

THE GOVERNMENT MINUTE

in response to the

**REPORT NO. 49 OF
THE PUBLIC ACCOUNTS COMMITTEE**

dated February 2008

21 May 2008

**THE GOVERNMENT MINUTE IN RESPONSE TO THE
PUBLIC ACCOUNTS COMMITTEE (PAC) REPORT NO. 49
DATED FEBRUARY 2008**

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

Management of the government fleet (Chapter 3 of Part 4 of PAC Report No. 46)

Crew deployment

The Marine Department (MD) completed upgrading the Government Fleet Operation Management Information System in February 2008. User departments can now monitor their vessels real-time through a web-based display. This would facilitate their effective deployment of the vessels and their crew. We recommend deleting this part from the next progress report.

Management of in-house maintenance work and staff

2. The Government Fleet Information System was upgraded in late 2007. Based on the monthly reports produced by the upgraded system, the Department is now able to compare the cost-effectiveness of services provided by individual in-house maintenance workshops against those provided by private contractors. Separately, MD outsourced a battery workshop in 2007 and the staff concerned were re-deployed. MD aims to outsource a forward-base workshop in late 2008.

Administration of maintenance contracts

3. To ascertain the merits of using term contracts for maintenance services for government vessels, MD will launch a pilot scheme for the maintenance of seven “Damen” vessels by a term contract in mid 2008. MD will assess the effectiveness of the pilot scheme before extending the use of term contracts to other types of vessels, e.g. the “Logistics” type.

Charging on the use of workshops by contractors

4. MD, in consultation with other relevant departments, is devising a charging scheme for the allocation of workshops at the Government Dockyard for use by contractors.

Provision of public museum services (Chapter 4 of Part 4 of PAC Report No. 46)

Acquisition and management of museum collection items

5. The Leisure and Cultural Services Department (LCSD) continues its effort to clear the backlog of collection items pending accession in the Hong Kong Museum of History (HKMH), the Hong Kong Heritage Museum (HKHM) and the Hong Kong Film Archive (HKFA). Of the 257 780 backlog items, HKMH has processed most of them leaving about 2 355 to be accessioned within the next two years. As for HKHM, up to February 2008, a total of 12 889 backlog items were accessioned and the remaining 5 861 items would be cleared within the next two years. HKFA will have about 120 000 backlog items accessioned by May 2008 and more contract staff are being engaged to assist in the accessioning work. HKFA aims at clearing the remaining 316 000 items in the coming two years. The task group formed to monitor the progress of clearing collection items pending accession conducted five site inspections from May 2007 to April 2008 and will continue to closely monitor the progress of the accessioning work.

6. LCSD has drawn up the objective, scope of works and cost estimates in respect of the proposed Central Museum Collection Repository as a means to solve the storage problem. Funding for its construction will be sought in accordance with established procedures.

7. The renovation work of the storage space at the Cornwall House in Quarry Bay for the HKFA was completed in March 2008 while move-in of the collection and film-related items is underway. LCSD submitted a bid to the Government Property Agency in November 2007 for additional temporary storage space at Yip Shing Street, Kwai Chung for use by HKMH.

Operation of LCSD museums

8. As regards the disposal of unsold museum publications, LCSD will continue to conduct an annual museum publications sale during the International Museum Day. Moreover, LCSD has put these publications on the Internet for sale. The public can place orders via the web-site of the museums' shop operator to purchase museum publications. Besides, the publications are also made available at major bookshops and video shops on a consignment basis. As these are on-going arrangements for promoting the sale of museum publications, we recommend deleting this part from the next progress report.

Performance of LCSD museums

9. The Government has accepted in principle the recommendations made by the Committee on Museums (the Committee), and is working on the implementation plan and improvement measures for enhancing museum operation and management as recommended by the Committee.

10. LCSD is upgrading the Space Theatre of the Hong Kong Space Museum by installing a new digital planetarium projection system with multi-language and interactive devices. The new system is expected to be ready for use in early 2009.

11. Regarding the plan of making available museum facilities for hire for holding wedding ceremony, LCSD has, after critically assessing the manpower requirement and operational priority, decided to withhold the plan for the time being.

12. In order to obtain more information from the public for formulating further improvement plans, a new public opinion survey on museum services was conducted in early 2008. Field work of the survey was completed in March 2008 and the data collected is being processed. It is expected that the results of the survey will be ready by August 2008.

RTHK: financial control and resource management (Chapter 5 of Part 4 of PAC Report No. 46)

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

13. In consultation with the Secretariat on Civil Service Discipline, Radio Television Hong Kong (RTHK) has examined all cases involving suspected non-compliance and completed follow up actions where appropriate. As action has been completed, we recommend deleting this part from the next progress report.

Efforts to rationalise departmental contract staff (DCS) structure

14. The complete phasing out of DCS III was concluded by January 2008. As the recommendations of the Director of Audit (D of A) have been suitably addressed, we recommend deleting this part from the next progress report.

Management of sponsorship

15. The Commerce and Economic Development Bureau (CEDB) has approved the revised Policy Guidelines on RTHK's Acceptance of Sponsorship for Programmes, relaxing the restrictions on sponsorship in kind. The revised Policy Guidelines have been uploaded on RTHK website. RTHK, in consultation with CEDB, has promulgated internal detailed guidelines on the handling of various categories of sponsorships in kind for RTHK's staff to follow. As action has been completed, we recommend deleting this part from the next progress report.

