

Press Release

LCQ13: Funds housed outside Government accounts

Wednesday, October 28, 2015

Following is a question by the Hon James Tien and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (Oct 28):

Question:

It is learnt that some of the funds established by the Government and with government injections are currently segregated from the government accounts, and the revenue and expenditure of these funds as well as their net assets are not included in the annual accounts and fiscal reserves of the Government. In his reply to a question I raised on the Estimates of Expenditure 2015-2016, the Secretary for Financial Services and the Treasury said that as such funds were managed and controlled by individual bureaux, government departments or relevant organisations on their own, the Financial Services and the Treasury Bureau (FSTB) did not keep past or up-to-date financial information of the funds. In this connection, will the Government inform this Council:

- (1) of the names of the aforesaid funds (with a breakdown by the bureau, government department or relevant organisation to which the funds belong);
- (2) whether FSTB knows the total present asset values of such funds; if FSTB does, of the details;
- (3) of FSTB's justifications for not requiring the bureaux, government departments and relevant organisations responsible for managing such funds to report on the funds' financial situations;
- (4) whether any of the funds ceased operation in the past decade; if there were, of the names of such funds (with a breakdown by the year in which the operation ceased, the balance, and the way by which the fund balance was disposed of);
- (5) whether the financial situations of such funds are subject to monitoring by

government departments other than those to which the funds belong (e.g. regular auditing by the Audit Commission); if so, of the details; if not, the reasons for that; and

(6) whether measures are in place to ensure that such funds achieve the effectiveness objectives set at the time of establishment, and how it assesses the need for the continuous operation of the funds?

Reply:

President,

My consolidated reply to your question is as follows:

The major government funds (established mainly with public moneys) for specific purposes and which are directly administered by Government, as set out in Government's accrual-based consolidated financial statements for the year ended March 31, 2014, are set out at Table 1 of Annex.

According to the Accrual-based Consolidated Financial Statements for the year ended March 31, 2014, the total amount of investments made by the above funds was in the region of \$84 billion.

In the past ten years, the two funds which had ceased operation are set out at Table 2 of Annex.

According to the Public Finance Ordinance (Cap.2), Controlling Officers are responsible and accountable for all expenditure from any head or subhead in the approved estimates under their remit, as well as for all public moneys and Government property in respect of the department or service for which they are responsible. The public moneys include government funds set up for specific purposes.

The Financial Services and the Treasury Bureau issued in February 2015 a new set of administrative guidelines on the establishment and management of purpose-specific funding schemes, whether housed within or outside the government accounts. In general terms, Controlling Officers are reminded to observe the need to strive to achieve maximum value for money, exercise

prudence in the disbursement of government fund, preserve a level playing field in government procurement, serve the public with integrity and in a transparent and publicly accountable manner, and observe due diligence and avoid conflict of interest. Specifically, they are reminded to critically review the need to set up a new fund, seek proper authorisation for earmarking funding, set up an effective governance structure, formulate and keep updated strategic plans on the programmes/activities for achieving the purposes of the fund, and develop and report on appropriate performance measures for the fund, etc. Controlling Officers are advised to invest funds not immediately required, and to make reference to the Fund Management Guide issued by the Treasury in January 2014 (as may be updated). The Guide covers the setting of investment objectives, formulating investment strategies, investment planning, investment operations and controls, monitoring, investment performance reporting and financial reporting. The governing board, investment committee (or the Controlling Officer as the case may be) should regularly review investment strategies and closely monitor investment performance.

Controlling Officers are ultimately accountable for the proper use of government funds under their control. They should decide on the degree of control for individual funds and ensure that it is reasonable and proportionate to the purpose, nature and scale of the fund. They are required to put in place appropriate measures to monitor the performance of respective government funds against their intended objectives and to assess the need for their continued operation.

Ends