

THE GOVERNMENT MINUTE

in response to the

**REPORT NO. 51 OF
THE PUBLIC ACCOUNTS COMMITTEE**

dated February 2009

20 May 2009

**THE GOVERNMENT MINUTE IN RESPONSE TO THE
PUBLIC ACCOUNTS COMMITTEE (PAC) REPORT NO. 51
DATED FEBRUARY 2009**

**REPORT ON THE RESULTS OF VALUE FOR
MONEY AUDITS
(Report No. 48)**

MATTERS OUTSTANDING

Administration of short term tenancies (Chapter 1 of Part 4 of PAC Report No. 48)

The Committee was informed in the last progress report that –

- (a) the Government had accepted all the recommendations made by the Director of Audit concerning administration of short term tenancies (STTs) and had actively responded to them. The progress was reported to the Panel on Development of LegCo on 18 February 2008; and
- (b) most of the recommendations had been implemented. However, there were three recommendations where action was ongoing, namely: (1) requiring a personal guarantee from a shareholder or director of the company interested in taking up an STT; (2) requiring STT tenderers to provide a statutory declaration of the ownership and directorship of all related companies including those registered overseas; and (3) seeking legal advice on the way forward to share tenants' information among relevant government departments. The Lands Department (Lands D) had considered the implementation issues internally and had sought further advice from the Department of Justice (D of J).

2. In the course of preparing detailed guidelines for (1) and (2) i.e. on requiring personal guarantee and statutory declaration, Lands D considered that the proposal might lead to complaint, particularly taking into account that most STT tenderers are small and medium size operators who may be hard hit as a result of the recent financial turmoil. The proposal is being reviewed as to whether the measures should be implemented as scheduled. For (3), the tender notice is being updated to include this new measure.

Management of government fresh food wholesale markets (Chapter 3 of Part 4 of PAC Report No. 48)

Letting of market facilities

Poultry market at Western Wholesale Food Market (Western Market)

3. The Government put forward the initiative to enhance and beautify our harbourfront areas, as committed in the 2008-09 Policy Address and also in 2009-10 Budget Speech. This calls for a fresh look at the use of the poultry market site at the Western Market, which is yet to be taken up by Hongkong Post for setting up a Speedpost and regional delivery centre. The Development Bureau (DEVB) and Planning Department are now examining the possible alternative uses of the premises complementary to waterfront development in adjacent areas with a view to enhancing and revitalising our harbourfront for public enjoyment. Meanwhile, the possibility of providing an alternative site for Hongkong Post is also being explored.

Four unused piers at Western Market

4. The AFCD consulted the Sub-committee on Harbour Plan Review of the Harbour-front Enhancement Committee on 24 September 2008 regarding its proposal to demolish the four unused piers. Members unanimously considered it unacceptable to demolish the piers and suggested identification of appropriate harbourfront uses which could be enjoyed by members of the public. The DEVB, in consultation with relevant departments, will look into the possible re-use of the four vacant piers at the Western Market so that these piers would contribute to the vibrancy of the waterfront.

Collection of rentals

5. Regarding the introduction of surcharge on overdue rentals, the AFCD has considered various surcharge practices adopted by other departments and devised a proposal of charging surcharge on late payment for consultation with wholesalers in December 2007. The wholesalers in all three government wholesale markets unanimously raised strong objection to the proposal. During the latest consultations with the wholesalers again in September 2008 and January 2009 on the overdue surcharge, they continued to object to the proposal. The AFCD is considering possible refinements to the proposal and will consult the tenants again in due course, with a view to including a provision for surcharge on late payment in new or renewed tenancy agreements as soon as practicable.

Managing daily market operation

6. The AFCD has completed a post-implementation review of the market entry registration system, including its cost-effectiveness and the possibility of further automation. The Department is considering further automation of the entry registration system in consultation with the Electrical and Mechanical Services Department.

