official Languages Agency (OLA) manages the CLOs. As at 1 April 1999, there were 548 CLOs (418 officers in various departments/bureaux and 130 officers in OLA).

7.11 The main duty of CLOs is written translation work. They are required to perform oral interpretation duties occasionally. To assist bureaux and departments in their official contacts with the Mainland authorities, a Putonghua Interpretation Section consisting of a group of CLOs with intensive training in Putonghua interpretation skills was set up in 1985.

7.12 The OLA keeps regular statistics of the volume of interpretation work performed by CLOs, differentiating between CLOs in the Putonghua Interpretation Section and others. The volume of interpretation work performed by CLOs is shown in Table 10 and Table 11 below.

Table 10

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of days engaged in</td>
<td>699.7</td>
<td>747.8</td>
<td>351.0</td>
<td>306.6</td>
</tr>
<tr>
<td>interpretation work (a)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of officers as at end</td>
<td>16</td>
<td>16</td>
<td>15</td>
<td>7</td>
</tr>
<tr>
<td>of year (b)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average number of days</td>
<td>44</td>
<td>47</td>
<td>23</td>
<td>44</td>
</tr>
<tr>
<td>engaged in interpretation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>work per officer (c) = (a)÷(b)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: OLA’s records and Audit’s computations
Table 11

Number of half-day sessions of interpretation services provided by CLOs (other than the CLOs in the Putonghua Interpretation Section)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Amoy</td>
<td>—</td>
<td>1</td>
<td>10</td>
<td>5</td>
<td>1</td>
<td>1</td>
<td>—</td>
<td>1</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Chiu Chow</td>
<td>37</td>
<td>56</td>
<td>53</td>
<td>44</td>
<td>14</td>
<td>9</td>
<td>—</td>
<td>—</td>
<td>1</td>
<td>—</td>
</tr>
<tr>
<td>Foo Chow</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Hainan</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Hakka</td>
<td>—</td>
<td>19</td>
<td>24</td>
<td>17</td>
<td>22</td>
<td>11</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1</td>
</tr>
<tr>
<td>Hoklo</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Putonghua</td>
<td>288</td>
<td>229</td>
<td>200</td>
<td>271</td>
<td>226</td>
<td>177</td>
<td>—</td>
<td>103</td>
<td>55</td>
<td>55</td>
</tr>
<tr>
<td>Shanghai</td>
<td>10</td>
<td>3</td>
<td>3</td>
<td>5</td>
<td>—</td>
<td>1</td>
<td>—</td>
<td>2</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Toishan</td>
<td>2</td>
<td>12</td>
<td>5</td>
<td>6</td>
<td>4</td>
<td>1</td>
<td>—</td>
<td>—</td>
<td>1</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>337</td>
<td>320</td>
<td>295</td>
<td>348</td>
<td>267</td>
<td>201</td>
<td>—</td>
<td>106</td>
<td>57</td>
<td>56</td>
</tr>
</tbody>
</table>

*Source: OLA’s records*

*Note: The OLA did not request CLOs posted to departments to submit records of interpretation duties performed by them in 1995.*

Police Translators

7.13 The main duties of PTRs involve translation of charge sheets and reports in police stations. Interpretation work is only performed incidentally and is usually between English and Cantonese.

7.14 In 1998, PTRs spent approximately 10,567 hours on interpretation duties. There were no records to show the actual time during which they used the dialects and for which the dialect allowance was paid. Based on the PTRs’ strength of 433 at the end of 1998, Audit estimated that each PTR, on average, spent less than 25 hours on interpretation work (including English and Cantonese) in 1998.

Court Interpreters

7.15 The work of CIs involves interpretation duties between English and Cantonese in magistracies and courts. The use of dialects in their interpretation work is not a regular part of their duties. The Judiciary does not keep records on the number of hours which CIs spend on interpretation duties, and the dialects which they use.
Audit observations

Criteria for payment of the dialect allowance

7.16 The use of dialects by both CLOs and PTRs receiving the dialect allowance is infrequent. Although no statistics on CIs are available, Table 9 above shows that in February 1985, only 24% of the CIs receiving the dialect allowance used the dialect in their interpretation work for five hours or more.

7.17 Audit considers that, given the infrequent use of dialects by recipients of the dialect allowance, there is a need for the CSB to review the current practice of paying the allowance monthly without regard to the frequency of using the dialects in interpretation work. In fact, the present practice does not follow the principles on job-related allowances recommended by the Standing Commission in its Report No. 15 (see paragraph 7.6 above).

Putonghua as a qualifying dialect

7.18 In September 1995, the Government announced that its aim is to make the civil service biliterate (proficient in Chinese and English) and trilingual (Cantonese, Putonghua and English). Audit has reservations as to whether Putonghua, the national language, should nowadays still be regarded as a dialect attracting an allowance. In this connection, Audit notes that in 1996, the Standing Commission urged the Administration to review whether Putonghua should constitute a dialect qualifying for a dialect allowance.

7.19 In June 1999, the number of claimants of the Putonghua dialect allowance is shown in Table 12 below.

Table 12

<table>
<thead>
<tr>
<th>Claimant</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>CLO</td>
<td>57</td>
</tr>
<tr>
<td>PTR</td>
<td>171</td>
</tr>
<tr>
<td>CI</td>
<td>121</td>
</tr>
<tr>
<td>Total</td>
<td>349</td>
</tr>
</tbody>
</table>

*Source: Records of the OLA, the Police Force and the Judiciary*
Audit estimates that the total expenditure on Putonghua dialect allowance is $3.79 million a year (Note 5).

Use of outside interpreters

7.20 Given the infrequent use of dialects in interpretation duties, payment of dialect allowance may not be the most cost-effective way of obtaining dialect interpretation service. For example, in the case of CLOs (other than the CLOs in the Putonghua Interpretation Section), only 56 sessions (i.e. about 210 hours) of interpretation work using dialects were performed in 1998. However, dialect allowance of approximately $1.04 million a year (Note 6) was paid to these officers. The average cost was $4,952 per hour. In contrast, the hourly rate for part-time interpreters, approved by the Secretary for the Treasury, is only $204.

7.21 In general, government departments are not permitted to employ non-government interpreters to provide interpretation in English and Chinese, unless approved by the Secretary for the Treasury in exceptional circumstances on operational grounds. However, requests for part-time interpreters are not infrequent. According to the register of approved non-government interpreters kept by the Judiciary, there were 11,298 cases of employing part-time interpreters for the period from February to December 1997. In 1998, there were 15,542 cases of employing part-time interpreters. Audit considers that the Government can obtain interpretation service involving dialects in a more cost-effective way by more frequent use of part-time interpreters.

Audit recommendations

7.22 Audit has recommended that the Secretary for the Civil Service should, in consultation with the Commissioner for Official Languages, the Commissioner of Police and the Judiciary Administrator:

- review the current practice of paying the dialect allowance regardless of the frequency of using the dialects by the claimants of the allowance; and

---

**Note 5:** The annual expenditure is calculated as follows:

\[
\text{Number of officers} \times \text{Monthly rate} \times \text{Number of months} \\
= 349 \times \$906 \times 12 \\
= \$3,794,328
\]

**Note 6:** The amount of dialect allowance paid is calculated as follows:

\[
\left( \frac{\text{Number of officers receiving dialect allowance}}{\text{Number of CLOs in the Putonghua Interpretation Section}} \right) \times \text{Monthly rate} \times \text{Number of months} \\
= (103 - 7) \times \$906 \times 12 \\
= \$1,043,712
\]
— critically examine the justifications for including Putonghua as a dialect qualifying for an allowance.

