

CB(3)/PAC/GEN
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14 November 2006

Hon Miriam LAU Kin-yee, GBS, JP
Chairman of the Legislative Council House Committee
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Public Accounts Committee

The Administration's inquiry or investigation regarding the issues dealt with by the Director of Audit's Reports

At its meetings on 12 and 19 May 2006, the House Committee (HC) discussed the appointment of committees of inquiry or departments concerned conducting internal investigations regarding the issues dealt with by a Director of Audit's report after the tabling of the Audit Report in Council and before the Public Accounts Committee (PAC) commences work on the relevant Report.

PAC has discussed with the Administration the circumstances under which it will conduct a parallel inquiry or investigation when PAC has commenced or is about to commence work on an Audit Report. I write to inform you of the outcome of our discussion, as requested by HC.

In his letter dated 4 August 2006, the Secretary for Financial Services and the Treasury (SFST) states that under normal circumstances, the Administration will not set up an independent committee of inquiry to conduct parallel investigation. The Administration envisages that only under very exceptional circumstances when there is major public concern and when there is a need to conduct an inquiry with the nature, focus or functions different from those of the PAC investigation would it consider setting up a committee of inquiry in parallel with the PAC investigation.

Regarding the Administration's internal investigations, SFST states that the intention of asking the subject departments to conduct internal reviews prior to the PAC investigation is to take immediate follow-up actions with regard to the observations and recommendations made by the Director of Audit (DoA). The work of internal review is ancillary to the PAC investigation and ensures the full implementation of the audit recommendations. The whole intention and action is positive.

In the light of SFST's reply, PAC has requested the Administration to explain how it defines "very exceptional circumstances" and "major public concern". PAC has stressed that it works under a mechanism which is founded on an agreement reached among the Legislative Council, the Administration and DoA in relation to the DoA's value for money audit reports. Various measures have been adopted by the Administration to ensure that PAC's work is respected and not to be unduly affected. Such measures include procedures adopted to prevent premature disclosure of the Audit Reports, the Administration's direction to civil servants not to initiate publicity to counter the audit findings after tabling of the Audit Reports in Council but before PAC conducts its public hearings, and the Administration giving its response to the PAC report by way of a Government Minute tabled in Council within three months after the tabling of the PAC report. PAC has also requested that the Administration should ensure that the effectiveness of the mechanism established to facilitate PAC's work will not be undermined by the setting up of any committee of inquiry to investigate the issues dealt with by an Audit Report.

SFST has responded, in his letter dated 6 November 2006, that it would not be feasible to provide a single definition for the "very exceptional circumstances when there is major public concern" as every case covered by the value for money audit reports is different and the circumstances may vary. This notwithstanding, the Administration will consider the gravity of the case against such factors as the amount of public money involved, the extent of public concern and whether the public officers involved have properly exercised their power.

SFST has assured PAC that the Administration remains committed to upholding the agreed arrangement reached among PAC, the Audit Commission and the Administration in relation to the value for money audit reports.

My letters dated 18 July (**Appendix I**) and 26 October 2006 (**Appendix III**), as well as SFST's replies dated 4 August (**Appendix II**) and 6 November 2006 (**Appendix IV**) are attached for your reference.

(Philip WONG Yu-hong)
Chairman
Public Accounts Committee

Encl.

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18 July 2006

Hon Frederick MA Si-hang, JP
Secretary for Financial Services and the Treasury
8/F, West Wing
Central Government Offices
Hong Kong

Public Accounts Committee

The Administration's inquiry or investigation regarding the issues dealt with by the Director of Audit's Reports

At its meetings on 12 and 19 May 2006, the House Committee (HC) discussed the Administration's appointment of committees of inquiry outside of the Government or requesting departments concerned to conduct internal investigations regarding the issues dealt with by a Director of Audit's report (Audit Report) after the tabling of the Audit Report in Council and when the Public Accounts Committee (PAC) is about to commence work on the relevant Report.