**REPORT ON THE RESULTS OF VALUE FOR
MONEY AUDITS (Report No. 47)
MATTERS OUTSTANDING**

Diesel vehicle emission controls (Paragraphs 3 to 4 of Part 3 of PAC Report No. 47)

Diesel vehicle inspection and maintenance programme

16. The amendment to the Road Traffic (Construction and Maintenance of Vehicles) Regulations (Cap. 374 sub. leg. A) to tighten the smoke opacity standard adopted by the Transport Department (TD) to that currently adopted by the Environmental Protection Department (EPD), viz. 50 Hartridge Smoke Units, was enacted on 17 October 2007. The new standard takes effect from 1 May 2008. We recommend deleting this part from the next progress report.

Smoky vehicle control programme

17. EPD has completed another round of consultation for shortening the prescribed period for vehicle owners served with an emission testing notice to bring their vehicles for a dynamometer smoke test from 14 working days to 12 working days. The transport trades have no objection to the 12-working-day prescribed period. The shortened prescribed period has been implemented since 1 April 2008. We recommend deleting this part from the next progress report.

Provision of aquatic recreational and sports facilities (Paragraphs 8 to 9 of Part 4 of PAC Report No. 47)

Improving water quality of the gazetted beaches in Tsuen Wan District

18. The Administration is advancing part of the Harbour Area Treatment Scheme Stage 2A disinfection facilities for commissioning in 2009 and the Finance Committee of the Legislative Council (LegCo) approved in January 2008 the funding for the construction works. The construction works of the disinfection facilities are expected to start in the second quarter of 2008. The water quality of the gazetted beaches in Tsuen Wan will improve when the disinfection facilities are in operation, targeted for October 2009.

De-gazetting of the Rocky Bay Beach

19. The Shek O Residents Association raised objection to de-gazetting and returning the Rocky Bay Beach to the Lands Department (Lands D) as the beach area would be fenced off upon land resumption. This arrangement would block their access to the sea and affect their living. The Southern District Council was consulted in September 2007 and they advised not to de-gazette the Rocky Bay Beach. LCSO will continue to provide basic cleansing services of the said beach for leisure pursuit. As action has been completed, we recommend deleting this part from the next progress report.

De-gazetting of the Kiu Tsui Beach on Sharp Island

20. Further to the submission of the private developer's application for developing part of the Sharp Island for recreational use, Lands D has clarified with the private developer that his application is a new one as the previous Short Term Wavier and Short Term Tenancy had been terminated. The private developer was requested to clear the unauthorised structures on the site and submit a proposal with plans detailing the proposed development for consideration. Upon receipt of more detailed information from the private developer, Lands D will consult other relevant government departments, including LCSD, on the proposal.

21. The results of the monitoring of water quality for the sandy beach adjacent to the Kiu Tsui Beach in 2007 showed that the overall beach water quality of the sandy beach has been ranked 'Good' according to the annual beach ranking system in Hong Kong. The Civil Engineering and Development Department (CEDD) will arrange to conduct a feasibility study on the sea profile of the sandy beach with a view to assessing its suitability for conversion into a gazetted beach. Meanwhile, EPD will continue the water quality monitoring work. Once the results of CEDD's study are available, LCSD will consult the Sai Kung District Council with the findings of EPD and CEDD on the future use of the Kiu Tsui Beach and the feasibility of designating the adjacent sandy beach as a gazetted beach.

Alignment of fees and charges of all swimming pool complexes

22. In conjunction with the Home Affairs Bureau, LCSD has set up a Working Group to review all fees and charges of leisure services. The Working Group will review the fee structure of all swimming pool complexes and other recreation and sports facilities in one go and evaluate the corresponding financial implications.

Swimming training courses

23. LCSD will review the fee level of swimming training courses in the overall review exercise on fees and charges for recreation and sports programmes in one go.

University Grants Committee funded institutions - Governance, strategic planning and financial and performance reporting (Paragraphs 10 to 11 of Part 4 of PAC Report No. 47)

Corporate governance of institutions

Amendment to the University of Hong Kong Ordinance regarding the statutory roles of its Council and Court

24. The Court of the University of Hong Kong resolved in December 2005 that The University of Hong Kong Ordinance should be amended so that the descriptions of the respective roles of the Council and the Court therein would

be consistent with their powers as set out in the relevant statutes. The University is finalising the relevant legislative amendments and plans to submit their proposal to LegCo within 2008.

University Grants Committee funded institutions - General administrative services
(Paragraphs 12 to 13 of Part 4 of PAC Report No. 47)

Provision of senior staff quarters

University Grants Committee (UGC) Working Group on Housing Arrangement after Deregulation of University Salaries

25. The Administration and the Secretary-General, UGC are examining the joint proposal put forward by UGC-funded institutions regarding the funding arrangement for staff housing benefits after deregulation of salaries. Subject to the outcome of their deliberations, the proposal will be submitted to the Working Group on Housing Arrangement after Deregulation of University Salary for consideration.

