

**Minutes of the Eighty-sixth (Special) Meeting of
The Equal Opportunities Commission
held on 4 August 2010 (Wednesday) at 2:30 p.m. in the
Equal Opportunities Commission's Conference/Training Room**

Present

Mr. LAM Woon-kwong, G.B.S., J.P.	Chairperson
Ms CHAN Ka-mun, Carmen, J.P.	
Ms CHAN Man-ki, Maggie	
Prof. Randy CHIU	
Ms CHIU Lai-kuen, Susanna	
Mrs. CHONG WONG Chor-sar, M.H., J.P.	
The Hon FUNG Kin-kee, Frederick, S.B.S., J.P.	
Dr. LAW Koon-chui, Agnes, J.P.	
Mr. LEE Luen-fai	
Mr. LUI Tim-leung, Tim, B.B.S., J.P.	
Mr. Amirali Bakirali NASIR, J.P.	
Ms NG Wing-mui, Winnie	
Mr. Saeed UDDIN, M.H.	
Ms WONG Ka-ling, Garling	
Mr. Michael CHAN Yick-man	Secretary
	Director, Planning & Administration [DPA]

Absent with apology

Ms CHOI Hing-shi
The Hon TSE Wai-chun, Paul
Dr. TSE Wing-ling, John, M.H.

In attendance

Mr. Joseph LI Siu-kwai	Director, Operations [D(Ops)]
Mr. Herman POON Lik-hang	Chief Legal Counsel [CLC]
Dr. Ferrick CHU Chung-man	Head, Policy and Research [HPR]
Ms Shana WONG Shan-nar	Head, Corporate Communications and Training [HCCT]
Miss Kerrie TENG Yee-san	Accountant [ACCT]
Miss Gloria YU Wai-ling	Senior Equal Opportunities Officer, Administration & Personnel [SAP]
Mr. Noel CHERK Kwok-sing	Accounting Officer I [AOI]
Mr. Peter Wong	} KPMG [KPMG]
Mr. Simon Wong	

I. Introduction

1. The Chairperson (C/EOC) welcomed all Commission Members (Members) and representatives of EOC's external auditors KPMG, Certified Public Accountants (KPMG), Messrs. Peter WONG and Simon WONG to the 86nd (Special) Meeting.
2. Apologies for absence had been received from Ms CHOI Hing-shi, The Hon TSE Wai-chun, Paul and Dr TSE Wing-ling, John due to out of town business/local business engagements.
3. C/EOC said that the purpose of this Special Meeting was to seek Members' endorsement on the audited accounts for the year ended 31 March 2010 so as to facilitate the EOC to submit its Annual Report to the Government aimed for October or sooner this year and to publish the same to the public earlier. Representatives from KPMG, Messrs. Peter WONG and Simon WONG were also invited to this Meeting to present information concerning the audited accounts and to answer Members' questions.

II. Approval of the Audited Accounts for the Year Ended 31 March 2010

(EOC Paper No. 22/2010; Agenda Item No. 1)

4. C/EOC invited ACCT to brief Members the salient points in the audited accounts for the year ended 31 March 2010 as detailed in EOC Paper No. 22/2010.
5. ACCT briefed Members that KPMG had audited the accounts of the EOC for the year ended 31 March 2010 and prepared two sets of audited accounts for EOC's approval, namely the Annual Financial Report and the Financial Statements. The Annual Financial Report was prepared in compliance with the Guidelines on the Management and Control of Government Funding for Subvented Organisations issued by the Government and in accordance with the

accounting policies adopted by the Commission. It showed the detailed breakdown of income and expenditures for the EOC's housekeeping bureau, the Constitutional and Mainland Affairs Bureau (CMAB)'s information (yellow copy at Annex A to EOC Paper No. 22/2010). The Financial Statements was prepared in accordance with the Hong Kong Financial Reporting Standards for incorporation into EOC's annual report (green copy at Annex B to EOC Paper No. 22/2010).

(Mr. AB NASIR and Ms Susanna CHIU joined the Meeting at this juncture respectively.)

6. ACCT continued to explain that KPMG had expressed its opinion that the Annual Financial Report had been properly prepared, in all material respects, in accordance with the accounting policies adopted by the Commission for the year ended 31 March 2010. It showed a surplus of \$4.68M for the year. In the Financial Statements (Annex B), KPMG's opinion was that it gave a true and fair view of the state of affairs of the Commission as at 31 March 2010 and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. It showed a surplus of \$0.01M for the year.

