

LCQ6: Governance of statutory bodies

Following is a question by the Hon Lee Wing-tat and a reply by the Secretary for Home Affairs, Dr Patrick Ho, in the Legislative Council today (May 9):

Question:

Regarding the governance of statutory bodies, will the Government inform this Council:

- (a) whether it knows the details of the remuneration and bonus systems for senior staff of existing statutory bodies (including the Kowloon-Canton Railway Corporation, the Hospital Authority, the Urban Renewal Authority and the Hong Kong Tourism Board), the vetting procedures for such systems, and how it ensures that there will not be wastage of public money under such systems;
- (b) whether it has reviewed how the roles and functions of government officials who serve as ex-officio members of such bodies, and how they assist in meeting the target of achieving good governance in such bodies; if it has conducted such a review, of the results; if not, the reasons for that; and
- (c) how it ensures that members of the governing structures (such as board members) of such statutory bodies fully assume their responsibilities as members of the governing structures concerned, and how individual members hold themselves accountable to the public?

Reply:

Madam President,

- (a) At present, there are 240 statutory bodies in Hong Kong. They perform a wide range of functions in specified areas in accordance with the ordinances which establish them. The nature and functions of these statutory bodies vary considerably, from advisory committees providing advice in particular areas, such as the Antiquities Advisory Board (AAB), to non-departmental public bodies providing services to the public, such as the Hospital Authority, and to public corporations like the Kowloon-Canton Railway Corporation (KCRC) which is required to operate on prudent commercial principles, regulatory bodies, advisory and management boards

responsible for trusts and subsidy schemes, and appeal boards that deal with appeals under different ordinances.

The secretariats of a majority of these bodies are serviced by civil servants, such as the AAB. About 60 statutory bodies have employed their own staff and the remunerations of their senior executives normally comprise base salaries, end-of-contract gratuity and other fringe benefits. The approving authority for remunerations of these staff is set out in the relevant legislation. In general, the remunerations of staff in these statutory bodies are determined by the governing boards of the respective bodies.

In general, the remunerations of staff and their adjustments in these statutory bodies should be able to attract and retain staff with the appropriate calibre, experience and expertise, having regard to the level of responsibilities of the relevant posts and the specific nature of operation of the organisations concerned.

To strengthen the monitoring and control of remuneration practices in respect of the top three tiers of executives in subvented bodies, Government promulgated guidelines in March 2003 under which statutory bodies which receive more than 50% of their operating income from Government, except those fulfilling prescribed exemption criteria, should regularly review the number, ranking and remuneration packages of staff at the top three tiers and submit the review reports to their responsible Directors of Bureaux. The reports should, inter alia, explain and justify any changes over the period covered in the report. In assessing the appropriateness of the number and ranking of senior positions of a subvented body, the Director of Bureau will consider the functions and overall staffing structure of the concerned body, the nature and complexity of duties being performed by the top three-tier executives in question, and the ranking for comparable jobs in the civil service as appropriate. In evaluating the appropriateness of remuneration packages for senior positions of a subvented body that have comparable civil service ranks, the relevant Director of Bureau will compare the average total cost of remunerations for a tier of staff with that of civil servants at comparable ranks. In the absence of such comparable civil service ranks, reference should be made to market practices. To enhance transparency, the Director of Bureau will work out with those subvented bodies under his/her purview suitable arrangements for public disclosure for their regular review reports.

For public corporations and similar major statutory bodies like the KCRC and

the Urban Renewal Authority etc., they have their own governing boards and are required under the relevant laws to operate independently and effectively. The remunerations of senior executives in these statutory bodies are determined by the governing boards of the respective bodies as set out in the relevant legislation. The remuneration mix of senior executives in these bodies normally comprises a fix salary and a performance-based variable pay. In general, to achieve greater consistency and objectivity in the organisations' remuneration arrangements, these bodies have designated committees to deal with their remuneration policies and arrangements, to track the remuneration levels and trends in the relevant human resource market by conducting regular remuneration surveys, to review the performance and remuneration particularly of the Chief Executive Officers (CEO), and to formulate its recommendation to the relevant governing board or approving authority.

(b) For statutory bodies with Government representatives sitting on their management boards as ex-officio members, these Government representatives are usually from bureaux or departments relevant to the work of the statutory bodies concerned. The roles and functions of these ex-officio members are in general to offer advice from the perspectives of Government's policy in relevant areas to enable the statutory bodies concerned to give due regard to the wide public interests in the pursuit of their organisational goals.

While these Government representatives also perform a monitoring role, the responsibility for ensuring good corporate governance rests with the governing boards of the respective bodies. In general, there are also specific legal provisions in the ordinances which establish these bodies governing their operations. Insofar as the major public corporations are concerned, they have all set up their own internal audit mechanisms to ensure the proper use of resources. They are also required to appoint independent external auditors. The audited financial statements, together with the auditors' reports are either tabled in this Council or published and made available to the public.

(c) As a matter of principle, each appointment to the governing boards of statutory bodies is made on the basis of the merit of the individual concerned, taking into account the candidate's ability, expertise, experience, integrity and commitment to public service, with due regard to the functions and nature of business of the statutory bodies concerned. All members of the governing boards will endeavor to discharge their duties as a member of the governing board. When considering whether an incumbent member of the governing board of a statutory body should be re-appointed

upon expiry of his/her current term of appointment, the Government will take into account, among other considerations, the past performance of the individual concerned.

On the question of accountability, individual members of the governing board of these statutory bodies are obliged to exercise due diligence in discharging their duties and are held accountable to the public, through the bodies as a whole, in respect of the operations, services and efficiency of these bodies. In addition, the Administration reports to this Council on the affairs of these bodies from time to time and answer questions raised by Members. Senior management staff of these bodies will also attend meetings of Panels of this Council on request to brief Members on subjects of interest or public concern. Apart from these arrangements, many statutory bodies have also set performance pledges and targets and published information on their activities at their websites on a regular basis to enhance accountability and transparency of their operations.

Thank you, Madam President.

Ends/Wednesday, May 9, 2007

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