Response from the Administration

7.23 The Secretary for the Civil Service has said that he agrees with the two audit recommendations. He has indeed been discussing with the relevant Heads of Grade on the issue and will continue to do so with a view to rationalising the payment of the dialect allowance. As the Standing Commission’s current review on job-related allowances will also include the dialect allowance, he will take into account any proposals put forward.

7.24 The Commissioner for Official Languages has said that:

— he agrees that the current practice of paying the dialect allowance regardless of the frequency of using the dialects by the claimants of the allowance should be reviewed. Hitherto, the dialect allowance is paid monthly to officers upon passing a dialect examination on the understanding that they will be called upon to perform dialect interpretation when required. Since such service is provided in response to requests from departments, there is no pre-determined frequency of service/qualifying period for payment of the dialect allowance. To ensure good use of public money and in the light of the level of demands for dialect interpretation in the past ten years, he is prepared to consider the termination of payment of the dialect allowance for the dialects in question, except Putonghua;

— the OLA may cease payment of the Putonghua dialect allowance to serving CLOs only when new CLOs with Putonghua interpretation included as an entry requirement are recruited. At the moment, the OLA is not yet in a position to include Putonghua interpretation in the entry requirements for CLOs. He could specify Putonghua proficiency as an entry requirement and would have no problems in getting good candidates. Making Putonghua interpretation an entry requirement will however severely limit his choice of candidates as people who are proficient in Putonghua may not be equally proficient in English and competent in interpretation between the two spoken languages. Now that Putonghua is more widely taught in schools and more people come to learn and use Putonghua, it is envisaged that the OLA may be able to do so in about five years’ time. Meanwhile, serving CLOs who are still required to provide Putonghua interpretation will continue to expect some financial recognition for providing such an additional service which was not required of them when they joined the CLO grade. The payment of the dialect allowance to officers performing Putonghua interpretation should therefore continue; and

— the payment of the Putonghua dialect allowance is necessary for the continued existence of the Putonghua Interpretation Section (with 7 CLOs) in the OLA. The OLA may encounter difficulty in recruiting, training and keeping officers for the only Putonghua interpretation pool in the Government if the Putonghua dialect allowance is removed. The maintenance of such a pool is vital to the operation of the Government for it provides, as a last resort, Putonghua interpretation at a high standard for government officials when such a service is required.
7.25 The **Commissioner of Police** has said that, given the rather low utilisation rate of dialects in interpretation generally, it is no longer justified for the dialect allowance to be paid monthly without regard to the frequency of their usage. He supports the audit recommendation that the CSB should review on the eligibility criteria, rate and mode of payment of the allowance. The question of whether Putonghua should continue to be included as a dialect qualifying for an allowance should also be examined. Initially, he considers that unless proficiency in Putonghua becomes a requirement for appointment to the ranks of CLO, PTR and CI or the civil service as a whole, there is still a case for Putonghua to be included as a dialect for the payment of the dialect allowance.

7.26 The **Judiciary Administrator** has said that:

— the Secretary for the Civil Service has been liaising with him about the payment criteria for the dialect allowance;

— the figures on requests for part-time interpreters’ service, referred to in paragraph 7.21 above, include requests for interpretation of other languages (e.g., Vietnamese). His rough estimate is that only about half of the requests were for dialect interpretation; and

— he has reservations about the suggestion that he could obtain interpretation service involving dialects in a more cost-effective way by more frequent use of part-time interpreters. He has been deploying his full-time CIs on dialect interpretation as far as possible. The reasons are:

(i) at present, based on the Judiciary’s register of approved non-government interpreters, there are no part-time interpreters who can provide interpretation between dialects and English. Part-time dialect interpreters only interpret between dialects and Cantonese;

(ii) even if he starts to recruit part-time dialect-English interpreters, it is unlikely that he would be successful. Although a handful of the part-time dialect interpreters on the register are former full-time CIs and should be able to perform dialect-English court interpretation, they have clearly indicated that they are not willing to accept dialect-English court interpretation assignments as they involve preparation of the case beforehand and the work pressure is too great. As part-time staff, they are only willing to take up dialect-Cantonese court interpretation which is easier; and

(iii) most court cases are conducted in English. If part-time dialect-Cantonese interpreters are employed, double interpretation (i.e., dialect-Cantonese and Cantonese-English) is involved. This would result in unnecessary lengthy court time which is extremely expensive. Not only the Judiciary would have to bear the high cost, but also both parties of the proceedings. Besides cost, the listing time before a case can be heard in court will also be lengthened, which is highly undesirable.
PART 8: OVERTIME ALLOWANCE

Background

8.1 Overtime is work undertaken at times over and beyond an officer’s conditioned hours of work. According to the CSRs, overtime should normally be compensated by time off in lieu. Where this is impracticable, an overtime allowance (OTA) may be paid to eligible civilian officers, whereas officers in the disciplined services may receive a Disciplined Services Overtime Allowance (DSOA).

8.2 The expenditure on the OTA and DSOA from 1993-94 to 1998-99 is shown in Table 13 below.

Table 13

Expenditure on OTA and DSOA 1993-94 to 1998-99

<table>
<thead>
<tr>
<th>Year</th>
<th>OTA Amount ($ million)</th>
<th>Change over the previous year (%)</th>
<th>DSOA Amount ($ million)</th>
<th>Change over the previous year (%)</th>
<th>Total Amount ($ million)</th>
<th>Change over the previous year (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993-94</td>
<td>801</td>
<td>—</td>
<td>422</td>
<td>—</td>
<td>1,223</td>
<td>—</td>
</tr>
<tr>
<td>1994-95</td>
<td>948</td>
<td>18.4%</td>
<td>482</td>
<td>14.2%</td>
<td>1,430</td>
<td>16.9%</td>
</tr>
<tr>
<td>1995-96</td>
<td>1,115</td>
<td>17.6%</td>
<td>523</td>
<td>8.5%</td>
<td>1,638</td>
<td>14.5%</td>
</tr>
<tr>
<td>1996-97</td>
<td>1,224</td>
<td>9.8%</td>
<td>587</td>
<td>12.2%</td>
<td>1,811</td>
<td>10.6%</td>
</tr>
<tr>
<td>1997-98</td>
<td>1,431</td>
<td>16.9%</td>
<td>537</td>
<td>(8.5%)</td>
<td>1,968</td>
<td>8.7%</td>
</tr>
<tr>
<td>1998-99</td>
<td>1,384</td>
<td>(3.3%)</td>
<td>354</td>
<td>(34.1%)</td>
<td>1,738</td>
<td>(11.7%)</td>
</tr>
</tbody>
</table>

Source: Treasury’s records

Eligibility criteria

8.3 The eligibility criteria for the OTA and the DSOA are set out in the CSRs. With certain exceptions, civilian officers in ranks whose salary scales have the maximum point at or below Point 25 ($32,190) and whose salary scales have the minimum point at or below Point 19 ($24,320) of the MPS are eligible for the OTA. For the disciplined services, officers on the General Disciplined Services (Rank and File) Pay Scale and officers whose salary scales have the maximum point at or below the following points are eligible for the DSOA:
8.4 The normal hourly rate of the OTA is 1/140 of an officer’s monthly salary and the hourly rate of the DSOA is 1/175 of an officer’s monthly salary. The rate of the DSOA is lower as the basic pay contains an element which compensates an officer for the requirement to work longer hours.

