

Chapter 1

Constitution and Administration

Nine years after reunification, the principles of 'one country, two systems', 'a high degree of autonomy' and 'Hong Kong people running Hong Kong' have been fully implemented. The Government is determined to ensure that this remains the case, and stays committed to the full and faithful implementation of the Basic Law.

Hong Kong became a Special Administrative Region of the People's Republic of China (PRC) on July 1, 1997. The Basic Law of the Hong Kong Special Administrative Region (HKSAR) came into effect on the same day. The Basic Law prescribes the systems to be practised in the HKSAR.

Under the Basic Law, the HKSAR enjoys a high degree of autonomy in accordance with the principle of 'one country, two systems'. The HKSAR exercises executive, legislative and independent judicial power, including that of final adjudication. The HKSAR's executive authorities and legislature are composed of permanent residents of Hong Kong. The HKSAR remains a free port, a separate customs territory and an international financial centre and may, on its own, using the name 'Hong Kong, China', maintain and develop relations, and conclude and implement agreements with foreign states and regions, and international organisations in the appropriate fields, including the economic, trade, financial and monetary, shipping, communications, tourism, cultural and sports fields.

Role of the Chief Executive

The Chief Executive is the head of the HKSAR. He leads the Government of the HKSAR. He is responsible for implementing the Basic Law, signing bills and budgets passed by the Legislative Council, promulgating laws, making decisions on government policies and issuing executive orders. He is assisted by the Executive Council in policy-making.

The System of Government

Executive Council

The Executive Council is an organ for assisting the Chief Executive in policy making. Under Article 56 of the Basic Law, except for the appointment, removal and disciplining of officials and the adoption of measures in emergencies, the Chief Executive shall consult the Executive Council before making important policy decisions, introducing bills to the Legislative Council, making subordinate legislation, or dissolving the Legislative Council. The Chief Executive in Council also determines appeals, petitions and objections under those ordinances which confer a statutory right of appeal. If the Chief Executive does not accept a majority opinion of the Executive Council, he shall put the specific reasons on record.

The Executive Council has 29 members. As provided for in Article 55 of the Basic Law, members of the Executive Council shall be appointed by the Chief Executive from among the principal officials of the executive authorities, members of the Legislative Council and public figures. They are Chinese citizens who are permanent residents of the Hong Kong Special Administrative Region with no right of abode in any foreign country. Currently, the membership of the Executive Council comprises 14 Principal Officials and 15 Non-Officials. Their appointment or removal is decided by the Chief Executive. The term of office of members of the Executive Council shall not extend beyond the expiry of the term of office of the Chief Executive who appoints them.

The Executive Council normally meets once a week and its proceedings are confidential, although many of its decisions are made public. The Chief Executive presides at its meetings. During the year, the Executive Council held a total of 37 meetings.

Legislative Council

Powers and Functions

Under Article 73 of the Basic Law, the Legislative Council of the Hong Kong Special Administrative Region shall exercise the following powers and functions:

- To enact, amend or repeal laws in accordance with the provisions of the Basic Law and legal procedures;
- To examine and approve budgets introduced by the Government;
- To approve taxation and public expenditure;
- To receive and debate the policy addresses of the Chief Executive;
- To raise questions on the work of the Government;
- To debate any issue concerning public interests;
- To endorse the appointment and removal of the judges of the Court of Final Appeal and the Chief Judge of the High Court;

- To receive and handle complaints from Hong Kong residents;
- If a motion initiated jointly by one-fourth of all the members of the Legislative Council charges the Chief Executive with serious breach of law or dereliction of duty and if he or she refuses to resign, the council may, after passing a motion for investigation, give a mandate to the Chief Justice of the Court of Final Appeal to form and chair an independent investigation committee. The committee shall be responsible for carrying out the investigation and reporting its findings to the council. If the committee considers the evidence sufficient to substantiate such charges, the council may pass a motion of impeachment by a two-thirds majority of all its members and report it to the Central People's Government (CPG) for decision; and
- To summon, as required when exercising the above-mentioned powers and functions, persons concerned to testify or give evidence.

Composition

Under the Basic Law, the Legislative Council of the HKSAR is constituted by election. The election for the Third Legislative Council was held on September 12, 2004.

The 60 members of the Third Legislative Council comprise 30 members returned by geographical constituencies through direct elections and 30 members returned by functional constituencies representing various sectors of the community. The President of the Legislative Council is elected by and from members of the council.

The term of office of the Third Legislative Council began on October 1, 2004, and in accordance with the Basic Law and the Legislative Council Ordinance, the term of office is four years (2004-08).

Meetings of the Legislative Council

The Legislative Council normally meets on Wednesdays in the Chamber of the Legislative Council Building to conduct its business, including tabling subsidiary legislation and other papers and reports for the council's consideration; asking questions for replies by the Government; introducing and considering bills and proposing resolutions and debating motions concerning matters of public interest.

All Legislative Council meetings are open to the public and are conducted in Cantonese and English, and occasionally in Putonghua, with simultaneous interpretation provided. The proceedings are recorded verbatim in the Official Record of Proceedings of the Legislative Council.

During the 2005-06 legislative session (from October 2005 to August 2006), the council held 37 meetings, five of which were devoted to the Chief Executive's Question and Answer Sessions. The council passed 25 bills and asked 598 questions and 1 003 supplementary questions. Altogether, 220 items of subsidiary legislation were tabled in the council for consideration through the negative vetting procedure. The scrutiny of 204 items was completed, with six of them amended by the council through the passage of motions moved by the Government. The scrutiny of the

remaining 16 items continued in the next session. In addition, the council completed the scrutiny of 18 items of subsidiary legislation, which had been tabled in the previous session. The Government proposed 22 resolutions through the positive vetting procedure to either make new or amend existing subsidiary legislation, and all were passed by the council.

Apart from those relating to subsidiary legislation, seven motions to amend the Rules of Procedure were passed. The council debated 55 members' motions with no legislative effect and three adjournment motions on issues concerning public interests during the 2005-06 legislative session.

Finance Committee

The Finance Committee consists of all members of the Legislative Council except the President. The Chairman and the Deputy Chairman of the committee are elected from among its members. The committee normally meets in public on Friday afternoons to scrutinise and approve public expenditure proposals put forward by the Government. Its work includes the scrutiny of the annual Budget presented by the Financial Secretary to the Legislative Council during the proceedings related to the Appropriation Bill, which sets out the Government's annual expenditure proposals for the following financial year. During the 2005-06 session, the committee held 21 meetings and examined 43 financial proposals.

There are two subcommittees under the Finance Committee: the Establishment Subcommittee and the Public Works Subcommittee, which also conduct meetings in public. Membership of both is open to all members of the Finance Committee.

