



17 March 2008

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

Dear Dr Wong,

**The Director of Audit's Report on the
results of value for money audits (Report No. 49)**

Chapters 5 and 6 on the Hong Kong Tourism Board

Thank you for your letter of 12 March to the Chief Executive. I am authorised to reply on his behalf.

In accordance with the Public Finance Ordinance, Controlling Officers are responsible and accountable for the proper use of public funds under their control. In this regard, Financial Circular No. 9/2004 : Guidelines on the Management and Control of Government Funding for Subvented Organisations (the Circular) states that Controlling Officers should satisfy themselves that an effective system is in place to safeguard the proper use of public funds. The Circular also provides guidelines to Controlling Officers for managing and controlling government subvention to subvented organisations. Controlling Officers may use a wide range of measures to perform their funding control responsibility, such as setting clear objectives for the subvented organisations to follow; reviewing or

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approving the organisations' annual budget and programme of activities; monitoring work progress; requiring the organisations to submit audited accounts; and having access to the organisations' records and accounts. Where appropriate, Controlling Officers may make use of tailor-made instruments, such as entering into a Memorandum of Administrative Arrangements with the subvented organisations concerned, to assist them in exercising funding control.

While there are instances where the Controlling Officer for the subvention to a statutory organisation is appointed to its governing body, being a Controlling Officer for the subvented organisation, per se, is not the over-riding criterion for determining that officer should be appointed to its governing board. The criteria for determining whether and which Government official should be appointed to the governing board include statutory requirements, the nature and operation of the organisation, and policy objectives of the Government. Given the wide range of measures that Controlling Officers may use to exercise funding control, it may not be necessary for Controlling Officers to be appointed to the governing body in order to perform such role effectively.

The Commissioner for Tourism (CT) was first appointed as a member of the Hong Kong Tourism Board (HKTB) on 1 April 2001 by the Financial Secretary, under delegated authority of the Chief Executive.

Being the chief government official charged with developing and formulating tourism policies, and having close liaison with the tourism industry, CT is an appropriate officer to be appointed to the HKTB to serve as a link between the HKTB and the Government. Her appointment also ensures that the views of the HKTB will be taken into account in the formulation of Government policies.

CT's duties and role as a member of the HKTB, in common with other members, are to pursue the board's objects as set out in the Hong Kong Tourism Board Ordinance, and to exercise collectively the powers of the board as prescribed in the said Ordinance. These include, amongst other, drawing up the board's budget and ensuring the proper use of public funds allocated to the board. Together with other members on the HKTB, CT seeks to ensure that adequate internal procedures and processes are in place to achieve good corporate governance. It is the responsibility of the senior management to ensure compliance and report any exceptions to the HKTB.

From time to time CT reports to, and seeks guidance from, the Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCIT) on matters concerning the HKTB, including its budget proposals and its use of public funds.

For the reasons set out in the preceding paragraphs, it is not necessary for PSCIT to be a member of the HKTB.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Patrick Li', written in a cursive style.

(Patrick Li)

Acting Private Secretary to Chief Executive