Reprovisioning of Outdated Wholesale Markets

7. With a view to reaching a mutual understanding with the fruit wholesalers at the Yau Ma Tei (YMT) Fruit Market, the Administration has continued to engage the stakeholders in discussion through various channels, including attending the district council working group meeting in October 2008 and public seminar in February 2009. We have also given written responses to the trade's suggestions in March 2009. During the discussion, we have provided supplementary information and responses to questions and suggestions from the wholesalers, so as to allay their concerns. Upon further discussion with the fruit wholesalers and the relevant District Councils on the relocation, the Administration will proceed with the development of the new wholesale fruit market according to the timetable forwarded to the Public Accounts Committee earlier.

8. In the meantime, relevant government departments, including the Police and the Food and Environmental Hygiene Department (FEHD), will continue with necessary enforcement actions, with a view to mitigating the traffic and environmental nuisance caused by the operation of the YMT Fruit Market to neighbouring residents. In this regard, the Yau Tsim Mong District Office will continue to monitor the environmental hygiene condition in the vicinity of the YMT Fruit Market with a view to improving the situation, and co-ordinate inter-departmental efforts if necessary. Complaints from district councilors and the public will be forwarded to relevant departments for follow-up action while District Office staff, as well as the FEHD and the Police, will encourage self-discipline and co-operation amongst wholesalers through district liaison work. The District Office will also co-ordinate joint operations with relevant departments (including the FEHD, the Lands Department and the Police) in streets near the YMT Fruit Market.

**REPORT ON THE RESULTS OF VALUE FOR
MONEY AUDITS
(Report No. 49)**

MATTERS OUTSTANDING

Management of the government fleet (Paragraphs 3 to 4 of Part 3 of PAC Report No. 49)

Management of in-house maintenance work and staff

9. Marine Department (MD) outsourced a forward-base workshop in February 2009 having regard to the staff natural wastage profile. As MD now conducts regular evaluation on the cost-effectiveness of services provided by in-house maintenance workshop against those provided by private contractors, we recommend deleting this part from the next progress report.

Charging on the use of workshops by contractors

10. MD, in consultation with other relevant departments, is finalising a charging scheme for the allocation of workshops at the Government Dockyard for use by contractors. MD plans to consult the contractors on the proposal in the coming months. MD will take into account the wider economic situation before implementing the charging scheme.

Provision of public museum services (Paragraphs 5 to 6 of Part 3 of PAC Report No. 49)

Acquisition and management of museum collection items

11. The Leisure and Cultural Services Department (LCSD) continues to devote its best efforts to clear the backlog of collection items pending accession in the Hong Kong Museum of History (HKMH), the Hong Kong Heritage Museum (HKHM) and the Hong Kong Film Archive (HKFA). HKMH had processed most of its 257 780 backlog items, leaving about 880 items to be accessioned. As for HKHM, up to February 2009, a total of 14 526 backlog items were accessioned, leaving 4 224 items to be processed. Both HKMH and HKHM aim to clear the remaining backlog items by 2010 as scheduled. As at 31 March 2009, HKFA had accessioned about 216 000 backlog items. HKFA will continue to engage temporary staff to assist in the accessioning. It is envisaged that the approximately 220 000 remaining items will be cleared by 2010. The task force formed to monitor the progress of clearing collection items pending accession conducted three site inspections from May 2008 to April 2009 and will continue to closely monitor the progress of the accessioning every four months.

12. LCSD continues to pursue the proposal of constructing a central museum collection repository to resolve the storage shortage problem of the museums in accordance with the established procedures.

13. As an interim measure to tackle the storage problem, LCSD has submitted a bid for temporary storage space at Yip Shing Street, Kwai Chung for use by HKMH. The application is being considered by the Government Property Agency.

Performance of LCSD museums

14. LCSD has implemented various measures to improve and enhance museum operation and management as recommended by the Committee on Museums. A public opinion survey on museum services was conducted in 2008. LCSD is examining the findings of the survey and will consider follow-up actions to be taken. The findings indicated that over 90% of museums users are very/quite satisfied with the museums' services and facilities. The museums will continue to present a large variety of exhibitions to cater for the needs of the public, and enhance the publicity and marketing of museums to attract more visitors.

15. A new digital planetarium projection system with multi-language and interactive devices is being installed at the Space Theatre of the Hong Kong Space Museum (HKSM) and its installation will be completed by June 2009. HKSM is also planning to renew and upgrade all exhibits to create a new immersive environment to stimulate the experience of travelling through space and time. The renovation is expected to be completed by 2011.

