



Our ref. 本署檔號： (27) in DH CR/4-35/2C Pt 3

Your ref. 來函檔號： CB(3)/PAC/R50

Ms Miranda HON,
Clerk, Public Accounts Committee,
Legislative Council Building,
8 Jackson Road,
Central, Hong Kong

15 May 2008

Dear Ms Hon,

**The Director of Audit's Report on the
Results of value for money audits (Report No. 50)**

**Chapter 5: The Society for the Aid and Rehabilitation
of Drug Abusers (SARDA)**

Thank you for your letter of 9 May 2008, seeking information on the latest progress and the definite timetable on (a) a possible change of funding mode to a lump-sum grant basis and (b) the establishment of a funding and service agreement (FSA).

2. The latest progress on the two matters is set out in our attached letter to SARDA dated 28 April 2008 entitled "*Follow up on the Reports from the Director of Audit, Independent Commission Against Corruption and the Ombudsman*".

3. In response to our above mentioned letter, SARDA has provided further information regarding its collaboration with Pui Hong Self-help Association. Accordingly, we have given approval for the collaboration as per the attached letter of 14 May 2008.

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4. We now await the response of SARDA on other matters raised in our letter of 28 April 2008. In the meantime, we are examining the issue of adjustment of resources in response to the drop in enrolment in Shek Kwu Chau to around 64% of its approved capacity, in the light of the discussion at the Public Accounts Committee hearing on 22 April 2008.

5. Our definite timetable for finalising the matters on funding mode and FSA remains to be end of this financial year, i.e., end of March 2009.

Yours sincerely



(Dr PY LAM)
Director of Health

cc Secretary for Security
Commissioner for Narcotics
Executive Director of SARDA
Director of Social Welfare
Secretary for Financial Services and the Treasury
Director of Audit

香港特別行政區政府
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THE GOVERNMENT OF THE HONG KONG
SPECIAL ADMINISTRATIVE REGION
DEPARTMENT OF HEALTH,
WU CHUNG HOUSE, 17TH & 21ST FLOORS,
213 QUEEN'S ROAD EAST, WAN CHAI,
HONG KONG.

By Hand

本署檔號 OUR REF.: (4) in DH CR/4-35/2C Pt 3

來函檔號 YOUR REF.:

電話 TEL.: 2961 8688

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28 April 2008

Mr Kenneth HO, JP
Chairman, SARDA Executive Committee (EC)
3/F, Duke of Windsor Social Service Building
15 Hennessy Road
Wanchai
Hong Kong

Dear Mr Chairman,

**Follow up on the Reports from the Director of Audit, Independent
Commission Against Corruption and the Ombudsman**

We write to follow up on the Reports from the Director of Audit (No. 50), the ICAC (No. 21/2007), and the Ombudsman (March 2008), in particular, the establishment of a Funding and Service Agreement (FSA) between the Department of Health (DH) and SARDA.

Funding mode

2. The Ombudsman has commented that the desire of SARDA's EC for greater autonomy and less control by Government in its operation could be achieved by exploring the option of changing SARDA's subvention to a "discretionary grant" (i.e. lump sum grant, now commonly called block grant).

3. You may recall that DH put to SARDA such a suggestion in late 2003. The matter was discussed between SARDA and the Administration in August 2005. Subsequently, at a meeting held on 31 October 2005, your EC decided to retain the deficiency grant funding mode.

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4. We are prepared to discuss with SARDA again the possibility of introducing a block grant funding mode. Please let us know the position of SARDA so that deliberation on this issue may start as soon as possible. In any case, DH would separately discuss with SARDA any adjustment to resources allocated to it given that the enrolment in Shek Kwu Chau has consistently been maintained at some 64% of its approved capacity, in the light of the discussion at the Public Accounts Committee (PAC) hearing on 22 April 2008.

Role of Controlling Officer and Compliance issues

5. We are glad that SARDA accepts control and monitoring by DH in accordance with the Notes for Guidance of Medical (Deficiency) Subvented Organisations. In this connection, we wish to follow up two specific matters.

6. First, anonymous complaints. The Ombudsman agrees that in view of his public duty and accountability for the use of subventions, the Director of Health is duty bound to clear any doubt he may have on the administration of a subvented organization. Thus, given good grounds, the Director may refer an anonymous complaint to SARDA for investigation. SARDA also has the obligation to provide DH with a copy of the investigation report.

7. Second, staff promotion. As a general rule, staff promotion within a subvented organization is a matter for the organization. However, when the higher post to be filled is under review, then the prior agreement of the Director of Health is required. This is because the Director has the ultimate authority to allow, or disallow, the use of subvention for the creation of, and employment or promotion, to a post to ensure the proper use of public funds.

8. Please let us know in writing that the above are acceptable to your EC.

Voting Members

9. We note that the PAC has written to SARDA on the basis for your views that government representatives have voting rights in the EC. In this connection, please also advise if ex-officio members also have voting rights.

Quorum of the EC

10. SARDA has proposed to set the quorum of the Management Committee (MC) and Research Committee (RC) at 40% of total membership (presumably all with voting rights). Please advise whether the proposed quorum for the EC (from six to eight) is also based on the same rationale as in the case of MC and RC, i.e., at 40% of the total number of members with voting rights.

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Collaboration between SARDA and other organisations

11. Para. 2.30(b) of the Audit Report recommends that DH should provide clear guidelines to SARDA on the arrangements for SARDA to enter into major collaboration with other organizations, especially if redeployment of subvented resources is involved.

12. We note that SARDA has had collaborations with the Pui Hong Self-help Association (PHSHA), including application for funding, providing accounting support and other assistance. Please advise if the description in para 2.27 is exhaustive and the approximate time of subvented staff spent on non-subvented activities. Furthermore, please also advise if SARDA has collaborated with organizations other than PHSHA. We need this information in order to formulate guidelines for SARDA.

Yours sincerely,



(Miss Pauline TANG)
for Director of Health

cc Commissioner for Narcotics

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電話 TEL.: 2961 8688

圖文傳真 FAX.: 2838 0744

By Hand

14 May 2008

Executive Director, SARDA
(Attn.: Mr Albert CHENG)
3/F, Duke of Windsor Social Service Building
15 Hennessy Road
Wanchai, Hong Kong

Dear Mr CHENG,

Collaboration between SARDA and PHSHA

Thank you for your letter of 8 May 2008 setting out details of work which SARDA has been providing to Pui Hong Self-help Association (PHSHA).

2. On the clear understanding that the collaboration as described in paragraph 2.27 of Audit Report No. 50, Chapter 5, as supplemented by your letter, is exhaustive of the situation as you have verbally confirmed, covering approval is given to the use of subvented staff in SARDA for the PHSHA activities. Please seek our advice again should there be any substantial change in your collaboration with PHSHA.

3. We understand that SARDA has no collaboration with organizations other than PHSHA. Please seek our advice if you intend to do so in the future.

Yours sincerely,



(Miss Pauline TANG)
for Director of Health

cc Commissioner for Narcotics

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