

Head 116 — OFFICIAL RECEIVER'S OFFICE

Controlling officer: the Official Receiver will account for expenditure under this Head.

Estimate 2003–04	\$139.5m
Establishment ceiling 2003–04 (notional annual mid-point salary value) representing an estimated 244 non-directorate posts as at 31 March 2003 and as at 31 March 2004	\$82.0m
In addition there will be an estimated eight directorate posts as at 31 March 2003 and as at 31 March 2004.	
Capital Account commitment balance	\$10.4m

Controlling Officer's Report

Programme

Official Receiver's Office

This programme contributes to Policy Area 1: Financial Services (Secretary for Financial Services and the Treasury).

Detail

	2001–02 (Actual)	2002–03 (Approved)	2002–03 (Revised)	2003–04 (Estimate)
Financial provision (\$m)	131.6	144.1 (+9.5%)	137.4 (–4.6%)	139.5 (+1.5%)

Aim

2 The aim is to administer the Companies Ordinance relating to the compulsory winding-up of companies and the Bankruptcy Ordinance relating to the estates of bankrupts.

Brief Description

3 The Official Receiver's Office (ORO) is responsible for the effective administration of insolvency matters pertaining to compulsory liquidation of companies and individual bankruptcies. This work involves:

- the delivery of an effective in-house management insolvency service when appointed by the court and creditors as liquidator or trustee and the management of the schemes for contracting out liquidation cases to the private sector;
- the effective realisation of assets of insolvent companies and bankrupts at the earliest opportunity, adjudication of creditors' claims, and declaration of dividends to preferential and ordinary creditors as soon as possible; and
- investigation into the conduct of debtors, directors and officers of insolvent companies and the causes of business failures, prosecution of insolvency offenders and implementation of the statutory provisions relating to the disqualification of company directors.

4 ORO broadly achieved its targets in 2002.

5 The key performance measures in respect of the administration of insolvency cases are:

Targets

	Target Time	2001 (Actual) %	2002 (Actual) %	2003 (Plan) %
general enquiries in person at public reception counter	10 minutes	98	99	99
applications for bankruptcy searches and winding-up searches				
in person	3 hours	99	100	99
by mail	3 working days	100	100	100
using computer terminal.....	1 hour	100	100	100
batch search	2 hours	N.A.†	100	100
application for Certificate of non-bankruptcy.....	3 working days	100	100	100
lodging Proofs of Debt				
in person	10 minutes	100	100	100
obtaining assistance of officers to complete a Proof of Debt	30 minutes	98	99	100

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	Target Time	2001 (Actual) %	2002 (Actual) %	2003 (Plan) %
request for copies of Statement of Affairs, subject to payment of photocopying fees	3 working days	100	100	100
distribution of dividends				
making a distribution of dividend when the distribution is possible ...	within 9 months	97	99	100
sending dividend cheques by mail	5 working days	100	100	100
holding meetings of creditors in non- summary cases				
winding-up				
making decision to hold meetings	within 8 weeks	74	96	95
holding meetings	within 12 weeks	77	96	95
bankruptcy cases				
making decision to hold meetings	within 12 weeks	84	88	100
holding meetings	within 16 weeks	97	96	100
issue of receipt for payment of book debts				
in person	15 minutes	100	100	100
by mail	3 working days	98	100	100
process written fund withdrawal requests from outside liquidators by the due dates, provided the specified notification periods are followed				
Pool Investment Scheme				
amount below \$10m.....	3 working days	100	100	100
amount between \$10m - \$15m..	5 working days	100	100	100
amount between \$15m - \$20m..	10 working days	100	100	100
funds invested separately	2 working days before maturity of fixed deposit	100	100	100
process invoices and arrange payments to vendors including liquidators' bills	within 30 calendar days	99	99	99
put summary cases with insufficient assets for distribution on release programme....	within 12 months	91	96	95

† New pledge introduced in 2002. Data not available.