Some Members were concerned that the Administration's practice might undermine the constitutional role of the Council in monitoring the work of the Government, and the public would be confused if the conclusions of the Administration's parallel inquiry or investigation were different from those of PAC, as in the case of the Sai Wan Ho Development. At the same time, some Members appreciated that on some occasions, the Administration might need to take certain remedial actions expeditiously before PAC had completed its work. The HC Chairman had conveyed Members' views to the Chief Secretary for Administration (CS) and pointed out to him that the Administration should discuss with PAC the circumstances under which the Administration would conduct a parallel inquiry or investigation. CS had undertaken to take the matter up with the Financial Secretary and you. Relevant extracts of the HC minutes of 12 and 19 May 2006 are **attached** for your reference.

To bring the matter forward, please advise me of the progress of the Administration's consideration of the matter. We hope that PAC and the Administration will be able to reach an agreement, before the next Audit Report is tabled in Council, on the principles that the Administration should adhere to in deciding to undertake parallel inquiry or investigation when PAC has commenced or is about to commence work on an Audit Report.

Your response, in both Chinese and English, **within one month from the date of this letter** will be appreciated. Upon receipt of your response, PAC will further consider the matter.

(Philip WONG Yu-hong)
Chairman
Public Accounts Committee

Encl.

c.c. Chief Secretary for Administration
Financial Secretary
Director of Audit

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Extract from the minutes of the House Committee meeting on 12 May 2006

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IX. Letter dated 8 May 2006 from Hon Emily LAU to the Chairman of the House Committee regarding “value for money audits” procedures

(Letter dated 8 May 2006 from Hon Emily LAU to the Chairman of the House Committee (LC Paper No. CB(2) 1964/05-06(01))

(Letter dated 11 May 2006 from the Chairman of the Public Accounts Committee to the Chairman of the House Committee (LC Paper No. CB(2) 1983/05-06(01))

37. Ms Emily LAU said that following the tabling of Report No. 45 of the Director of Audit, CE immediately appointed an independent committee of inquiry (independent committee) to inquire into the Sai Wan Ho Development, and following the tabling of Report No. 46 of the Director of Audit, the Secretary for Commerce, Industry and Technology (SCIT) immediately requested the Director of Broadcasting to submit a report within three months on the irregularities in Radio Television Hong Kong (RTHK) identified in the Report.

38. Ms LAU further said that she had served on PAC for many years. According to the procedures agreed between the Administration and PAC in 1998, after the tabling of a Director of Audit’s report in LegCo, the report would be referred to PAC. PAC would conduct hearings and publish its report within three months. A Government Minute commenting on the action which the Government proposed to take in respect of the report of PAC would be submitted to LegCo within three months of the laying of the report of PAC. Both the Administration and PAC would not comment on the audit findings before PAC tabled its report in Council, except at the public hearings of PAC.

39. Ms LAU pointed out that the agreed procedures had been adhered to by LegCo and the Administration for many years. She was concerned that the Administration failed to follow these procedures in the case of Reports No 45 and 46, which was detrimental to the relationship between the Administration and LegCo. Furthermore, the public was confused as the respective conclusions reached by the independent committee and PAC on the Sai Wan Ho Development differed, and yet the Administration said that it accepted both reports.

40. Ms LAU said that PAC did not necessarily accept the findings in a Director of Audit’s report. The Administration should await the report of PAC before making its response to the audit findings. Ms LAU added that LegCo should urge the Administration to follow the agreed procedures.

41. Dr Philip WONG concurred with Ms Emily LAU. Dr WONG informed Members that PAC had written to CS on 2 May 2006 urging him to

ensure that the Administration observed the arrangements agreed on 30 March 2000. Under the arrangements, government departments should not speak or confirm the audit investigations before tabling of the audit report. After tabling of the report but before public hearings of PAC, departments should refrain from initiating publicity to counter the audit findings. CS had replied on 11 May 2006 reiterating the Administration's commitment to uphold the agreed arrangements.