Student hostels

Review of the existing policy on students' grants and loans

26. The advisory committee that advises the Administration on the operation of the Tertiary Student Finance Scheme - Publicly-funded Programmes (formerly named as Local Student Finance Scheme) has previously recommended, among other things, that needy students should be provided with an accommodation expenses loan. This recommendation would be considered in the context of a consultancy study on the establishment of a simpler, more viable and sustainable mechanism for setting and adjusting the levels of student financial assistance.

University Grants Committee funded institutions - Staff remuneration packages and stipends (Paragraphs 14 to 15 of Part 4 of PAC Report No. 47)

Pay structure

The Hong Kong Polytechnic University (PolyU)'s review on the effect of section 9(3)(c) of The Hong Kong Polytechnic University Ordinance and its proper application

27. PolyU submitted a revised proposal to the Administration in December 2007 to amend the relevant provisions of The Hong Kong Polytechnic University Ordinance to define more clearly PolyU Council's role in drawing up the University's policy governing the terms and conditions of service of staff. PolyU intends to introduce the legislative amendments to LegCo within 2008.

Provision of slaughtering facilities for supplying fresh meat (Paragraphs 18 to 19 of Part 4 of PAC Report No. 47)

Feasibility of centralising slaughtering operation of livestock at the Sheung Shui Slaughterhouse (SSSH)

28. The Administration completed a consultancy study in 2006 on the feasibility of modifying SSSH in order to increase its slaughtering throughput of pigs to enable centralisation of pig slaughter at SSSH. In the feasibility study, reference was drawn to the findings of a study commissioned in 2004 on the forecast slaughtering throughput of livestock in Hong Kong. In view of the introduction of the import of chilled pork from the Mainland in August 2006, the Administration has recently reviewed the forecast of pig slaughtering throughput to take into account the displacement effect of chilled pork on fresh pork. Given that the result indicated a decline in the forecast slaughtering throughput of pigs from 2007 to 2015, we estimate that SSSH will have sufficient capacity to handle the centralisation of pig slaughter even without any physical expansion.

29. However, in considering whether to close down the Tsuen Wan Slaughterhouse (TWSH) and to centralise slaughtering at SSSH, the Administration must carefully look into a number of factors, including the need to respect TWSH operator's right of operation, and the strategic risks of using a single slaughterhouse to supply all the fresh meat in Hong Kong. Pork is an important item of non-staple food to Hong Kong people. As seen from community's concern over the abnormal fluctuation in the auction price of pork in recent months, the public attaches great importance to the stable supply of fresh pork. Having considered the importance of maintaining a stable supply of fresh pork, the policy stance to have more than one slaughterhouse in Hong Kong, which may provide for an operational fallback, should prevail. We will keep this policy under review. We recommend deleting this item from the next progress report as follow-up action has been completed.

Services provided by the Official Receiver's Office (Paragraphs 20 to 21 of Part 4 of PAC Report No. 47)

30. The Bankruptcy (Amendment) Ordinance 2005 and the corresponding subsidiary legislation came into operation on 10 December 2007. The legislative changes facilitate the outsourcing of debtor-petition bankruptcy cases with estimated realisable assets of not more than \$200,000 to private sector insolvency practitioners (PIPs) by the Official Receiver's Office (ORO). ORO has subsequently initiated a tendering exercise to outsource such cases on a small scale as a pilot scheme. It is expected that the pilot outsourcing will start in May 2008 and ORO will review the cost of operation and question of fees and cost recovery rate after implementation of the pilot outsourcing.

31. ORO will also consider the proposed “cab-rank” system and some form of authorisation of PIPs when the implementation of the pilot outsourcing is evaluated in the future.

Recoverability of the outstanding advances to the United Nations High Commissioner for Refugees (Paragraphs 22 to 23 of Part 4 of PAC Report No. 47)

32. The Administration has continued to urge the United Nations High Commissioner for Refugees (UNHCR) to make renewed efforts to appeal to the international community for donations with a view to settling the outstanding advances, which remain at \$1,162 million. The Security Bureau discussed the issue with UNHCR representatives in September 2007 and in March 2008 and wrote to the Head of Hong Kong Sub-office of UNHCR again in March 2008 for the purpose.

33. UNHCR expressed that due to the budget constraints and other more pressing refugees and humanitarian issues, it is not optimistic that the repayment could be made in the foreseeable future. Nevertheless, the Administration will continue to pursue repayment of the outstanding advances.

Footbridge connections between five commercial buildings in the Central District (Paragraphs 24 to 25 of Part 4 of PAC Report No. 47)

34. The Executive Council agreed in March 2008 to invite the MTR Corporation Limited (MTRCL) to proceed with the Shatin to Central Link (SCL) project. However, SCL Central South Station under SCL project would be deferred until a suitable site for it can be identified. The provision of station adit and entrance related to the future station will be subject to need and detail design. Hence, MTRCL has advised that they no longer object to the footbridge proposal. The Administration is giving consideration to whether and how the footbridge proposal can now be taken forward.

Residential services for the elderly (Paragraphs 26 to 27 of Part 4 of PAC Report No. 47)

Implementing work plan on provision of subsidised long-term care services and actions taken to address the problem of allocation of resources between the Hospital Authority (HA) and the Social Welfare Department (SWD) regarding the provision of infirmary care

35. The Administration consulted the Elderly Commission (EC) and the LegCo Panel on Welfare Services (the Panel) earlier on the proposal to provide infirmary care to medically stable infirm elders in a non-hospital setting. Taking into account the comments from EC and the Panel, the latest plan of the Administration is to

upgrade some of the places in subvented residential care homes for the elderly to provide infirmary care. The Administration is discussing with the sector the various requirements in relation to the upgrading exercise and aims to report progress to the Panel in the second or third quarter of 2008.