ICAC reviews

8.5 From 1994 to 1996, the ICAC received about 600 complaints concerning malpractices in staff administration in the civil service including falsifying attendance records, undertaking outside work during official duty hours and fraudulent claims of the OTA and the DSOA. Complaints against favouritism in duty allocation and granting of overtime work were also received. A considerable number of civil servants were disciplined for unauthorised absence, falsifying attendance records and fraudulent claims of the OTA and the DSOA.

8.6 From 1994 to 1997, the ICAC completed seven assignment studies on the administration of overtime, leave and attendance records in a number of government departments. The ICAC found that:

— in some cases, staff worked a large number of overtime hours on a recurrent basis. The amount of OTA paid to individual officers might be half of their monthly salary or more;

— as the overtime appeared to be routinely granted, staff might regard the OTA as an integral part of their regular take-home pay. The substantial monetary gain might induce staff members to secure the continuous allocation of overtime through bribery; and

— it was questionable whether, with such prolonged overtime, staff could still remain efficient and effective in discharging their duties.

The ICAC recommended that in such circumstances, management should review the work patterns and consider alternative methods of deploying staff such as rescheduling the duty hours or the weekly rest days. Where the problem became serious, a review on the establishment and strength of the office concerned should be carried out to see if additional resources were required.

8.7 In the light of the findings and recommendations of the ICAC, the CSB issued Circular No. 10/98 in May 1998 to Bureau Secretaries and Heads of Department promulgating a set of revised guidelines on control and administration of overtime. According to the guidelines, excessive or regular overtime should be discouraged as far as possible, and Bureau
Secretaries/Heads of Department are required to ensure that such work is strictly limited and properly controlled. In particular, they are requested to:

— when overtime becomes a regular pattern of work or has reached an excessive level, review the work patterns and consider alternative methods of deploying staff such as rescheduling duty hours or the weekly rest days; and

— where the problem is serious, review the establishment and strength of the office concerned to see if additional resources are required.

1997 CSB review

8.8 In February 1997, in response to a request made by the Legislative Council Panel on Public Service, the CSB commenced a survey with a view to identifying departments with the highest OTA payments. The Water Supplies Department (WSD), the Housing Department (HD) and the Post Office were at the top of the list of departments which had the largest payments of OTA in 1996.

8.9 The CSB requested the three departments concerned to provide information on the reasons and justifications for the huge volume of overtime work and to state whether they had plans to reduce the amount of overtime work by redeployment, rescheduling of work routine or creation of additional posts. The main reasons given by these three departments for the huge volume of overtime work included:

— the need to cope with unforeseen emergencies;

— staff shortage;

— the need to work outside normal working hours; and

— fluctuation in the volume of work.

In March 1997, the CSB informed the Legislative Council Panel on Public Service about the above findings.

OTA regarded as part of salary

8.10 In some cases, the OTA was such a substantial and regular payment that officers might regard it as part of their take-home pay. In November 1998, the Secretary for the Treasury informed the Secretary for the Civil Service that:
— in the course of assessing the settlement sum for a postman who had been injured during work in 1990, the FB found that the Postman Grade had performed substantial number of overtime hours in the past eight years from 1990-91 to 1997-98. During this period, the total number of overtime hours performed by Postman Grade had been increasing, with an average of 57.8 hours each month for each postman. The level of overtime payment represented 41.5% of the postmen’s salaries;

— in its discussion with the Post Office, the FB was given to understand that it had been the practice of the Post Office to deploy existing staff to work overtime instead of recruiting additional permanent/temporary staff to cope with increased workload so as to reduce cost. The Post Office spent $413 million and $513 million on overtime in 1996-97 and 1997-98 respectively; and

— as the CSB had policy responsibility on overtime work, the Secretary for the Treasury was obliged to draw to the attention of the Secretary for the Civil Service the situation in the Post Office for any necessary follow-up action.

8.11 A further audit analysis indicated that the Post Office ranked consistently as the topmost department, in terms of the total payments of OTA and DSOA to staff expressed as a percentage of total departmental salary payments. Details are shown in Table 14 below.

Table 14

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Post Office</td>
<td>33.3%</td>
<td>33.9%</td>
<td>36.8%</td>
<td>41.5%</td>
<td>35.2%</td>
</tr>
<tr>
<td>(2) Government Land Transport Agency</td>
<td>12.7%</td>
<td>13.8%</td>
<td>14.4%</td>
<td>16.0%</td>
<td>14.4%</td>
</tr>
<tr>
<td>(3) Electrical and Mechanical Services Department</td>
<td>7.9%</td>
<td>8.8%</td>
<td>9.7%</td>
<td>11.3%</td>
<td>13.0%</td>
</tr>
<tr>
<td>(4) Registration and Electoral Office</td>
<td>11.5%</td>
<td>16.5%</td>
<td>1.1%</td>
<td>14.9%</td>
<td>10.2%</td>
</tr>
<tr>
<td>(5) Chief Executive’s Office (Note)</td>
<td>12.6%</td>
<td>12.8%</td>
<td>13.1%</td>
<td>13.6%</td>
<td>9.2%</td>
</tr>
</tbody>
</table>

*Source: Treasury’s records*

*Note: These figures include the former Governor’s establishment.*
Recent developments

8.12 As part of the Civil Service Reform to review the need for and payment of all allowances, the CSB undertook to review the OTA in early 1999. To take stock of the prevailing situation, the CSB performed a survey on all bureaux and departments in February 1999 to collect information on how they controlled the OTA. The results of the survey indicated that:

— staff shortage, operational need to work outside office hours, seasonal peaks of workload and driving duties, in descending order of importance, were the major reasons for departments and bureaux to incur overtime work;

— it was not readily clear why so much of the overtime work could not be undertaken by other means, such as bidding for new staff, introducing shift duties, reshuffling duties of staff, or employing non-civil service contract staff to cover short-term job requirements;

— it seemed that the principle of compensating overtime work by time-off-in-lieu, instead of by the OTA, had not been strictly followed. Few departments and bureaux gave reasons for paying the OTA instead of granting time-off-in-lieu;

— the procedural guidelines on how to handle and control overtime work as stipulated in CSB Circular No. 10/98 had not been strictly followed; and

— most departments and bureaux did not have systematic and periodic review mechanisms for overtime work.

8.13 The CSB concluded that recurrent use of overtime and habitual granting of the OTA to meet occasional increases in workloads or staff shortage suggested that departments had not taken active steps to find alternative means to ensure the continuity of services, such as introducing shifts or reshuffling of duties. In this regard, the CSB is considering the way forward to administer overtime work.