42. Dr WONG further said that in view of the wide public concern about the conclusions reached by the independent committee, PAC had issued a statement and held a press conference on 11 May 2006. PAC had also proposed that a motion should be moved by him, as Chairman of PAC, at the Council meeting on 17 May 2006 to reaffirm LegCo's support of the conclusions and recommendations of PAC on the Sai Wan Ho Development. Dr WONG requested Members' support for PAC's proposal.

43. The Chairman said that the House Committee should decide whether to recommend that a debate slot be allocated to Dr Philip WONG, as Chairman of PAC, for moving the motion on 17 May 2006. The Chairman further said that two debates on Members' motions had been scheduled for that Council meeting, and a CE's Q & A Session had been scheduled for 3:00 pm on 18 May 2006.

44. Dr YEUNG Sum supported PAC's proposal. Dr YEUNG said that the adverse comments made by the Director of Audit on the Building Authority's exercise of discretionary power on the Sai Wan Ho Development had shaken the civil service system. CE had appointed the independent committee because he had to do something. However, the Administration should not disregard the Council's conventions in its endeavours to achieve strong governance. Dr YEUNG pointed out that the public was confused as the conclusions reached by the independent committee and PAC differed, and yet the Administration accepted both reports. Dr YEUNG added that the way the Administration handled the matter had undermined LegCo's constitutional role in monitoring the work of the Government.

45. Mr LEE Wing-tat supported the allocation of a debate slot to Dr Philip WONG. Mr LEE said that the credibility of both LegCo and the Director of Audit was at stake. The debate should be held ahead of the other two debates on Members' motions with no legislative effect scheduled for the Council meeting on 17 May 2006, given the importance of the matter. Mr LEE suggested that CS should speak at the beginning and respond at the end of the motion debate.

46. Mr LAU Kong-wah, Mr SIN Chung-kai and Mr Abraham SHEK supported the allocation of a debate slot to Dr Philip WONG at the Council meeting on 17 May 2006, and that the debate should be held ahead of the other two debates on Members' motions scheduled for the same Council meeting.

Mr LAU Kong-wah and Mr SIN Chung-kai further said that CS should respond at the end of the motion debate.

47. Mr Jeffrey LAM said that Members belonging to the Liberal Party supported PAC's proposal.

48. Ms Margaret NG supported PAC's proposal. She said that the debate should be held ahead of the other two debates on Members' motions, given that PAC was a standing committee of LegCo.

49. Dr Fernando CHEUNG said that it was difficult to say which motion, i.e. Dr WONG's motion moved on behalf of PAC or his motion on "Financial assistance to patients of Severe Acute Respiratory Syndrome and their families" moved on behalf of the Panel on Welfare Services, was more important. However, given the circumstances, he supported that the debate on Dr WONG's motion should be held first.

50. Ms Emily LAU pointed out that at the press conference held by PAC on 11 May 2006, members of PAC had requested the Administration to indicate exactly which report it accepted, given the different conclusions made in the PAC Report and the independent committee's Report. However, this request was not reflected in the wording of the motion, which only urged the Administration to fully implement the recommendations of PAC. Ms LAU added that CS had already indicated in the Government Minute tabled in Council on 10 May 2006 that the Administration accepted the recommendations in the PAC Report.

51. Dr YEUNG Sum said that CS had explained that as the roles, functions, and focuses of PAC and the independent committee were different, the conclusions they reached were thus different. He agreed with Ms Emily LAU that LegCo should urge the Administration to clarify which report it accepted.

52. Dr Philip WONG said that the wording of the motion was agreed to by members of PAC. Dr WONG further said that although the recommendations made in the two reports were similar, the findings and conclusions were very different. If the Administration accepted the PAC Report and agreed to fully implement its recommendations, then it had to explain why it could accept the independent committee's Report at the same time.

