

THE GOVERNMENT MINUTE

in response to the

**REPORT NO. 46 OF
THE PUBLIC ACCOUNTS COMMITTEE**

dated July 2006

18 October 2006

**THE GOVERNMENT MINUTE IN RESPONSE TO THE
PUBLIC ACCOUNTS COMMITTEE REPORT NO. 46
DATED JULY 2006**

**REPORT ON THE RESULTS OF VALUE FOR
MONEY AUDITS (Report No. 46)**

Chapter 3 – Management of the government fleet

The Marine Department (MD) is committed to maintaining cost effectiveness and operational efficiency in the manning and maintenance of government vessels. MD will take all necessary actions to streamline the government fleet management system to achieve these objectives.

Review of manning scale of government vessels

2. MD is revising the five-year rationalisation plan for manning the government fleet.

Crew deployment

3. MD has drawn up another five-year plan which is reviewed annually to ensure the balance of manpower in the reserve pool. In drawing up the plan, MD has taken the future needs of user departments into account. MD will adjust the progress of decommissioning of vessels and outsourcing of services having regard to the natural wastage of staff involved to avoid any wastage of resources and ensure gainful employment of crew staff.

4. To help user departments monitor the utilisation of their vessels, the Government Fleet Operation Management Information System captures the locations of vessels during their operation. MD will continue to send such information to user departments to help them monitor the utilisation of their vessels.

Low utilisation of MD and departmental vessels

5. To enhance the utilisation of vessels, MD has critically reviewed its operation and discussed with user departments the future needs of their spare and standby vessels. MD has also sent a letter to relevant bureaux and departments to promote the use of “Tin Hau”.

6. In the five-year plan mentioned in paragraph 3 above, MD has incorporated the optimum manpower requirements suited to the operational needs of the two explosive carriers operated by the Civil Engineering and Development Department and the operation launches of the Immigration Department.

Management of in-house maintenance work and staff

7. MD has required all in-house maintenance work to be recorded in the Government Fleet Information System (GFIS). The records captured by GFIS cover the nature of work, the estimated man-hours and the actual man-hours required for each job.

8. MD will conduct every six-month cost comparisons with the private sector to evaluate the cost effectiveness of in-house maintenance jobs and ascertain the outsourcing potential of these jobs.

9. For those MD's maintenance workshops identified to have the potential for outsourcing, the staff are being retrained for other duties so that they can be gainfully employed.

Administration of maintenance contracts

10. MD has carried out a study to evaluate the cost effectiveness of using term contracts versus one-off contracts on maintenance work. Several types of vessels have been identified as suitable for maintenance work under term contracts. One type of vessels has been selected as a prototype to try out this approach. MD is finalising the details of the term contract.

Charging on the use of workshops by contractors

11. MD is preparing the charging scheme for workshops provided to the maintenance contractors and will consult the Government Property Agency (GPA) on the charging rate of the workshops.

Demerit points allotment guidelines

12. MD is revising guidelines to help inspecting staff determine the seriousness of the offences committed by maintenance contractors and decide when demerit points can be allotted to the contractors without prior verbal warning.

Conduct of stock review to ascertain the increase in stock level

13. The increase in stock level as stated in the Audit Report was due to a report generating error. MD has rectified the error in the programme.

14. MD is considering the merit of having term contracts with major suppliers for the provision of replacement engines. With these contracts, MD may no longer be required to procure and keep certain spare engines, thereby reducing the number of items and the total value of spare parts in stock.

Adjustment to the cost of spare parts recorded at zero value

15. All spare parts procured with the new vessels will be recorded with the purchase value in GFIS. MD has now rectified 40% of the inventory records originally recorded at zero value.

Review of the reasons for extra downtime

16. MD has examined all cases of extra downtime due to “waiting for spare parts” with a view to minimising future downtime. MD has also enhanced communication with user departments so that crew staff can be made available during sea trial.

