

THE HONG KONG MONETARY AUTHORITY IS CONSOLIDATING AFTER MORE THAN TWO YEARS OF CONTINUOUS GROWTH. EXPANSION IN 1995 WAS MAINLY SEEN IN THE MIDDLE MANAGEMENT LEVEL. THE ESTABLISHMENT OF THE FINANCE DIVISION DURING THE YEAR HELPED STRENGTHEN THE FINANCIAL CONTROLS OF THE ORGANISATION AND IMPROVED THE FINANCIAL MANAGEMENT OF THE EXCHANGE FUND.

ORGANISATION

The organisational structure of the HKMA has largely remained unchanged since it was organised into five departments and four units, namely the Legal Office, the Administration Division, the Internal Audit Division and the Information Technology Division under the senior executives in 1994. In 1995 a new Finance Division was set up by internal redeployment of resources to further strengthen the financial and management accounting systems of the HKMA. It also reports directly to the senior executives.

The organisational structure is shown on page 78.

STAFFING

Despite some difficulties in hiring specialists for certain posts, the overall staffing position in 1995 was satisfactory. One hundred and fifty-two new staff have been recruited during the year. The vacancy rate was 5% as at end 1995 while staff turnover for the year was 11.5% (5.6% in 1994). The staff establishment and strength of the HKMA are shown at Table 1.

The manager trainee programme introduced in 1994 proved to be a

success; six more manager trainees were recruited in 1995.

The ratio of civil servants to staff on the HKMA's terms and conditions of service fell from 1:2 at end 1994 to 1:3.5 at end 1995.

STAFF RELATIONS

In addition to the Staff Consultative Committee which was established in July 1994 as a forum for discussing issues of staff concern, a Provident Fund Staff Consultative Committee was set up in September 1995 to facilitate staff consultation in the management of the provident fund scheme.

STAFF TRAINING AND DEVELOPMENT

In order to continuously upgrade the knowledge and expertise of staff, the HKMA continued to devote substantial effort in the area of staff training and development. Training programmes on a wide range of areas, including specialist skills, general central banking, management, computer, communication and Putonghua, were organised for staff in 1995.

The HKMA commissioned a number of international and local institutes to conduct training for its staff. Among the courses organised were training on 'fraud alert', 'risk management in treasury and derivatives', 'monetary policy', 'banking supervision' and 'Chinese official writing'.

To meet the increasing demand of using Putonghua in official contacts, the HKMA embarked on an in-house Putonghua training programme in 1995. More classes will be arranged in 1996 with a view to training up all professional staff by 1997.

TABLE 1: ESTABLISHMENT AND STRENGTH OF HKMA

POST	ESTABLISHMENT		STRENGTH	
	1994	1995	1994	1995
Chief Executive	1	1	1	1
Deputy Chief Executive	2	2	2	2
Executive Director	6	6	6	6
Division Head	19	19	17	17
Senior Manager	43	48	43	43
Manager	63	83	63	78
Manager Trainee	10	10	8	13
Assistant Manager	92	104	92	101
Technical Officer	48	57	46	51
Clerical Officer	5	5	4	4
Clerk	43	52	40	49
Secretary	65	73	66	72
Office Assistant	7	9	8	9
TOTAL	404	469	396	446

Apart from local courses, the HKMA continued to send its staff overseas for training to gain international exposure. Thirty-two staff attended various courses in the year organised by institutions such as the IMF, SEACEN, the Federal Reserve Bank, the Bank of Japan, and the Bank of England.

In 1995, about 3,050 training man-days were provided. These included 365 man-days of overseas training. On average, each staff received 7.2 days of training.

As part of the staff development programme, an economist has been seconded to the UK Executive Director's Office of the IMF for two years and a bank supervisor to the Supervision and Surveillance Division of the Bank of England for nine months.

In 1995, the HKMA also provided short-term training to officials from the regulatory bodies of China. The trainees included five officials from the People's Bank of China and eight officials from the State Administration of Exchange Control. The training programme consisted of courses on specialised topics, attachment to designated divisions and visits to commercial banks and financial institutions in Hong Kong.