Special Finance Scheme for small and medium enterprises (Paragraphs 28 to 29 of Part 4 of PAC Report No. 47)

36. All government guarantees under the Special Finance Scheme for small and medium enterprises have expired. The Treasury has been processing claims for compensation with the assistance of the Department of Justice (D of J) and the Hong Kong Monetary Authority as necessary. So far 1 414 claims involving a total of \$323 million have been settled. Another 20 claims involving a total of \$11 million have been suspended from processing as requested by the participating lending institutions in view of ongoing repayment by the borrowers. The Treasury is processing the remaining 13 cases involving a total of \$4 million.

Small house grants in the New Territories (Paragraphs 30 to 36 of Part 4 of PAC Report No. 47)

Implementation of small house policy

37. In taking forward the small house policy review, the Administration has identified and considered a wide range of issues. Some proposals have been formulated and put into implementation. The remaining issues, which are complex in nature, require further and careful deliberations within the Administration.

Public markets managed by the Food and Environmental Hygiene Department (Paragraphs 37 to 38 of Part 4 of PAC Report No. 47)

Review of the demand for public market facilities

38. The Food and Health Bureau (FHB) and Food Environmental Hygiene Department (FEHD) are reviewing the policy on the provision of public markets. The review focused on examining the relevance of the existing planning standard for the provision of new public markets and identifying measures to deal with public markets with consistently low occupancy. The Administration presented the preliminary review findings to LegCo Panel on Food Safety and Environmental Hygiene in May 2008 and will proceed to consult other stakeholders, with a view to finalising the review by the end of 2008–09 financial year.

39. Meanwhile, FEHD continues to implement measures to improve the facilities and viability of wet markets, such as market improvement works, promotional activities, maintaining a high standard of cleanliness in markets and the enforcement of

monthly market cleansing day, maintaining flexibility in determining and changing the trade of individual stalls, and where feasible, the stall size and merging of selected vacant small stalls to form larger stalls and lowering the upset auction prices of long-standing vacant stalls in selected markets to attract potential bidders.

Study to identify markets that may merit closure and details of FHB's rationalisation plan to be drawn

40. In the context of the review mentioned above, measures are being developed for dealing with markets with low occupancy. The closure of Mong Kok Market and suggestion on the package offered to the affected tenants raised by the Yau Tsim Mong District Council will be addressed as part of that review.

The acquisition and clearance of shipyard sites (Paragraphs 43 to 44 of Part 4 of PAC Report No. 47)

Resumption and Clearance of the North Tsing Yi Shipyard Site

41. The Administration is considering how best to implement the recommendations. Given the fact that some tenants of short-term tenancies may have genuine financial and practical difficulties in arranging for the demolition of their structures, there may be a need to exempt certain clearers from the self-demolition requirement on compassionate grounds. The relevant bureaux and departments are examining this matter. Subject to the outcome of the foregoing exercise, the Director of Lands will amend the Lands Administration Office Instructions as recommended by D of A.

Assessment of contamination at the Penny's Bay shipyard site

42. The Lands Tribunal heard certain points of law as preliminary issues to facilitate the determination of the appropriate valuation basis for assessing compensation for the site, and handed down its judgment on 25 May 2007, ruling in favour of the Administration. The ex-lessee filed an appeal, which will be heard by the Court of Appeal in September 2008.

Funding of tertiary education (Paragraphs 45 to 46 of Part 4 of PAC Report No. 47)

Funding of self-financing activities

43. According to UGC-funded institutions, all directly identifiable costs of the operation of student hostels have been fully met by hostel fees. UGC is ascertaining the amount of overhead charges involved in student hostel operation and will examine how such charges should be dealt with in consultation with the institutions. UGC aims to complete the process within 2008.

Government subsidies to the English Schools Foundation (Paragraphs 47 to 48 of Part 4 of PAC Report No. 47)

44. As previously reported, we will start substantive discussion with the English Schools Foundation (ESF) on a review of the subvention arrangements after ESF has implemented its governance reform and put in place a sound governance structure. With the recent passage of The English Schools Foundation (Amendment) Bill 2007 (please see paragraph below), we expect to start the discussion later in the year when the new governing body for ESF is in place. At this stage, the Government has not come up with any specific proposals.

Corporate governance and Headquarters administration of the English Schools Foundation (Paragraphs 49 to 50 of Part 4 of PAC Report No. 47)

Corporate Governance

45. The English Schools Foundation (Amendment) Bill 2007, a private member's bill sponsored by the Honourable Abraham Shek, was introduced into LegCo on 30 May 2007 and was passed on 12 March 2008. The Amendment Ordinance introduces amendments to the ESF Ordinance so as to give effect to a new governance framework, which will include the following features –

- (a) A Board of Governors will be established in which parents, School Council Chairmen and representatives of the wider community will form a substantial majority.
- (b) There will be provisions to encourage members to attend Board meetings regularly. A code of conduct will also be drawn up requiring members to declare any interest.
- (c) Standing Committees will be established to audit the Foundation's management processes, to make recommendations on remuneration and terms and conditions of service for staff and to advise on a financial strategy. No employees will sit on the Audit Committee nor the Remuneration Committee.