Additional key performance measures in the Controlling Officer’s Report (COR)

17. MD is considering the additional key performance measures for inclusion in the coming COR.

Chapter 4 – Provision of public museum services

Acquisition and management of museum collection items

18. The Leisure and Cultural Services Department (LCSD) has drawn up action plans to clear the backlog of collection items pending accession in the Hong Kong Museum of History, the Hong Kong Heritage Museum and the Hong Kong Film Archive (HKFA). The Department has stock-taken the backlog items in accordance with the action plans and will clear the backlog in three to four years. To expedite the process, LCSD has enlisted the assistance of university students, as part of their museum internship studies, in the registration work. LCSD engaged eight interns in this summer to help with the exercise.

19. LCSD has also put in place a number of new procedures and measures to tighten the control over collection items pending accession. The Department set up a task group in June 2006 to closely monitor the effective implementation of the measures. The task group has examined the first progress report of the three museums concerned. It will monitor the progress every four-month and conduct site inspections as and when necessary.

20. To address the shortage of collection storage facilities and to cope with the increasing museum collection items in the next ten years, LCSD plans to build a Central Museum Collection Repository at Mong Wing Street, Area 47, Tuen Mun. It is a redevelopment project involving demolition of a one-storey temporary building and construction of an eight-storey repository with a total floor area of 22 000m². LCSD is drawing up the objective, scope of works and cost estimates of the project, and will seek necessary funding according to the established resource allocation procedure with a view to completing the project in 2011.

21. As an interim measure, LCSD has secured from GPA a storage space of 1 000m² at Cornwall House in Quarry Bay for HKFA. LCSD is working closely with the Architectural Services Department on the fitting-out works. It will also continue to explore with GPA the feasibility of identifying temporary storage spaces for the other museums.

Operation of the LCSD museums

22. As regards the disposal of unsold museum publications, LCSD held a successful sale on 13 and 14 May 2006 during which 7 375 copies were sold with a total revenue of \$338,715. LCSD has decided to conduct another museum publications sale in November 2006, and will organise similar sales at regular intervals in the future.

23. LCSD has reviewed the current 25% discount on selling price and pre-paid arrangement for consignments. To provide a stronger incentive for the sale of old publications, LCSD, with the Financial Services and the Treasury Bureau (FSTB)'s agreement, has offered a 35% discount to book distributors/sale agents for publications published before 1 January 2000. To widen the distribution outlets, LCSD has also agreed with reputable book distribution/sale agents on a new consignment arrangement to settle accounts on a monthly basis instead of following the existing pre-paid arrangement.

24. To further promote the sale of museum publications, all major museums and the HKFA have posted their publication lists on their own websites. The publications of the HKFA are also available for sale through the Internet of the Hong Kong Post. LCSD will continue to explore more channels for selling its museum publications, including the Internet and consignment bookshops in LCSD venues.

Performance of the LCSD museums

25. In November 2004, the Secretary for Home Affairs appointed the Committee on Museums (the Committee) to advise on how best to improve the services of public museums, including strategies and measures to boost the patronage and to improve the museum services. The Committee plans to submit its recommendations by the end of 2006. LCSD would carefully consider the Committee's recommendations in formulating the strategies and working out the improvement measures.

26. In the meantime, LCSD has been taking measures to boost the patronage and to enhance the public museum services. For instance, based on the results of the 2004 survey, LCSD has planned more blockbuster exhibitions and thematic exhibitions with popular appeal. It will conduct a series of blockbuster exhibitions in the coming months of 2006 as well as in 2007 to celebrate the 10th Anniversary of the establishment of the Hong Kong Special Administrative Region. The first one, "Artists and Their Models-Masterpieces from the Centre Pompidou, Paris", is being held in the Hong Kong Museum of Art (from 30 September 2006 to 3 December 2006). In addition, LCSD will launch the "Open Dialogue" series from early 2007 to 2008, which aims to provide additional platforms for local artists to showcase their works and to enhance the involvement of the art community in museum activities by inviting them as the guest curators.

27. LCSD has also enhanced its publicity efforts, such as placing advertisements in travel magazines, and tourist maps and guides to attract visitors from the Mainland and overseas. To further improve the facilities and enhance their attractiveness, LCSD plans to renovate the Space Theatre of the Hong Kong Space Museum.