16. The Astropark in Sai Kung, an outreach project of HKSM, and the Jockey Club Environmental Conservation Gallery at the Hong Kong Science Museum, will be open in late 2009.

17. The Hong Kong Museum of Art is planning to provide new guided services with sign language for visitors with special needs at the museum by end 2009.

Provision of aquatic recreational and sports facilities (Paragraphs 5 to 6 of Part 4 of PAC Report No. 49)

Improving water quality of the gazetted beaches in Tsuen Wan District

18. The Administration is advancing part of the disinfection facilities under the Harbour Area Treatment Scheme Stage 2A for commissioning in 2009. The construction works of the advance disinfection facilities commenced as scheduled in April 2008. The water quality of the gazetted beaches in Tsuen Wan will improve upon the commissioning of the advance disinfection facilities, targeted for October 2009.

De-gazetting of the Kiu Tsui Beach on Sharp Island

19. Since our last progress report, it has been clarified that works for clearing the unauthorised structures on Sharp Island has not yet commenced. Lands D has further requested the private developer to submit its proposal on the development of the Sharp Island, including the clearance works concerned. Once Lands D receives the proposal from the developer, they will consult other relevant government departments, including LCSD, on the matter.

20. The Environmental Protection Department has been closely monitoring the water quality of the sandy beach adjacent to the Kiu Tsui Beach. The Civil Engineering and Development Department (CEDD) will arrange to conduct a feasibility study on the sea profile of the sandy beach with a view to assessing its suitability for conversion into a gazetted beach. Once the results of CEDD's study are available, LCSD will consult the Sai Kung District Council 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

21. The Working Group set up in LCSD to review all fees and charges of leisure services is looking into new fee structure and levels for LCSD's recreation and sports facilities including all swimming pool complexes. The review covers over 740 types of fees for leisure and cultural services. LCSD will need some time to complete the exercise due to its scale and complexity. LCSD will consult the public when a proposal has been drawn up.

Swimming Training Courses

22. The Working Group is now looking into new fee structure and levels for LCSD's recreation and sports facilities. LCSD will make reference to that study in considering the charging principles to be adopted for all recreation and sports programmes including swimming training courses.

University Grants Committee funded institutions - Governance, strategic planning and financial and performance reporting (Paragraphs 7 to 8 of Part 4 of PAC Report No. 49)

Corporate governance of institutions

Amendment to The University of Hong Kong Ordinance regarding the statutory roles of its Council and Court

23. 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 proposal for the relevant legislative amendments was discussed by LegCo Panel on Education on 12 June 2008. HKU will submit the legislative proposal to LegCo in due course.

University Grants Committee funded institutions - General administrative services
(Paragraphs 9 to 10 of Part 4 of PAC Report No. 49)

Provision of senior staff quarters

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

24. The Administration and the Secretary-General, UGC have examined the joint proposal put forward by UGC-funded institutions regarding the funding arrangement for staff housing benefits after deregulation of salaries. A revised proposal has been submitted to the Working Group on Housing Arrangement after Deregulation of University Salary for consideration by UGC-funded institutions. We suggest deleting this item from the progress report as its future development is largely a negotiation with institutions on the financial data.

Student hostels

Review of the existing policy on students' grants and loans

25. The advisory committee that advised the Administration on the operation of the Tertiary Student Finance Scheme — Publicly-funded Programmes 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 review of the mechanism for setting and adjusting the levels of student financial assistance. The consultancy study is still in progress.

University Grants Committee funded institutions - Staff remuneration packages and stipends (Paragraphs 11 to 12 of Part 4 of PAC Report No. 49)

Pay structure

The Hong Kong Polytechnic University (PolyU)'s review on the effect of section 9(3)(c) of The Hong Kong Polytechnic University Ordinance and its proper application

26. PolyU submitted a revised proposal to the Administration in December 2007 to amend the relevant provisions of The Hong Kong Polytechnic University Ordinance to define more clearly PolyU Council's role in drawing up the University's

policy governing the terms and conditions of service of staff. PolyU intends to introduce the legislative amendments to LegCo within 2009. The draft bill is being prepared.