53. Dr WONG added that he was ready to discuss with Members if they considered it necessary to amend the wording of the motion to better reflect LegCo's concern. He hoped that Members would not move amendments to the motion in order to demonstrate LegCo's unanimous support for the conclusions and recommendations of PAC. Mr Abraham SHEK concurred with Dr WONG.

54. The Chairman proposed that –
- (a) a debate slot be allocated to Dr Philip WONG at the Council meeting on 17 May 2006, and the slot would not be counted as Dr WONG's own slot;
 - (b) the debate on Dr WONG's motion should be held ahead of the other two debates on Members' motions with no legislative effect scheduled for the same Council meeting;
 - (c) CS should speak at the beginning and respond at the end of the debate; and
 - (d) the speaking time limits of 15 minutes for the mover and seven minutes for other Members should apply.

Members agreed.

55. The Chairman added that if Members wished to move amendments to the motion, they should seek the President's approval for waiving the required notice.

56. Mr LAU Kong-wah said that the "value for money audits" procedures referred to by Ms Emily LAU in her letter dated 8 May 2006 did not preclude the Administration from appointing committees of inquiry or conducting internal reviews before PAC completed its work and tabled its report in Council.

57. Mr LAU further said that on some occasions, it might be necessary for the Administration to take certain remedial actions expeditiously and not to wait until PAC had completed its work. For instance, in the case of Report No. 46 of the Director of Audit, it was appropriate for the Administration to set up a high level internal audit team to ensure the implementation of the audit recommendations by RTHK.

58. Ms Emily LAU said that it had become a convention that the Administration would not conduct a separate inquiry in parallel when PAC was conducting hearings and had yet to table its report. Ms LAU further said that she did not object to the setting up of the audit team in the case of Report No. 46. She was concerned that SCIT had requested RTHK to submit a report, within three months, on the irregularities identified by the Director of Audit, and the conclusions of that report might differ from those of the report of PAC. Ms LAU reiterated that the Administration should follow the convention; otherwise, the public would be confused as in the case of the Sai Wan Ho Development, and the credibility of PAC and the Director of Audit would be undermined.

59. Dr YEUNG Sum said that while the Administration had the authority to

conduct its own inquiries, it should respect the convention. If the Administration considered it necessary to introduce changes to the convention or procedures, it should discuss with LegCo. Dr YEUNG suggested that the Chairman should convey Members' concerns to CS.

60. Mr LAU Kong-wah said that the investigation being conducted by the Director of Broadcasting was an internal review, which was different in nature from the inquiry conducted by the independent committee into the Sai Wan Ho Development. He considered it reasonable for SCIT, being the supervisor of the Director of Broadcasting, to request the latter to provide a report to him so as to facilitate CS to respond to the report of PAC.

61. Mr LAU further said that it was more appropriate for PAC to discuss with the Administration the "value for money audits" procedures, as the existing procedures had been agreed between them. Mr LAU requested the Chairman to convey the various views expressed by Members to CS.

62. Mr SIN Chung-kai said that it might be necessary for PAC to discuss with the Administration what the latter should and should not do before PAC tabled its report in Council, and whether changes should be made to the existing "value for money audits" procedures.

63. The Chairman said that she would convey Members' views to CS.

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Extract from the minutes of the House Committee meeting on 19 May 2006

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II. Matters arising

Report by the Chairman on her meeting with the Chief Secretary for Administration (CS)

Letter dated 8 May 2006 from Hon Emily LAU to the Chairman of the House Committee regarding “value for money audit” procedures

2. The Chairman said that she had briefed CS on the concern raised by Ms Emily LAU in her letter and views expressed by other Members at the House Committee meeting on 12 May 2006. CS had responded that the arrangements agreed to between the Administration and the Public Accounts Committee (PAC) in 1998 were procedural in nature. The agreed procedures did not preclude the Administration from taking certain actions on a matter under PAC’s inquiry. CS cited the Harbourfest as a precedent where inquiries were held in parallel by the Administration and PAC.