Indicators

	2001 (Actual)	2002 (Actual)	2003 (Estimate)
total no. of new cases	10 217	26 620	26 600
no. of insolvency cases completed (i.e. release orders made by the Court), stayed or rescinded	5 838	5 092	5 300
cases put on release programme	891	902	900
cases on release programme at year end.....	346	607	600
cases put on small case programme.....	4 340	9 601	9 680
cases on small case programme at year end.....	1 334	6 488	5 800
average active case load per Insolvency Officer	214	390	430
cases put on adjudication programme	948	863	1 280
no. of proofs of claim adjudicated.....	8 429	12 466	13 430
no. of cases with dividends declared	662	1 200	1 290
amount of dividends declared (\$m).....	52	111	125
no. of summonses issued	305	377	380
no. of meetings of creditors held	137	479	1 400@
writs issued and other proceedings.....	29	31	50
non-remunerative cases (i.e. cases with assets less than \$50,000).....	9 263	25 894	25 900
proportion of non-remunerative cases to new cases (%)	91	97	97

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@ In the latter half of 2002, there were requests from major creditors to hold general meetings of creditors for the appointment of outside trustees in some bankruptcy cases where the assets were less than \$200,000. It is anticipated that such creditors will continue to request the appointment of outside trustees in more bankruptcy cases at general meetings of creditors in 2003.

Matters Requiring Special Attention in 2003–04

6 During 2003–04, ORO will:

- continue the scheme to contract out summary and non-remunerative liquidation cases (each with estimated realisable assets of less than \$200,000) to insolvency practitioners in the private sector;
- continue to monitor the Administrative Panel Scheme for contracting out non-summary liquidation cases (each with estimated realisable assets of more than \$200,000) to insolvency practitioners in the private sector;
- consider how to simplify the bankruptcy procedure and to provide a legal mechanism for outsourcing summary bankruptcy cases;
- put in place a scheme for outsourcing preliminary examination of bankrupts to private sector practitioners;
- implement the further enhancement of ORO Management Information System;
- explore the long-term information technology strategy by conducting an Information Systems Strategy Study;
- make necessary arrangements once a decision is made on how to take forward the recommendations arising from the consultancy study on the role and functions of ORO;
- encourage greater use of individual voluntary arrangements by debtors as an alternative to bankruptcy;
- closely review existing targets of performance pledges and determine any new areas for improvement in consultation with the department's Service Advisory Committee; and
- review the operational procedures in the department with a view to improving efficiency and productivity.

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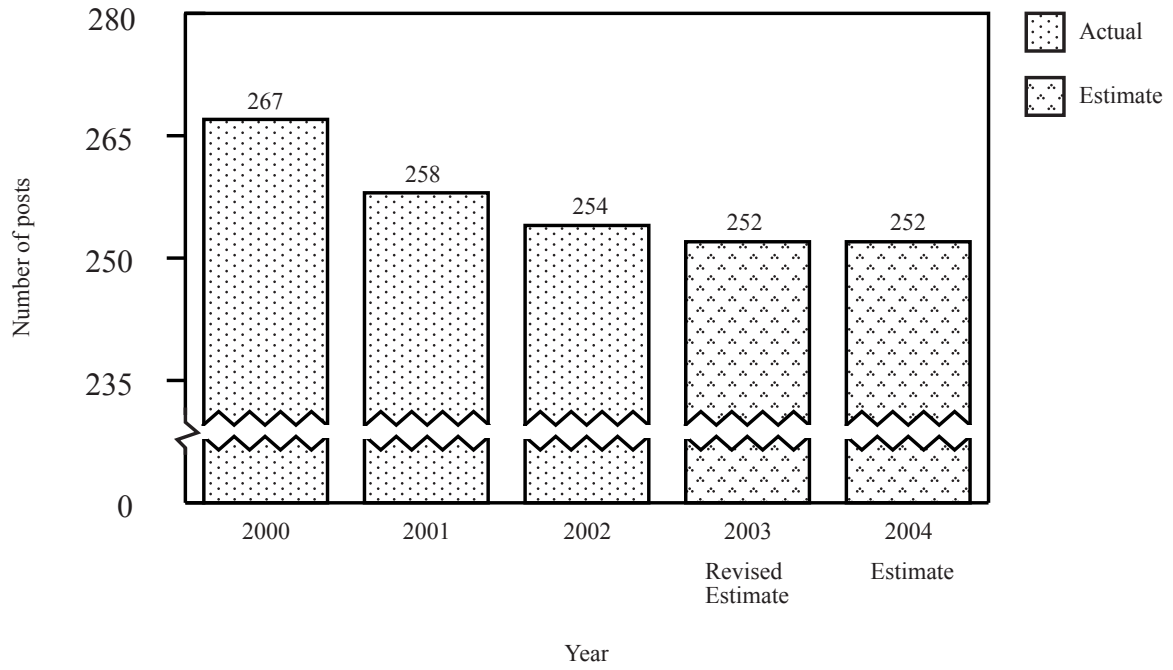
ANALYSIS OF FINANCIAL PROVISION