FINANCE

The Finance Division was established in 1995 to strengthen the accounting and financial reporting functions within the HKMA. To achieve these objectives, the Division's responsibilities are divided between the Financial Accounting Section and the Management

Accounting Section. By centralising the accounting, reporting and financial control functions, reports are produced on a more timely and frequent basis to facilitate the more effective management of the Exchange Fund. This is made possible through the provision of more in-depth management and analyses of the operations of the Exchange Fund. The Division is also responsible for keeping under constant review the financial information needs and reporting requirements of the HKMA. The Division keeps under constant review the established accounting policies to ensure that they comply with generally accepted accounting principles and practices and assesses the relevance of new accounting standards and practices to the Exchange Fund's accounts and financial reports. The Division also exercises tight budgetary control over expenditure and provides the necessary cost management information required for financial planning and resource allocation decisions.

ADMINISTRATION EXPENDITURE

Administration expenditure was re-classified into 'Internal operating expenditure' and 'Capital expenditure' (previously 'Recurrent' and 'Non-recurrent' expenditure). Internal operating expenditure covers staff costs, premises costs and general operating costs. Capital expenditure mainly includes office furniture, office equipment, computer hardware/software/accessories and systems development costs, motor vehicles and property im-provements.

Following normal accounting practice, items classified as capital expenditure are depreciated over their estimated useful life. In previous years, such items were 100% written off in the year of purchase. For comparison, the 1994 figures have been re-classified so as to conform with the classification in 1995. The increase in capital expenditure in 1995 was due to the implementation of two projects, namely, the Information Technology Development Programme and Real Time Gross Settlement.

Internal operating expenditure of the HKMA in 1995 amounted to \$330 mn, an increase of 24% over 1994. The increase was caused mainly by staff cost arising from the full year effect of recruitment in 1994 (\$18 mn) and new recruitment in 1995 (\$16 mn). Discounting these two factors the actual internal operating expenditure increased only by 11% (9% in 1994 on comparable basis).

Emoluments of the senior staff amounted to \$33.94 mn (\$29.56 mn in 1994). The nine senior staff

TABLE 2: ADMINISTRATION EXPENDITURE

	HK\$ mn	
	1995	1994
INTERNAL OPERATING EXPENDITURE		
Staff Costs	250	196
Premises Costs	50	51
General Operating Costs	30	19
Total	330	266
CAPITAL EXPENDITURE	76	13
TOTAL	406	279

include the Chief Executive, the two Deputy Chief Executives, the five Executive Directors and the General Counsel. (Table under 5 (b) on page 71 shows the emolument bands of these staff. Due to the departure of an Executive Director and appointment of a replacement during 1995, the headcount for the year as shown is 10.) The emoluments include all benefits such as provident fund contribution, medical and dental benefits, life insurance etc.

INFORMATION TECHNOLOGY

The use of high quality information technology (IT) is vital for any organisation to achieve increased efficiency and effectiveness in today's dynamic and global business environment. The HKMA has embarked on an ambitious Information Technology Development Programme (ITDP) to fulfill its policy objectives.

In 1995, the newly established IT Division strengthened its staffing in order to formulate and implement the ITDP.

The ITDP was based on a comprehensive review of the IT required to support the HKMA's objectives. It will introduce new IT systems/functionalities in six areas: Reserves and Monetary Management, Financial Management, Analysis of Banking Supervision Returns, Electronic Document Management, Disaster Recovery and Office

Automation. The entire programme is scheduled to complete by the end of 1996.

IT capability and capacity were strengthened through a strategic consolidation of existing IT staff and a highly selective recruitment process. A small team of professional staff has been built up to implement the ITDP, to provide dedicated IT support services to the organisation and to carry out IT policy and planning work.

INTERNAL AUDIT

With the Exchange Fund's assets at \$461 bn and continuously growing, the HKMA attaches great importance to the development and establishment of effective internal control systems. The Internal Audit Division began operation in June 1995. Its responsibilities are to ensure that adequate internal controls and accounting procedures are in place and that the HKMA operates within the approved guidelines and regulations. The Division operates independently from other departments, divisions and offices. The Division also co-ordinates its work with the Director of Audit of the Government. An Audit Sub-committee was set up in 1995 under the Exchange Fund Advisory Committee. The Internal Audit Division reports directly to this Sub-Committee and meets regularly with the Chief Executive and the two Deputy Chief Executives to review and report its work and findings.