

Laying of the Report The Report of the Director of Audit on the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2006 and his Report No. 47 on the results of value for money audits were laid in the Legislative Council on 15 November 2006. The Committee's subsequent Report (Report No. 47) was tabled on 7 February 2007, thereby meeting the requirement of Rule 72 of the Rules of Procedure of the Legislative Council that the Report be tabled within three months of the Director of Audit's Report being laid.

2. **The Government Minute** The Government Minute in response to the Committee's Report No. 47 was laid in the Legislative Council on 16 May 2007. A progress report on matters outstanding in the Government Minute was issued on 4 October 2007. The latest position and the Committee's further comments on these matters are set out in paragraphs 3 to 49 below.

Diesel vehicle emission controls

(Paragraphs 3 to 4 of Part 3 of P.A.C. Report No. 47)

3. The Committee was informed that:

Diesel vehicle inspection and maintenance programme

- regarding the rated power output of a vehicle in a dynamometer smoke test, the transport trades had indicated that they had difficulties in meeting the tighter power output requirement. The Environmental Protection Department (EPD) and the Transport Department (TD) would closely monitor the situation and consider tightening the requirement when practicable;
- the proposed amendment to the Road Traffic (Construction and Maintenance of Vehicles) Regulations to tighten the smoke opacity standard adopted by the TD to that currently adopted by the EPD, viz. 50 Hartridge Smoke Units, was tabled at the Legislative Council for negative vetting in July 2007. The new standard was expected to take effect from 1 May 2008; and

Smoky vehicle control programme

- in the consultation completed in 2005, the transport trades objected to shortening the prescribed period for vehicle owners served with an emission testing notice to present their vehicles for a dynamometer smoke test from 14 working days to 12 working days. To further pursue the proposal, the EPD started in the second quarter of 2007 another round of consultation. The trade consultation would be completed within 2007.

4. The Committee wishes to be kept informed of further progress on the subject.

Provision of aquatic recreational and sports facilities

(Paragraphs 8 to 9 of Part 4 of P.A.C. Report No. 47)

5. The Committee was informed that:

Improving water quality of the gazetted beaches in Tsuen Wan District

- following the Legislative Council (LegCo)'s approval of the proposed increases in the sewage charge, the Administration was proceeding to advance the provision of disinfection facilities of the Harbour Area Treatment Scheme Stage 2A at the Stonecutters Island Sewage Treatment Works with a view to improving the water quality of the gazetted beaches in Tsuen Wan as soon as possible;
- the Drainage Services Department had completed the Environmental Impact Assessment (EIA) study for advancing the disinfection facilities concerned. Subject to the completion of the statutory EIA process under the Environmental Impact Assessment Ordinance in November 2007, the Administration aimed to seek funding approval from the LegCo for the construction of the advanced disinfection facilities in early 2008. The Administration expected that the water quality of the gazetted beaches in Tsuen Wan would improve once the advanced disinfection facilities were in operation, targeted for October 2009;

De-gazetting of the Rocky Bay Beach

- the de-gazetting of the Rocky Bay Beach had been held up, since the Shek O Residents Association had raised objection to the return of the beach to the Lands Department (Lands D) and had requested the Leisure and Cultural Services Department (LCSD) to continue to manage the beach. The LCSD would consult the Southern District Council (DC) again in September 2007;

De-gazetting of the Kiu Tsui Beach on Sharp Island

- since a private developer had submitted an application for developing part of the Sharp Island for recreational use, the Lands D was now seeking clarification from the private developer regarding details of the application (such as the uses, layouts and gross floor areas of the facilities proposed to be erected and the additional area to be required for lease). Upon receipt of more detailed information from the private developer, the Lands D would consult other relevant government departments, including the LCSD, on the proposals;

- as regards the feasibility of using the sandy beach adjacent to the Kiu Tsui Beach as a gazetted beach, the Environmental Protection Department (EPD) was conducting a water monitoring programme for the sandy beach. The results of the monitoring work would be available by the end of 2007. The LCSD had also invited the Civil Engineering and Development Department (CEDD) to conduct a feasibility study on the sea profile of the sandy beach so as to further assess its suitability for conversion into a gazetted beach. Once the results of the EPD's and the CEDD's studies were available, the LCSD would consult the Sai Kung DC as appropriate 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