The Establishment Subcommittee examines and makes recommendations to the Finance Committee on the Government's proposals for the creation, redeployment and deletion of directorate posts, and for changes to the structure of grades and ranks in the Civil Service. During the 2005-06 session, the subcommittee held six meetings and examined 20 proposals put forward by the Government.

The Public Works Subcommittee examines and makes recommendations to the Finance Committee on the Government's expenditure proposals under the Capital Works Reserve Fund for projects in the Public Works Programme and building projects carried out by or on behalf of subvented organisations. During the 2005-06 session, the subcommittee held 12 meetings and examined 61 proposals, covering 60 projects and the Block Allocations for 2006-07 put forward by the Government.

Public Accounts Committee

The Public Accounts Committee considers reports of the Director of Audit on the accounts of the Government and the results of his value-for-money audits of government departments and other organisations that are within the purview of public audit. It may invite government officials, public organisations or any other persons to attend public hearings to give explanations, evidence or information. The seven members of the committee are appointed by the President of the Legislative Council in accordance with the election procedure determined by the council's House Committee.

During the 2005-06 session, the committee examined the Director of Audit's Report on the Accounts of the Government for the year ended March 31, 2005 and the Reports on the Results of Value-for-Money Audits (Reports Nos. 45 and 46). The committee held 12 public hearings and 40 internal meetings during the period. The conclusions and recommendations of the committee are contained in the committee's Reports Nos. 45 and 46, which were tabled in the Legislative Council on February 15, 2006 and July 12, 2006 respectively.

Committee on Members' Interests

The Committee on Members' Interests comprises seven members who are appointed by the President of the Legislative Council in accordance with the election procedure determined by the council's House Committee. It considers matters pertaining to the declaration of interests, such as the arrangements for the compilation, maintenance and accessibility of the Register of Members' Interests, and matters of ethics in relation to the conduct of members of the Legislative Council. It is also empowered to consider and investigate complaints regarding members' registration and declaration of interests, and make recommendations to the council relating to matters concerning members' interests.

During the 2005-06 session, the committee held seven meetings to review the registration requirements for remunerated directorships and consider a proposal for the committee to take up the additional responsibility for handling complaints relating to members' operating expenses reimbursement claims and applications for advance of operating expenses. A motion to amend the Rules of Procedure to implement the proposal was moved and passed at the council meeting held on July 5, 2006. The committee also made consequential amendments to its procedure for handling complaints.

House Committee

The House Committee, which consists of all members except the President, elects its Chairman and the Deputy Chairman. The committee normally meets on Friday afternoons and is responsible for dealing with matters related to the work of the Legislative Council and preparing members for council meetings. It decides whether bills committees or subcommittees should be formed to scrutinise bills and subsidiary legislation. During the 2005-06 session, the House Committee held 32 regular meetings.

Committee on Rules of Procedure

The Committee on Rules of Procedure is responsible for reviewing the Rules of Procedure of the Legislative Council and its committees, and proposing to the council such amendments or changes as are considered necessary. The committee consists of 12 members who are appointed by the President of the Legislative Council in accordance with the election procedure determined by the council's House Committee. During the report period, the committee held five meetings.

Bills Committees

Any member, other than the President, may join a bills committee formed by the House Committee to consider the general merits and principles of a bill allocated for scrutiny. A bills committee may also consider the detailed provisions of and amendments to the bill. It usually tables a report in council and is dissolved on the passage of the bill or when the House Committee so decides. During the 2005-06 session, the Legislative Council set up nine bills committees to scrutinise bills introduced into the council, namely the Chief Executive Election and Legislative Council Election (Miscellaneous Amendments) Bill 2006, Interception of Communications and Surveillance Bill, Copyright (Amendment) Bill 2006, Betting Duty (Amendment) Bill 2006, Safety of United Nations and Associated Personnel Bill, Hazardous Chemicals Control Bill, Rail Merger Bill, Prevention of Cruelty to Animals (Amendment) Bill 2006 and Unsolicited Electronic Messages Bill. A total of 26 bills committees, including those carried forward from the previous session, were in operation during the 2005-06 session.

Subcommittees on Subsidiary Legislation

During the 2005-06 session, the House Committee formed 14 subcommittees to consider 20 items of subsidiary legislation, and three proposed resolutions presented by the Government for the council's approval.

Other Subcommittees

The House Committee may also appoint subcommittees to assist in the consideration of any other matters relating to the business of the council. Three such subcommittees were appointed during the 2005-06 session.

Panels

The Legislative Council has established 18 panels to monitor and examine the Government's policies and issues of public concern that relate to their respective policy areas. These panels also give views on major legislative or financial proposals before their introduction into the Legislative Council or the Finance Committee and examine relevant policy matters referred to them.

Select Committees

The Legislative Council may appoint select committees to enable members to consider particular matters or bills. Select committees report to the council after they have completed consideration of such matters. No select committee was appointed during the report period.

Redress System

The Legislative Council operates a redress system under which members of the public may seek assistance for redressing any grievance resulting from government actions or policies, and lodge complaints against government departments and other organisations. The redress system operates on a weekly roster with groups of six members taking turns to receive and handle complaints and representations from the public. They also take turns to be on 'ward duty' during their duty week to meet individual complainants and give guidance to staff in processing cases.

The Legislative Council Commission and Legislative Council Secretariat

The Legislative Council Commission is a statutory body independent of the Government. It is chaired by the President of the Legislative Council. In the 2005-06 session, the commission comprised 10 members, including the chairman. The commission's main function is to provide support and services for the Legislative Council through the Legislative Council Secretariat. It is empowered to employ staff of the Legislative Council Secretariat and oversee its work, determine the organisation and administration of support services and facilities, formulate and execute policies on their effective operation and expend funds in ways it sees fit to support these activities.

The Legislative Council Secretariat is headed by the Secretary General. Its mission is to provide efficient administrative, secretariat and research support for the council and its committees, enhance the community's understanding of the activities of the council and ensure an effective avenue for redress.

District Administration

The District Administration Scheme started in 1982 with the establishment of a District Board and a District Management Committee in each district. Through the scheme, the Government promotes public participation in district affairs and fosters a sense of belonging and mutual care among the people of Hong Kong. The scheme also helps to ensure that the Government is responsive to district needs and problems. Following the 1998 review of the structure and functions of district organisations, District Boards were renamed District Councils (DC) in 2000 to underline their important role in reflecting public opinion and monitoring the delivery of public services at district level.

The second term of the District Councils started on 1 January 2004. In addition to the 400 elected members, there are 102 appointed members and 27 ex officio members (chairmen of rural committees in the New Territories), making a total of 529 District Council members. The term of office of these council members is four years starting from January 2004. The next District Council election will be held in November 2007 and the third term will begin on 1 January 2008.