7. ACCT said that a discussion was held with the CMAB on whether the Annual Financial Report was still required and the reply was affirmative. Nevertheless, the CMAB advised that it could be signed by the EOC's Chairperson and the Accountant. The Convenor of the Administration and Finance Committee (A&FC) was consulted and she opined that the Annual Financial Report was an internal document for CMAB's information and it was sufficient that it be signed by the Chairperson and the Accountant without the need of the signature of the Convenor of the A&FC while the Financial Statements for the public would continue to be signed by the Chairperson, the Convenor of the A&FC and the Accountant. ACCT went on to explain other salient points on the major differences between the two sets of audited accounts.

8. After the briefing by ACCT, C/EOC said that although there were two sets of audited accounts prepared in accordance with their respective reporting requirements, the actual figure on the EOC's daily spending for the financial year ended 31 March 2010 was the same and that all spending had followed the guidelines issued by the Government for Subvented Organisations under the main principle of "reasonable and economizing". He invited Members to give their views and pose questions on the audited accounts.

(Ms Maggie CHAN and Ms Winnie NG joined the Meeting respectively at this juncture.)

9. Members raised questions/expressed views on the audited accounts. Relevant information and explanations were given during the meeting by respective EOC staff. A summary of the major questions raised, views expressed and responses provided were placed under the Appendix.

10. Members noted from KPMG that the EOC staff had been very cooperative in the auditing process and they had not encountered any difficulty in the field work. KPMG had issued an unqualified opinion on the audited accounts and there was no need to issue any management letter. For continuous improvement, Mr. Peter WONG said that two suggestions had been made to the EOC office during the auditing process. One of them was related to an incident where a cheque issued to a vendor had been withheld by a Unit/Division without notifying the Accounts Section. It had affected the recognition of cash payment in the EOC's accounts. Improvement in communication was therefore suggested between the Accounts Section and Unit/Division in the future. The other suggestion was related to the monitor/control of information with regard to personal data. As the public's concern on data privacy issues had been increasing, Mr. WONG had suggested the EOC office to be mindful of the protection of confidential information stored, for example, in notebook computers or USB drives in order to uphold data privacy. Additionally, Mr. WONG highlighted to Members an amount of

\$0.76M under “Other Receivables, Deposits and Prepayments” vide page 4 and page 5 for Annex A and Annex B respectively from an EOC defended case. He advised that although at present the Chief Legal Counsel was confident that this amount could be received, the EOC needed to monitor closely its recoverability.

11. Members raised no further questions on the audited accounts. The Hon Frederick FUNG proposed and Mr. AB NASIR seconded the approval of the EOC’s Audited Accounts for the Year Ended 31 March 2010. The two sets of EOC’s Audited Accounts for the Year Ended 31 March 2010 were approved by the EOC Board.

12. C/EOC thanked Messrs. Peter WONG and Simon WONG for their attendance.

(Messrs. Peter WONG and Simon WONG left the meeting at this juncture.)

III. Any Other Business

Expenses on Staff Training

13. In response to a question from Ms Susanna CHIU on the small staff training expenses incurred in both financial years 2008/09 and 2009/10, DPA said that in the past, expenses on overseas duty visits and training had constituted a majority portion of the expenses on staff training. As there were limited overseas duty visits and training in the past two years, there was a significant decrease in the overall spending on training. Expenditures on local training were about the same in recent years. As a comprehensive review on the Commission’s staff core competencies and training needs analysis initiated by the Administration and Finance Committee was now underway, to map out a more structured and systematic training plan for Commission staff, it was expected that more resources on staff training and development would be

incurred on a recurrent basis in future.

(Ms Carmen CHAN left the Meeting at this juncture.)

Strategically Use of Available Fund and EOC's Reserve

14. The Hon Frederick FUNG and Dr Agnes LAW opined that the EOC should not aim at maintaining a reserve level at 25% of the recurrent subvention; instead, it should consider using more of its available funds strategically on projects that would enhance EOC's work in mainstreaming equal opportunities.

(Dr. Agnes LAW left the Meeting at this juncture.)