- in conjunction with the Home Affairs Bureau, the LCSD was reviewing the fee structure and evaluating the financial implications arising from various options of fee alignment proposals for the use of public swimming pools together with other recreation and sports facilities in one go; and

Swimming training courses

- the review on the class size and the instructor-to-participant ratio of the swimming training courses had been completed. With the size of the swimming classes under the Progressive Swimming Scheme increased by one-third since 2005, the programme fees collected for the swimming courses had fully covered the instructor cost. The LCSD was conducting a review on the fee level of swimming training courses as part of the overall review exercise on the fees and charges for recreation and sports programmes.

6. The Committee wishes to be kept informed of further development on the subject.

University Grants Committee funded institutions — Governance, strategic planning and financial and performance reporting

(Paragraphs 10 to 11 of Part 4 of P.A.C. Report No. 47)

7. The Committee was informed that the Court of the University of Hong Kong (HKU) 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 HKU was preparing the relevant legislative amendments in accordance with the decision of the Court and planned to submit their proposal to the Administration for consideration within 2007.

8. The Committee wishes to be kept informed of further development on the subject.

University Grants Committee funded institutions — General administrative services
(Paragraphs 12 to 13 of Part 4 of P.A.C. Report No. 47)

9. The Committee was informed that:

Provision of senior staff quarters

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

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

Student hostels

Review of the existing policy on students' grants and loans

- the advisory committee that advised the Administration on the operation of the Tertiary Student Finance Scheme — Publicly-funded Programmes (formerly named as Local Student Finance Scheme) had 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.

10. The Committee wishes to be kept informed of further development on the subject.

University Grants Committee funded institutions — Staff remuneration packages and stipends
(Paragraphs 14 to 15 of Part 4 of P.A.C. Report No. 47)

11. The Committee was informed that the Hong Kong Polytechnic University (PolyU) Council had considered the Administration's feedback on the preliminary proposal to

amend section 9(3)(c) of The Hong Kong Polytechnic University Ordinance to define more clearly the PolyU Council's role in drawing up the University's policy governing the terms and conditions of service of staff. The PolyU Council planned to submit a revised proposal to the Administration before the end of 2007.

12. The Committee wishes to be kept informed of further development on the subject.

Provision of slaughtering facilities for supplying fresh meat

(Paragraphs 18 to 19 of Part 4 of P.A.C. Report No. 47)

13. The Committee was informed that:

- in examining the feasibility of modifying the Sheung Shui Slaughterhouse (SSSH) to cater for the increase in the slaughtering throughput of pigs, the Food and Environmental Hygiene Department (FEHD) reviewed the options recommended by the consultants in June 2007. The consultants considered that the capacity of the existing SSSH site was not able to cater for the total daily pig slaughtering throughput of the SSSH and the Tsuen Wan Slaughterhouse (TWSH) if slaughtering was to be centralised at the SSSH, unless expansion work beyond the confines of the existing site boundary was done. The consideration, nevertheless, was made on the basis of the outcome of the study to forecast the slaughtering throughput of livestock in Hong Kong completed in 2004. The study had yet to take into account the effect of the importation of chilled pork from the Mainland which started on a modest scale in August 2006. Import of Mainland chilled pork had since increased substantially (by about 145%); and
- in the light of the above new development, the FEHD would initiate an exercise to update the forecast on the slaughtering throughput of pigs taking into account the displacement effect of chilled pork on fresh pork. The updated figures would be used to review the scale and assess the cost of modification works required for centralising the slaughtering of pigs at the SSSH. In parallel, the Administration was assessing other factors, such as the financial requirements that might arise from the closure of the TWSH before its land lease expired in 2047 and the strategic risk of using a single slaughterhouse to supply fresh pork, beef and mutton in Hong Kong, etc. The Administration would consider the assessment results and other related factors before making recommendations on the way forward.