The main function of District Councils is to advise the Government on matters affecting the well-being of the people living and working in the districts as well as on the provision and use of public facilities and services within the districts. The Government also consults the District Councils on a wide range of issues.

Each district has a District Management Committee, chaired by the District Officer, and comprising the chairman, vice-chairman and committee chairmen of the District Council as well as representatives of Government departments providing essential services in the district. The District Management Committee serves as a forum for consultation, coordination and collaboration between different departments and the District Council to help resolve inter-departmental district issues and ensure that district needs are promptly met.

Another key function of District Councils is to carry out minor environmental improvement and community involvement projects with funds available. Such funds have been increased from \$130 million in 1999-2000 to \$173.5 million in 2006-07.

In 2006, the Administration conducted a review of the role, functions and composition of District Councils with a view to enhancing the functions of District Councils and improving government work in districts. Recommendations under the DC Review were generally well received. These include arrangements for District Councils to participate in the management of some district facilities, measures to strengthen communication between the District Councils and the Administration as well as to set up a high-level Steering Committee on District Administration to expedite resolution of district management issues, and proposals to provide better support to District Council members. A pilot scheme in four districts to involve the District Councils in the management of district facilities will be launched in January 2007. Experience from operating the pilot scheme is expected to facilitate the smooth implementation of the DC Review in all 18 districts starting January 2008.

To maintain a direct dialogue with local residents, each District Council operates a meet-the-public scheme, under which residents can meet council members face-to-face to express their views on district problems. The scheme has been well received by the public. It also provides a direct channel for District Councils to collect public views on local matters and territory-wide issues. In addition, many District Council members also operate ward offices to maintain contact with their constituents and to better meet the needs of the local community.

To promote harmony in the community and encourage public participation in district affairs, Area Committees have been set up in the 18 districts to advise on local issues as well as to help organise community activities and government campaigns. At year-end, there are 70 Area Committees.

Twenty Public Enquiry Service Centres, attached to the District Offices, provide a wide range of free services to the public. These services include answering general enquiries on government services; distributing government forms and information; administering oaths and declarations; and referring cases under the District Council members' meet-the-public scheme, the Free Legal Advice Scheme and the Rent Officer Scheme. The Public Enquiry Service Centres and the General Telephone Enquiry Centre served a total of 1.66 million clients in 2006.

The Electoral System

Electoral System for the Legislative Council

The composition of the first three terms of the Legislative Council as set out in the Basic Law is as follows:

Membership	First term (1998-2000)	Second term (2000-2004)	Third term (2004-2008)
(a) elected by geographical constituencies through direct elections	20	24	30
(b) elected by functional constituencies	30	30	30
(c) elected by an election committee	10	6	—
	—	—	—
	60	60	60

Geographical Constituency

Geographical constituency elections are held on the basis of universal suffrage. All eligible persons aged 18 or above have the right to be registered as electors and to vote in the elections. There are currently about 3 million registered electors.

The HKSAR is divided into five geographical constituencies of four to eight seats in the third term of the Legislative Council. Voters choose lists of candidates, using the List Voting System which operates under the Largest Remainder formula, a form of proportional representation. Under this system, each list may consist of any number of candidates up to the number of seats in the relevant constituency. An elector is entitled to cast one vote for a list in the constituency in which he or she is registered. The seats for the constituency are distributed among the lists according to the number of votes they get.

Any permanent resident of the HKSAR who is a Chinese citizen with no right of abode in any foreign country may stand for election in any geographical constituency, provided that he or she is a registered elector on the Final Register, has attained the age of 21, and has ordinarily resided in Hong Kong for the preceding three years.

Functional Constituency

Each functional constituency represents an economic, social, or professional group important to the HKSAR. For the third-term Legislative Council, these are: (1) Heung Yee Kuk; (2) agriculture and fisheries; (3) insurance; (4) transport; (5) education; (6) legal; (7) accountancy; (8) medical; (9) health services; (10) engineering; (11) architectural, surveying and planning; (12) labour; (13) social welfare; (14) real estate and construction; (15) tourism; (16) commercial (first); (17) commercial (second); (18) industrial (first); (19) industrial (second); (20) finance; (21) financial services; (22) sports, performing arts, culture and publication; (23) import and export; (24) textiles and garment; (25) wholesale and retail; (26) information technology; (27) catering; and (28) District Council. The labour functional constituency returns three Legislative Council members, while the other 27 functional constituencies return one member each.

The electorate of functional constituencies which represent professional groups is generally based on membership of professions with well-established and recognised qualifications, including statutory qualifications. Each individual member has one vote. The electorate of functional constituencies representing economic or social groups is generally made up of corporate members of major organisations representative of the relevant sectors. Each corporate member appoints an authorised representative to cast the vote on its behalf in an election.

To become a candidate in the functional constituencies, one must satisfy the same age and residential requirements as in a geographical constituency election, be a registered elector on the Final Register, and also a registered elector of or have a substantial connection with the relevant functional constituency. To give due recognition to the significant contribution made by foreign nationals and the fact that Hong Kong is an international city and to meet the requirement of the relevant provision in the Basic Law, permanent residents of the HKSAR who are not of Chinese nationality or who have the right of abode in foreign countries may stand for election in 12 designated functional constituencies (functional constituencies No. 3, 6, 7, 10, 11, 14, 15, 16, 18, 20, 21, 23 as above).

Electoral System for the Chief Executive

In accordance with the Basic Law, the Chief Executive shall be elected by an Election Committee (EC). The EC is composed of 800 members from four sectors (which are in turn composed of 38 subsectors), comprising :

- 664 members of 35 subsectors who are returned through elections;
- 96 ex officio members who are Hong Kong deputies to the National People's Congress (NPC) and members of the Legislative Council (LegCo) under the NPC subsector and the LegCo subsector; and
- 40 members under the religious subsector who are nominated by six designated bodies.

The 2006 EC subsector elections were held on December 10, 2006. The new EC, with its term of office commencing on February 1, 2007, will elect the third term Chief Executive on March 25, 2007. The term of office of the third term Chief Executive will commence on July 1, 2007.

Implementing Universal Suffrage for the Chief Executive and the Legislative Council

The Basic Law provides that the ultimate aim is the selection of the Chief Executive by universal suffrage upon nomination by a broadly representative nominating committee in accordance with democratic procedures and also the election of all the members of the Legislative Council by universal suffrage. According to the Basic Law, this aim is to be attained in accordance with the principle of gradual and orderly progress and in the light of the actual situation in Hong Kong.