15. C/EOC shared Members' concern. He noted, however, that expenditure on certain items such as legal assistance might be difficult to predict in the short term. Early settlements could, for example, lead to unexpected surplus. In the medium term, a reasonable level of reserve had to be maintained as a matter of financial prudence since a few major expenditure items including increase in office rent and salary increments for staff had to be funded from the reserve. He undertook to monitor the budget closely so as to ensure that worthwhile additional projects/activities could be implemented should there continue to be surplus funds.

16. There being no other business. The meeting was adjourned at 4:10pm.

IV. Date of Next Meeting

17. The next EOC Meeting was a regular meeting scheduled for 16 September 2010 (Thursday) at 2:30 p.m.

Equal Opportunities Commission

August 2010

Summary of Major Questions and Answers
made at the Special EOC Meeting on 4.8.2010
(Re : EOC's Audited Accounts for the Year Ended 31 March 2010,
EOC Paper No. 22/2010)

At the above EOC Meeting, Mr. Peter Wong (Principal) and Mr. Simon Wong (Senior Manager) from EOC's auditors, KPMG attended to answer questions on the audited accounts (Yellow and Green Papers) raised by Members present. EOC Members were informed that KPMG gave an unqualified opinion on both the Yellow Paper (which was properly prepared in accordance with the EOC's accounting policies) and the Green Paper (which shows a true and fair view and was prepared in accordance with Hong Kong Financial Reporting Standards). After the Accountant briefed Members on the major items, Members raised questions on the audited accounts and the following table summarized the major questions and answers made at the meeting.

Abbreviations

- Yellow Paper : Annual Financial Report for the year ended 31 March 2010
(EOC Paper No. 22/2010, Annex A, in yellow colour)
- Green Paper : Financial Statements for the year ended 31 March 2010
(EOC Paper No. 22/2010, Annex B, in green colour)

Item	Page No.		Major Question raised by EOC Members	Answer provided by KPMG representatives / EOC Office
	Yellow Paper	Green Paper		
1	6	3	What exactly was the financial position in 2008/09 : Surplus (\$0.42M) in Yellow Paper Vs. Deficit (\$1.19M) in Green Paper ?	- <u>Mr. Tim LUI</u> explained that both figures in the two papers were correct. The two sets of audited accounts were prepared on different bases: Yellow Paper mainly on cash accounting basis prepared for Government; accrual accounting (including depreciation) was adopted in the Green Paper and published in the annual reports.
2	6	3	Were the staff costs in both sets of audited accounts equal in amount?	Staff costs were the same (with itemised expenditure shown in the Statement of Income and Expenditure in the two sets of audited accounts), i.e. - "Personal emoluments" + "Short-term contract staff costs" in Yellow Paper <i>equalled to</i>

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				- "Staff salaries" + "Staff gratuity, other benefits and allowances" + "Mandatory provident fund contributions" + "Increase in provision for unutilised annual leave" in Green Paper.
3	4	6	What did "Provision for unutilized annual leave" represent?	- It represented a deferred cost of the cumulative annual leave as at the financial year end. This was a standard accounting treatment. Same amount was stated in Current Assets and Current Liabilities. There was no net effect on the financial position.
4	4	6	Was there any policy on encashment in lieu of leave?	- No. There was no policy on encashment in lieu of leave during employment.
5	5	6	Was there any policy on use of reserve?	- According to the Memorandum of Administrative Arrangements (MAA), reserve might be spent at EOC's discretion on operational grounds. - EOC Board's approval was required to use reserve. - General reserve was used to cater for salary increment cost, increase in rent, legal fees for assisted cases etc.
6	-	-	Was there any discussion with the Government on the provision of government premises for EOC to use?	Yes. However, - the Government premises available were either too large / small for EOC's space requirement, and - the major problems lay in both accessibility inside the premises and surrounding areas leading to the premises.