28. To encourage more people to visit public museums, LCSD has promoted the Museum Pass Scheme during the "International Museum Day Hong Kong 2006" held in May 2006. A total of 361 passes were sold during the two-day event. LCSD will consider holding similar promotional activities on suitable occasions. LCSD museums will also continue to organise outreach programmes for special exhibitions and events, and joint seminars with universities and educational institutions to improve public awareness and encourage public participation.

29. LCSD will continue to explore various incentive schemes to promote sponsorship and donations such as offering naming rights and complimentary tickets, allowing donors/sponsors to hold private functions in museums and view museum exhibitions etc. For example, for the exhibition "Artists and Their Models-Masterpieces from the Centre Pompidou, Paris", LCSD has solicited commercial sponsorship as well as some publicity support from the press. In soliciting sponsorship and donations, LCSD will pay special attention to avoid commercial sponsorship/donations which may give rise to potential conflict of interest or compromise curatorial judgment.

30. LCSD has completed a study on the feasibility of opening for hire more museum facilities for holding private functions such as receptions and seminars. In addition to the lecture halls in the Hong Kong Science Museum, the Hong Kong Space Museum and the Visual Arts Centre, LCSD has identified further facilities in the Hong Kong Heritage Discovery Centre, the Flagstaff House Museum of Tea Ware and other major museums for such purpose. LCSD will proceed with the necessary administrative and legal procedures, and make available the facilities for hire as soon as possible.

31. LCSD reviews the opening hours of its museums from time to time. As a pilot scheme, LCSD has extended the opening hours of the Hong Kong Museum of Art on Saturdays for two hours to 8 p.m. with effect from 5 August 2006 in view of its proximity to the Hong Kong Cultural Centre and to tie in with the timing of arts and cultural performances. Furthermore, during the exhibition “Artists and Their Models-Masterpieces from the Centre Pompidou, Paris”, the daily opening hours of the Hong Kong Museum of Art have also been extended to 8 p.m. in view of the anticipated heavy patronage.

Chapter 5 – RTHK: financial control and resource management

Culture of compliance

Cases involving suspected irregularities and non-compliance with management rules and regulations

32. In respect of the cases covered in the Director of Audit’s Report No. 46 (Audit Report) that involve suspected irregularities and non-compliance, Radio Television Hong Kong (RTHK) has sought clarification from the individual officers concerned. Based on the information collected and the management’s views thereon, RTHK issued a report to the Secretary for Commerce, Industry and Technology (SCIT) in July 2006 stating its preliminary views on the need for further follow-up action to be taken.

33. According to the established civil service procedures, the Commerce, Industry and Technology Bureau (CITB) has referred the report and preliminary findings on the need for follow-up actions to the Civil Service Bureau (CSB). CSB has considered the matter and provided initial observations to RTHK. RTHK is following up on these observations and conducting further investigation. RTHK will take appropriate action upon the full completion of its investigation.

Management of departmental contract staff (DCS) and service providers

Fee scale table

34. To improve the fee scale table, RTHK has set up a Steering Group on Fee Scale Review to implement the Director of Audit’s recommendations on this matter. This will include streamlining the job types and fee ranges, addressing various issues relating to benchmarking, and developing appropriate guidelines.

35. The Radio Division has already begun streamlining its fee scale table by reducing the job titles for DCS/service providers from 212 to 88. The Steering Group will continue to develop a mechanism of defining tiers and pay ranges of job titles. The mechanism being developed will be practical, and will seek to better benchmark the fee scales to the going market rates and the relevant civil service pay scales.

Maintenance of attendance records of DCS/service providers

36. RTHK is working on appropriate mechanisms and controls on attendance recording for its non-civil service contract (NCSC) staff and DCS/service providers, taking into account the different modus operandi of the divisions and units in RTHK which often involve outdoor and irregular work patterns. There will be guidelines to all staff and service providers to support implementation and monitoring.

Practice of seeking covering approval

37. To discourage the practice of seeking and giving covering approval for overtime (OT) work, additional work and employment contracts for DCS/service providers, RTHK has issued a reminder of the related rules and regulations to all staff and will re-circulate the respective departmental circulars on a regular basis. All staff will have to submit explanation if prior approval has not been sought.

