

**THE GOVERNMENT MINUTE**

**in response to the**

**REPORT NO. 50 OF  
THE PUBLIC ACCOUNTS COMMITTEE**

**dated July 2008**

**22 October 2008**

**THE GOVERNMENT MINUTE IN RESPONSE TO THE  
PUBLIC ACCOUNTS COMMITTEE REPORT NO. 50  
DATED JULY 2008**

**REPORT ON THE RESULTS OF VALUE FOR  
MONEY AUDITS (Report No. 50)**

**Chapter 1 – Commercialisation and utilisation of government properties**

The Director of Audit (D of A) conducted a review to examine the economy, efficiency and effectiveness of the Government Property Agency (GPA)'s in respect of the commercialisation and utilisation of government properties. The review focused on the following areas –

- (a) commercialisation of government properties, in particular on exploring the commercialisation opportunities of the lower floors of Trade and Industrial Department (TID) Tower and enhancing the commercial value of shops at the G/F of TID Tower;
- (b) management and reporting of identified commercialisation opportunities; and
- (c) utilisation of vacant and surplus government properties, in particular on the utilisation of entrance/exit areas that was originally reserved for MTR in private developments but are no longer required for the designated purposes.

The Public Accounts Committee (PAC) tabled the observations and recommendations on this subject vide Report 50 on 9 July 2008. GPA accepts the recommendations and has taken steps to implement the remaining recommendations with some already implemented.

***Commercialisation of government properties***

***Realising the commercial potential of TID Tower***

2. The Administration noted PAC agreed with GPA that in allocating surplus areas of TID Tower in 2007, it should follow the general principle and procedures of Accommodation Circular No. 1/97 and if the lower floors of TID Tower are not required for government use, then in considering whether such floors should be converted to retail use, GPA should take into account the results of its cost-benefit analyses that the conversion is likely to incur a financial loss. GPA will continue to

monitor the situation and conduct further analyses on the conversion of the lower floors of TID Tower for retail use in the event of changes in circumstances. As PAC has agreed with GPA in respect of the principle of allocating surplus areas of TID Tower and GPA will continue to monitor the situation, we recommend deleting this part from the next progress report.

*Enhancing the commercial value of the shops on the ground floor of TID Tower*

3. GPA has looked into various means to enhance the commercial value of the shops on the ground floor of TID Tower. GPA has stepped up the advertising and marketing efforts in the recent tendering exercise of the ground floor shops by posting up banners at TID Tower and extending the coverage of the mailing lists. GPA has also liaised with the Estate Agents Authority to encourage estate agents to participate in GPA's tenders on behalf of their clients.

4. Apart from extending the period of lighting of the external areas of TID Tower in winter time, GPA has also made recommendations to the consultants of the Area Improvement Plan for the Shopping Areas of Mongkok being studied by the Administration in order to enhance the attractiveness of the shopping environment around TID Tower. As GPA has taken follow up action to address Audit Commission (Audit)'s recommendation, we recommend deleting this part from the next progress report.

*Management and reporting of identified commercialisation opportunities*

5. GPA noted PAC's concern about the delay in processing the commercialisation opportunity at Mong Kok Stadium. The licence of the advertising right at part of the external wall of the Mong Kok Stadium was awarded by tender in July 2008 and the external wall was handed over to the successful tenderer in the same month.

6. To ensure the progress of identified commercialisation opportunities is closely monitored, GPA has issued a departmental circular in February 2008 to formalize the quarterly reporting and monthly monitoring system. GPA has also promulgated a departmental circular in March 2008 setting out the detailed instructions for handling identified commercialization opportunities for its staff to follow and will continue to report all newly identified commercialization opportunities in its Controlling Officer's Report. As GPA has taken follow up action to address Audit's recommendations, we recommend deleting this part from the next progress report.

*Utilisation of vacant and surplus government properties*

*Utilisation of entrance/exit areas that were originally reserved for MTR in private developments*

7. GPA took over the government-owned entrance/exit areas originally reserved for MTR in Building C from Buildings Department (BD) for management in May 2008.

8. GPA, BD, Department of Justice (D of J) and other relevant departments are working together to explore options to put the three government-owned entrance/exit areas originally reserved for MTR in Buildings A, B and C to gainful uses. The proposal to put the areas concerned to other gainful uses is affected by many factors. These include the need to comply with the requirements of the Buildings Ordinance (any proposal to put the reserved entrance/exit areas to other uses will necessitate the granting of new exemption from gross floor area calculation under the Buildings Ordinance as the basis for the original exemption no longer applies), restrictions stipulated in the deed and assignment of the areas concerned, terms and conditions of the Deed of Mutual Covenant of the parent buildings, technical constraints of the parent building structures (e.g. provision of means of escape), availability of necessary building facilities (e.g. provision of fire service installations), etc. The departments concerned are examining these factors in detail with a view to identifying feasible options to put the areas to other gainful uses.