The decrease in expenditure on the OTA and DSOA in 1998-99

8.14 In 1998-99, there was a decrease of 11.7% in the expenditure on the OTA and DSOA for the Government as a whole (see Table 13 above). Audit considers that the decrease in the DSOA (34.1%) and the OTA (3.3%) may be attributed to the following reasons:

— **Economic activities.** The expenditure on the OTA of certain government departments and organisations depends on the level of economic activities (e.g. the Land Registry). Following a slowdown in economic activities in 1998-99, the expenditure on the OTA of these departments has also decreased;

— **Guidelines issued by the CSB.** In May 1998, the CSB issued the latest set of guidelines governing the administration of overtime work to elaborate on the importance of properly
monitoring overtime work. This served as a reminder to departments of the need to properly administer overtime work; and

— *Substantial savings in the DSOA in the Police Force.* The substantial reduction in the DSOA in 1998-99 resulted mainly from the substantial savings in the DSOA in the Police Force.

**Efforts to reduce expenditure on DSOA by the Police Force**

8.15 The total expenditure on OTA and DSOA by the Police Force was on an upward trend up to 1996-97. In 1998-99, there was a substantial reduction in the expenditure on the OTA and DSOA as shown in Table 15 below.

**Table 15**

<table>
<thead>
<tr>
<th>Year</th>
<th>OTA ($ million)</th>
<th>DSOA ($ million)</th>
<th>Total ($ million)</th>
<th>Percentage change over the previous year (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994-95</td>
<td>9</td>
<td>356</td>
<td>365</td>
<td>—</td>
</tr>
<tr>
<td>1995-96</td>
<td>10</td>
<td>385</td>
<td>395</td>
<td>8.2%</td>
</tr>
<tr>
<td>1996-97</td>
<td>11</td>
<td>402</td>
<td>413</td>
<td>4.6%</td>
</tr>
<tr>
<td>1997-98</td>
<td>12</td>
<td>366</td>
<td>378</td>
<td>(8.5%)</td>
</tr>
<tr>
<td>1998-99</td>
<td>9</td>
<td>170</td>
<td>179</td>
<td>(52.6%)</td>
</tr>
</tbody>
</table>

*Source: Treasury’s records*

8.16 In response to the CSB’s survey in February 1999 on the overtime management system in the Police Force (see paragraph 8.12 above), the Commissioner of Police said that:

— a major review of the Police Force’s procedures for the management of overtime was conducted during the first half of 1998, resulting in the issue of the Headquarters Order No. 14 of 1998 in June 1998. Since the issue of this order with its greater emphasis on resource management and economy, there had been significant savings in DSOA expenditure; and

— during the past two years, the management of the Police Force had implemented schemes specifically designed for reducing overtime whilst maintaining services to the public. These included the following two initiatives which had resulted in substantial DSOA savings:
(i) **Restructuring of the working practices in the Marine Region to eliminate shift patterns with built-in overtime.** This had been achieved by inserting additional off days into rotating shift patterns; and

(ii) **Amalgamation of the field patrol detachment establishment into border district.** Field patrol companies previously worked shift patterns with built-in overtime. They had been replaced with a system where officers work five days per week with no built-in overtime.

**Audit observations**

8.17 Audit noted that, despite the CSB’s review of the OTA conducted in early 1997, three departments (i.e. the Post Office, the HD and the WSD) with significant expenditure on the OTA in earlier years still incurred significant OTA payments in 1997-98 and 1998-99. An analysis of the ten departments with the largest expenditure on the OTA and DSOA for the years from 1994-95 to 1998-99 is at Appendix D.

8.18 Audit also noted that there were a significant number of civilian and disciplined services staff working extensive overtime hours (say over 1,000 hours a year). Details are shown in Table 16 below.

**Table 16**

<table>
<thead>
<tr>
<th>Number of overtime hours</th>
<th>Civilian staff (number of officers)</th>
<th>Disciplined services staff (number of officers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 500</td>
<td>53,505</td>
<td>31,093</td>
</tr>
<tr>
<td>501 to 1,000</td>
<td>5,976</td>
<td>1,515</td>
</tr>
<tr>
<td>1,001 to 1,500</td>
<td>2,007</td>
<td>37</td>
</tr>
<tr>
<td>1,501 to 2,000</td>
<td>592</td>
<td>—</td>
</tr>
<tr>
<td>2,001 to 2,500</td>
<td>160</td>
<td>—</td>
</tr>
<tr>
<td>2,501 to 3,000</td>
<td>9</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>62,249</strong></td>
<td><strong>32,645</strong></td>
</tr>
</tbody>
</table>

*Source:* Audit analysis of Treasury’s records

*Note:* Officers with over 1,500 overtime hours were mainly those who worked in the Post Office, the HD and the WSD. The number of normal working hours of an officer is about 2,000 a year.
8.19 Audit considers that the CSB has not taken adequate action to address the significant amount of overtime incurred by the various government departments. As indicated by the results of the ICAC’s reviews (see paragraph 8.6 above), regular or excessive overtime increased the risk of bribery to secure the continuous allocation of overtime. Moreover, it was questionable whether with such prolonged overtime, staff could still remain efficient and effective in discharging their duties. Despite some departments’ claims that overtime work was indispensable, there were ways of reducing the overtime work, such as employing casual staff and the contracting out of work to the private sector. In particular, the CSB should have verified the validity of departments’ claims that the working of overtime was more economical and cost-effective, especially in the light of any possible adverse effects of prolonged overtime on the work efficiency and the general well-being of the staff concerned.

8.20 The successful efforts of the Police Force in reducing the DSOA provided a good example that, with concerted efforts by the top management and operational staff, ways could be identified to reduce excessive or regular overtime (see paragraph 8.16 above). In this connection, Audit notes that the Police Force has introduced the following new measures stressing on accountability, resource management, advance planning and value for money principles in its Headquarters Order No. 14 of 1998:

— District/Divisional Commanders and equivalents are responsible for the proper and effective management of overtime within their respective formations; and

— inspections by District/Formation Commanders and Major Formation Commanders include an examination of the effective management of overtime and the DSOA within the formation in addition to the examination of the procedures set out in the order and control of funds. Although circumstances vary between formations, the inspections cover the following issues:

(i) overtime levels and compensation trends;

(ii) the appropriate distribution of manpower amongst Units/Teams;

(iii) the suitability of shift patterns in relation to known and anticipated commitments;

(iv) the distribution of case loads; and

(v) the proper management of pre-planned operations to reduce unnecessary overtime.