46. Separately, ESF is making a new set of regulations under the ESF Ordinance which will be laid before LegCo for scrutiny. ESF expects that the legislative proposals will address the key issues of concern raised by PAC^{Note}. The Amendment Ordinance commenced operation on 18 April 2008 and the new governance framework will be implemented before the end of 2008.

Note These include –

- (i) containing the size of ESF Foundation;
- (ii) separating management functions from the governance body;
- (iii) increasing the proportion of independent members on ESF Foundation;
- (iv) improving attendance at ESF Foundation meetings;
- (v) reviewing staff voting right on pay and benefits in meetings of ESF Foundation; and
- (vi) establishing an internal audit committee.

Action Plan

- Encl. 47. ESF has updated its action plan as at May 2008 at Enclosure. For most of the remaining recommendations of PAC, full implementation will take place after the changes to the governance framework as effected by the Amendment Ordinance come into operation.

Grant of land at Discovery Bay and Yi Long Wan (Paragraphs 53 to 54 of Part 4 of PAC Report No. 47)

Site boundaries of Discovery Bay and Yi Long Wan development

48. Following active discussion with the industry and related professionals regarding the implementation of practical and effective measures to deter encroachment by private developments on Government land, Lands D will issue a Practice Note on the matter in May 2008.

49. Lands D is obtaining outside counsel's advice through D of J on how to tackle the land encroachment problems of the Yi Long Wan development.

Development of a site at Sai Wan Ho (Paragraphs 55 to 56 of Part 4 of PAC Report No. 47)

50. The Government has accepted all the recommendations made by D of A and PAC concerning the development of a site at Sai Wan Ho. With the concerted efforts of the Planning Department, Lands D, Buildings Department, Architectural Services Department and Development Bureau, the Government has been taking positive steps to implement all of the recommendations. Progress of various improvement measures have been elaborated in the concerned progress reports submitted in September 2006 and September 2007 and the Government Minute submitted in May 2007.

51. We are continuing with our review on gross floor area (GFA) concessions granted under the Buildings Ordinance. The Government will seek the views of stakeholders from various sectors before finalising our proposals.

52. We have reviewed whether it is appropriate to impose a maximum GFA clause in the leases of future sale sites of Government land. In formulating the land sale arrangement, one of the key guiding principles is the need for a clear and predictable Government policy on land supply for private development, to provide certainty, clarity and consistency to the trade and to the public. For the 2008-09 Application List, we will specify the maximum GFA or plot ratio (or equivalent) in the conditions of sale of each sale site on the Lists.

53. The Government will continue to monitor the implementation of the various improvement measures.

Collection of fines imposed by Magistrates' Courts (Chapter 1 of Part 7 of PAC Report No. 47)

Review on the effectiveness of the measures for improving the collection of fines

54. In May 2007, we undertook to conduct a review in one year's time to assess the extent of improvement to the collection of fines. We are preparing for this review.

Criteria for application of distress warrants relating to parking contraventions and for issue of warrants relating to moving offences

55. Changing the above criteria requires modifications to TD's Vehicles and Drivers Licensing Integrated Data (VALID) IV computer system. Following the launch of VALID IV in end 2007, we have secured funding for the required modifications which are expected to be completed in October 2008.

Multiple applications for distress warrants in respect of the same defaulter

56. The proposal to group all applications for distress warrants in respect of the same defaulter under one single court necessitates adjustments to the Judiciary's Computerised Case and Summons Management System, and will take effect upon the completion of the necessary modifications also required for TD's VALID IV system. Following the launch of VALID IV in end 2007, we have secured funding for the required modifications which are expected to be completed in October 2008.

Actions taken by the Judiciary Administration to ensure that the General Offices will promptly follow up with the prosecuting departments concerned if replies are not received and after receipt of additional information on further execution attempts

57. The General Offices of the Magistrates' Courts have been sending reminders to the prosecuting departments concerned if replies to their requests for additional information are not received after two months from the date of request. From August 2007 to February 2008, the General Offices had made 2 305 requests for additional information to the prosecuting departments. So far, 2 182 replies have been received with additional information in 195 cases. Further execution attempts were made on these 195 cases with 22 fruitful results. As the Judiciary will continue to take timely action to ensure prompt replies from prosecuting departments as part of its on-going duties, we recommend deleting this part from the next progress report.

Arrangement to include defaulters with five or more non-payment warrants in the Immigration Department (Imm D)'s watch list and intercept them at the control points for action by the Police

58. Imm D has since 15 April 2007 included defaulters with five or more non-payment warrants in its watch list and intercept them at the control points for action by the Police. Up to 31 March 2008, 139 defaulters involving 1 106 non-payment warrants and outstanding fines of around \$1.37 million have been arrested under the arrangement. The two departments have reviewed the arrangement after its operation for 12 months, and considered that it is an effective means to tackle defaulters with a large amount of fixed penalty fines. Both departments thus agree that the arrangement should continue. We recommend deleting this part from the next progress report.

Proposed legislation to empower Magistrates to award costs when making orders under section 3A and 3B of the Fixed Penalty (Criminal Proceedings) Ordinance (Cap 240)

59. The omnibus bill incorporating the above legislative amendment resumed Second Reading at LegCo sitting on 30 April 2008. As there is no outstanding action under this section, we recommend deleting this part from the next progress report.