The Government is firmly committed to promoting constitutional development in accordance with the Basic Law. The Chief Executive has been personally leading the Commission on Strategic Development to study the formulation of a roadmap for

universal suffrage. Commission membership is drawn from a wide cross-section of the community and includes people from different political backgrounds. In May 2006, the commission had completed discussion on the principles and concepts about universal suffrage, and drew conclusions that, in implementing universal suffrage, we should comply with the following four principles:

- (i) addressing the interests of different sectors of society;
- (ii) facilitating the development of the capitalist economy;
- (iii) gradual and orderly progress; and
- (iv) meeting the actual situation in the HKSAR.

The work of the commission has entered a new stage. Since July 2006, the commission has been engaging in substantive discussion on possible models for selecting the Chief Executive and for forming the Legislative Council by universal suffrage, including how to form a nominating committee according to the Basic Law to nominate Chief Executive candidates for election through universal suffrage, and how the current 30 functional constituency seats should be dealt with, so as to return the Legislative Council through universal suffrage.

Electoral System for the District Councils

Eighteen District Councils were established in the HKSAR to advise the Government on district affairs and to promote recreational and cultural activities, and environmental improvements within the districts. A District Council is composed of elected members, appointed members, and, in the case of District Councils in rural areas, the chairmen of rural committees as ex officio members. The simple majority voting system is adopted for elections. For the second-term councils (2004-07), the HKSAR was divided into 400 constituencies, each represented by one elected member.

Electoral Affairs Commission

The Electoral Affairs Commission, an independent statutory body, is responsible for ensuring that elections in the HKSAR are conducted openly, honestly, fairly and in accordance with the law. It comprises three politically neutral persons appointed by the Chief Executive and is headed by a High Court judge. The commission is responsible for making recommendations to the Chief Executive on the delineation of geographical constituencies and District Council constituencies, making regulations on practical arrangements for the Chief Executive election, the Legislative Council election, the District Council election and rural elections, and handling complaints relating to these elections. The Registration and Electoral Office, a government department headed by the Chief Electoral Officer, works under the commission's direction and carries out its decisions.

HKSAR's External Affairs

The HKSAR continues to play an active role in the international arena and maintains close contact with its international partners.

In 2006, representatives of the HKSAR Government, as members of the PRC delegation, took part in over 100 international conferences limited to states, including those organised by the World Intellectual Property Organisation, the World Health Organisation and the International Civil Aviation Organisation. The HKSAR also took part in over 1 400 other inter-governmental conferences not limited to states in the capacity of 'Hong Kong, China', including those organised by the World Trade Organisation, Asia-Pacific Economic Cooperation and the World Customs Organisation.

Hong Kong played host to a number of prominent international events, including the International Telecommunication Union (ITU) Telecom World 2006, the first time the event was held outside Geneva where the ITU's headquarters is located.

In accordance with Article 151 of the Basic Law, the HKSAR concluded 20 agreements with foreign states in 2006 on matters such as customs cooperation, postal cooperation, cultural cooperation, as well as public health cooperation. With the authorisation of the Central People's Government, the HKSAR also concluded 10 bilateral agreements with foreign states on air services, mutual legal assistance, readmission of persons, transfer of sentenced persons and surrender of fugitive offenders matters in the year. In 2006, after seeking the views of the HKSAR Government, the CPG decided that four multilateral conventions should be applied to the HKSAR.

Active participation in international activities and close liaison with our international partners has enabled the HKSAR to maintain its status as an international financial, trade, civil aviation and shipping centre.

There is a large foreign representation in the HKSAR, including 57 consulates-general, 55 honorary consuls and five officially recognised international bodies.

Working Relationship of the HKSARG with the MFA Office

The HKSAR Government continues to work closely with the Office of the Commissioner of the Ministry of Foreign Affairs (MFA Office) in Hong Kong, which was established by the Central People's Government, in the following areas:

- (a) participation in international organisations and conferences, such as obtaining the CPG's approval for HKSAR Government officials to participate as members of the PRC delegation in international conferences limited to states;
- (b) negotiation and conclusion of international agreements, such as obtaining the CPG's specific authorisation for the negotiation and conclusion of agreements with foreign states in accordance with the relevant provisions of the Basic Law;
- (c) consular protection for Hong Kong people in distress overseas; and
- (d) matters relating to consular missions in the HKSAR. The establishment of foreign consular and other official or semi-official missions is a matter for the

MFA Office. The HKSAR Government is responsible for the day-to-day management of the consular corps.

Working Relationship with the Mainland Authorities

Since reunification, the Government has made significant progress in developing and maintaining a cordial working relationship with the CPG and other Mainland authorities. Through a wide range of exchanges, including visits, meetings, seminars and training programmes, various bureaux and departments of the Government and their Mainland counterparts have enhanced mutual understanding.

The Hong Kong and Macao Affairs Office (HKMAO) of the State Council facilitates and provides assistance to the HKSAR Government in developing official contacts with Mainland authorities. The Government also maintains close liaison with HKMAO on matters of mutual concern and arrangements for official visits between the Mainland and Hong Kong.

Article 22 of the Basic Law provides that no department of the CPG and no province, autonomous region, or municipality directly under the Central Government may interfere in the affairs which the HKSAR administers on its own in accordance with the Basic Law. The CPG and other Mainland authorities have conducted business with the HKSAR in accordance with this principle.

In April 2006, the Government set up the Mainland Affairs Liaison Office within the Constitutional Affairs Bureau to strengthen liaison with the Mainland and facilitate exchanges and cooperation with provinces/regions. The office is responsible for formulating overall strategies and direction of cooperation between the HKSAR and the Mainland. It also oversees the work of the Office of the Government of the HKSAR in Beijing and the Hong Kong Economic and Trade Offices (ETOs) on the Mainland.

In September 2006, the Government set up two new ETOs in Shanghai and Chengdu to further promote exchanges and cooperation with the eastern and the southwestern regions of China. In addition, the geographical coverage of the Guangdong ETO was extended in April 2006 to include Guangxi, Fujian, Jiangxi and Hainan. A new immigration division has been set up in the Guangdong ETO to provide assistance to Hong Kong residents in distress in the areas within its purview.

As the province closest to Hong Kong, Guangdong has the most extensive ties with the HKSAR. For 25 years, the Cross-boundary Liaison System has provided an effective mechanism for Hong Kong and Guangdong to discuss and resolve practical issues of mutual concern, including the fight against cross-boundary crime and the regulation of the Shenzhen River.

The Hong Kong/Guangdong Cooperation Joint Conference (Joint Conference) provides a high-level forum to explore and coordinate major initiatives in cooperation between Hong Kong and Guangdong. On August 2, 2006, the Ninth Plenary meeting of the Joint Conference was held under the co-chairmanship of the Chief Executive of the HKSAR and the Governor of Guangdong.

