

## **Press Release**

### **LCQ11: Procurement activities by policy bureaux and government departments**

Wednesday, February 26, 2014

Following is a question by the Hon Kenneth Leung and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (February 26):

Question:

In recent years, the media have successively uncovered that a former Chief Executive and some former public officers had used public money while in office to pay for extravagant expenses on entertainment and overseas duty visits, as well as to procure expensive gifts and supplies, giving rise to public queries and criticism about the Government's lack of proper internal control of entertainment and procurement. In this connection, will the Government inform this Council:

(1) of the upper limits of the current monthly allowances for entertainment and overseas duty visits payable to politically appointed officials, directorate Administrative Officers and personnel of statutory bodies with remuneration packages equivalent to those of directorate civil servants (directorate officers);

(2) as Chapter 8 of the Director of Audit's Report No. 59 points out that the Government introduced the purchasing card programme in 2000 to require policy bureaux/government departments (B/Ds) to use purchasing cards as the normal means to purchase low value stores and services not exceeding \$50,000, whether the authorities have provided purchasing cards to politically appointed officials and directorate officers; if they have not, whether the Government has provided them with corporate credit cards to facilitate their payment for official expenses; if it has not, whether they need to make advance payments for the expenses concerned; if such officers need to do so, of the means by which such expenses are paid, the procedures for applying for reimbursement of advance payments, and the relevant internal control procedures;

(3) among the purchases made by B/Ds in 2012 and 2013, of the respective numbers of purchases (i) made by purchasing cards, (ii) made with exemption from using purchasing cards and (iii) made not by purchasing cards without

approval, as percentages of the total numbers of purchases, and the respective amounts of money involved; and

(4) of the respective numbers of civil servants admonished, punished or prosecuted for violating the procurement requirements each year from 2009 to 2013; whether the authorities have assessed if the purchasing card programme has enhanced the internal control of procurement by B/Ds; if they have, of the details; whether the authorities have plans to expand the scope of application of the purchasing card programme; if they have, of the details?

Reply:

President,

(1) The Government does not set a monthly provision for expenditure on entertainment and subsistence allowance for duty visits outside Hong Kong for civil servants.

Expenditure incurred by civil servants on entertainment is subject to the Civil Service Regulations (CSRs) and relevant guidelines. The CSRs state that expenditure on entertainment may only be charged to public funds when it is: (1) directly related to the discharge of an officer's duties or a necessary part of making or maintaining contacts in his official capacity; and (2) in the public interest. According to the internal guidelines of the Government, expenditure on entertaining guests should generally be limited to \$450 per person for lunch or \$600 per person for dinner.

A civil servant who has been granted approval for a duty visit outside Hong Kong may receive a subsistence allowance. Rates of the allowance are set out on a per night basis in respect of different places for duty visits in the CSRs and vary depending on the place and duration of the visit. All civil servants will however be granted allowances following the same criteria irrespective of rank and post.

At present, the Chief Secretary for Administration, the Financial Secretary and the Secretary for Justice are provided with non-accountable entertainment allowances of \$400,000, \$306,600 and \$199,900 per year respectively for expenditure on entertainment activities held at their official

residences. The entertainment expenses of other politically appointed officials are all accountable subject to the same rules and regulations as well as the expenditure ceilings applicable to civil servants.

Politically appointed officials on duty visits outside Hong Kong are entitled to a subsistence allowance under the same rules and regulations applicable to civil servants.

According to the information provided by various bureaux, no monthly allowances for entertainment and duty visits outside Hong Kong are provided for the personnel of statutory bodies under their purview with remuneration packages equivalent to those of directorate civil servants. Statutory bodies have in place their own internal guidelines governing the expenditure on entertainment and duty visits outside Hong Kong by their staff. Generally speaking, the relevant guidelines and/or regulations are similar to those applicable to civil servants.

(2) The Government launched the purchasing card programme in March 2000 to facilitate bureaux and departments (departments) to use purchasing cards for low value purchases not exceeding HK\$50,000. Normally, departments will issue purchasing cards only to officers who are responsible for making low value purchases. Politically appointed officials and directorate officers are not required to use purchasing cards. Their expenses in relation to duty visits outside Hong Kong, such as those on air tickets and hotel bookings, are normally arranged by the departments concerned. Subject to approval being given for the relevant expenses in accordance with the relevant regulations (such as CSRs and the Stores and Procurement Regulations (SPRs)), the departments concerned will arrange payment direct. If payment is settled by the officer concerned first for expenses related to official entertainment and duty visits outside Hong Kong, the officer has to submit an application for reimbursement to the departments concerned with the relevant receipts and supporting documents. The Government has not issued corporate credit cards to its officials.

In cases where purchasing cards cannot be used (e.g. the suppliers do not accept the use of purchasing cards), departments can settle payment by cash (for purchases with a value not exceeding \$5,000) or by other methods (e.g. cheques). Irrespective of the methods of payment, the relevant documentation,

including purchase orders, invoices, application forms for reimbursement, etc., has to be vetted by the approving officers. Departments are required to keep the relevant procurement records for auditing purposes.

(3) Currently, most departments have adopted the use of purchasing cards for low value purchases not exceeding HK\$50,000. In 2012 and 2013, there were respectively only three and two departments which were not yet ready to use purchasing cards for procurement. This was mainly due to the need for computer system upgrades geared to the use of purchasing cards or other work priorities resulting in the postponement of the implementation date. Although these departments did not use purchasing cards, their procurement work must still comply with the procurement procedures stipulated in the SPRs. Information on low value purchases made by departments in 2012 and 2013 is set out in Annex.

(4) The Civil Service Bureau does not maintain statistics on categories related to civil servants admonished, punished or prosecuted for violating the procurement requirements. Such information is therefore not available.

In using the purchasing cards for arranging purchases, departments should follow the procurement procedures stipulated in the SPRs. The purchasing card programme has in place a monitoring mechanism to ensure proper usage by cardholders, which includes prohibiting the purchase of certain commodities (e.g. jewellery), restricting the purchase amount per transaction and the credit limit per billing cycle for each cardholder, etc. Furthermore, under the purchasing card programme, each transaction has a reference number and the consolidated statement shows all the transactions of the card for verification by departments. The purchasing cards are now being widely used by departments for low value purchases and the whole programme has been operating smoothly. The two departments not yet using purchasing cards are now actively making preparation for joining the purchasing card programme as soon as possible.

Ends