Services provided by the Official Receiver's Office (Paragraphs 15 to 16 of Part 4 of PAC Report No. 49)

27. The Official Receiver's Office (ORO) implemented a two-year pilot scheme to outsource debtor-petition bankruptcy cases with estimated realisable assets of less than \$200,000 to private sector insolvency practitioners (PIPs) in May 2008 and is now reviewing the cost of operation. The ORO will review the pilot scheme around May 2010, when the proposed "cab-rank" system and the question of introducing some form of authorisation of PIPs will also be considered.

Recoverability of the outstanding advances to the United Nations High Commissioner for Refugees (Paragraphs 17 to 18 of Part 4 of PAC Report No. 49)

28. The Administration has continued to urge the United Nations High Commissioner for Refugees (UNHCR) to make renewed efforts to appeal to the international community for donations with a view to settling the outstanding advances, which remain at \$1,162 million. Apart from raising the issue at a meeting between the HKSARG and UNHCR headquarters in November 2008, the Security Bureau wrote to the Head of Hong Kong Sub-office of UNHCR again in April 2009 for the same purpose.

29. UNHCR expressed that due to the budget constraints and other more pressing refugees and humanitarian issues, it is not optimistic that the repayment could be made in the foreseeable future. Nevertheless, the Administration will continue to pursue repayment of the outstanding advances.

Footbridge connections between five commercial buildings in the Central District (Paragraphs 19 to 20 of Part 4 of PAC Report No. 49)

30. Under the Shatin to Central Link (SCL) project to be taken forward by the MTR Corporation Limited (MTRCL), SCL Central South Station would be deferred until a suitable site for it could be identified and the provision of its station adit and entrance would be subject to need and detail design. Hence, MTRCL has advised that it no longer objects to the footbridge proposal. Lands D has continued the liaison with the owners of the two concerned buildings with a view to materializing the footbridge proposal by way of agreement. New footbridge proposals to accommodate the various concerns of the two owners are being explored.

Residential services for the elderly (Paragraphs 21 to 22 of Part 4 of PAC Report No. 49)

Implementing work plan on provision of subsidised long-term care services and actions taken to address the problem of allocation of resources between the Hospital Authority and the Social Welfare Department regarding the provision of infirmary care

31. The Administration consulted the Elderly Commission (EC) and the LegCo Panel on Welfare Services (the Panel) earlier on the proposal to provide infirmary care to medically stable infirm elders in a non-hospital setting. Taking into account the comments from EC and the Panel, the latest plan of the Administration is to upgrade some of the places in subvented residential care homes for the elderly to provide infirmary care. The Administration will report progress to the Panel as and when we are in a position to do so.

Small house grants in the New Territories (Paragraphs 25 to 27 of Part 4 of PAC Report No. 49)

Implementation of small house policy

32. In taking forward the small house policy review, the Administration has identified, and considered, a wide range of issues. Some proposals have been formulated and put into implementation. The remaining issues, which are complex in nature, require further and careful deliberations within the Administration.

Public markets managed by the Food and Environmental Hygiene Department (Paragraphs 28 to 29 of Part 4 of PAC Report No. 49)

Review of the demand for public market facilities

33. The Food and Health Bureau (FHB) and the Food and Environmental Hygiene Department (FEHD) have continued to review the policy on the provision of public markets, including identification and closure of markets with viability problems, conducting utilisation and patron opinion surveys on wet markets and formulating guidelines for conducting comprehensive viability studies in planning for new markets, as part of the follow-up actions on Chapter 3 of Part 8 of the PAC Report No. 51. Please refer to paragraphs 84 to 104 below for details. As the item will be followed up and progress reported in the context of the PAC Report No. 51, we recommend subsuming this part into the next progress report for PAC Report No. 51.