14. The Committee wishes to be kept informed of further development on the subject.

Services provided by the Official Receiver's Office

(Paragraphs 20 to 21 of Part 4 of P.A.C. Report No. 47)

15. The Committee was informed that:
- the subsidiary legislation of the Bankruptcy (Amendment) Ordinance 2005 was passed by the Legislative Council on 14 June 2007. With the completion of the legislative amendments, the Amendment Ordinance was expected to commence operation by late 2007. The legislative changes would facilitate the outsourcing of debtor-petition summary bankruptcy cases (i.e. each with estimated realisable assets of not more than \$200,000) to private sector insolvency practitioners (PIPs) by the Official Receiver's Office (ORO). The ORO planned to launch a pilot scheme to outsource the cases to PIPs initially on a small scale in early 2008. The ORO would review the cost of operation and question of fees and cost recovery rate after the implementation of the outsourcing; and
 - the ORO would also consider the proposed "cab-rank" system and some form of authorisation of PIPs in the context of the evaluation of the implementation of the pilot outsourcing in the future.
16. The Committee wishes to be kept informed of further progress on the subject.

Recoverability of the outstanding advances to the UNHCR

(Paragraphs 22 to 23 of Part 4 of P.A.C. Report No. 47)

17. The Committee was informed that:
- the Administration had continued to urge the United Nations High Commissioner for Refugees (UNHCR) to make renewed efforts to appeal to the international community for donations to allow early repayment of the outstanding advances, which remained at \$1,162 million. Apart from raising the issue when meeting with the UNHCR representatives in November 2006 and January 2007, the Security Bureau had written to the Head of Hong Kong Sub-office of the UNHCR again in February and August 2007 for this purpose; and
 - the UNHCR expressed that due to other more pressing service needs, it was not optimistic that the repayment could be made in the foreseeable future. Nevertheless, the Administration would continue to pursue repayment of the outstanding advances.

18. The Committee wishes to be kept informed of the action taken by the Administration in pressing the UNHCR to repay as soon as possible the outstanding advances to the Government of the Hong Kong Special Administrative Region.

Footbridge connections between five commercial buildings in the Central District

(Paragraphs 24 to 25 of Part 4 of P.A.C. Report No. 47)

19. The Committee was informed that:

- as the column of the proposed footbridge would affect the station entrances/exits of the proposed Shatin to Central Link (SCL), the then Kowloon-Canton Railway Corporation had raised objection to the proposed footbridge during consultation; and
- the Administration was discussing the implementation details of the proposed SCL scheme and the way forward for the footbridge proposal with the Mass Transit Railway (MTR) Corporation.

20. The Committee wishes to be kept informed of the way forward for the footbridge proposal in conjunction with the SCL scheme of the MTR Corporation.

Residential services for the elderly

(Paragraphs 26 to 27 of Part 4 of P.A.C. Report No. 47)

21. The Committee was informed that the Administration had consulted the Elderly Commission (EC) and the Legislative Council Panel on Welfare Services earlier on the proposal to provide subsidised infirmary care to medically stable infirm elders in a non-hospital setting. Taking into account the comments from the EC and the Panel, the Administration was considering the best way forward and aimed at briefing the Panel on the latest development in the second quarter of 2008.

22. The Committee wishes to be kept informed of further development on the subject.

Special Finance Scheme for small and medium enterprises

(Paragraphs 28 to 29 of Part 4 of P.A.C. Report No. 47)

23. The Committee was informed that all government guarantees under the Special Finance Scheme for small and medium enterprises had expired. The Treasury had been processing claims for compensation with the assistance of the Department of Justice and the

Hong Kong Monetary Authority as necessary. So far 1,404 claims involving a total of \$322 million had been settled. Another 20 claims involving a total of \$11 million had been suspended from processing as requested by the participating lending institutions in view of active repayment by the borrowers. The Treasury was processing the remaining 23 cases involving a total of \$6 million.