3. The Chairman further said that CS had pointed out that in view of the inaccurate press reports after the release of Report No. 46 of the Director of Audit, the Administration saw the need to make its position clear as early as possible and therefore instructed Radio Television Hong Kong to conduct an internal review.

4. The Chairman added that CS had assured Members that the Administration would continue to adhere to the agreed procedures. However, he could not rule out the possibility that there might be cases where the Administration had to make its position clear quickly. CS’s view was that in the face of rapid development of communications, late response would be detrimental to transparency and accountability.

5. The Chairman said that she had pointed out to CS that the Administration should discuss with PAC the circumstances under which the Administration would conduct a parallel investigation or inquiry. CS had undertaken to take the matter up with the Financial Secretary and the Secretary for Financial Services and the Treasury.

6. Mr Martin LEE said that in future, should the Administration conduct a parallel investigation, PAC should not commence its public hearings until the report of the Administration’s investigation had been released. PAC could then consider the Administration’s investigation report in its inquiry.

7. Mr Martin LEE further said that the Administration should explain why parallel inquiries were conducted on certain matters only.

8. Ms Emily LAU said that it was unwise for the Administration to conduct parallel investigations, and to give the impression that it was competing with PAC to finish the task first. Ms LAU pointed out that while PAC conducted its hearings in public, the Administration normally conducted its inquiries behind closed door. Ms LAU added that the agreed procedures between the Administration and PAC should be adhered to, and parallel inquiries by the Administration were undesirable.

9. Dr YEUNG Sum said that CS had tried to justify the decision of the Chief Executive to set up the independent committee of inquiry on the Sai Wan Ho Development. Dr YEUNG expressed concern that the case of the Sai Wan Ho Development would be a precedent, and the Administration would conduct a parallel inquiry whenever it wanted to counter the work of PAC or avert a political storm. He reiterated that while the Administration had the authority to conduct its own inquiries, it should respect the convention.

10. Mr James TO said that according to some press reports, the Administration had attributed the different conclusions of the two reports to the fact that certain documents considered by the independent committee had not been considered by PAC. Mr TO considered it a serious problem if the Administration had made available certain documents to the independent committee but not PAC. Mr TO suggested that PAC should follow up the matter with the Administration.

11. Ms Emily LAU said that as those Members who had expressed views at the meeting were not PAC members, their views should be conveyed to PAC for consideration.

12. Mr Albert CHAN enquired how Members would know the outcome of PAC's discussion with the Administration. The Chairman suggested that PAC be requested to inform the House Committee of the outcome of the discussion. Members agreed.

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財經事務及庫務局局長



**SECRETARY FOR FINANCIAL
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4 August 2006

Dr Hon Philip WONG Yu-hong, GBS
Chairman, Public Accounts Committee
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Dear Philip,

Public Accounts Committee

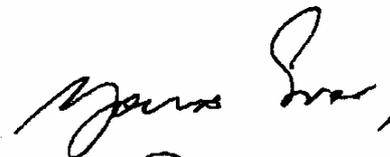
**The Administration's inquiry or investigation
regarding the issues dealt with by the Director of Audit's Reports**

Thank you for your letter of 18 July.

I note the concerns of some Members and would like to reiterate that the Administration has the highest respect for the role of the Public Accounts Committee (PAC) and takes its views and recommendations very seriously. Since its establishment in 1978, the PAC has played an important role in ensuring that the Government provides quality public services in an efficient and cost effective manner. The Administration appreciates that the PAC has spent considerable time and effort in the past on scrutinising the value for money reports submitted by the Director of Audit, and on putting forward recommendations and views to the Government. We are most grateful to the PAC for its valuable views and constructive comments.