The two sides agreed that to capitalise on the development/opportunities of the 11th National Five-year Plan which commenced in 2006, the two places should step up cooperation in various aspects, taking into account the future development of both places. Such aspects included economic and trade matters, major infrastructural projects, air quality improvement, control-point operation, facilitating cross-boundary flow of people and cargo, food safety and prevention of diseases.

In addition, the Hong Kong Guangdong Strategic Development Research Group continues to conduct research into subjects which have a significant bearing on Hong Kong/Guangdong cooperation while the Greater Pearl River Delta Business Council provides a forum for Hong Kong and Guangdong enterprises, trade and business associations to discuss ideas aimed at enhancing economic cooperation between the two places.

The Government also attaches great importance to cooperation with Shenzhen, Hong Kong's closest neighbour. The two governments have stepped up exchange and cooperation in a number of areas, including control points operation, infrastructure, town planning, the implementation of the Closer Economic Partnership Arrangement (CEPA), science and technology, environmental protection and other such plans.

Since the commencement of the Pan-Pearl River Delta (PPRD) regional cooperation scheme in June 2004, the Government has been promoting development and cooperation in the region through building on the strengths of Hong Kong. To promote tourism and people linkages, the Individual Visit Scheme has been extended to cover all provincial capitals in the PPRD region since 1 May 2006. To promote Hong Kong as the capital financing platform for PPRD provinces/regions, the HKSAR Government organised a 'PPRD Region Financial Services Forum' in March 2006, and a financial services delegation to Hunan province in September 2006.

Moreover, the Chief Executive led three business delegations to Guangxi, Hunan and Guizhou in the PPRD region in 2006, to facilitate the private sector to explore cooperation and investment opportunities. The HKSAR Government also participated actively in the compilation of and follow-up on the PPRD's specific sector cooperation plans on transportation, energy, innovation and technology, informatisation and environmental protection.

The Hong Kong/Shanghai Economic and Trade Cooperation Conference was established in October 2003 by the HKSAR Government and the Shanghai Municipal Government to foster closer economic and trade ties. The two sides also agreed to strengthen cooperation in eight areas — airport management; port and logistics; the Shanghai Expo 2010; tourism, convention and exhibition industry; investment and trade; professional exchanges; financial services; and education, health and sports.

The Second Plenary Session of the Hong Kong/Beijing Economic and Trade Cooperation Conference was held in November 2006. Both sides agreed to enhance cooperation in the four areas of the 2008 Olympic Games, further implementation of the CEPA, financial services, as well as innovation technology and creative and cultural industries. Opportunity for future cooperation in city management was also explored.

Office of the HKSAR Government in Beijing

The Beijing Office aims to enhance liaison and communication between the HKSAR Government and the Central People's Government and other Mainland authorities; strengthen the HKSAR's economic and trade liaison with Beijing, Tianjin, Hebei, Henan, Shandong, Shanxi, Liaoning, Jilin, Heilongjiang, Inner Mongolia, Xinjiang, Gansu, Ningxia, Qinghai and Tibet; promote Hong Kong and encourage inward investment to Hong Kong from enterprises and corporations in these areas; process requests for assistance from Hong Kong residents in distress in the Mainland and handle immigration related matters.

The Beijing Office enables the HKSAR Government to have a better understanding of the developments and policies on the Mainland and to evaluate their possible implications for Hong Kong. The office also provides information on Hong Kong to the Mainland residents and handles their enquiries about Hong Kong. It handled 385 enquiries in 2006.

The office also promotes Hong Kong's business and professional sectors. In 2006, the office provided support to facilitate visits of various delegations including the HKSAR's and the financial services delegation's visits to Hunan Province. There are also regular publicity efforts through the mass media, such as weekly radio programmes which cover the entire Mainland.

The office also processes applications for entry to Hong Kong, liaise with and conducts negotiations on visa-free access with foreign diplomatic missions in Beijing, handles immigration-related enquiries, and provides assistance to Hong Kong residents in distress on the Mainland. In 2006, there were 5 594 entry applications, 17 431 enquiries and 405 requests for assistance, of which 136 are cases not related to personal safety.

Advisory and Statutory Bodies

The network of advisory and statutory bodies is a distinctive feature of the system of government. It seeks to tap professional expertise in the community and to encourage public participation in the Government's decision-making processes.

Advisory bodies give advice to the Government through senior government officials such as Principal Officials, Permanent Secretaries of Bureaux or Department heads. A few advisory bodies tender their advice directly to the Chief Executive. The areas of activities of advisory boards are wide-ranging. Some, such as the Telecommunications Standards Advisory Committee, deal with the interests of a particular industry. Others advise on a particular area of government policy, such as the Transport Advisory Committee, while the District Councils deal with district affairs. Statutory bodies, such as the Hospital Authority, are charged with legal powers and responsibilities to perform specific functions in accordance with the relevant legislations.

Over 4 000 members of the public are serving on about 400 advisory and statutory bodies. They include persons who are representatives of the relevant professions or the community; and appointees by the Government in view of their

expertise, knowledge or experience, and contribution to the work of the bodies concerned.

The Government oversees the operation of the advisory and statutory bodies to ensure that they operate efficiently and meet the needs of the community. A reasonable turnover of appointed membership is maintained to ensure continual injection of new and divergent ideas. The Government will continue to broaden community participation in advisory and statutory bodies as well as to enhance the transparency of their operations.

Structure of the Administration

The Chief Executive is the head of the Government of the HKSAR. The Chief Secretary for Administration, the Financial Secretary or the Secretary for Justice deputises for the Chief Executive during his temporary absence.

There are currently 11 bureaux, each headed by a Director of Bureau. Together, they form the Government Secretariat. There are 61 departments and agencies whose heads are responsible to the Directors of Bureaux for the direction of their departments and the efficient implementation of approved policies. The Audit Commission, the Independent Commission Against Corruption (ICAC) and the Office of The Ombudsman report directly to the Chief Executive.

The Chief Secretary for Administration, the Financial Secretary, the Secretary for Justice and the 11 Directors of Bureaux (also known as Secretaries of Bureaux) are politically appointed Principal Officials. They are held accountable for matters occurring within their respective portfolios.

Role of the Chief Secretary for Administration

The Chief Secretary for Administration is the leading Principal Official in the HKSAR Government. He is a member of the Executive Council and the most senior official to deputise for the Chief Executive when the latter is not able to discharge his duties for a short period.

The Chief Secretary for Administration supports the Chief Executive in administering Hong Kong and advises him on policy matters. He plays an important role in policy coordination, which is particularly important in areas that cut across policy bureaux. The Chief Secretary for Administration is responsible for overseeing specific priority areas of the Chief Executive's policy agenda, forging a closer and more effective working relationship with the Legislative Council, and drawing up the Government's legislative programme. He also exercises statutory functions vested in him by law, such as those concerning the handling of appeals and certain public bodies.

