

Head 116 — OFFICIAL RECEIVER'S OFFICE

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

Estimate 2002–03 **\$144.1m**

Establishment ceiling 2002–03 (notional annual mid-point salary value) representing an estimated 245 non-directorate posts at 31 March 2002 reducing by one post to 244 posts at 31 March 2003 **\$84.1m**

In addition there will be an estimated nine directorate posts at 31 March 2002 reducing by one post to eight posts at 31 March 2003.

Capital Account commitment balance **\$9.8m**

Controlling Officer's Report

Programme

Official Receiver's Office

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

Detail

	2000–01 (Actual)	2001–02 (Approved)	2001–02 (Revised)	2002–03 (Estimate)
Financial provision (\$m)	121.1	137.9 (+13.9%)	143.3 (+3.9%)	144.1 (+0.6%)

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 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 The Official Receiver's Office broadly achieved its targets in 2001.

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

Targets

	Target Time	2000 (Actual) %	2001 (Actual) %	2002 (Plan) %
general enquiries in person at public reception counter.....	10 minutes	96	98	98
applications for bankruptcy searches and winding-up searches				
in person	3 hours	99	99	99
by mail.....	3 working days	100	100	100
using computer terminal	1 hour	100	100	100
batch search	2 hours	N.A.††	N.A.††	95
application for Certificate of non-bankruptcy	3 working days	100	100	100
lodging Proofs of Debt				
in person	10 minutes	99	100	100
obtaining assistance of officers to complete a Proof of Debt	30 minutes	99	98	100

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	Target Time	2000 (Actual) %	2001 (Actual) %	2002 (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	N.A.†	97	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	81	74φ	95
holding meetings	within 12 weeks	81	77φ	95
bankruptcy cases				
making decision to hold meetings	within 12 weeks	100	84φ	100
holding meetings	within 16 weeks	100	97φ	100
issue of receipt for payment of book debts				
in person	15 minutes	100	100	100
by mail	3 working days	97	98	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	98	99	99
put summary cases with insufficient assets for distribution on release programme	within 12 months	90	91	90

Note: Targets contained in this Report reflect the quantitative standards of service formulated for the department's revised Performance Pledge approved for 2001-02.

† New pledge introduced in 2000-01. Data not available.

†† New pledge introduced in 2001-02. Data not available.

φ For cases with less than \$200,000 as assets, the Official Receiver will become the liquidator or trustee by court order without the holding of meetings. The decision to hold meetings or actual holding of meetings in some cases was delayed during the year because the assets of such cases unexpectedly exceeded \$200,000 at a later stage.

Indicators

	2000 (Actual)	2001 (Actual)	2002 (Estimate)
total no. of new cases	5 516	10 217	10 900
no. of insolvency cases completed, stayed or rescinded	2 579	5 838	6 466
cases put on release programme	809	891	1 000
cases on release programme at year end	409	346	588
cases put on small case programme	2 921	4 340	4 848
cases on small case programme at year end	1 976	1 334	1 868
average active case load per Insolvency Officer	131	214	235
cases put on adjudication programme	640	948	978
no. of proofs of claim adjudicated	10 354†	8 429	10 115
no. of cases with dividends declared	775	662	730
amount of dividends declared (\$m)	249†	52	84

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	2000 (Actual)	2001 (Actual)	2002 (Estimate)
no. of summonses issued	220	305	315
no. of meetings of creditors held	224	137@	140
writs issued and other proceedings	1	29	1
non-remunerative cases (i.e. cases with assets less than \$50,000)	4 948	9 263#	9 700
proportion of non-remunerative cases to new cases (%)	90	91	89

† During the year 2000, three special dividend exercises were conducted to clear the backlog cases.

@ During the year 2001, there were fewer cases with assets exceeding \$200,000. Hence, the number of cases requiring creditors' meetings decreased.

The substantial increase resulted from the increase in the number of new cases in 2001 (i.e. 10 217 compared with 5 516 in 2000).