Study to identify markets that may merit closure and details of FHB's rationalisation plan to be drawn

34. Among the four markets identified with consistently high vacancy rates,

we will proceed with closure of two markets, i.e. Bridges Street Market and Mong Kok Market, with the support of the respective District Councils. The relevant District Councils have indicated reservations on closing the other two markets, i.e. Kwong Choi Market and Tang Lung Chau Market. We will discuss with the District Councils on possible improvement proposals. In the context of the review mentioned above, FHB and FEHD will identify public markets that merit closure and discuss with the local community accordingly. As the item will be followed up in response to the above-mentioned chapter of the PAC Report No. 51, we recommend subsuming this part into the next progress report for PAC Report No. 51.

The acquisition and clearance of shipyard sites (Paragraphs 30 to 31 of Part 4 of PAC Report No. 49)

Resumption and Clearance of North Tsing Yi Shipyard Site

35. The Administration is considering how best to implement the recommendations. Given the fact that some tenants of STT may have genuine financial and practical difficulties in arranging the demolition of their structures, there may be a need to exempt certain clearers from the self-demolition requirement on compassionate grounds. The relevant bureaux and departments are examining this matter. Subject to the outcome of the foregoing exercise, Lands D will amend the Lands Administration Office Instructions as recommended by Audit Commission.

Assessment of contamination at the Penny's Bay shipyard Site

36. The Court of Appeal heard the ex-lessee's appeal against the Lands Tribunal's judgment on certain points of law as preliminary issues to facilitate the determination of the appropriate valuation basis for assessing compensation for the Penny's Bay shipyard site. The Court of Appeal handed down its judgment on 8 January 2009 and, by majority decision of the Court of Appeal (with two of the three decisions including that of the Vice-President of the Court of Appeal allowing the appeal and one dismissing it), allowed the appeal. The Administration has lodged an application for leave to appeal against the majority decision of the Court of Appeal to the Court of Final Appeal. Leave to appeal to the Court of Final Appeal against the judgment of the Court of Appeal has been granted by the Court of Appeal on 8 May 2009. The Administration will proceed with the appeal to the Court of Final Appeal.

Funding of tertiary education (Paragraphs 32 to 33 of Part 4 of PAC Report No. 49)

Funding of self-financing activities

37. According to UGC-funded institutions, all directly identifiable costs of the operation of student hostels have been fully met by hostel fees. In consultation with the institutions, UGC has ascertained the amount of overhead charges involved in student hostel operation, and submitted a proposal to the Administration how such charges should be dealt with. The Administration is considering UGC's proposal.

Government subsidies to the English Schools Foundation (Paragraphs 34 to 35 of Part 4 of PAC Report No. 49)

38. Following the enactment of the English Schools Foundation (Amendment) Ordinance 2008, the English Schools Foundation (ESF) put in place a new governing structure in late 2008. The Government commenced preliminary exchange with ESF on the tentative work plan and scope of the subvention review in December 2008. Bearing in mind that the review is a complex matter involving various issues and with wide implications in the educational landscape, the Government needs to examine the matter carefully with ESF in order to achieve a mutually acceptable solution. The Government hopes to be able to reach consensus with ESF by around mid-2009 on issues to be covered and the broad principles, which will form the basis of our further discussion with ESF on details of the substantive issues from mid-2009 to mid-2010. The Government will keep LegCo informed of the progress in due course.

Corporate governance and Headquarters administration of the English Schools Foundation (Paragraphs 36 to 37 of Part 4 of PAC Report No. 49)

Corporate Governance

39. In accordance with the English Schools Foundation (Amendment) Ordinance 2008, a new Board of Governors was established in October 2008 with 25 voting members and the Chief Executive Officer. Independent members, parent representatives and School Council Chairmen form a substantial majority of the Board. Since then Board meetings have been held on a monthly basis. All Board Members have signed a code of conduct and are required to declare any possible conflict of interests at the beginning of each Board meeting. Moreover, standing committees for Finance, Audit and Remuneration have been established without employees' representatives to avoid conflict of interests.

Action Plan

Encl. 1 40. ESF has updated its action plan as of May 2009 at Enclosure 1. As action has been taken to address the outstanding issues of making external members the majority in the Board and disallowing staff members the right to vote on staff benefits, we recommend deleting the relevant items from the next progress report. All items are completed except for the review of housing policy and property holdings. The ESF plans to submit a consolidated report to the Board on this before end June 2009.

