

LCQ1: Defaults on payments owed to the Government and public organisations

Following is a question by the Hon Starry Lee and a reply by the Secretary for Financial Services and the Treasury, Mr James Lau, in the Legislative Council today (March 27):

Question:

Last year, a Mainland woman was sentenced to imprisonment and ordered to pay legal costs of almost \$200,000 for taking photos inside a courtroom, but the Government has so far not given an account of whether she has settled the payments. During the period from 2012 to 2014, while about 70 000 buyers were required to make statutory declarations retrospectively in relation to exemptions from the Buyer's Stamp Duty, quite a number of them, believing that the Inland Revenue Department would not seriously pursue their responsibilities, neither paid the stamp duty nor made the relevant declarations retrospectively. As a result, the Government has foregone a significant amount of stamp duty payments. In the past five years, the average number of cases in which the Hospital Authority failed to recover medical fees from non-eligible persons was 6 550 a year and the total amount of medical fees written off was more than \$200 million. In one of those cases, the amount of unpaid medical fees has accumulated to over \$6 million since 2015. As at December 2017, the rate of non-local smoking offenders defaulting on payment of fines was as high as 20%. As at July 2017, the total amount of defaults on student loan repayment by post-secondary graduates stood at \$170 million. Although I had relayed to the Chief Executive at the Chief Executive's Question Time held on June 13 last year that given the serious situation of defaults on payments for public services by service users, it was necessary to adopt measures to prevent Hong Kong from becoming "the capital of defaults on payments", the situation has not been improved so far. In this connection, will the Government inform this Council:

(1) of the total amounts of default payments owed to, the expenditures incurred in recovering the default payments by, and the total amounts of default payments written off by, the Government and various public organisations respectively in each of the past three years;

(2) of the policies and measures in place to plug the loopholes in defaults on payments by public service users; whether it will, by drawing reference to the practice adopted by the Singapore Government of prohibiting non-local registered vehicles with unsettled fines for traffic-related offences from entering Singapore, prohibit non-local residents defaulting payments from re-entering Hong Kong; and

(3) whether it will, when publishing the Budget for the coming year in future, set out information on the amount of fees written off in the last financial year that has ended, which may serve as one of the indicators of

whether the Government has effectively managed public money; if not, of the reasons for that?

Reply:

President,

With regard to the Hon Paul Tse's question raised by the Hon Starry Lee, our reply is as follows:

(1) The total amounts written off by the Government due to default payments of different persons in each of the past three years are as follows:

2015-2016	2016-2017	2017-2018
(\$ million)	(\$ million)	(\$ million)
290	282	541

Revenue collection is a day-to-day activity of government departments. A breakdown in this respect is not available.

The Government does not have any information on the expenditures incurred by subvented organisations for the recovery of default payments, nor statistics on the total amounts written off by them. Generally speaking, same as government departments, subvented organisations should ensure the proper use of public funds. As such, the bureaux and departments concerned require subvented organisations to submit audited annual financial statements and put in place an appropriate financial control and monitoring system to ensure that public funds are used prudently by subvented organisations in the provision of public services, with a view to achieving cost-effectiveness.

(2) Regarding the handling of receivables, according to the existing internal guidelines of the Government, Controlling Officers (COs) are responsible for prompt collection and for taking timely and appropriate actions to recover arrears of revenue within their jurisdiction. They should satisfy themselves that appropriate arrangements are made and put in place in their bureaux/departments such that if payment is not received within a reasonable time, appropriate and timely follow up actions are taken to recover the arrears. Such actions include the issue of reminders and taking legal action as necessary. In addition, COs must regularly review the procedures and the activities within their purview which give rise to revenue due to the Government and, where necessary, issue departmental accounting instructions and procedures on the recovery of arrears of revenue as appropriate to meet the particular requirements and applications of their bureaux/departments. COs should consider writing off the receivables only after all exhaustive actions taken to recover the amounts have failed and upon seeking the necessary legal advice.

Government bureaux and departments will continue to strictly adhere to

the above guidelines and recover by different means the receivables from defaulters, including local and non-local residents. Regarding the individual measures as mentioned, such as those in relation to vehicles, the Government will review the mechanism with reference to the actual circumstances.

(3) According to the Public Finance Ordinance (Cap 2), the Financial Secretary shall cause to be prepared estimates of the revenue and expenditure of the Government for the next following financial year, and shall cause such estimates to be laid before the Legislative Council. Hence, the Budget covers mainly the estimates of the revenue and expenditure of the Government for the next financial year. The recognition of provision for doubtful debts and losses so arising is dealt with in the Consolidated Statement of Financial Performance of the Accrual-based consolidated financial statements of the relevant financial year, while it is not shown as a separate item in the statements.

Thank you, President.