Four small and medium enterprise funding schemes (Chapter 4 of Part 7 of PAC Report No. 47)

Small and Medium Enterprise Export Marketing Fund (EMF)

Setting up a mechanism to collect information on benefits gained by Small and Medium Enterprises (SMEs)

60. The Trade and Industry Department (TID) has engaged an independent institution to conduct a survey among SMEs which had received grants from EMF to collect information on the benefits gained. The independent institution has completed the collection of data from SME respondents and is finalising the survey report. The report is expected to be completed in the second quarter of 2008.

Conducting an effectiveness review of EMF

61. In the light of the findings collected from SME beneficiaries after completion of the survey report (see paragraph 60 above), TID will review the overall effectiveness of EMF in consultation with the Small and Medium Enterprises Committee (SMEC).

SME Training Fund

Examining outstanding grant applications thoroughly

62. Among the 100 outstanding cases, TID has completed the processing of 70 cases, of which 40 were approved. TID will process the remaining 30 cases when the trainees have completed their approved training courses and submitted reimbursement claims. Most of them will complete their courses by end 2008. As the Administration has taken follow-up action to address Audit's recommendations, we recommend deleting this part from the next progress report.

SME Loan Guarantee Scheme (SGS)

Reviewing the need to devote more resources to SMEs in the service sector

63. After considering the recommendations of SMEC on SGS to enhance its operation, TID has introduced the new "Working Capital Loan (WCL) guarantee", which has replaced the "Associated Working Capital Loan guarantee" and "Accounts Receivable Loan guarantee", since March 2008. The new WCL, which is for general business uses, provides greater flexibility to better address the needs of SMEs in the service sector.

Assessing the additional impacts of SGS

64. TID has engaged an independent institution to conduct a survey among SMEs which had obtained loan guarantee under SGS. The independent institution has completed the collection of data from SME respondents and is finalising the survey report. The report is expected to be completed in the second quarter of 2008.

Drawing on overseas experiences in measuring the performance of SGS

65. With reference to the result of the survey report (see paragraph 64 above), we would review whether and how we could draw on overseas experience to help assess the effectiveness of SGS.

Hospital Authority : management of outstanding medical fees (Chapter 5 of Part 7 of PAC Report No. 47)

66. As reported in the progress report of October 2007 in response to PAC Report, HA has implemented a number of measures to improve its management of outstanding medical fees. The progress of the improvement measures is set out below.

Collection of outstanding fees

Fee Collection

67. To facilitate payment of medical fees by patients thereby enhancing the collection of outstanding fees, HA has started to collect drug charges through self-payment kiosks since December 2006. As at end April 2008, nine hospitals have installed such self-payment kiosks. HA has also piloted the collection of outpatient fees by the kiosks at one major hospital since March 2008. As on-going improvement measures, HA will further extend the use of such kiosks to other hospitals as appropriate. We recommend deleting this part from the next progress report as follow-up action has been completed.

Measures to minimise the need for recovery and write-off of fees

Introduction of an administrative charge for late payments

68. The administrative charge on late settlement of medical bills that HA introduced on 1 July 2007 has been effective in encouraging early settlement of medical fees. When compared to 2006-07, the percentage of medical bills settled within two months has improved from 92% to 95% in 2007-08. We recommend deleting this part from the next progress report following the smooth introduction of the administrative charge.

Use of public medical services by Non-Eligible Persons (NEPs)

Curtailement of non-emergency medical service

69. Starting from December 2007, HA has ceased to provide non-emergency medical services to a NEP with default payment until the bill is settled. The measure has been running smoothly since its introduction. We recommend deleting this part from the next progress report following the implementation of the new measure.

Use of reputable debt collection agency to pursue outstanding fees owed by NEPs

70. HA has further assessed the option of using the services provided by debt collection agencies to handle bad debts owed to HA by NEPs from the Mainland. In view of the legal issues and the matters on data privacy involved, HA Board has decided not to pursue the proposal further. We recommend deleting this part from the next progress report as follow-up action has been completed.

New obstetric service arrangements for NEPs

71. The new obstetric service arrangements for NEPs in HA hospitals implemented since 1 February 2007 has the effect of ensuring that local pregnant women will be given priority in receiving services in public hospitals, limiting the

number of births by NEP women in Hong Kong to a level that can be supported by our healthcare system and deterring NEP pregnant women from seeking emergency hospital admissions through Accident and Emergency Departments (A&EDs) shortly before labour. For the period from February 2007 to February 2008, the daily average number of deliveries by NEP pregnant women in public hospitals has dropped by an average of 26.8% while daily average number of deliveries by NEP pregnant women through emergency hospital admissions at A&EDs has dropped by 87.3%, when compared to the period from February 2006 to January 2007. The overall payment rate by NEP pregnant women has also improved from 86.9% to 94.9%. We recommend deleting this part from the next progress report following the implementation of the new obstetric service arrangements for NEPs.

Hospital Authority and Social Welfare Department : management of medical fee waivers (Chapter 6 of Part 7 of PAC Report No. 47)

72. As reported in the progress report of October 2007 to PAC, HA and SWD have implemented a number of measures on the management of medical fee waivers. The progress of the improvement measures is set out below.