38. On employment contracts for DCS/service providers, the Systems Review Unit (SRU) of RTHK has reviewed the work flow and formulated preliminary proposals on an e-process to streamline contract preparation with a view to further improving efficiency and control.

Efforts to rationalise the DCS structure

39. RTHK continues its efforts to migrate DCS staff to the NCSC structure. While the preparation work for migrating DCS III to NCSC by December 2006 is making good progress, RTHK is consulting CSB on the migration of the remaining 18 DCS I staff.

Management of outsourcing activities

Compliance with the terms of outside broadcast (OB) contracts

40. Prior to the expiration of the OB contracts in August 2006, RTHK had strengthened its contract monitoring procedures and required the OB contractor to provide a list of personnel who had attended the productions. RTHK had checked the list of personnel deployed and their experience records on a monthly basis to ensure compliance with the terms of OB contracts. No exception was noted.

Management of the Technical Services Agreement (TSA)

41. The new Broadcast Services Contract, which replaced the TSA contract on 1 October 2006, covers regular OB services, thus minimising any potential conflict of interest. Under the new contract, charging for services is based on actual usage hours. This eliminates the previous cost considerations for outsourcing the OB services due to high OT payment incurred by TSA staff.

42. Before the new Broadcast Services Contract came into effect, RTHK had worked with the TSA contractor to reduce standby-for-booking hours. A sample analysis of two weeks in June 2006 indicated that the average standby time for camera operators had been reduced from 18% for 2004-05 (as cited in the Audit Report) to 8% of the total man-hours reported. TSA contractor also took steps to reduce OT payments by arranging more time-off in lieu and rescheduling rest days of TSA staff to better match with work requirements. The percentage of TSA staff who took their scheduled rest days on Sundays during the period 6 June 2005 to 5 June 2006 had been reduced to 32% (Audit Report cited 39% for the period September 2004 to March 2005).

Management of drivers' OT work

43. In June 2006, RTHK issued new departmental guidelines setting out arrangements for drivers' OT work, meal break and work on Sundays and public holidays. It has also enforced the requirements for all drivers to enter details in vehicle logbooks (including non-driving duties during meal break time) and users to check and certify journey details in vehicle logbooks. To strengthen supervisory control, since 24 April 2006, all drivers are required to park departmental vehicles at RTHK Headquarters in Broadcast Drive after a day's work.

44. To meet the operational need for RTHK to arrange early morning newspaper delivery, RTHK has contracted out the service for the Newsrooms on a trial basis for 3 months since 1 June 2006. The trial is working well and is cost effective. Thus, RTHK will launch a formal tendering exercise to outsource the service, including the newspaper requirements in other sections/units, on a long-term basis.

45. To strengthen internal monitoring, the Finance and Resources Unit of RTHK has re-commenced the checking of OT work registers of sections since July 2005.

Stores and procurement matters

46. RTHK has developed an implementation plan to address the various recommendations in the Government Logistics Department (GLD)'s system survey report. Specifically, to improve efficiency and reduce the number of covering purchase orders, RTHK has sought agreement from GLD on a set of revised procedures for direct purchases of stores and services by user divisions, including the pre-set conditions/criteria for obtaining single quotations and the issuance of purchase orders at or below \$1,000. In addition, departmental bulk contracts will be arranged as far as practicable. It is also reviewing procurement activities to source more opportunities for using purchasing cards.

47. As regards the 2005-06 annual inventory check, RTHK is following up on the outstanding inventory certificates. Discrepancies of inventories are being investigated, which will be handled in accordance with the Stores and Procurement Regulations. The Finance and Resources Unit is also developing guidelines on good inventory management and control. All staff concerned will be briefed and reminded to follow the guidelines.

48. RTHK and TSA contractor had arranged for the handover of inventories. The second stock taking identified over 500 lost items, mostly being portable size equipment ranging from tape recorders, headphones to microphones and were purchased over ten years ago. RTHK has worked out a methodology to calculate the indemnity for the loss of TSA inventories in consultation with FSTB and other relevant government departments. TSA contractor has agreed to the methodology.