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7	-	-	Did KPMG encounter any difficulties during EOC's audit?	<ul style="list-style-type: none"> - KPMG remarked that there had not been any difficulties. Audit was well planned and work was completed smoothly. EOC staff in Accounts Office were cooperative in providing all information.
8	-	-	Would KPMG issue a management letter for EOC's improvement after completion of audit and any other points to note?	<p>KPMG said that no management letter was necessary and for EOC's continue improvement, KPMG had identified the following areas for management to note :</p> <ul style="list-style-type: none"> - An incident in which a colleague withheld a cheque and Accounts Office was not notified. - Action had since been taken by EOC to rectify the recognition of cash payment. - Communication between Accounts Office and other Divisions / Units for any withholding of cheque should be improved to enable the Accounts Office to be alerted quickly. - In view of public's increased concern in data privacy, KPMG reminded EOC office to closely monitor / control confidential information stored (e.g. in notebook computers or USB drives) to uphold data privacy. <p>KPMG advised that they had issued an unqualified opinion on the audited accounts.</p>
9	-	-	What reviews KPMG had done and their observations on EOC's internal control?	<ul style="list-style-type: none"> - The primary objective of auditing the financial statements was not evaluating the internal control of EOC. - No significant internal control problems were found by KPMG.

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				<ul style="list-style-type: none"> - Improved communication with other Divisions / Units in year-end closing process was suggested (item 8 above).
	4	5		<p>Regarding reimbursement of cost from an EOC defended case, KPMG informed Members that \$0.76M had not been received yet and included in "Other receivables, deposits and prepayments",</p> <ul style="list-style-type: none"> - EOC's Chief Legal Counsel was of the opinion that the sum was likely to be received, therefore no provision was made to write off. - KPMG advised to closely monitor its recoverability, and to write off if position changed.
10	16	-	What measures were taken on lost items ?	<ul style="list-style-type: none"> - According to the normal procedure, reported losses must be justified with reasons to the satisfaction of Division / Unit Heads before they could be written off by the appropriate authority. - Starting from 2009, annual full scale stocktake (in addition to random stocktake) was carried out. - Items were stored in locked cabinets whenever possible. - Items on loan were acknowledged by borrowers and loan record was kept for all items. - Borrowed items were regularly kept track of their physical presence.

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11	9	-	Why did expenditure on various types of insurances increase?	- Increase was mainly due to the accounting treatment of insurance premiums paid changed from cash basis to accrual basis from insurance policy year starting from mid 2009.
12	-	15	Why there were few additions of property, plant and equipment in 2010 Vs. 2009? Were computer software and hardware upgraded to support staff's work?	- Major additions for computer and software were made in 2009. - No expenditure on furniture for new staff. New / additional staff would use existing furniture as far as practicable.
13	10	-	What was included in "Hire of services and professional fees - Others" in 2010 (\$0.44M)?	- \$0.44M in 2010 mainly included the Management and Compliance Study (\$0.3M) conducted in 2010.
14	6	3	What was the reason for \$2.54M increased in "Legal fees".	- Increase of \$2.54M was due to increase in legal fees for EOC defended cases (\$2.21M) and EOC assisted cases (\$0.33M).
15	10	-	EOC staff's effort commended for the decrease in "Electricity".	- Decrease was due to implementation of energy saving initiatives and actions.
16	11	-	What was the difference in coverage between (i) "Professional indemnity insurance" (PI insurance) and (ii) "Directors and officers liability insurance" (D&O insurance)?	- PI insurance offered protection to entire EOC Board and staff for professional advice tendered to external clients. - D&O insurance offered protection to staff for alleged wrongful act done against colleagues such as ill treatment of subordinates by supervisor.
17	-	-	Whether the PI or D&O insurance permits the EOC to make claims to the underwriter for legal fees / costs incurred in the former employee's case?	As explained to Members by email on 6.8.2010, - The claims would be related to D&O in this case as it indemnifies Members and staff for wrongful

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				<p>acts in their capacity as an employer / employer's representative. As the former employee filed her claim in September 1999 before the D&O insurance was first purchased, there was no insurance coverage in this case (the standard practice in that all on-going court cases at the time of insurance purchase would be excluded from the coverage).</p> <p>- The PI referred to indemnifying Members and staff for breach of professional duty to our external clients and was therefore not applicable in this case.</p>
18	10	-	What was the reason for \$0.13M increase in "Simultaneous interpretation service expenses".	- Increase was mainly due to participants of non-Chinese speaking Members in committees.
19	4	6	Had EOC returned the amount in excess of reserve ceiling to the Government previously?	- Previously, \$13M was returned to the Government in 2005/06 when the reserve ceiling was set up. EOC originally requested the Government to set the reserve ceiling at 30% of recurrent subvention, but it was finally set at 25%.