24. The Committee wishes to be kept informed of further progress on the subject.

Small house grants in the New Territories

(Paragraphs 30 to 36 of Part 4 of P.A.C. Report No. 47)

25. The Committee was informed vide the Government Minute tabled in the Legislative Council on 16 May 2007 that the review of the small house policy had still not been concluded as there were remaining issues which required further deliberation within the Administration. In view of the imminent end of the tenure of office of the then Secretary for Housing, Planning and Lands (SHPL), who had undertaken in December 2002 to pursue within the tenure of his office the review of the small house policy and related issues in a comprehensive manner, and resolve the associated problems once and for all, the Committee wrote to the Chief Secretary for Administration on 31 May 2007 to urge him to ensure that the Administration would expedite the review of the small house policy so that it would be completed and the associated problems resolved without delay.

26. The **Chief Secretary for Administration**, in his letter of 7 June 2007 in *Appendix 3*, informed the Committee of the measures that had been implemented and other initiatives under consideration by the Administration. The **Chief Secretary for Administration** also stated that the SHPL had set for himself a bold target to resolve the associated problems within the tenure of his current office. However, the complexity of the remaining issues surrounding the comprehensive review and the wide range of considerations that had to be weighed in the deliberation process were such that the exercise was necessarily time-consuming. Work on this very important and complex issue would not cease with the end of the SHPL's tenure.

27. The Committee wishes to be kept informed of further development on the review of the small house policy.

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

28. The Committee was informed that:

Review of the demand for public market facilities

- the Food and Health Bureau and the Food and Environmental Hygiene Department (FEHD) were reviewing the policy on wet markets and aimed for completion in early 2008. The Administration would brief the Legislative Council (LegCo) and relevant stakeholders on any major findings and consult them on the recommendations prior to implementation. Meanwhile, the FEHD would continue 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 the 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; and

Study to identify markets that might merit closure and details of the Food and Health Bureau's rationalisation plan to be drawn

- the Food and Health Bureau and the FEHD aimed at completing the study on closure of non-viable markets, which was part of the overall wet market policy review, in early 2008. The closure of Mong Kok Market and the Yau Tsim Mong District Council's suggestion on the package offered to the affected tenants would be addressed in the overall context of the study.

29. The Committee wishes to be kept informed of further development on the subject.

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

30. The Committee was informed that 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 would be heard by the Court of Appeal in September 2008.

31. The Committee wishes to be kept informed of the progress of the various courses of action taken by the Administration.

Funding of tertiary education

(Paragraphs 45 to 46 of Part 4 of P.A.C. Report No. 47)

32. On the funding of self-financing activities, the Committee was informed that according to the University Grants Committee (UGC)-funded institutions, all directly identifiable costs of the operation of student hostels had been fully met by hostel fees. The UGC was ascertaining the amount of overhead charges involved in student hostel operation and would examine how such charges should be dealt with in consultation with the institutions. The UGC aimed to complete the process by mid-2008.

33. The Committee wishes to be kept informed of further development on the subject.

Government subsidies to the English Schools Foundation

(Paragraphs 47 to 48 of Part 4 of P.A.C. Report No. 47)

34. The Committee was informed that the Administration would start substantive discussion with the English Schools Foundation (ESF) on the review of the subvention arrangements after the ESF had implemented its governance reform and put in place a sound governance structure. At this stage, the Government had not come up with any specific proposals.

35. The Committee wishes to be kept informed of further development on the subject.

Corporate governance and Headquarters administration of the English Schools Foundation

(Paragraphs 49 to 50 of Part 4 of P.A.C. Report No. 47)

36. The Committee was informed that:

Corporate governance

- the English Schools Foundation (Amendment) Bill 2007 had been introduced into the Legislative Council (LegCo) on 30 May 2007 and was being scrutinised by a Bills Committee. The Bill proposed amendments to The English Schools Foundation Ordinance to give effect to a new governance framework, which would include the following features:

- (a) a Board of Governors would be established in which parents, School Council Chairmen, LegCo Members and representatives of the wider community would form a substantial majority;
 - (b) there would be provisions to encourage members to attend Board meetings regularly. A code of conduct would also be drawn up requiring members to declare any interest; and
 - (c) Standing Committees would 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. There would not be any employees sitting on the Audit Committee nor the Remuneration Committee;
- separately, the ESF planned to make a new set of regulations under The English Schools Foundation Ordinance which would be laid before LegCo for scrutiny. The ESF expected that the legislative proposals would address the following key issues of concern raised by the Committee:
- (a) containing the size of the Foundation's membership;
 - (b) separating management functions from the governance body;
 - (c) increasing the proportion of independent members on the Foundation;
 - (d) improving attendance at meetings of the Foundation;
 - (e) reviewing staff voting right on pay and benefits in meetings of the Foundation; and
 - (f) establishing an internal audit committee; and