Grant of land at Discovery Bay and Yi Long Wan (Paragraphs 38 to 39 of Part 4 of PAC Report No. 49)

Site boundaries of Discovery Bay and Yi Long Wan development

41. In view of the complexities of the issues arising from the land

encroachment problems of Yi Long Wan Development, legal advice on how to tackle the problems from outside counsel has been obtained by D of J. Upon consideration of the legal advice, Lands D considered that certain specific and ancillary legal issues need to be considered and addressed. D of J is seeking further advice on those issues from the outside counsel.

Development of a site at Sai Wan Ho (Paragraphs 40 to 41 of Part 4 of PAC Report No. 49)

42. The Government has accepted all the recommendations made by Director of Audit and PAC concerning the development of a site at Sai Wan Ho. With the concerted efforts of the Planning Department, Lands D, Buildings Department, Architectural Services Department and Development Bureau, the Government has been taking positive steps to implement all of the recommendations. We have elaborated the progress of various improvement measures in the progress reports submitted in September 2006, September 2007 and September 2008 and GM submitted in May 2007 and May 2008.

43. We are continuing with our review on gross floor area (GFA) concessions granted under the Buildings Ordinance. Public views on the measures to foster a quality and sustainable built environment will be gauged through a public engagement exercise to be launched by the Council for Sustainable Development in mid 2009.

44. From the 2008-09 Application List onwards, we have specified the maximum GFA or plot ratio (or equivalent) in the conditions of sale of each sale site on the List.

45. We will continue to monitor the implementation of the various improvement measures.

Four small and medium enterprise funding schemes (Paragraphs 44 to 45 of Part 4 of PAC Report No. 49)

Small and Medium Enterprises Export Marketing Fund (EMF) and Small and Medium Enterprises Loan Guarantee Scheme (SGS)

46. The Trade and Industry Department (TID) engaged an independent institution in 2007 to conduct surveys on the effectiveness of EMF and SGS. Based on the findings of the surveys, TID has reviewed the overall effectiveness of EMF and SGS and concluded that both schemes are effective in helping Small and Medium Enterprises and are worth continuing. The findings of the above review were reported to the Small and Medium Enterprises Committee (SMEC) in October 2008. SMEC noted the survey findings without any adverse comment. The Administration will continue to closely monitor the operation of SME Funding Schemes.

47. As the Administration has taken follow-up actions to address all the recommendations made by Director of Audit in respect of the four SME funding schemes, we recommend deleting this item from the next progress report.

Outsourcing of the management of public rental housing estates (Chapter 3 of Part 7 of P.A.C. Report No. 49)

Protection of non-skilled workers engaged in outsourcing contracts

48. The Housing Department (HD) will report to the Tender Committee (TC) of the Housing Authority (HA) in the meeting fixed in end May 2009 the background of a case of renewal of a service contract in 2007 with a convicted contractor due to special circumstances and the way forward in dealing with similar cases in future. Taking the opportunity, HD will again draw the attention of TC to the difference between HA's policy of removing defaulted contractors from HA's List of Property Services Agencies for a "maximum of five years" and government's requirement of suspension for "a period of five years".

Procurement of services and contract administration

49. TC has approved HD's recommendation to make the number of Default Notices issued (with or without demerit points given) an assessment criterion for the non-financial score in tender evaluation of service providers including property services agencies, cleansing and security contractors. As we have already taken the necessary measures to follow up on the Audit and PAC recommendations, we recommend deleting this part from the next progress report.

Hong Kong Tourism Board: Corporate governance and administrative issues, and Hong Kong Tourism Board: Planning, execution and evaluation of marketing activities (Paragraphs 1 to 293 of Part 4 of PAC Report No. 49A)

Improvement Measures in response to Director of Audit's Report

50. The Hong Kong Tourism Board (HKTB) has implemented all of the 75 improvement measures proposed in response to the Director of Audit's Report. Progress of the eight improvement measures that were outstanding in the last progress report is set out at the Enclosure 2.

