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6 May 2008

Public Accounts Committee
Legislative Council
(Attn.: Ms Serena Chu)
[Fax No.: 2537 1204]

Dear Ms Chu,

**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)**

I refer to your letter of 30 April 2008 on the captioned subject.

Attached please find our reply in response to the points raised. Please feel free to contact me or Ms Ip Siu-ming, Chief Social Work Officer (Youth), at 2892 5122 if further information is required.

Yours sincerely,

(Stephen Fisher)
Director of Social Welfare

c.c. Secretary for Security
Commissioner for Narcotics
Director of Health
Executive Director of SARDA
Secretary for Financial Services and the Treasury
Director of Audit

**Social Welfare Department's (SWD) Response
to Public Accounts Committee Relating to Chapter 5:
The Society for the Aid and Rehabilitation of Drug Abusers (SARDA)**

Additional information relating to the representative of SWD in the Executive Committee (EC) of SARDA (paragraphs 3.18 to 3.22 of the Audit Report refer) is as follows -

(a) Reasons for the low attendance of the SWD representative

2. We recognise the low attendance rate of our representative at the EC meetings of SARDA (responses/action in (c) and (d) below are also relevant). We have shared our views with the Audit Commission and most of them have been reflected in the Audit Report -

- It has been a long-established practice for a SWD representative to sit in the EC meetings of some of the subvented NGOs such as SARDA as observer for liaison purpose.
- Communication is always two-fold. Open channels are available to all subvented NGOs which are used to bring any significant welfare matters to SWD's attention instead of merely relying on brief discussions at their EC meetings. For the delivery of strategic or policy directives, SWD as the executive department usually issues notification letters and conducts briefing sessions to all relevant NGOs, or holds meetings with individual agencies to set the way for implementation.
- The monitoring mechanism of subvented units under SWD's purview is based on the Service Performance Monitoring System (SPMS) implemented since 1999-2000. The well-established SPMS comprises the key components of Funding and Service Agreements (FSAs) signed between SWD and the subvented NGOs, self-assessment by the subvented NGOs, external assessment by SWD, and implementation of the Service Quality Standards.
- To enhance the corporate governance of the subvented NGOs, SWD has had conducted tailor-made training programmes and delivered resource kits to their EC members, board of directors, as well as senior management staff.
- It has been noted that the agenda items of the past four years are predominantly concerned with staff appointments, office administration issues and other matters outside the purview of SWD. Since the four half-way houses subvented and monitored by SWD have been performing up to the required standards under the SPMS, SWD is only playing a secondary observer role at the meetings.

(b) Why the SWD representative only considered himself to be an “observer” (instead of a member) at the EC meetings

3. The role of SWD representative as an observer at the EC meetings of SARDA is based on the following understanding and practice-

- In accordance with section 27(a) of the “Constitution of the Society for the Aid and Rehabilitation of Drug Abusers” regarding the power and duties of the EC, it is stipulated, among others that “the Executive Committee may invite any person to attend any meeting of the Executive Committee or any General Meeting of the Society in an advisory capacity or in the capacity of an observer.”
- It was stated in the minutes of both the 45th and 46th AGM held in December of 2006 and 2007 that “The Chairman thanked the following Government officials (i.e. ND, DH and SWD) on the Executive Committee and said that although they were not subject to election, the Society thanked their contribution and would like to continue to have their service and advice in 2007 (2008).” This shows that the SWD representative is not elected but is invited to attend the EC on an annual basis. Furthermore, the SWD representative has not been provided nomination and voting forms for the election of Officers (which presumably full EC members received).
- As expounded in (a) above, it has been a long-standing convention for a SWD representative to sit in at the EC meetings of some of the subvented NGOs (such as SARDA) as observer for liaison purpose. SWD’s concern in the EC of SARDA is primarily on the very limited scope of the 4 subvented units totalled \$2.5 million or 3% of SARDA’s recurrent income, and these subvented units have been performing up to our performance requirements and well monitored under SPMS. An “observer” role was therefore considered appropriate for SWD’s purpose.

(c) The result of the review of the role played by the SWD representative as observer at the EC meetings in response to Audit’s recommendation (paragraph 3.23(a) of the Audit Report refers); if the result is not yet available, the current progress of the review; and

(d) The action that had been taken by the SWD to implement the Audit’s recommendation in paragraph 3.23(b) of the Audit Report.

4. The result of the review is not yet available. Pending the review result, we will make sure that the SWD representative attends the EC meetings of SARDA as far as possible. So far, our representative has attended all the subsequent EC meetings held on 25.2.2008 and 28.4.2008 respectively. At both these EC meetings, the agenda items and deliberations were predominantly related to items/issues outside the purview of SWD.

5. Apart from the EC meetings, open channels such as collateral contacts by phone or by papers/emails or scheduled discussion sessions etc. are available to all subvented NGOs to facilitate their communication with SWD. Under SPMS, it is a mutual recognition of SWD and NGOs that it is NGOs' role to exercise proper corporate governance on their own organizations.