Role of the Financial Secretary

The Financial Secretary's primary responsibility is to assist the Chief Executive in overseeing policy formulation and implementation in financial, monetary, economic, trade and employment matters. He exercises control over the Exchange Fund with the assistance of the Monetary Authority. He is a member of the Executive Council.

The Financial Secretary is also in charge of the Government Budget. He is responsible under the Public Finance Ordinance for laying before the Legislative Council each year the Government's estimates of revenue and expenditure. In his annual Budget Speech, he outlines the Government's vision and policies for sustainable economic development, and he presents budgetary proposals and moves the Appropriation Bill, which gives legal effect to the annual expenditure proposals contained in the Budget.

Central Policy Unit

The Central Policy Unit provides advice on policy issues to meet the special requirements of the Chief Executive, the Chief Secretary for Administration and the Financial Secretary and submit reports directly to them.

The unit consults widely with business and professional circles, political organisations and concern groups, and the academic community. It undertakes in-depth examinations of complex policy issues, analyses options, conducts soundings of community feedback and recommends solutions for the Government's internal consideration. It also carries out research studies on various issues in Hong Kong and the Mainland, with particular emphasis on the Pearl River Delta and the Pan-Pearl River Delta Region. The unit is responsible for coordinating the annual Policy Address exercise.

The unit also provides secretariat support for the Commission on Strategic Development. The commission organised an Economic Summit in September 2006 to discuss how Hong Kong should respond to the challenges and opportunities arising from the Central Government's 11th Five-Year Plan. As a follow-up to the Economic Summit, the Commission submitted to the Chief Executive an Action Agenda in January 2007, setting out specific actions to be taken by the Government, the business sector and the relevant public organisations.

Efficiency Unit

The Efficiency Unit reports directly to the Chief Secretary for Administration and is tasked with pursuing public sector reform. It is an internal government agency providing management consultancy services. By combining its extensive understanding of policies, its specialised knowledge and its broad contacts and linkages throughout the Government and the private sector, the unit seeks to become the preferred consulting partner of government departments. It provides strategic and implementable solutions on people-based government services.

The unit operates an integrated call centre which provides a one-stop enquiry and complaint handling service for 16 departments. It advocates public private partnership and 'citizen-centric' service design and delivery in the public sector. The unit is also spearheading a licence simplification programme, customer management initiatives, and the development of a Youth Portal.

Sustainable Development Unit

The Sustainable Development Unit, established under the Chief Secretary for Administration's Office, promotes sustainable development in both the Government

and the community and provides secretariat support to the Council for Sustainable Development.

The council was appointed by the Chief Executive in March 2003 to promote sustainable development in Hong Kong. The council carried out its first community engagement exercise in 2004 to consult stakeholders on sustainability issues in three pilot areas: solid waste management, renewable energy and urban living space. The council continued its engagement process by inviting views on Hong Kong's population policy in 2006, and by making plans to initiate another round of discussions with stakeholders on better air quality in 2007.

The council has invited applications to the Sustainable Development Fund three times since 2003, and will continue to invite organisations and individuals to apply. So far, a total of 14 projects have been approved, involving total grants of \$12.5 million. Completed projects include an educational programme on sustainable development for the primary school sector and a project to encourage students to submit creative designs relevant to the theme of preserving community heritage.

One of the unit's major tasks is to oversee the implementation of a sustainability assessment system within the Government to facilitate the integration of sustainability considerations in the decision-making process. All bureaux and departments are required to conduct sustainability assessments of their major initiatives and programmes and explain the sustainability implications in their submissions to the Policy Committee and Executive Council.

The Civil Service

The civil service employs about 4 per cent of Hong Kong's labour force. It provides staff for all government departments and other units of the Administration. At December 31 2006, the total strength of the civil service was 153 800 (excluding about 1 400 judges and judicial officers and ICAC officers).

Overall policy responsibility for the management of the civil service lies with the Civil Service Bureau of the Government Secretariat. The bureau's remit includes making policies on appointments, pay and conditions of service, staff management, manpower planning, training and development, conduct and discipline and use of official languages in the civil service. The bureau is also the focal point for consultation with major staff associations. It takes care of the management of Administrative Officer, Executive Officer, Official Languages Officer, Training Officer, Simultaneous Interpreter, Calligraphist as well as the clerical and secretarial grades staff. Management of the civil service is governed mainly by three important instruments: the Public Service (Administration) Order, the Public Service (Disciplinary) Regulation and the Civil Service Regulations, all made with the authority of the Chief Executive.

The Public Service Commission is an independent statutory body set up under the Public Service Commission Ordinance. Its fundamental role is to advise the Chief Executive on appointments, promotions and discipline in the civil service. The Government is also advised on civil service pay and conditions of service by three independent bodies: the Standing Committee on Directorate Salaries and Conditions

of Service (directorate officers excluding judges and judicial officers and the disciplined services, but including the heads of the disciplined services); the Standing Committee on Disciplined Services Salaries and Conditions of Service (the disciplined services except the heads of disciplined services); and the Standing Commission on Civil Service Salaries and Conditions of Service (all other civil servants).

In accordance with the Basic Law, Principal Officials must be Chinese citizens who are permanent residents of the HKSAR with no right of abode in any foreign country and have ordinarily resided in Hong Kong for a continuous period of not less than 15 years. It is also a Basic Law requirement that new recruits to the civil service on or after July 1, 1997 should normally be permanent residents of the HKSAR, save for those who fall within the exceptions provided in Articles 99 and 101 of the Basic Law.

Subject to the above policy, appointment to the civil service is based on open and fair competition which aims to recruit the best person for the job. Promotion is performance-based and not a reward for long service. As the largest employer in Hong Kong, the Government takes the lead in employing people with disabilities to help them integrate into the community and to ensure that they are given equal opportunity in recruitment to the civil service.

The Government monitors closely the turnover in the civil service for manpower planning purposes to keep manpower at a level commensurate with service demand. Overall wastage in the civil service was about 2.5 per cent in 2005-06. Given the importance of continuity at the management level, the Government has a well-established staff planning mechanism to review the succession planning for senior staff, identify and groom officers with potential for advancement to senior management and develop a pool of talent for senior positions.

The Government values regular communication and consultation with staff. There are four consultative councils at the central level: the Senior Civil Service Council, the Model Scale 1 Staff Consultative Council, the Disciplined Services Consultative Council and the Police Force Council. More than 80 consultative committees operate at the departmental level. The *Civil Service Newsletter* is published regularly to provide an added link with serving and retired civil servants.