8.21 Audit considers that it is important for the CSB to draw on the experience of the Police Force to develop strategies to deal with the substantial overtime work of other government departments.
Audit recommendations

8.22 Audit has recommended that the Secretary for the Civil Service should:

— take positive action to enforce the requirement that excessive overtime work should be minimised and draw again the attention of Bureau Secretaries and Heads of Department to the importance of compliance with this requirement;

— urgently review, in conjunction with the Heads of Department concerned, the significant recurrent payments of OTA in departments, with a view to reducing these payments. In particular, the Secretary for the Civil Service should:

(i) develop strategies to minimise the overtime work of government departments. In doing so, the CSB may wish to draw on the Police Force’s experience in its efforts to reduce the DSOA;

(ii) require the departments concerned to conduct thorough reviews of the staff requirement so as to ascertain ways of minimising the overtime work; and

(iii) consider seeking the assistance of the Secretary for the Treasury, in the vetting of the annual estimates for the OTA and the DSOA, with a view to reducing overtime expenditure; and

— regularly monitor the payment of the OTA and the DSOA by departments and take positive action to reduce regular and excessive overtime payments.

Response from the Administration

8.23 The Secretary for the Civil Service has said that:

— he has been discussing the overtime situation in the Post Office with the Postmaster General over the last few months in order to ensure that the guidelines issued in CSB Circular No. 10/98 are adhered to. He notes that the Post Office has been using various methods (e.g. employment of temporary/contract staff) aside from deploying staff to cover the extra workload. The Post Office has demonstrated that it has taken active steps to reduce overtime. In particular, he noted that overtime payments from April to July 1999 had been reduced by $40 million (i.e. 23%) compared with the corresponding period in 1998;

— he has been taking steps to remind Controlling Officers to keep overtime expenditure to a minimum. CSB Circular No. 10/98 on the control and administration of overtime sets out clearly the policy in this respect. Separately, he has been working with departments with the highest overtime expenditure on conducting job reviews with a view to reducing
The fact remains however that the CSB cannot dictate to departments what is the appropriate level of overtime. This depends on a variety of factors such as emergency situations and staff shortages over which departments have little or no control;

— Heads of Department are in the best position to determine how staff deployment best meets their operational needs. With the move towards greater delegation of authority, the responsibility for this must and should fall ever more squarely on the shoulders of Controlling Officers. His prime role should be to determine the policy on overtime, not to administer this in over 80 departments and bureaux; and

— he agrees that it is important for Bureau Secretaries and Heads of Department to comply with the requirement that excessive overtime work should be minimised. He will continue to remind them of this. In consultation with the Secretary for the Treasury, he will be conducting a review on the OTA, including its eligibility and payment criteria, the adequacy of the existing guidelines on administration and control of overtime, and strategy in minimising overtime work. Separately, for departments with the highest overtime expenditure, he will continue to liaise with them on the need to ascertain ways of minimising overtime work.

8.24 The Commissioner of Police has said that he acknowledges Audit’s positive comments on the efforts of the Police Force in reducing expenditure on the DSOA. On the management of the OTA, the Police Force has recently completed a review on the allocation of overtime work in formations. Review findings indicate that formations have exercised adequate control over the management of overtime work. Where operational needs permit, time-off is granted in lieu of the OTA. To reiterate the importance of good management of OTA, formations are reminded to adopt control measures including streamlining of work procedures, reshuffling of duties, rescheduling of working hours/patterns and employment of non-civil service contract staff to minimise overtime work. He will continue his good practices to this end.

8.25 The Director of Water Supplies has said that:

— he is aware that the WSD’s expenditure on the OTA is quite substantial, and has been reviewing the situation to ensure that it is cost-effective and covers only essential requirements;

— while the WSD’s expenditure on the OTA during the period from 1994-95 to 1998-99 was growing on a yearly basis, the increase was mainly due to the annual pay adjustment which took place during the same period. There was a decrease of overtime hours from 1.216 million hours in 1994-95 to 1.073 million hours in 1998-99; and

— he is continuing his efforts to reduce the WSD’s expenditure on the OTA. Over the next three years, he aims to reduce the expenditure, based on the 1999-2000 price level, by about 20%.
8.26 The Postmaster General has said that:

(a) he is fully aware that overtime is a major expenditure item that requires stringent control. He has been continuously reviewing how best to deploy his staff resources and to reduce overtime as necessary. At the operational level, the managers and supervisors are reviewing the need for overtime work on a daily or even an hourly basis. At the top management level, the subject is a regular agenda item for the meeting of the Strategy Group on Sustained Profitability chaired by him. The existing system of overtime allocation is in line with the recommendations of the ICAC;

(b) he has a great number of initiatives in the Post Office to control overtime and with the cooperation of unions and staff, he has been making good progress. There are also a number of reviews being carried out at the moment (e.g. a full year programme for revising the preparation time and route details of all delivery postmen). With the completion of these studies, he hopes to achieve further reduction in overtime work in year 2000;

(c) the overtime expenditure figures are affected by annual salary adjustment and incremental credits and it would be more meaningful to analyse the overtime hours. The exceptional increase in overtime hours in 1996-97 and 1997-98 was partly due to the philatelic boom. Overtime hours in 1998-99 showed a significant drop of 12%;

(d) overtime work has its own merits and is very useful in meeting the operational needs of the Post Office. He takes exception to the view that he must reduce overtime for the sake of overtime reduction. Being a trading fund department, he has to be particularly cost-conscious. The use of permanent staff is more costly than overtime work. He will therefore create civil service posts only if he is satisfied that they will best meet the operational needs;

(e) postal operations are very labour-intensive. The use of overtime, among other resources, is but a means to manage the postal business and should be viewed in its proper perspective. It is his general policy to maintain a minimum level of staffing enough to cope with the troughs, and augment this with overtime work and temporary staff to meet the requirements of the peaks. When deciding on the optimum mix of the three types of staff resources in a postal operation, he pays due regard to cost-effectiveness, operational efficiency, service requirements and customer expectations;

(f) he has examined the feasibility of all possible options and made use of the following alternatives to overtime work:
(i) employing casual staff;

(ii) contracting out;

(iii) redeployment and rescheduling;

(iv) weekly rest day and time off in lieu; and

(v) creation of additional civil service posts;

(g) he is very concerned about the well-being of his staff. As overtime work is on a voluntary basis, staff could decide by themselves whether or not to work overtime, taking into account their own circumstances. He also monitors productivity of staff during their regular duty as well as overtime hours; and

(h) it is appropriate for the CSB as a policy bureau to leave the operational matters and arrangements to Heads of Department. The departmental management is in the best position to decide how staff deployment, including overtime, should be arranged. The CSB could provide policy guidelines and monitor performance at a strategic level.

8.27 The Director of Housing has said that upon the promulgation of CSB Circular No. 10/98 in May 1998, he has already revised the Departmental Staff Circular on the subject emphasising the need to properly administer overtime work. He has also started a comprehensive review of overtime expenditure in the HD in order to identify ways of further tightening up control on the overtime payment and in particular ways of strengthening the administration and control mechanism to ensure that such payments are made on genuine need. He will continue to work closely with the CSB in this regard.

8.28 The Secretary for the Treasury has said that she will support the Secretary for the Civil Service in taking forward the changes as needed (see also paragraph 2.18 above).
PART 9: ACTING ALLOWANCE

Background

9.1 In the civil service, an acting appointment is an administrative arrangement made at the discretion of the management for an officer to undertake the duties of a vacant post. The rules on acting appointments and acting allowance, originated in the 1940s, have been revised and incorporated into the CSRs. Acting appointment and payment of acting allowance is not part of the terms of appointment or conditions of service.