Encl. 2

Corporate Governance

51. HKTB has formalised the mechanism whereby cases of violation of internal rules, if any, will be reported to the Board or relevant Committees on a quarterly basis. Follow-up action on this recommendation has been completed. We recommend deleting this part from the next progress report.

52. HKTB has also reviewed the operation of the four committees established under the Board. The Terms of Reference of the four committees have been revised to provide for them to advise the Board on corporate governance matters arising from their work. Follow-up action on this recommendation has been completed. We recommend deleting this part from the next progress report.

**REPORT ON THE RESULTS OF VALUE FOR
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Chapter 1 – Administration of the DesignSmart Initiative

53. The Administration, the Hong Kong Design Centre (HKDC) and the Hong Kong Science and Technology Parks Corporation (HKSTPC) accept the recommendations by the Audit Commission (Audit) and PAC to improve the operational effectiveness of the DesignSmart Initiative (DSI).

Publishing the attendance records of Board/Committee meetings

54. In response to the recommendation of the PAC, HKDC will publish in its annual reports the attendance records of the Members at its Board/Committee meetings held from April 2009. As HKDC has taken follow-up action to address PAC's recommendation, we recommend deleting this part from the next progress report.

Strengthening corporate governance in government-funded organisations

55. The Government attaches great importance to sound corporate governance and good management practice in government-funded organisations, as an integral part of the Government's initiative to strengthen public sector management.

56. The Administration recently promulgated the General Circular No. 8/2008 on 12 December 2008 setting out the guidelines on the broad principles of a governance framework for government-owned or funded statutory bodies for reference by Directors of Bureaux and Controlling Officers in the discharge of their role in the management and control of these organisations. For instance, bureaux should ensure that the governing body of the statutory bodies under their policy/funding control purview is made up of individuals with the necessary expertise and time to help the Board discharge its functions properly. Directors of Bureaux are also requested to bring the Circular to the attention of their Controlling Officers and review from time to time the governance framework and the checks and balances in the system to ensure their adequacy over time. To help the Chief Executive Officer (CEO)s and senior management of these bodies to have better understanding of the legislation, regulations and policies which are relevant to them for the control and management of public finances, Controlling Officers may conduct training programmes, deliver resource kits or promulgate tailor-made funding control instruments. The Circular draws to the attention of Directors of Bureaux and Controlling Officers the importance of having a sound governance framework in place for the statutory bodies under their policy/funding control purview. The Circular is also used as a reference for the governance of other government-funded organisations, such as HKDC.

57. We recommend deleting this part from the next progress report.

Review of the Design Support Programme (DSP)

58. The Innovation and Technology Commission (ITC) has started in April this year a review on the General Support Scheme and the Professional Continuing Education Scheme of DSP. Post-project questionnaires have been sent to participants of the two schemes to collect feedback. The overarching review of DSP will be conducted after completing the review of these two schemes in 2009/10. We will inform PAC of further progress.

Further measures taken by HKDC to improve its internal control and accounting systems

59. HKDC has taken various administrative measures to improve its internal control and accounting systems in compliance with DSP funding guidelines and funding agreement. ITC has conducted two briefings for the management staff of HKDC on 19 February and 12 March 2009 on the requirements set out in the funding guidelines and agreements. CEO of HKDC has made it a rule to review irregularities and non-compliance cases at his regular meetings with the staff, thus acting as a deterrent to such practices. In addition, HKDC Board has decided to set up an internal audit function to provide assurance regarding operational effectiveness and efficiency, reliability of internal and external reporting, as well as compliance with the applicable laws and corporate governance policies. HKDC Board has also endorsed the establishment of a new Audit Committee to oversee all audit functions. We will inform PAC of further progress.

Development of Creative Industries

60. The Administration presented a proposal on the setting up of a dedicated office for creative industries “CreateHK” to LegCo Panel on Information Technology and Broadcasting on 9 February 2009. A separate paper on the \$300 million “CreateSmart Initiative” to support creative industries was discussed at the same Panel on 9 March 2009. The Panel was supportive of the Administration’s proposals and the Administration will seek funding approval from the Finance Committee in May 2009. It is expected that “CreateHK” will be established by mid 2009. As the Administration has addressed PAC’s concern, we recommend deleting this part from the next progress report.