Civil Service Reform

To ensure that Hong Kong continues to maintain a world-class civil service which keeps pace with changes in society, the Government has introduced a number of reforms since it released its public consultation document in 1999. The reforms cover the following five main areas:

1. Streamlining the Civil Service Establishment

The Government has set a target to reduce the civil service establishment to around 160 000 by 2006-07. Through process re-engineering, organisational review and outsourcing, the civil service establishment has been reduced by about 18 per cent from about 198 000 posts in early 2000 to about 162 400 at the end of December 2006. Two rounds of the Voluntary Retirement Scheme (VRS) were

introduced one each in 2000 and 2003 to enable staff in a total of 232 designated grades with an identified or anticipated staff surplus to retire from the service voluntarily with compensation and pension payments. Some 15 100 applicants have been approved to leave the service voluntarily to bring about long-term savings to the Government. In addition, a general recruitment freeze was imposed on April 1, 2003.

2. Reviewing Civil Service Pay and Benefits

The policy for civil service pay is to offer sufficient remuneration to attract, retain, and motivate staff of a suitable calibre to provide the public with an effective, efficient and high quality service. In order that civil service pay can be regarded as fair and reasonable by both civil servants who provide the service and the public who foot the bill, the Government adopts the principle that civil service pay should be broadly comparable with private sector pay.

As part of ongoing efforts to modernise the management of the civil service, the Government has embarked on an exercise to develop an improved civil service pay adjustment mechanism for the long term. Carrying out pay level surveys periodically is an important part of the improved mechanism. In 2005, the Government commissioned a professional consultant to conduct a pay level survey. The survey's job inspection process was completed in September 2006 and the fieldwork, which involved collecting data using 1 April 2006 as the reference date, was completed in December.

The Government has developed, in consultation with the staff sides representative and the advisory bodies on civil services salaries and conditions of service, a general framework for the conduct of future pay level surveys and a general framework for the application of the pay level survey results. Based on the general framework for the application of the pay level survey as endorsed by the Chief Executive in Council in April 2007, civil service pay as at 1 April 2006 is broadly comparable with that of the private sector and no adjustment is required as at that date.

Apart from salaries, civil servants are eligible for fringe benefits depending on their terms of appointment, rank, salary point, length of service, and other eligibility rules. The Government has been taking active steps over the years to modernise the provision of fringe benefits to civil servants, including ceasing or stricter control of such allowances to new recruits in keeping with present day conditions. Following a comprehensive review of fringe benefit type of civil service allowances, during which staff and advisory bodies were consulted, the Government implemented new measures to modernise the fringe benefits package. The new measures went into effect in September 2006.

3. Improving the Entry and Exit System

The New Entry System for civil service recruits has given the Government greater flexibility in making appointments while a new retirement benefits system, the Civil Service Provident Fund Scheme, provides retirement benefits for officers appointed on New Entry terms.

The Management-initiated Retirement Scheme is now in place to allow the Government, for the purpose of organisational improvement, to initiate the early retirement of individual directorate officers.

4. Providing Diversified Training

The Civil Service Training and Development Institute, under the Civil Service Bureau, formulates training policies and gives support to bureaux/departments in training and development matters. The institute focuses on four core service areas: senior executive development, national studies programmes, human resource management consultancy service and promotion of a continuous learning culture.

For senior executive development, a variety of leadership programmes led by world-class professionals and academics are offered to directorate and potential directorate officers. Advisory services for human resources development and directorate succession planning are provided to departments. Attachment and exchange programmes with the private sector and the Mainland's municipal and provincial governments, including Shanghai, Beijing, Hangzhou and Guangdong Province, have been arranged for senior officers to gain wider exposure.

National studies programmes include courses at Mainland institutes such as the National School of Administration, Foreign Affairs University, Tsinghua University, Peking University, and Sun Yat-sen University. There are also local programmes on national affairs and the Basic Law for staff at different levels. In addition to local academics, the institute invites officials and scholars from the Mainland to speak at national affairs seminars. Through the provision of advisory services to departments, the institute disseminates best practices in human resources development covering subjects including training needs analysis, learning strategies, development of competency profiles and performance management systems.

To promote a continuous learning culture among civil servants, the training resources available on the e-learning portal, Cyber Learning Centre (CLC) Plus, were enriched and upgraded in 2006. The number of registered users of the CLC Plus has increased from 55 000 in 2005 to about 65 000 in 2006.

5. Reinforcing Performance and Good Conduct

Staff are given awards, commendation letters and other commendations for their commitment and contributions to the work they do. The Outstanding Service Award Scheme recognises the efforts and achievements of bureaux and departments in their pursuit of service excellence and is an integral part of the government effort to provide a customer-oriented service to the public. Since the establishment of the Secretariat on Civil Service Discipline to centrally process disciplinary cases, the Government has introduced further measures to shorten the time taken in processing cases. It has also delegated further authority on discipline matters to heads of departments, in the interest of empowering bureaux and departments to assume greater ownership in human resource management. The mechanism for handling staff whose work is persistently substandard was reviewed and further streamlined in 2005 to expedite their compulsory retirement.

As part of its ongoing efforts to embed a culture of probity in the civil service, the Civil Service Bureau, in collaboration with the Independent Commission Against Corruption and the Works Branch of the Environment, Transport and Works Bureau drew up an enhanced integrity management programme for its works departments. The Civil Service Bureau has further enriched the reference materials available on the electronic Resource Centre on Integrity Management accessible online to officers responsible for integrity management in bureaux and departments. In December 2006, the Civil Service Bureau and the Independent Commission Against Corruption jointly launched an ethical leadership programme to strengthen further civil service integrity and ethics.

Official Languages

Chinese and English are the official languages of Hong Kong. It is the Government's policy to develop and maintain a civil service that is proficient in both written Chinese and English and conversant in Cantonese, Putonghua and spoken English. While major documents of public interest issued by the Government are available in both languages, correspondence with individual members of the public is always in the language appropriate to the recipient.

The Official Languages Division of the Civil Service Bureau monitors the implementation of the Government's language policy in the civil service. It offers a wide range of language support services to government bureaux and departments. Besides providing translation, interpretation, drafting and editing services, the division also facilitates the effective use of official languages in the civil service by providing it with language research and advisory support. This includes the provision of a telephone hotline for answering questions on language use; compilation of writing aids and reference materials, such as guidebooks on official Chinese writing and English-Chinese glossaries of terms commonly used in government departments; and the holding of language-related activities such as seminars and competitions. Furthermore, a quarterly publication on language and culture, entitled *Word Power* is distributed to all departments. Some of the publications and reference materials produced by the division can be found on the Civil Service Bureau website www.csb.gov.hk.