Action plan

- the ESF had updated its action plan as at September 2007 (see *Appendix 4*). For most of the remaining recommendations of the Committee, full implementation was subject to the enactment of The English Schools Foundation (Amendment) Bill 2007.

37. The Committee wishes to be kept informed of further development on the subject.

Grant of land at Discovery Bay and Yi Long Wan

(Paragraphs 53 to 54 of Part 4 of P.A.C. Report No. 47)

38. The Committee was informed that:

Site boundaries of Discovery Bay and Yi Long Wan development

- the Lands Department (Lands D) was engaging in 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, with a view to finalising and issuing a set of guidelines on the matter as soon as possible; and
- the Lands D was negotiating with the Incorporated Owners of the Yi Long Wan development on a proposal for tackling the existing land encroachment problems.

39. The Committee wishes to be kept informed of the progress of the various courses of action taken by the Administration.

Development of a site at Sai Wan Ho

(Paragraphs 55 to 56 of Part 4 of P.A.C. Report No. 47)

40. The Committee was informed that the Administration was conducting a review of gross floor area concessions granted under the Buildings Ordinance and would seek the views of stakeholders from various sectors.

41. The Committee wishes to be kept informed of the progress of the various courses of action taken by the Administration.

Collection of fines imposed by Magistrates' Courts

(Chapter 1 of Part 7 of P.A.C. Report No. 47)

42. The Committee was informed that:

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

- the Financial Services and the Treasury Bureau (FSTB) was collaborating with the Judiciary Administration and departments concerned in monitoring the progress of implementing the relevant improvement measures, with a view to rendering the collection of fines a more effective and coordinated

process. An overall review would be conducted among the parties concerned in early 2008 to assess the extent of improvement;

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

- changing the criteria required modifications to the Transport Department (TD)'s Vehicles and Drivers Licensing Integrated Data (VALID) computer system. Such modifications could only be made after the full development of VALID IV project scheduled for September 2007. Departments concerned were now finalising the details of the modifications required;

Multiple applications for distress warrants in respect of the same defaulter

- the proposal to group all applications for distress warrants in respect of the same defaulter under one single court necessitated adjustments to the Judiciary's Computerised Case and Summons Management System, and would take effect upon the completion of necessary enhancements also required for the TD's computer system after the full development of VALID IV project scheduled for September 2007;

Actions taken by the prosecuting departments to ensure that they would respond promptly to the General Offices of Magistrates' Courts on the requests for additional information about defaulters as well as by the Judiciary Administration to ensure that the General Offices would promptly follow up with the prosecuting departments concerned if replies were not received and after receipt of additional information on further execution attempts

- the FSTB had reminded the prosecuting departments in writing of the need to respond promptly to the General Offices of the Magistrates' Courts on the requests for additional information about defaulters. In response, departments involved had put in place the necessary measures to ensure that this was being observed by their case officers;
- besides, the Judiciary Administration continued to ensure that the prosecuting departments were responding promptly to the General Offices of the Magistrates' Courts on their requests for additional information of defaulters. The General Offices had been sending reminders to the prosecuting departments concerned if replies were not received after two months from the date of the request. According to statistics, 2,138 requests for additional information were made to the prosecuting departments from January to July 2007. So far, 2,130 replies had been received with additional information in 406 cases. Further execution attempts were made on these 406 cases with 91 fruitful results;

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

- the Imm D had since 15 April 2007 included defaulters with five or more non-payment warrants in its watch list and intercepted them at the control points for action by the Police. Up to 31 August 2007, 83 defaulters had been arrested under the arrangement, who were related to 628 non-payment warrants and outstanding fines of around \$0.77 million. The two departments would review the arrangement after it had been operated for 12 months;

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

- the omnibus bill incorporating the proposed legislative amendment was being examined by the Bills Committee; and

Measures adopted by the Judiciary Administration, in cases where the defaulters were vehicle owners who had large amounts of outstanding parking fines, to ensure that seizure of the defaulters' vehicles was proactively used as a means of recovering the outstanding fines

- having carefully examined the effectiveness of vehicle seizures as an enforcement measure against repeated defaulters as well as the priority that departments involved could accord to this task, the Administration did not recommend taking forward this measure.