9. GPA has referred the various legal issues relating to the water seepage problems of the Financial Secretary Incorporated (FSI) premises in Buildings A and B to D of J for consideration and advice and D of J is attending to the matters.

10. In future, GPA, Highways Department and Lands Department will work together to make provisions for other gainful uses in the lease conditions in case future reserved MTR entrance/exit areas, located in private developments and vested in FSI, are no longer required for the designated purposes.

11. GPA will continue to closely monitor MTR entrance/exit areas under its management to prevent unauthorized occupation. GPA will, in consultation with relevant bureaux and departments, update its register to include government-owned MTR entrance/exit areas located in private developments.

#### *Handling of surplus specialist departmental buildings*

12. GPA has already promulgated a circular since April 2008 setting out the arrangement for handling surplus specialist department buildings agreed by the Property Strategy Group. Therefore, we recommend deleting this part from the next progress report.

## **Chapter 2 – The Society for the Aid and Rehabilitation of Drug Abusers**

13. D of A has conducted a review of the economy, efficiency and effectiveness in the administration of the Society for the Aid and Rehabilitation of Drug Abusers (SARDA), with a focus on the management and control of government subvention, corporate governance, strategic management, staff recruitment, financial control and cash management, procurement and stores management, and performance measurement and reporting. The Administration and SARDA have been taking measures to address the recommendations made by Audit and PAC.

### ***Management and Control of Government Subvention***

14. In response to Audit's recommendations, SARDA has pledged to ensure compliance with the prevailing subvention guidelines and other directives from the Department of Health (DH) and to seek formal advice of DH before entering into an agreement with other organisations. It is also taking steps to improve its internal control system as recommended by Audit and advised by DH.

15. To facilitate the proper management and control of government subvention, DH has started discussion with SARDA on finalising the Funding and Service Agreement within the current financial year. DH and SARDA will also examine the need for changing the funding mode to a block grant one.

16. SARDA has accepted DH's direction to conduct an open recruitment exercise for the post of Executive Director (ED). The exercise was completed and the new ED reported for duty on 21 July 2008.

17. Following Audit and PAC proceedings, both DH and SARDA are committed to fostering a harmonious working relationship and cooperative partnership between themselves to ensure provision of quality services for the treatment and rehabilitation of drug abusers.

### ***Corporate Governance***

18. The Administration and SARDA both consider corporate governance an important issue to address.

19. SARDA is taking active steps to implement the recommendations of Audit and PAC. It has submitted its annual budget for 2009-10 to the Executive Committee (EC) for endorsement before submission to DH, and put in place a mechanism of regular reporting on its financial position to EC at its February and October meetings. It has also taken measures to improve the attendance of the members, including requiring ex-officio members to attend all committee meetings and issuing reminders to members with low attendance rate. Besides, it has set the quorum of its Management Committee (MC) and Research Committee at 40% of the total membership.

20. To provide support to SARDA, DH has commissioned the Efficiency Unit to conduct a study on the corporate governance framework of SARDA, including the roles and responsibilities of different parties, with a view to identifying and recommending improvement opportunities. DH and SARDA will take into account the study findings in clarifying whether the government representatives on EC should be full members with voting rights and examining the future role of the government representatives on EC. The study is scheduled to be completed by November 2008.

### ***Strategic Management***

21. Regarding SARDA's proposal to establish a Centre for Anti-drug Education and Disciplinary Training (CAEDT) at Shek Kwu Chau for young psychotropic substance abusers, the Security Bureau (SB) and DH have been examining the latest version of the proposal in close liaison with SARDA. Given its significant capital and recurrent cost implications, SB and DH are examining carefully the cost-effectiveness and the long-term financial sustainability of the proposal, including its staffing and funding requirements, and how the proposed CAEDT would effectively contribute to the prevention of psychotropic substance abuse and rehabilitation of the abusers, taking into account SARDA's expertise in treating mainly opiate abusers. We plan to arrive at a considered response to SARDA within the current financial year.

22. In response to Audit's recommendations, SARDA is establishing a more rigorous strategic planning process to address strategic issues and make better use of its resources and facilities in consultation with SB and DH. In this context, it is preparing the 2009-10 strategic plan, and will submit it to EC for review by March 2009. DH, as controlling officer, is providing input to the planning process, taking into account the latest enrolment situation at the Shek Kwu Chau Centre.

### ***Staff Recruitment***

23. Since 1 April 2008, SARDA has required all recruitment boards to keep proper records, including the shortlisting criteria, the reasons for not shortlisting a candidate for interview, and a record of candidates not showing up for interview.