9.2 Acting appointments are made under the following circumstances:

— an officer is appointed to act in a vacancy in a higher rank to test his suitability for substantive promotion to that rank. The acting period usually exceeds six months; and

— an officer is appointed to undertake temporarily the duties of another post which is vacant for various reasons (e.g. the incumbent goes on leave, on training or on duty visit; the post is time-limited and cannot be filled substantively). The acting period is normally of a shorter duration and should be reviewed if it exceeds six months.

9.3 Under the CSRs, the following types of acting appointments can be made:

— Acting-up. The acting appointment is for an officer to undertake the duties of a post in a higher rank; and

— Doubling-up, doubling-sideways or doubling-down. The acting appointment is for an officer to undertake the duties of a post in a higher, same or lower rank, in addition to the duties of his own post.

9.4 The expenditure on the acting allowance from 1994-95 to 1998-99 is shown in Table 17 below.
Table 17
Expenditure on acting allowance
1994-95 to 1998-99

<table>
<thead>
<tr>
<th>Year</th>
<th>Acting Allowance ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994-95</td>
<td>518</td>
</tr>
<tr>
<td>1995-96</td>
<td>603</td>
</tr>
<tr>
<td>1996-97</td>
<td>660</td>
</tr>
<tr>
<td>1997-98</td>
<td>690</td>
</tr>
<tr>
<td>1998-99</td>
<td>709</td>
</tr>
</tbody>
</table>

Source: Treasury’s records

Qualifying period for payment of acting allowance

9.5 Before November 1989, an acting allowance was only payable for acting appointments of at least 30 consecutive calendar days. According to the CSB, this 30-day eligibility rule, believed to be introduced before 1940, was adopted to dovetail with the conventional arrangements for the payment of salary and related allowances. At that time, overseas leave was for long periods and the 30-day qualifying period would permit the payment of an acting allowance in all cases where the acting officer discharged additional responsibilities in such circumstances.

9.6 In June 1972, officers acting in the posts of Heads of Department and directorate officers were allowed to be exempted from the 30-day eligibility rule. It was considered that an acting Head of Department carried a special weight of responsibility. An acting appointment in a directorate post could also be extremely onerous. Such additional responsibility should therefore be recognised and remunerated.

The 1987 to 1989 review of acting allowance

9.7 In February 1987, in response to requests from the staff side, the CSB conducted a review of the qualifying period for the payment of acting allowance. The findings of the review were as follows:

— in the past 10 to 15 years, cheaper air fares and increased affluence had a significant impact on the frequency and duration of leave. Long absence in excess of two months for overseas officers became less frequent;
it was not proposed to maintain the status quo because the arrangements gave rise to inequities. The reasons for exempting acting appointments in directorate posts on the ground that their duties were onerous were less convincing. Since this argument could apply to some extent to doubling-up in non-directorate posts, it would be appropriate to minimise the differential;

the staff side’s suggestion to completely abolish the 30-day eligibility rule was not supported because of the additional administrative work and financial implications. It would be difficult to justify on functional grounds since an officer acting-up or doubling-up might simply “keep the seat warm”; and

the leave arrangements would soon be modified to include, among other things, the flexibility of counting only the actual days of leave when the leave taken was 12 days or less. The period of absence in such circumstances would be about 15 days which would appear to be a reasonable base for qualifying for an acting allowance. However, a 15-day qualifying period might still entail the “keep the seat warm” consideration.

9.8 Following extensive consultations with the FB and staff associations, in September 1989, the Secretary for the Civil Service promulgated modifications to the acting appointment regulations. These included:

— the revision of the qualifying period for the payment of acting allowance to acting appointments in posts of non-directorate officers from 30 days to 14 days; and

— the imposition of a qualifying period (7 days for doubling-up and 14 days for acting-up, doubling-sideways and doubling-down) for the payment of acting allowance to acting appointments in posts of directorate officers.

Audit comments provided to the CSB

9.9 In March 1989, the Secretary for the Civil Service informed Audit of the proposed modifications to the acting appointment system. In response, Audit advised, among other things, that:

— an acting allowance basically rewarded additional responsibilities and work;

— it was doubtful whether the mere tendency for officers to take shorter leave could justify the proposed relaxation of the qualifying period from 30 days to 14 days for non-directorate officers;
the shortening of the qualifying period would most likely result in a significant overall increase in the number of acting appointments and in the amount of acting allowance payable, in addition to an associated increase in processing costs. The total payment of acting allowance stood at $148 million in 1988-89. Even a 10% increase would result in an additional annual expenditure of about $15 million which was not insignificant;

— the proposed modifications called for significant policy decisions and were not merely a streamlining of existing administrative arrangements. Therefore, the advice of the Standing Commission should be sought; and

— in view of the likely significant financial implications arising from the proposed changes, the matter should be referred to the FC for approval before implementation.

9.10 In the light of Audit’s comments, the Secretary for the Civil Service forwarded the proposed modifications to the acting appointment system to the Standing Commission. The Standing Commission noted the modifications but made no comments. With regard to referring the matter to the FC, the FB’s view was that the FC should only be consulted if it had been consulted in the past on either the regulations or the rates of acting allowance. In the event, in June 1989, the Secretary for the Civil Service decided that there was no need to consult the FC regarding the proposed changes, despite the possible additional financial implications that might be involved. However, the point made by Audit regarding the doubtful justifications for relaxing the 30-day rule was not further pursued by the CSB.

1999 CSB review of acting system

9.11 In January 1999, the CSB decided that the acting system should be reviewed. The CSB noted that:

— the making of acting appointments for temporary vacancies due to temporary absence of incumbents had become rather automatic in many departments/grades;

— the need for making such acting appointments appeared to be questionable in the light of the following considerations:

(i) leave should be granted subject to exigency of services;

(ii) in a teamwork setting, duties of an officer who was absent might be shared out among other team members instead of allocating to a particular officer; and
(iii) while doubling another officer’s duties, an officer might largely continue to work within the normal range of working hours and discharge similar level of responsibilities.

These considerations were more relevant when the acting appointment was to cover absence of a reasonably short period than for acting for a prolonged period. In principle, the qualifying period should be sufficiently long to reflect that the acting officer had taken up substantial additional duties and responsibilities; and

— the practice of making acting appointments and paying acting allowance was uncommon nowadays in the private sector.

9.12 In April 1999, the CSB issued an internal consultation document to Bureau Secretaries and Heads of Department containing its proposals to modify the existing rules for the payment of acting allowance. The following ideas were suggested for consideration:

— the acting system in the civil service is a management tool to meet operational requirements during short-term absence of staff and to establish the suitability of officers for promotion;

— Heads of Department and Grade must ensure that acting appointments are made only when there are genuine operational needs and are subject to close scrutiny and approval at an appropriate level; and

— the qualifying period for payment of acting allowance should be sufficiently long to reflect that the acting officer has taken up substantial additional duties and responsibilities.

The CSB is currently consolidating the views of Bureau Secretaries/Heads of Department/Grade and will put forward proposals for consultation with the staff side by the end of 1999.