Management Control on Fee Waivers

Prevention of fraud and abuse

73. After the establishment of the Investigation Section (Fee Assistance Application) by HA in March 2007 to conduct investigations on suspicious and high-risk waiver cases, the frontline Medical Social Workers (MSWs) have been publicising the work of the Investigation Section and impressing upon the applicants for fee waiver the importance of providing accurate and complete information. The Investigation Section will continue its efforts to check and investigate the suspicious cases. We recommend deleting this part from the next progress report as follow-up action has been completed.

Verification of patients' eligibility status

74. On-line verification of the status of patients on Comprehensive Social Security Assistance has been in place after the upgrading of respective computer systems in HA and SWD in end August 2007. We recommend deleting this part from the next progress report as follow-up action has been completed.

75. The Internal Audit Section (IAS) of SWD completed the internal audit on waiver cases handled by SWD's services units in September 2007. Where necessary, IAS will conduct follow-up internal audit review in future. We recommend deleting this part from the next progress report following the completion of the internal audit.

Provision of Waiver Service

Clerical work in processing waiver application

76. In order to relieve the workload of MSWs in processing waiver applications, 18 General Services Assistants (GSAs) were employed to provide clerical support to those Medical Social Services Units without GSAs. As it is an on-going initiative of HA and SWD to improve the caseload and workflow of the waiver system, we recommend deleting this part from the next progress report.

REPORT ON THE RESULTS OF VALUE FOR MONEY AUDITS (Report No. 49)

Chapter 3 – Outsourcing of the management of public rental housing estates

77. The D of A conducted a review to examine the economy, efficiency and effectiveness of Housing Department (HD)'s outsourcing of the management of public rental housing (PRH) estates. The review focused on protection of non-skilled workers engaged in outsourcing contracts, procurement of services and contract administration, monitoring of the performance of property services agents (PSAs) and performance management and contingency planning. PAC tabled the observations and recommendations on this subject vide Report No. 49 on 20 February 2008. HD has accepted the recommendations made by D of A and of the 40 audit recommendations, 34 have been implemented. The remaining six recommendations (i.e. recommendations referred to in paragraphs 2.36(b), 3.14(b), 3.21, 5.6 and 5.16(a) and (b) of the Audit Report) will be implemented after seeking approval from the relevant Housing Authority's Committee and having regard to the recommendations of the study recently completed by the Efficiency Unit (EU).

Protection of non-skilled workers engaged in outsourcing contracts

78. We have taken note of PAC's concern over HD's lenient approach in the management of PSAs/contractors on irregularities not committed wilfully. To better protect the non-skilled workers from exploitation, HD has formulated new measures and issued specific guidelines to both front-line staff and PSAs/contractors promulgating in details more stringent actions to be taken against employment-related irregularities. These include –

- (i) To strictly enforce the Demerit Point System (DPS) including issue of Default Notice attracting Demerit Point (DNNDP) and Default Notice not attracting Demerit Point (DNNDP).
- (ii) To refer all suspected cases of contravening the relevant Employment Ordinance, Employees' Compensation Ordinance, the Mandatory Provident Fund Schemes Ordinance or Immigration Ordinance to relevant government departments or authorities for law enforcement action, irrespective of whether consent or authorization has been obtained from the cleansing or security workers involved.

79. To address the inadequacy in following up suspected cases of employment-related irregularities, HD has appointed the Central Monitoring Team (CMT) to oversee the follow-up actions taken by estate staff on these cases. Estate staff is required to take follow-up action on irregular case within two months' time. In addition, they are required to submit reports on irregular cases to the senior management on a quarterly basis for monitoring purposes.

80. HD will continue organising regular briefing sessions and seminars with speakers from the Labour Department and Independent Commission Against Corruption, etc, to enrich the knowledge of PSAs, contractors and non-skilled workers on employment-related issue. Contents of these seminars cover environmental, health and safety regulations as well as calculation of wages and statutory benefits. Measures have also been taken to facilitate reporting of suspected exploitation cases such as posting of complaint hotline notices in the cleansing workers' depots and security control rooms. The estate staff and CMT will carry out more random checks to deter irregularities.

81. HD brought to the attention of Housing Authority's Tender Committee (TC), at its meeting on 13 December 2007, that Housing Authority's policy of removal of defaulted contractors (with employment-related conviction or three or more demerit points under DPS) from Housing Authority List of PSAs for "a maximum of five years" is not consistent with government's requirement of suspension for "a period of five years" under Financial Circular No. 4/2006. TC acknowledged such inconsistency and agreed that Housing Authority should further discuss the issue with the Financial Services and the Treasury Bureau before making a decision.

Procurement of services and contract administration

82. HD has responded positively to PAC's concern that HD did not take into account the number of Default Notices in PSAs' tender evaluation and performance assessment. The existing performance scoring mechanism has been strengthened such that marks will be deducted for each issue of DNNDP and DNNDP to PSAs in reflecting their respective performance scores for stringent contract administration. In addition, HD proposes that marks be deducted from the non-financial scores during the tender evaluation of service contracts for each demerit point received by the tenderers. HD will submit the proposed arrangements to TC for approval before implementation.

83. HD has promulgated the requirement of submitting copies of employees' compensation insurance policies for checking, which has been effected for all new PSA contracts.