Programme	2001-02 (Actual) (\$m)	2002-03 (Approved) (\$m)	2002-03 (Revised) (\$m)	2003-04 (Estimate) (\$m)
Official Receiver's Office	131.6	144.1 (+9.5%)	137.4 (-4.6%)	139.5 (+1.5%)

Analysis of Financial and Staffing Provision

Provision for 2003-04 is \$2.1 million (1.5%) higher than the revised estimate for 2002-03. This is mainly due to more summary cases expected to be contracted out in 2003-04.

*Changes in the size of the establishment
(as at 31 March)*



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Sub-head (Code)	Actual expenditure 2001-02	Approved estimate 2002-03	Revised estimate 2002-03	Estimate 2003-04
	\$'000	\$'000	\$'000	\$'000
Recurrent Account				
000	Operational expenses.....	—	—	134,031
	Salaries	107,773	106,277	—
	Allowances	1,247	1,292	—
	Job-related allowances	86	20	—
	Hire of services and professional fees	6,096	20,596	—
	General departmental expenses	8,606	7,071	—
	Total, Recurrent Account	123,808	135,256	134,031
Capital Account				
I — Plant, Equipment and Works				
	Minor plant, vehicles and equipment (block vote)	85	25	—
	Total, Plant, Equipment and Works	85	25	—
II — Other Non-Recurrent				
700	General other non-recurrent	7,728	8,784	5,437
	Total, Other Non-Recurrent	7,728	8,784	5,437
	Total, Capital Account	7,813	8,809	5,437
	Total Expenditure.....	131,621	144,065	139,468

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Details of Expenditure by Subhead

The estimate of the amount required in 2003–04 for the salaries and expenses of the Official Receiver's Office is \$139,468,000. This represents an increase of \$2,033,000 over the revised estimate for 2002–03 and of \$7,847,000 over actual expenditure in 2001–02.

Recurrent Account

2 Provision of \$134,031,000 under *Subhead 000 Operational expenses* is for the salaries and allowances of staff of the Official Receiver's Office and its other operating expenses.

3 The establishment as at 31 March 2003 will be 252 permanent posts. No change in establishment is expected in 2003–04. Subject to certain conditions, the controlling officer may under delegated powers create or delete non-directorate posts during 2003–04, but the notional annual mid-point salary value of all such posts must not exceed \$82,046,000.

4 An analysis of financial provision under *Subhead 000 Operational expenses* is as follows:

	2001–02 (Actual) (\$'000)	2002–03 (Original Estimate) (\$'000)	2002–03 (Revised Estimate) (\$'000)	2003–04 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	107,773	106,277	103,877	103,822
- Allowances.....	1,247	1,292	1,062	1,219
- Job-related allowances	86	20	24	20
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	—	—	—	41
Departmental Expenses				
- Hire of services and professional fees.....	6,096	20,596	14,351	20,596
- General departmental expenses.....	8,606	7,071	13,352	8,333
	123,808	135,256	132,666	134,031

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Capital Account

Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2002	Revised estimated expenditure for 2002-03	Balance
			\$'000	\$'000	\$'000	\$'000
700		<i>General other non-recurrent</i>				
	003	Pilot scheme to contract out cases of winding-up of companies	10,000	8,590	90	1,320
	006	Conducting investigation and directors' disqualification proceedings in the Peregrine Group of Companies.....	8,536	3,789	361	4,386
	007	Special arrangement to handle small non-remunerative bankruptcy cases ...	2,200	—	1,140	1,060
	008	Conducting investigation and directors' disqualification proceedings in the C.A. Pacific Group of Companies	4,994	1,839	1,178	1,977
	009	Conducting investigation and directors' disqualification proceedings in the Ming Fung Group of Companies	3,621	—	1,975	1,646
		Total.....	<u>29,351</u>	<u>14,218</u>	<u>4,744</u>	<u>10,389</u>