Audit observations

9.13 As early as March 1989, Audit informed the CSB that it was not advisable to revise the qualifying period from 30 calendar days to 14 calendar days simply because of the tendency of officers to take shorter leave. Audit cautioned that the financial implications could be substantial and that the FC’s approval should be sought. As it turned out, the payment of acting allowance increased from $148 million in 1988-89 to $709 million in 1998-99. Audit estimated that acting appointments with acting periods less than 30 days accounted for 69% of the number of appointments and 28% of the amount of acting allowance paid. Details are shown in Table 18 and Table 19 below.
Table 18

Payment of acting allowance in 1998-99

<table>
<thead>
<tr>
<th>Acting period</th>
<th>Acting appointments</th>
<th>Acting allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>(calendar days)</td>
<td>(number)</td>
<td>(%)</td>
</tr>
<tr>
<td>Less than 30</td>
<td>67,451</td>
<td>69%</td>
</tr>
<tr>
<td>30 or more</td>
<td>30,688</td>
<td>31%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>98,139</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

*Source: Treasury’s records*

Table 19

Analysis of acting appointments in 1998-99

<table>
<thead>
<tr>
<th>Acting period</th>
<th>Acting appointments</th>
<th>Acting days</th>
<th>Acting allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>(calendar days)</td>
<td>(number)</td>
<td>(%)</td>
<td>(number)</td>
</tr>
<tr>
<td>Less than 7</td>
<td>2,220</td>
<td>2.3%</td>
<td>8,095</td>
</tr>
<tr>
<td>7 — 14</td>
<td>23,379</td>
<td>23.8%</td>
<td>302,496</td>
</tr>
<tr>
<td>15 — 21</td>
<td>34,001</td>
<td>34.6%</td>
<td>568,519</td>
</tr>
<tr>
<td>22 — 28</td>
<td>6,983</td>
<td>7.1%</td>
<td>174,829</td>
</tr>
<tr>
<td>Over 28</td>
<td>31,556</td>
<td>32.2%</td>
<td>3,444,955</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>98,139</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>4,498,894</strong></td>
</tr>
</tbody>
</table>

*Source: Treasury’s records*

9.14 In its Consultation Paper on Review of Acting System of April 1999, the CSB reminded Heads of Department and Grade that the making of acting appointments should be subject to close scrutiny of operational needs rather than as a matter of routine. In the CSB’s view, the qualifying period should be sufficiently long to reflect that the acting officer had taken up substantial additional duties and responsibilities.
9.15 Using the above benchmark of operational need upheld by the CSB in 1999, the rationale used by the CSB to revise the then minimum qualifying period from 30 calendar days to 14 calendar days in September 1989 was doubtful and unjustified, especially when the CSB was aware of the possible “keeping the seat warm” effect as a result of shortening the qualifying period. According to the CSB, its main concerns were to ensure parity of treatment for directorate and non-directorate officers and to revise the qualifying period to match the tendency for leave to be taken in shorter periods.

9.16 In Audit’s view, the fact that the making of acting appointments has become rather automatic is not solely the responsibility of departments. In its present form, the CSRs do not mention that acting appointments should be made only if there are operational needs. In a circular memorandum issued by the CSB in October 1989 on acting appointments in General Grades, it was stated that the officer exercising the delegated authority to approve acting appointments should ensure that there was a “functional need for the acting appointment”. After the introduction of the new qualifying period in November 1989, Audit could not find any specific reference in other circular memoranda or circulars issued by the CSB that acting appointments should only be approved on operational grounds.

9.17 Audit supports the CSB’s recent initiative to review the acting system and its emphasis on the principle of making acting appointments in accordance with operational needs. As indicated in Table 18 above, the total acting allowance paid for acting appointments of less than 30 calendar days amounted to $198 million in 1998-99. In the light of the significant financial implications of these short-term acting appointments, Audit considers that there is a need for the CSB to expedite its consultation with the staff associations. Action should be taken to ensure that acting appointments are only made on operational grounds.

Audit recommendations

9.18 Audit has recommended that the Secretary for the Civil Service should, in conjunction with the Secretary for the Treasury, take urgent action to ensure that acting appointments are made only when there are genuine operational needs. In particular, Audit has recommended that:

— the Secretary for the Civil Service should promulgate guidelines requiring Policy Secretaries and Heads of Department to exercise due care in making acting appointments. The justifications for all acting appointments should be vigorously vetted, especially for short-term acting appointments of less than 30 days; and

— the Secretary for the Treasury should, in consultation with the Secretary for the Civil Service, consider tightening up the budgetary control over the acting allowance by limiting the provision of funds for short-term acting appointments.
Response from the Administration

9.19 The Secretary for the Civil Service has said that:

— salary has increased by some 165% over the period from 1988-89 to 1998-99. Assuming acting allowance is directly proportional to salary, the increase in real terms for payment of acting allowance is some 81%; and

— he does not consider that the rationale for changing the qualifying period in 1989 could be regarded as doubtful and unjustified. Given that the key consideration is that the making of acting appointments should tie in with the operational needs of grades and departments, it was not unreasonable to revise the qualifying period in 1989 to take into account the trend of officers taking shorter leave, which would in turn give rise to the need for shorter acting appointments.

9.20 The Secretary for the Treasury has said that she will support the Secretary for the Civil Service in taking forward the changes as needed (see also paragraph 2.18 above).
Establishment, strength and wastage of ICAC officers for the years from 1989 to 1998

<table>
<thead>
<tr>
<th>Year (Note)</th>
<th>Establishment</th>
<th>Strength</th>
<th>Wastage</th>
<th>Vacancy rate</th>
<th>Wastage rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(a)</td>
<td>(b)</td>
<td>(c)</td>
<td>(d) = \frac{(a) - (b)}{(a)} \times 100%</td>
<td>(e) = \frac{(c)}{(a)} \times 100%</td>
</tr>
<tr>
<td>1989</td>
<td>1,237</td>
<td>1,149</td>
<td>136</td>
<td>7.1%</td>
<td>11.0%</td>
</tr>
<tr>
<td>1990</td>
<td>1,217</td>
<td>1,179</td>
<td>82</td>
<td>3.1%</td>
<td>6.7%</td>
</tr>
<tr>
<td>1991</td>
<td>1,219</td>
<td>1,148</td>
<td>95</td>
<td>5.8%</td>
<td>7.8%</td>
</tr>
<tr>
<td>1992</td>
<td>1,161</td>
<td>1,090</td>
<td>115</td>
<td>6.1%</td>
<td>9.9%</td>
</tr>
<tr>
<td>1993</td>
<td>1,129</td>
<td>1,114</td>
<td>77</td>
<td>1.3%</td>
<td>6.8%</td>
</tr>
<tr>
<td>1994</td>
<td>1,168</td>
<td>1,157</td>
<td>80</td>
<td>0.9%</td>
<td>6.8%</td>
</tr>
<tr>
<td>1995</td>
<td>1,202</td>
<td>1,175</td>
<td>67</td>
<td>2.2%</td>
<td>5.6%</td>
</tr>
<tr>
<td>1996</td>
<td>1,247</td>
<td>1,237</td>
<td>85</td>
<td>0.8%</td>
<td>6.8%</td>
</tr>
<tr>
<td>1997</td>
<td>1,287</td>
<td>1,225</td>
<td>90</td>
<td>4.8%</td>
<td>7.0%</td>
</tr>
<tr>
<td>1998</td>
<td>1,336</td>
<td>1,283</td>
<td>68</td>
<td>4.0%</td>
<td>5.1%</td>
</tr>
</tbody>
</table>