Matters Requiring Special Attention in 2002-03

6 During 2002-03, the Official Receiver's Office 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;
- monitor implementation of the enhancement of Management Information System and on-line public search and change of address via Electronic Service Delivery Infrastructure;
- explore the long-term information technology strategy by conducting an Information Systems Strategy Study;
- put in place the necessary arrangements, upon the enactment of the Companies (Corporate Rescue) Bill;
- continue to review the statutory framework for the winding-up of companies under the Companies Ordinance, having regard to the Law Reform Commission Report and the findings of the consultancy study to review the role of the Official Receiver, and prepare draft drafting instructions for proposed legislation where appropriate;
- encourage greater use of the procedures for individual voluntary arrangements by debtors and provide user-friendly guidelines and information to debtors who wish to present petitions for their own 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
- continue with the revamp of the management system and an overhaul of the operational procedures in the department.

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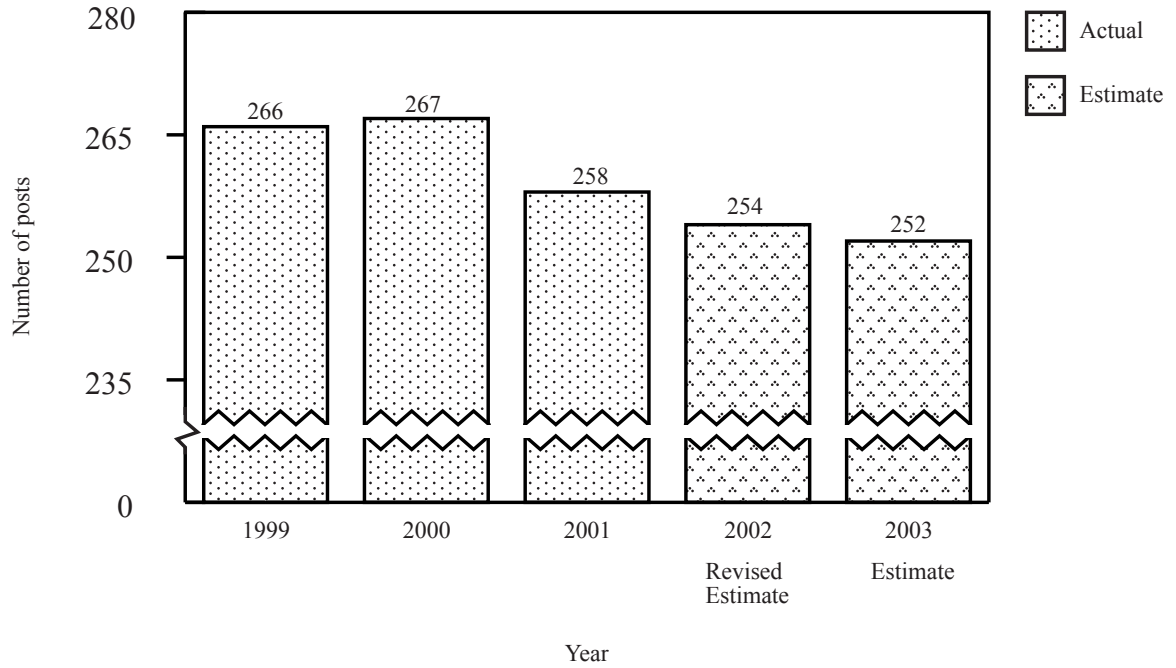
ANALYSIS OF FINANCIAL PROVISION

Programme	2000-01 (Actual) (\$m)	2001-02 (Approved) (\$m)	2001-02 (Revised) (\$m)	2002-03 (Estimate) (\$m)
Official Receiver's Office.....	121.1	137.9 (+13.9%)	143.3 (+3.9%)	144.1 (+0.6%)

Analysis of Financial and Staffing Provision

Provision for 2002-03 is \$0.8 million (0.6%) higher than the revised estimate for 2001-02. The increase is mainly due to more summary cases expected to be contracted out in 2002-03, partly offset by a net deletion of one post and reduced general departmental expenses under the Enhanced Productivity Programme.