Monitoring of the performance of PSAs

84. HD has completed the review on monitoring the performance and surprise checking system of PSAs. Clear guidelines stipulating surprise check plan, work schedule, surprise check report and formal inspection record of supervisory staff have been issued for strict compliance.

85. As a caring landlord, Housing Authority always endeavours to maintain a hawker-free environment in all PRH estates irrespective of the management mode. With regard to the concern that some PSAs did not report to HD the hawking activities

in their estates while HD did not keep a central record to facilitate monitoring, HD has taken positive measure to formulate a master list showing the number of hawkers in various PRH estates so that effective strategies could be mapped out to combat hawkers. HD has instructed PSAs to report the head count of hawkers through the existing Estate Return System, which will be further enhanced to allow capturing a central record of hawking activities. HD has also issued clear guidelines to strengthen the reporting mechanism of hawkers in outsourced estates. As an on-going measure, HD staff conducts independent surprise checks on site for monitoring purposes.

86. Concerning the effectiveness of PSA in tackling hawker problem as they are not empowered to take enforcement action against illegal hawking activities in outsourcing estates, HD has strengthened the workforce of its Mobile Operation Unit to take proactive enforcement action and take over the responsibilities of hawker control from PSAs in case of need. HD will continue carrying out joint operations with other government departments and the Police to combat illegal hawkers in black spots of PRH estates according to the modality plan of the Team Clean. Follow-up actions will also be taken having regard to the results of the study conducted by EU in this respect.

Performance management and contingency planning

87. To address PAC's concern that HD did not have a contingency plan to cope with sudden termination of a property services contract, HD has requested EU to review the adequacy of the existing contingency measures so as to avoid possible risks in service disruption. EU has just completed the study in end April 2008. HD will follow-up the recommendations of the study. HD will also keep various service modes under regular review to ensure cost-effectiveness in outsourcing work.

	Recommendations of PAC	Response from the ESF to PAC	Action Plan as prepared in May 2005	Responsible Party	Forecast Completion/ Comments (Position as at May 2008)	Remarks
1.	<p>Corporate governance</p> <p>b. Adopt measures to ensure that external members will constitute a majority at each of the respective meetings of the Foundation and the ExCom;</p> <p>c. Issue reminders to the related organisations if the attendance rates of their representatives at Foundation meetings are low;</p> <p>d. Amend the Regulations of the ESF to the effect that ESF staff members of ExCom would abstain from voting on matters concerning ESF staff benefits at its meetings; and</p>	<p>This is agreed and formed the basis of the work of the Governance Task Force.</p> <p>Agreed: reminder will be issued before Foundation meetings.</p> <p>To be considered by Governance Task Force.</p>	<p>Agreed in principle by Foundation Meeting on 9 December 2004.</p> <p>By June 2005.</p> <p>Governance Reform Task Force to consider (b), (d) and (e) by April 2005 and to publish a consultation paper by May 2005. Foundation to consider the reform in June 2005.</p>	ExCom	<p>Review of Governance : Majority of external members is required at Board Meetings and the ExCom has been abolished under The English Schools Foundation (Amendment) Ordinance 2008.</p> <p>Review of Governance : Members with low attendance rates will be deemed to have resigned under the new Regulation to be made.</p> <p>Review of Governance : Board members will be required to declare any interest and not to vote on a matter in which they are direct beneficiaries under a Code of Conduct to be drawn up under the new Regulation.</p> <p>New Remuneration and Terms and Conditions Committee will not have staff members under the new Regulation. Pending that, no staff members have been appointed to the current Conditions of Service Committees established in January 2007.</p>	

	Recommendations of PAC	Response from the ESF to PAC	Action Plan as prepared in May 2005	Responsible Party	Forecast Completion/ Comments (Position as at May 2008)	Remarks
	e. Consider repealing section 10(2) of The English Schools Foundation Ordinance so that subsidiary legislation in the form of regulations made under the Ordinance is required to be published in the Gazette and tabled in the LegCo.	To be considered by Governance Task Force.			Section 10(2) of the ESF Ordinance has been repealed under The English Schools Foundation (Amendment) Ordinance 2008. Future Regulations will have to be presented to LegCo.	
3.	Staff remuneration and recruitment b. The membership of the Remuneration Study Group (RSG) should not be drawn from ESF's own teaching and non-teaching staff.	The ESF has stated that RSG's membership was agreed by ExCom and reflects the need for transparency for all stakeholders. ExCom will decide on pay levels.		ExCom	Membership of the new Remuneration Committee will be made independent of the teaching and non-teaching staff, as would be specified in the new Regulation.	
4.	Staff housing and medical benefits c. Recommends that the ESF should formulate a policy and a plan for disposing of its surplus staff quarters.	The ESF has stated that the ExCom of the Foundation will review carefully the audit recommendation in paragraph 5.31(a), having regard to the long-term needs of the ESF and the financial security conferred by the ownership of such fixed assets.	To submit a paper in respect of audit recommendations in paragraph 5.31(a) and (b) to ExCom by June 2005.	ExCom	The review of housing policy and property holdings is in progress under the guidance of the Remuneration and Terms and Conditions of Service Committee and Finance Committee, which are composed similarly as the new committees to be established under The English Schools Foundation (Amendment) Ordinance 2008.	