Entertainment expenses

49. In March 2006, RTHK issued a reminder to officers on the policies and proper procedures for claiming official and programme-related entertainment expenses, including the need to obtain prior approval, the spending limits, guest requirement, etc. RTHK and FSTB have devised clear guidelines on the reimbursement of entertainment expenses on programme liaison. RTHK is also reviewing the claim limits on programme-related entertainment.

50. RTHK will continue to remind all staff concerned of the need to consider the necessity before incurring official and programme-related entertainment. With regard to spring receptions, RTHK has formalised an appropriate assessment process to justify and record the need for such functions in future. Senior management will consider case by case in the regular Management Meeting convened by the Director of Broadcasting (D of B), and document the justifications in minute form.

Management of sponsorship

51. In June 2006, RTHK submitted a proposal to CITB to relax the sponsorship restrictions relating to prizes and giveaways, services or products to assist programme productions. CITB has provided RTHK with examples of international best practice to safeguard against abuse and conflict of interest in this respect for RTHK to improve the proposal. CITB will discuss with RTHK the refined proposal.

52. To ensure compliance with guidelines on sponsored visits, RTHK issued a new circular in May 2006 to advise staff to refrain from accepting sponsorship from commercial organisations for overseas visits for the purpose of programme production. Where such visits are considered necessary and appropriate, RTHK will submit applications, on a case by case basis, at least three weeks in advance, to seek SCIT's agreement.

53. Since promulgation of the new circular in May 2006, there has been no sponsored visit offered by commercial organisations. With regard to the two official visits to Taiwan in 2004, CSB was of the view that approval would have been granted if RTHK had consulted it before accepting the sponsorship for the two visits.

Chapter 6 – RTHK: governance and strategic management

Compliance culture and internal control

54. D of B, together with his management team, is committed to fostering a corporate culture of compliance among RTHK staff. Some specific actions which have already been taken or are in the pipeline include –

- D of B has issued letters to all staff and held two All Staff Meetings to communicate core values and to emphasise the need for absolute compliance. The same messages are being repeatedly delivered at divisional staff meetings.
- The performance appraisals for the Programme Officer Grade will include two new assessment items, “Ethics and Integrity” and “Resource Management”.
- RTHK will work closely with the Corruption Prevention Department of the Independent Commission Against Corruption, through the RTHK Corruption Prevention Group, to identify areas of concern for corruption prevention review.
- The Treasury conducted a tailor-made workshop on financial control for RTHK staff in September 2006. Another workshop is under planning.

55. The strengthened SRU, headed by a Chief Treasury Accountant seconded to RTHK, has been closely monitoring the effectiveness of internal control measures and the full implementation of the audit recommendations. In the course of helping management put in place adequate checks and balances to reduce risk of abuse and conflict of interest, SRU makes use of every opportunity to reinforce the message on compliance. SRU reports to D of B direct, and submits regular reports to him.

Strategic planning and performance management

56. RTHK continues to make improvements to its TV programme budgeting process. Actions taken include updating the programme budgets more frequently, redefining some cost elements as indirect costs and packaging small-scale programmes of the same nature into one large programme to enhance efficient and effective resource

control. In view of the complexities involved in the related resources bidding and booking systems, RTHK needs to do more work to facilitate effective budgetary control of TV programmes.

57. We agree with the Director of Audit that compilation of annual plans as a formal strategic framework is a very useful basis for effective resource management. Annual plans would be an important tool to help define clearly the objectives of RTHK's activities, set performance targets and manage allocated resources according to priorities. Under the Framework Agreement signed between SCIT and D of B, SCIT will provide D of B with policy guidance and support in defining programmes of activities, reviewing their objectives, setting performance targets, and securing resources. CITB will follow up on the Audit Commission's observations and recommendations, and ensure that it will play an active part in providing policy guidance to RTHK to help it formulate annual plans to enhance accountability and resource management. CITB and the management of RTHK will also, at quarterly Progress Review Meetings, monitor implementation of the plans against targets set.