Under normal circumstances, the Administration will not set up an independent committee of inquiry (ICI) for parallel investigation. Only under very unusual circumstances the Administration might find it necessary to take certain responsive actions expeditiously and set up an ICI for in-depth inquiry before the PAC investigation is completed. Our records show that in the recent past there were only two occasions (one being the Sai Wan Ho development covered by PAC Report No. 45) on which the relevant ICI and the PAC separately conducted their own examinations. The Administration does not take the decision in setting up ICI lightly and we envisage that only under very exceptional circumstances when there is major public concern and when there is a need to conduct an inquiry with nature, focus or functions different from those of the PAC investigation would the Administration consider setting up an ICI in parallel with the PAC investigation. Given that the PAC and the ICI appointed by the Government have different nature, functions, focuses and coverage, the setting up of ICI does not and will not undermine the constitutional role of the PAC in monitoring the work of the Government.

The intention of asking the subject departments to conduct internal reviews prior to the PAC investigation is to take immediate follow-up actions with regard to the observations and recommendations made by the Director of Audit. The work of internal review is ancillary to the PAC investigation and ensures the full implementation of the Audit recommendations. The whole intention and action is positive. I would like to emphasise that the Administration has all along been actively cooperating with the Audit Commission and PAC and providing support to their work. The partnership between the Government and the PAC in promoting the efficiency and cost effectiveness of Government will not be changed.



(Frederick S. Ma)

Secretary for Financial Services and the Treasury

cc AA/CS
AA/FS
Director of Audit

A6/42 Pt.31
CB(3)/PAC/GEN
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26 October 2006

Hon Frederick MA Si-hang, JP
Secretary for Financial Services and the Treasury
8/F, West Wing
Central Government Offices
Hong Kong

Public Accounts Committee

The Administration's inquiry or investigation regarding the issues dealt with by the Director of Audit's Reports

Thank you for your letter of 4 August 2006.

It is stated in your letter that the Administration envisages that only under very exceptional circumstances when there is major public concern and when there is a need to conduct an inquiry with nature, focus or functions different from those of the Public Accounts Committee (PAC) investigation would it consider setting up an independent committee of inquiry (ICI) in parallel with the PAC investigation. To obtain a better understanding of the circumstances under which the Administration would appoint an ICI to undertake a parallel investigation, the Committee would like to know how the Administration defines "very exceptional circumstances" and "major public concern".

Regarding the point that the Administration would consider setting up an ICI when there is a need to conduct an inquiry with nature, focus or functions different from those of the PAC investigation, which was first made by the Chief Secretary for Administration during the motion debate on "Supporting the conclusions and recommendations of the Public Accounts Committee on the development of a site at Sai Wan Ho" on 17 May 2006 and reiterated in your letter, the Committee notes that, as a matter of fact, some of the issues studied by the Committee and the ICI on the Sai Wan Ho Development were the same. These issues included the appropriateness of the then Building Authority's decision to exercise discretion to exclude the public transport terminus from the gross floor area calculation of the site and the financial

implications of the decision. As the conclusions made by the Committee and the ICI were not in total accord, the public was confused.

As you will be aware, the Committee works under a mechanism which is founded on an agreement reached among the Legislative Council, the Administration and the Director of Audit (DoA) in relation to the DoA's value for money audit reports. Various measures have been adopted by the Administration to ensure that the Committee's work is respected and not to be unduly affected. These measures include procedures adopted to prevent premature disclosure of the DoA's reports, the Administration's direction to civil servants not to initiate publicity to counter the audit findings after tabling of the DoA reports in the Council but before the Committee conducts its public hearings, and the Administration giving its response to the Committee's report by way of a Government Minute tabled in the Council within three months after the tabling of the Committee's report. Throughout these years, this mechanism had served us well generally except in relation to the Grand Promenade incident when the Administration decided to set up an ICI to conduct an investigation in parallel with that conducted by the Committee. The Committee requests that the Administration should ensure that the effectiveness of the mechanism established to facilitate the Committee's work will not be undermined by the setting up of any ICI to investigate the issues dealt with by a Director of Audit's report.