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



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Sub-head (Code)	Actual expenditure 2000-01	Approved estimate 2001-02	Revised estimate 2001-02	Estimate 2002-03	
	\$'000	\$'000	\$'000	\$'000	
Recurrent Account					
I — Personal Emoluments					
001	Salaries	100,839	103,547	108,193	106,277
002	Allowances	2,252	2,312	1,426	1,292
007	Job-related allowances	137	201	118	20
	Total, Personal Emoluments	<u>103,228</u>	<u>106,060</u>	<u>109,737</u>	<u>107,589</u>
III — Departmental Expenses					
111	Hire of services and professional fees	8,029	21,168	15,063	20,596
149	General departmental expenses	6,799	7,357	7,357	7,071
	Total, Departmental Expenses	<u>14,828</u>	<u>28,525</u>	<u>22,420</u>	<u>27,667</u>
	Total, Recurrent Account	<u>118,056</u>	<u>134,585</u>	<u>132,157</u>	<u>135,256</u>
Capital Account					
I — Plant, Equipment and Works					
661	Minor plant, vehicles and equipment (block vote)	79	176	151	25
	Total, Plant, Equipment and Works	<u>79</u>	<u>176</u>	<u>151</u>	<u>25</u>
II — Other Non-Recurrent					
700	General other non-recurrent	2,983	3,124	10,960	8,784
	Total, Other Non-Recurrent	<u>2,983</u>	<u>3,124</u>	<u>10,960</u>	<u>8,784</u>
	Total, Capital Account	<u>3,062</u>	<u>3,300</u>	<u>11,111</u>	<u>8,809</u>
	Total Expenditure	<u><u>121,118</u></u>	<u><u>137,885</u></u>	<u><u>143,268</u></u>	<u><u>144,065</u></u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2002–03 for the salaries and expenses of the Official Receiver's Office is \$144,065,000. This represents an increase of \$797,000 over the revised estimate for 2001–02 and of \$22,947,000 over actual expenditure in 2000–01.

Recurrent Account

Personal Emoluments

2 Provision of \$107,589,000 for personal emoluments represents a decrease of \$2,148,000 against the revised estimate for 2001–02.

3 The establishment at 31 March 2002 will be 253 permanent posts and one supernumerary post. It is expected that a net one post will be deleted and one supernumerary post will lapse in 2002–03.

4 Subject to certain conditions, the controlling officer may under delegated powers create or delete non-directorate posts during 2002–03, but the notional annual mid-point salary value of all such posts must not exceed \$84,096,000.

5 Provision of \$1,292,000 under *Subhead 002 Allowances* is for standard allowances. The decrease of \$134,000 (9.4%) against the revised estimate for 2001–02 is mainly due to reduction in requirement of overtime allowances.

6 Provision of \$20,000 under *Subhead 007 Job-related allowances* is for standard job-related allowances. The decrease of \$98,000 (83.1%) against the revised estimate for 2001–02 is mainly due to reduction in requirement of hardship allowance (obnoxious duties).

Departmental Expenses

7 Provision of \$20,596,000 under *Subhead 111 Hire of services and professional fees* is for contracting out summary and non-remunerative liquidation cases to insolvency practitioners in the private sector and the employment of accountants and lawyers as expert witnesses for disqualification of directors actions. The increase of \$5,533,000 (36.7%) over the revised estimate for 2001–02 is mainly due to more summary cases expected to be contracted out in 2002–03.

Capital Account

Plant, Equipment and Works

8 Provision of \$25,000 under *Subhead 661 Minor plant, vehicles and equipment (block vote)* represents a decrease of \$126,000 (83.4%) against the revised estimate for 2001–02. This is mainly due to a decrease in the cashflow requirement for the Interactive Voice Processing System.

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Capital Account

Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2001	Revised estimated expenditure for 2001-02	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	8,110	800	1,090
	006	Conducting investigation and directors' disqualification proceedings in the Peregrine Group of Companies	8,536	—	4,536	4,000
	007	Special arrangement to handle small non-remunerative bankruptcy cases ..	2,200	—	—	2,200
	008	Conducting investigation and directors' disqualification proceedings in the C.A. Pacific Group of Companies	4,994	—	2,500	2,494
		Total.....	<u>25,730</u>	<u>8,110</u>	<u>7,836</u>	<u>9,784</u>