Government Records Service

The Government Records Service (GRS) manages government records and provides a range of records and archival management services. GRS develops and oversees the implementation of records management policies and systems. It gives guidance and provides training to government departments on best practice in records management. It operates two Records Centres for storage of inactive government records and an ISO 9001:2000 certified Microfilm Centre providing microfilming services for government departments and agencies.

With the growing need for proper management of electronic records, GRS is currently studying the feasibility of managing multi-media records and materials through electronic record-keeping systems.

GRS appraises, acquires, preserves and provides access to records of enduring value from public and private sources. Through its public programmes and reference services, it encourages understanding, use and protection of Hong Kong's documentary heritage. Its Central Preservation Library for Government Publications contains a wealth of printed materials for research and study of Hong Kong. Members of the public can visit the purpose-built archival facilities in the Hong Kong Public Records Building at 13 Tsui Ping Road, Kwun Tong or use its online service at www.grs.gov.hk.

Office of The Ombudsman

The Office of The Ombudsman is an independent statutory authority, established in 1989 under the Ombudsman Ordinance, to redress grievances arising from maladministration in the public sector through independent and impartial investigations to improve the standard of public administration.

Since December 2001, the office had severed its links with the Administration and had become a corporation sole. It has set up its own administrative system and now recruits contract staff on terms and conditions determined by The Ombudsman.

Directly responsible to the Chief Executive, The Ombudsman serves as the community's monitor on government departments and public bodies specified in the schedule to the ordinance to ensure that:

- bureaucratic constraints do not interfere with administrative fairness;
- public authorities are readily accessible to the public;
- abuse of power is prevented;
- wrongs are righted;
- facts are pointed out when public officers are unjustly accused;
- human rights are protected; and
- the public sector continues to improve its quality, transparency and efficiency.

Two exceptions to the monitoring system are the Hong Kong Police Force and the Independent Commission Against Corruption, both of which have their own separate bodies for dealing with public complaints.

The 18 major public organisations in the schedule are: the Airport Authority, Employees Retraining Board, Equal Opportunities Commission, Financial Reporting Council, Hong Kong Arts Development Council, Hong Kong Examinations and Assessment Authority, Hong Kong Housing Authority, Hong Kong Housing Society, Hong Kong Monetary Authority, Hong Kong Sports Institute Limited, Hospital Authority, Kowloon-Canton Railway Corporation, Legislative Council Secretariat, Mandatory Provident Fund Schemes Authority, Office of the Privacy Commissioner for Personal Data, Securities and Futures Commission, Urban Renewal Authority and Vocational Training Council.

Apart from investigating complaints, The Ombudsman may initiate direct investigations of its own volition into matters of public interest and widespread concern, and publish the reports. This proactive and preventive approach aims at addressing problems affecting a broad spectrum of the community. The direct investigations are particularly useful in redressing administrative flaws of a systemic nature and addressing fundamental problems or underlying causes for complaint.

Since 1994, when The Ombudsman was empowered to undertake direct investigations, 57 such investigations have been completed — four of them in 2006. These four concerned:

- Monitoring of assigned-out cases by the Legal Aid Department;
- The medical fee waiver system;
- Administration of The Mid-levels Administrative Moratorium; and
- The System for Processing Applications for Disability Allowance by the Social Welfare Department.

The reports of all direct investigations have been published and are available for public scrutiny at the office's Resource Centre.

The Ombudsman Ordinance also empowers The Ombudsman to investigate complaints of non-compliance with the Code on Access to Information against government departments, including the Hong Kong Police Force and the Independent Commission Against Corruption. The Ombudsman is also empowered to act as an independent review body in respect of an alleged breach of the code.

The office received 15 309 enquiries and 4 617 complaints in 2006, compared with 14 400 enquiries and 4 389 complaints in 2005. The areas attracting substantial numbers of complaints were related to error, wrong advice or decision, failure to follow procedures or delay, negligence or omission, disparity in treatment, lack of response to complaints, staff attitude and ineffective control.

Although The Ombudsman has no authority to enforce its recommendations, over 95 per cent of the recommendations made have been accepted by the organisations concerned in 2006.

Office of the Director of Audit

The Audit Commission is established under the Basic Law, which provides that the Audit Commission shall function independently and be accountable to the Chief Executive of the HKSAR. The Audit Commission is one of Hong Kong's oldest departments; the first Auditor-General was appointed in 1844.

The Audit Ordinance, enacted in 1971, provides for the audit of the Government's accounts by the Director of Audit and for the submission of his report to the President of the Legislative Council. The director also audits the accounts of the Exchange Fund, the Hong Kong Housing Authority, five trading funds and more than 60 statutory and non-statutory funds and other public bodies. In addition, the

director reviews the financial aspects of the operations of the multifarious government-subsidised organisations.

The Director of Audit carries out two types of audit: regularity audits and value-for-money audits. Regularity audits are intended to provide an overall assurance of the general accuracy and propriety of the financial and accounting transactions of the Government and other audited bodies. The Audit Ordinance gives the director statutory authority to conduct regularity audits.

Value-for-money audits are intended to provide independent information, advice and assurance about the economy, efficiency and effectiveness with which any bureau of the Government Secretariat, department, agency, other public body, public office or audited organisation has discharged its functions. Except for some public organisations where the Director of Audit has obtained statutory authority to conduct value-for-money audits, value-for-money audits are carried out according to a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee in 1998.

After the Director of Audit's report has been submitted to the President of the Legislative Council and laid before the council, it is considered by the Public Accounts Committee.

In 2006, the director submitted three reports: one on the audit certification of the Government's accounts for the preceding financial year and two on the results of value-for-money audits (Report No. 46 of March 2006 and Report No. 47 of October 2006).

Report No. 46 contained nine subjects, three of which were selected by the Public Accounts Committee for public hearing:

- Collection of fines imposed by Magistrates' Courts;
- RTHK: financial control and resource management; and
- RTHK: governance and strategic management.

Report No. 47 contained 11 subjects, three of which were selected by the Public Accounts Committee for public hearing:

- Administration of short-term tenancies;
- Hospital Authority: management of outstanding medical fees; and
- Hospital Authority and Social Welfare Department: management of medical fee waivers.

The value-for-money audit reports attracted considerable public interest. The audit recommendations were largely accepted by the audited organisations.

The Director of Audit's reports on the accounts of other public bodies are submitted to the relevant authority in accordance with the legislation governing the operation of these bodies.

Home Pages

Administration Wing, Chief Secretary for Administration's Office:

www.admwing.gov.hk

Civil Service Bureau: www.csb.gov.hk

Constitutional Affairs Bureau: www.cab.gov.hk

Home Affairs Bureau: www.hab.gov.hk

Legislative Council: www.legco.gov.hk

Office of The Ombudsman: www.ombudsman.gov.hk

Audit Commission: www.aud.gov.hk