Your response, in both Chinese and English, **by 3 November 2006 (Friday)** will be appreciated.

(Philip WONG Yu-hong)
Chairman
Public Accounts Committee

c.c. Chief Secretary for Administration
Financial Secretary
Director of Audit

財經事務及庫務局局長



**SECRETARY FOR FINANCIAL
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6 November 2006

Dr Hon Philip WONG Yu-hong, GBS
Chairman, Public Accounts Committee
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road
Central
Hong Kong

A handwritten signature in black ink that reads "Dear Philip".

Public Accounts Committee

**The Administration's inquiry or investigation
regarding the issues dealt with by the Director of Audit's Reports**

Thank you for your letter of 26 October 2006.

As pointed out in my letter of 4 August 2006, the Administration has the highest respect for the role of the Public Accounts Committee (PAC) and takes its views and recommendations very seriously. It would however not be feasible to provide a single definition for the "very exceptional circumstances when there is major public concern" as every case covered by the value for money audit reports is different and the circumstances may vary. This notwithstanding, the Administration will consider the gravity of the case against such factors as the amount of public money involved, the extent of public concern and whether the public officers involved have properly exercised their power. As a matter of fact, the Independent Committee of Inquiry (ICI) to look into the case of the Sai Wan Ho Development is the only

one in the history of the PAC that has been set up after the tabling of the Director of Audit's Report. This helps explain the fact that the Administration exercises utmost care in handling value for money audit reports selected by PAC for hearing and would only set up ICI sparingly.

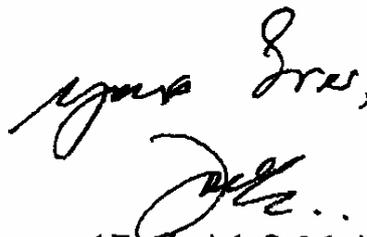
Upon the publication of the Director of Audit's Report on the Sai Wan Ho Development, the Government noted that the public were concerned about the possible uncertainties in the exercise of discretionary powers by the Building Authority ("BA") in the development project. The Government considered that it would be necessary to look into the exercise of discretionary powers by the former BA in order to be accountable to the public. An ICI was therefore set up to conduct an in-depth inquiry.

The terms of reference of the ICI are to examine the procedures in approving the site classification, gross floor area ("GFA") exemption for the public transport terminus and bonus GFA for dedication of the reserved area for public passage in respect of the Sai Wan Ho building plans, including how and under what circumstances the BA's discretionary powers are exercised and whether the discretionary powers are properly exercised.

The PAC and the ICI had different functions, focuses and areas of responsibilities. Both the PAC and the ICI have clearly explained their findings through their reports and facilitated the public to acquire a better understanding of the issues involved.

Although the two reports have different focuses, their recommendations improving the existing building development approval mechanism are similar. The Government has accepted all the recommendations of both the PAC and the ICI and has been implementing a package of follow-up actions. The recommendations drawn up by both the PAC and ICI are conducive to further improving the various aspects of the building development process. Following the usual practice, the Government provides periodic reports to the PAC concerning the progress in taking forward the various recommendations.

Lastly, I would like to assure you that, as the Chief Secretary for Administration has said when tabling the Government Minute on 18 October, the Administration remains committed to uphold the agreed arrangement reached among the PAC, the Audit Commission and the Administration in relation to the value for money audit reports. We have all along been actively cooperating with the PAC and providing support to the PAC. The close partnership between the PAC and the Government in promoting the efficiency and cost effectiveness of Government departments will not be changed.



(Frederick S. Ma)

Secretary for Financial Services and the Treasury

cc AA/CS
AA/FS
Director of Audit