43. The Committee wishes to be kept informed of further development on the subject.

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

44. The Committee was informed that:

Small and Medium Enterprise Export Marketing Fund (EMF)

Setting up a mechanism to collect information on benefits gained by small and medium enterprises (SMEs)

- the Trade and Industry Department (TID) would conduct regular surveys to collect information on benefits gained by SMEs which had received grants

from the EMF. The Administration had engaged an independent institution to conduct a survey among the SMEs. The survey results would be available by the end of October 2007;

Conducting an effectiveness review of the EMF

- in the light of the information collected from the above surveys of SME beneficiaries, the TID would review the overall effectiveness of the EMF towards the end of 2007 in consultation with the Small and Medium Enterprises Committee (SMEC);

SME Training Fund (STF)

Examining outstanding grant applications thoroughly

- among the 300 outstanding cases, the TID had completed the processing of 200 cases, of which 90 were approved and 10 were rejected, while applicants for 100 cases had not submitted reimbursement claims. The TID would process the remaining 100 cases when the trainees had completed their approved training courses. The majority were expected to have done so by mid-2008;

SME Loan Guarantee Scheme (SGS)

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

- the SMEC had reviewed the scope and operation of the SGS and recommended proposals to enhance its operation, including further assistance for the service sector. The TID was finalising the arrangement relating to the proposals;

Assessing the additional impacts of the SGS

- the TID would conduct regular surveys to assess the additional impacts of the SGS. The Administration had engaged an independent institution to conduct a survey among SMEs. The survey results would be available by the end of October 2007;

Drawing on overseas experience in measuring the performance of the SGS

- the TID was studying whether and how the Administration could draw on overseas experience to help assess the effectiveness of the SGS. The Administration would review the results towards the end of 2007; and

SME Development Fund (SDF)

Setting up a mechanism to monitor achievements

- the TID had put in place a standard practice requiring successful applicants to send questionnaires to SMEs to collect their feedback on SDF projects.

45. The Committee wishes to be kept informed of further development on the subject.

Hospital Authority: management of outstanding medical fees

(Chapter 5 of Part 7 of P.A.C. Report No. 47)

46. The Committee was informed that the Hospital Authority had set out a number of measures to improve its management of outstanding medical fees. The Hospital Authority would continue to closely monitor the situation and review the effectiveness of various measures:

Collection of outstanding fees

Fee collection

- to facilitate payment of medical fees by patients thereby enhancing the collection of outstanding fees, the Hospital Authority piloted the use of self-payment kiosks to collect drug charges in one major hospital in December 2006 and the results were favourable. Self-payment kiosks were installed in five more major hospitals in August and September 2007 for patients to settle drug charges. The Hospital Authority had further planned to extend the installation of such kiosks to four other hospitals by the end of 2007 and would pilot the collection of out-patient fees by the kiosks at one major hospital in the first quarter of 2008;
- in addition to the existing means of making payment (such as by cash, cheque, Octopus Card, credit card, Easy Pay System and Payment by Phone Service), the Hospital Authority had extended the collection of medical fees through JETCO Automated Teller Machine and convenient stores starting from September 2007;

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

Introduction of an administrative charge for late payments

- the Hospital Authority had introduced since 1 July 2007 the administrative charge on late settlement of medical bills in order to deter late payment. For payment outstanding for 60 days, a 5% administrative charge of the payment amount, subject to a cap of \$1,000, would be charged. For payment outstanding for 90 days, an additional 10% administrative charge of the total outstanding amount, subject to a cap of \$10,000, would be charged. The above two-tier administrative charge applied to all medical services rendered on or after 1 July 2007. The first batch of notice of administrative charge for outstanding fees since 1 July 2007 was issued on 29 August 2007 (i.e. 60 days from 1 July 2007). The Hospital Authority would closely monitor the effectiveness of the administrative charge and would review the situation three months after implementation;

