

Press release

LCQ18: Payment and accounting procedures

Wednesday, April 9, 2008

Following is a question by the Hon Wong Ting-kwong and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (April 9):

Question:

It has been reported that a Senior Clerical Officer of the Department of Health (DH) was convicted last month of embezzling over \$13 million of public money by falsifying accounts continuously for three years. The district court judge sitting on the case criticised DH's internal vetting system for being too lax, hence giving the defendant an opportunity to take advantage of it. In this connection, will the Government inform this Council:

- (a) whether DH has laid down more stringent procedure for vetting expenses after this incident; if so, of the relevant details; if not, the reasons for that;
- (b) of the details of the current procedure of various departments for vetting expenses; and
- (c) whether it will carry out a comprehensive review of the procedure adopted by various departments for vetting expenses; if so, how it will carry out the review; if not, the reasons for that?

Reply:

Madam President,

- (1) Since discovery of the embezzlement act, the DH has taken immediate actions to improve the payment and accounting procedures.

DH has reminded all staff in its Finance Office of the need to strictly comply with government regulations and instructions in processing payments. In particular, all officers involved in payment processing have been reminded to ensure that claims for payments are adequately supported, properly

certified and correctly accounted. To this end, a comprehensive checklist on payment checking has been issued to provide practical assistance to staff in dealing with matters relating to authorisation of payment vouchers. A circular has also been issued to provide a summary of major points to be observed by budget holders and subject officers in arranging payments.

As a further safeguard, DH has introduced sample post-payment checking by budget holders on selected payments charged to their votes. Its Internal Audit Section will also revise its work plan to conduct more health checks on payment vouchers and procedures to ensure that the checks and balances are functioning as anticipated.

(2) There are standing Government-wide regulations and instructions setting out the responsibilities of public officers and the procedures for them to follow in processing payments to suppliers of goods and services. In particular, payments must be supported by invoices and orders certified by user sections that the goods purchased have been received and the services acquired have been carried out. The vouchers for payment are then separately authorised by two other officers; the first voucher authorisation officer must check the accuracy of the payment voucher and the supporting invoice and order and certifications; and the second voucher authorisation officer is required to satisfy himself that the payment voucher has been properly checked by the first voucher authorisation officer and the payments are supported by the relevant documents. Moreover, the voucher authorisation officers are set at designated ranks having regard to the amount of payment in each payment voucher. These regulations and instructions provide internal controls and segregation of duties and responsibilities in the procedures.

(3) The standing regulations and instructions mentioned in (2) above are applicable to all government departments. Following the incident in the DH, the Treasury has reviewed the procedures in the DH and relevant standing regulations and instructions and considered that, if properly complied with, the procedures together with the regulations and instructions provide adequate internal controls and sufficient segregation of duties and responsibilities to ensure that all payments are properly and correctly made. To prevent recurrence of similar incidents, the Treasury has taken the following actions -

(a) issued a circular in July 2007 to remind all departments to strictly comply

with the relevant regulations and instructions in processing payments;

(b) held briefing sessions with heads of finance of all departments on the aforesaid circular as well as common and useful practices on check-and-balance to put in place;

(c) held an experience sharing session with internal audit teams in departments on audit work and procedures to detect malpractices;

(d) included the expenditure account codes in daily expenditure reports starting from August 30, 2007 to facilitate departments to conduct checks with their budget holders on all payments made to ensure no malpractices; and

(e) stepped up the frequency of Treasury inspection teams visiting departments to inspect their payment records and supporting documents to ensure compliance with the relevant payment regulations and instructions.

Ends