Source: ICAC’s records

Note: Establishment and strength figures represent the position as at the end of the year. The wastage figures represent the total for the year.
### Estimated savings on HOTA in 1998-99
if the no-claim limit had been raised to $25 per return journey

<table>
<thead>
<tr>
<th>Annual reimbursement per officer</th>
<th>Number of officers</th>
<th>Reimbursement in 1998-99</th>
<th>Average reimbursement to an officer per return journey (Note)</th>
<th>Estimated savings from raising the no-claim limit from $10.8 to $25 (Note)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Per officer</td>
</tr>
<tr>
<td></td>
<td>(a)</td>
<td>(b)</td>
<td>(c) = (\frac{(b)}{(a) \times 137})</td>
<td>(d)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>($ million)</td>
<td>($)</td>
<td>($)</td>
<td>($)</td>
<td>($)</td>
</tr>
<tr>
<td>$1 — $1,000</td>
<td>11,449</td>
<td>5.40</td>
<td>3.44</td>
<td>3.44</td>
</tr>
<tr>
<td>$1,001 — $2,000</td>
<td>7,699</td>
<td>11.28</td>
<td>10.69</td>
<td>10.69</td>
</tr>
<tr>
<td>$2,001 — $3,000</td>
<td>4,950</td>
<td>12.19</td>
<td>17.98</td>
<td>14.20</td>
</tr>
<tr>
<td>$3,001 — $4,000</td>
<td>3,198</td>
<td>11.04</td>
<td>25.20</td>
<td>14.20</td>
</tr>
<tr>
<td>$4,001 — $5,000</td>
<td>1,814</td>
<td>8.08</td>
<td>32.51</td>
<td>14.20</td>
</tr>
<tr>
<td>Above $5,000</td>
<td>2,589</td>
<td>19.02</td>
<td>53.62</td>
<td>14.20</td>
</tr>
<tr>
<td>Total</td>
<td>31,699</td>
<td>67.01</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Treasury’s records and Audit’s computations

**Note:** According to the claim records, Audit estimated that on average, each officer claimed reimbursement of travelling expenses for about 137 days in a year.
Mileage allowance paid by various government departments in 1998-99

<table>
<thead>
<tr>
<th>Department</th>
<th>Duty mileage</th>
<th>Home-to-office mileage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Total amount</td>
</tr>
<tr>
<td></td>
<td>of officers</td>
<td>($ million)</td>
</tr>
<tr>
<td>Housing Department</td>
<td>856</td>
<td>6.58</td>
</tr>
<tr>
<td>Architectural Services Department</td>
<td>332</td>
<td>6.12</td>
</tr>
<tr>
<td>Police Force</td>
<td>583</td>
<td>2.84</td>
</tr>
<tr>
<td>Highways Department</td>
<td>281</td>
<td>4.31</td>
</tr>
<tr>
<td>Lands Department</td>
<td>315</td>
<td>2.34</td>
</tr>
<tr>
<td>Regional Services Department</td>
<td>187</td>
<td>2.56</td>
</tr>
<tr>
<td>Home Affairs Department</td>
<td>163</td>
<td>2.28</td>
</tr>
<tr>
<td>Social Welfare Department</td>
<td>192</td>
<td>1.98</td>
</tr>
<tr>
<td>Electrical and Mechanical Services Department</td>
<td>148</td>
<td>2.00</td>
</tr>
<tr>
<td>Drainage Services Department</td>
<td>138</td>
<td>1.74</td>
</tr>
<tr>
<td>Others</td>
<td>1,776</td>
<td>14.71</td>
</tr>
<tr>
<td>Total</td>
<td>4,971</td>
<td>47.46</td>
</tr>
</tbody>
</table>

Source: Treasury’s records
The ten departments with the largest expenditure on OTA and DSOA from 1994-95 to 1998-99

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($ million)</td>
<td>($ million)</td>
<td>($ million)</td>
<td>($ million)</td>
<td>($ million)</td>
</tr>
<tr>
<td>(1) Post Office</td>
<td>298</td>
<td>345</td>
<td>413</td>
<td>513</td>
<td>477</td>
</tr>
<tr>
<td>(2) Police Force</td>
<td>365</td>
<td>395</td>
<td>413</td>
<td>378</td>
<td>179</td>
</tr>
<tr>
<td>(3) Electrical and Mechanical Services Department</td>
<td>69</td>
<td>85</td>
<td>101</td>
<td>123</td>
<td>154</td>
</tr>
<tr>
<td>(4) Housing Department</td>
<td>95</td>
<td>132</td>
<td>141</td>
<td>140</td>
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<td>(5) Water Supplies Department</td>
<td>93</td>
<td>106</td>
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<td>(6) Urban Services Department</td>
<td>97</td>
<td>109</td>
<td>86</td>
<td>113</td>
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<td>(7) Regional Services Department</td>
<td>32</td>
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<td>46</td>
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<td>(8) Correctional Services Department</td>
<td>54</td>
<td>54</td>
<td>81</td>
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<tr>
<td>(9) Fire Services Department</td>
<td>23</td>
<td>25</td>
<td>25</td>
<td>37</td>
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<td>(10) Immigration Department</td>
<td>31</td>
<td>31</td>
<td>52</td>
<td>40</td>
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</tbody>
</table>

Others                                           | 273     | 317     | 344     | 397     | 393     |

**Total**                                         | **1,430** | **1,638** | **1,811** | **1,968** | **1,738** |

*Source: Treasury's records*
Appendix E

**Acronyms and abbreviations**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>CI</td>
<td>Court Interpreter</td>
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<tr>
<td>COA</td>
<td>Committee on Allowances</td>
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<td>CLO</td>
<td>Chinese Language Officer</td>
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<tr>
<td>CSB</td>
<td>Civil Service Bureau</td>
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<tr>
<td>CSR</td>
<td>Civil Service Regulation</td>
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<tr>
<td>DSOA</td>
<td>Disciplined Services Overtime Allowance</td>
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<tr>
<td>FB</td>
<td>Finance Bureau</td>
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<tr>
<td>FC</td>
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<tr>
<td>FDAA</td>
<td>Furniture and domestic appliances allowance</td>
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<td>Housing Department</td>
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<tr>
<td>HOTA</td>
<td>Home-to-office travelling allowance</td>
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<td>Home Purchase Allowance</td>
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<td>HPS</td>
<td>Home Purchase Scheme</td>
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<td>ICAC</td>
<td>Independent Commission Against Corruption</td>
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<td>MPS</td>
<td>Master Pay Scale</td>
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<td>Mass Transit Railway</td>
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<td>Overtime allowance</td>
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<td>Hong Kong Police Force</td>
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<td>PTA</td>
<td>Private tenancy allowance</td>
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<td>PTR</td>
<td>Police Translator</td>
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<td>Standing Commission on Civil Service Salaries and Conditions of Service</td>
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<tr>
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