Use of public medical services by non-eligible persons (NEPs)

Curtailment of non-emergency medical service

- in line with its policy to give priority to local residents in utilising public resources, starting from October 2007, the Hospital Authority would not provide non-emergency medical services to an NEP with default payment until the bill was settled. As for the eligible persons (EPs), the Hospital Authority would monitor the settlement rate of late payment by these persons following the introduction of the administrative charge on late payment, and consider extending the curtailment of non-emergency medical services to EPs if necessary;

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

- the Hospital Authority had explored the services available and the viable options for pursuing bad debts owed to the Hospital Authority by NEPs from the Mainland. The Hospital Authority was now assessing the cost-effectiveness of the services and looking at the issues of data privacy and the Hospital Authority's legal liability on the acts of the debt collection agency. The Hospital Authority would report its findings to the Hospital Authority Board for consideration in the fourth quarter of 2007; and

New obstetric service arrangements for NEPs

- since the implementation of the new obstetric service arrangements for NEPs in the Hospital Authority hospitals on 1 February 2007, NEP pregnant women who wished to give birth in Hong Kong were required to make full

non-refundable payments upon booking of delivery service. It was noted that for the period from February to June 2007, the payment rates by NEP pregnant women had improved from 85.8% to 90% by comparison with the same period in 2006. Based on comparison with reference to the same periods, the number of births by NEP pregnant women in public hospital had dropped by an average of 38.6%, while the number of NEP pregnant women who sought emergency hospital admission for delivery through the Accident and Emergency Departments had dropped by 82.8%. The above showed that the results of the implementation of the new obstetric service arrangements for NEPs had been satisfactory.

47. The Committee wishes to be kept informed of further development on the subject.

Hospital Authority and Social Welfare Department: management of medical fee waivers

(Chapter 6 of Part 7 of P.A.C. Report No. 47)

48. The Committee was informed that the Hospital Authority and the Social Welfare Department (SWD) had together launched a number of improvement measures on the management of medical fee waivers, such as revision of the waiving guidelines, quality assurance checks on approved waiver cases and training for Medical Social Workers (MSWs). The progress of other ongoing improvement measures was set out below:

Management control on fee waivers

Prevention of fraud and abuse

- the Hospital Authority had set up an Investigation Section (Fee Assistance Application), previously known as the Post-approval Checking Team, in March 2007 to conduct investigations on suspicious and high-risk waiver cases as referred from frontline MSWs and randomly selected by the Section from the approved waiver cases. Once any prima facie evidence on fraud and abuse cases was identified, the Hospital Authority would refer the cases to the police for follow-up action;

Verification of patients' eligibility status

- to further tighten the waiver processing system, the Hospital Authority and the SWD had already upgraded their respective computer systems to allow on-line verification of the status of Comprehensive Social Security Assistance (CSSA) recipients before the latter were granted waivers. The upgraded system, which was rolled out on 29 August 2007, facilitated the processing of

waiver application for those CSSA recipients who were not able to produce their CSSA certificates at the time of medical appointments;

Internal audit on fee waivers

- to help identify areas for continuous improvement of the waiver system, the SWD Internal Audit Section had conducted random reviews on waiver cases handled by Medical Social Services Units (MSSUs) since August 2007;

Provision of waiver service

Clerical work in processing waiver application

- to help relieve the workload of MSWs in processing waiver applications, a recruitment exercise was being conducted to employ 18 General Services Assistants (GSAs) to provide clerical support to those MSSUs currently without GSAs. Some of the newly appointed GSAs were already in post; and
- the Hospital Authority and the SWD would continue to monitor and improve the caseload and workflow of the waiver system. Subject to the availability of resources, the role and support of clerical staff in processing waiver applications involving only financial vetting would, in the long term, be strengthened so as to enable MSWs to focus on waiver applications on non-financial grounds.

49. The Committee wishes to be kept informed of further development on the subject.