24. DH has reminded SARDA to make reference to DH guidelines on the granting of incremental credit for relevant experience to new recruits in ranks which have experienced recruitment difficulties. DH will, where necessary, provide additional guidelines to SARDA. As all the required follow up actions have already been implemented, we recommend deleting this part from the next progress report.

### ***Financial Control and Cash Management***

25. SARDA is preparing a set of comprehensive regulations governing controls on financial and accounting matters for completion by the end of 2008. On the management of surplus funds, MC of SARDA has approved a list of four banks for interest rate quotes and has established a set of policies and procedure on the management of surplus funds.

26. On petty cash management, SARDA has issued instructions to staff to require compliance with Audit's recommendations. Since 1 April 2008, SARDA's Head Office has been conducting cash surveys in all SARDA cost centres on an annual basis.

### ***Procurement and Stores Management***

27. SARDA has amended relevant sections of its Stores Regulations and issued Office Instructions to effect Audit's recommendations with respect to procurement of stores, the timely recording of inventory stores and the stockholding level for electrical appliances. As all the required follow up actions have already been implemented, we recommend deleting this part from the next progress report.

### ***Performance Measurement and Reporting***

28. DH is discussing with SB on the appropriate performance indicators to be included in the Controlling Officer's Report and the website of DH.

29. SARDA will publish more performance indicators in its Annual Report as recommended. It will report the abstinence rates achieved by its programmes to EC every six months and continue to explore ways to improve the effectiveness of SARDA's programmes and services. SARDA has also required all inmates to complete the questionnaire survey before leaving its institutions.

### **Chapter 3 – Works contracts for a Lantau development**

30. The Civil Engineering and Development Department (CEDD) accepts Audit's recommendations and has taken actions to implement the recommendations.

#### ***Specification of precautionary measures in reclamation contracts and scanning works in infrastructure contracts***

31. CEDD has revised the Project Administration Handbook (PAH) highlighting the Guidance Notes promulgated by the Marine Fill Committee concerning precautionary measures to be adopted during sand extraction from seabed with potential presence of unexploded ordnance. Project officers are required to specify appropriate precautionary measures in the contract documents having regard to the nature of the works so as to minimize the risk associated with ordnance.

32. CEDD has also revised PAH requiring project officers to assess potential risks to the works and the future land use if any unexploded ordnance is found during reclamation contracts using sand extracted from local marine borrow areas. Project officers are required to specify in the infrastructure contracts suitable safety precautionary measures, including necessary scanning works, to address any residual risk to the land, after consulting, where appropriate, the future land users.

### ***Exclusion of liability in prequalification documents***

33. CEDD has amended PAH requiring project officers to practise with great care and seek legal advice on the contractual implications associated with issuance of information, including relevant parts of prequalification documents which contain information involving significant financial implications or commercial sensitivity. Where necessary and in accordance with the legal advice, they should consider including an exclusion statement in the prequalification documents.

### ***Contract variations***

34. The Director of Civil Engineering and Development issued a memo on 14 March 2008 reminding all project officers in CEDD to seek prior approvals before ordering variations in accordance with the Stores and Procurement Regulations. The timely approval of variations will be spot-checked during internal technical audits on the administration of works contracts.

### ***Checking of contract documents***

35. CEDD has strengthened the checking of tender documents before tender invitation to ensure that PAH requirements are complied with. Moreover, pursuant to the new requirement included in PAH, project officers are required to pay special care to multi-contract projects and check those parts of tender documents delineating the split of works to ensure consistency and that there is no omission or duplication of works at project interfaces.

### ***Site handover dates in a works contract***

36. To improve the inclusion of site handover dates in works contracts, CEDD has revised the tender procedure checklist in PAH and required project officers to check site handover dates specified in contract documents to ensure consistency with the Government's obligations in the subsequent handover of land to other parties (i.e. including the case of land grant conditions), if any. Site handover dates are further required to be agreed with interfacing parties and recorded in writing before tender documents are completed.

37. CEDD has also revised PAH to remind project officers to inform the tender board of any special circumstances or important assumptions governing a tender recommendation, such as any site handover problem which might have arisen during tendering.

38. CEDD has also introduced guidelines to PAH requiring project officers in charge of mega-size projects, which may involve several project teams, to clearly define the duties and responsibilities of project teams and set up channels, such as

regular meetings, to ensure effective communication among the project teams in administering works contracts under mega-size projects. For normal-size projects, effective communication is sustained through close dialogues and accountability within the project team in their day-to-day administration of the projects.

39. As the Administration has taken actions to implement all of Audit's recommendations, we recommend deleting the whole chapter from the next progress report.

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