Progress made in implementing other Audit recommendations

Management of projects funded by DSP

DSI Assessment Panel

61. A quorum for DSI Assessment Panel meetings has been set, reasons for the selection of members to attend Panel meetings are being documented, and the rules on handling conflict of interests have been strictly followed. Moreover, a two-tier

reporting system for declaration of interest has been introduced for members of the Assessment Panel with effect from 1 January 2009. A register of Panel members' declaration of interests is maintained and is made available for public inspection on request. As the Administration has taken follow-up action to address Audit's concern, we recommend deleting this part from the next progress report.

Submission of project completion reports

62. A system to issue warning letters to those who failed to submit DSP completion reports on time has been set up. As the Administration has taken follow-up action to address Audit's concern, we recommend deleting this part from the next progress report.

Long-term financial plan for Business of Design Week (BODW)

63. A consultancy report, which took stock of BODW's achievements, and recommended a long-term strategy for the project, has been completed in February 2009. HKDC Board has taken note of the recommendations for improving the project's effectiveness and will implement them as far as practicable for planning BODW 2009 and thereafter. As regards the long-term sustainability of the project, the Board noted that experiences elsewhere were that substantial government funding was required for similar projects, and concluded that BODW could not be self-sufficient in the near future. As HKDC has concluded on the deliberations of this subject, we recommend deleting this part from the next progress report.

Promotion of design by HKDC

Business Planning for the promotion of design

64. HKDC has duly incorporated the justifications for priority setting of programmes, the consideration in developing performance and outcome targets, and detailed information regarding the implementation of various programmes in compiling the 2009-10 Annual Plan and the 2010-12 Business Plan. As HKDC has taken action to address Audit's concern, we recommend deleting this part from the next progress report.

Meeting income target

65. The income target of HKDC for 2008-09 was originally 20% of actual expenditure. This represented a significant increase compared with the target for 2007-08 (i.e. 10%) and the actual achievement for 2007-08 (i.e. 12.4%). Although HKDC had embarked on a number of cost-saving initiatives and additional revenue-generating programmes, it still could not meet the target. At this stage of its development, HKDC's programmes are predominantly focused on raising the community's interest in design and its value-creation importance. As such, these programmes do not have high potential for revenue generation. Moreover, under the

present economic climate, securing commercial sponsorship for HKDC's programmes has become increasingly difficult. ITC therefore agreed to revise the target to 17% for 2008-09 and this was met. As HKDC has taken action to address Audit's recommendation, we recommend deleting this part from the next progress report.

Reporting of unspent balance

66. ITC and HKDC have worked out a more comprehensive reporting system on unspent balance by making reference to previous audited accounts. Moreover, HKDC has since April 2009 provided bank balance statements to ITC at quarterly intervals for verification before disbursement of funding. As the Administration has taken follow-up action to address Audit's concern, we recommend deleting this part from the next progress report.

Corporate governance and administration of HKDC

Boosting Directors' attendance at Board/Committee meetings

67. HKDC management has made efforts to ensure better attendance of directors at board/committee meetings by providing more convenient venues for meetings, giving early notification of meeting dates, sending reminders, ensuring sufficient quorum two days in advance of meetings, exploring the use of tele-conferencing facilities etc. Regarding the participation of the Home Affairs Bureau (HAB), HKDC Board has agreed to the arrangement of HAB sending a representative to sit on the Board in the capacity of an observer, thus serving as a bridge between HKDC and the Government from the art and culture angle.

68. As regards PAC's concern as to how the single government director (i.e. CIT) left on the Board of HKDC could effectively safeguard the public interest in dealing with inadequacies in HKDC's corporate governance, effective control comes more from having a sound accountability framework with adequate internal control and monitoring/reporting system on compliance than from having a government member on the governing body of the organisation. As mentioned above, HKDC has decided to set up an internal audit function which should provide assurance regarding compliance with corporate governance. In addition, separate from his role as a director on the Board, CIT is the Controlling Officer for the funds provided to HKDC with the role to ensure proper utilisation of public funds by HKDC.

69. In considering members for appointment to the Board in future, the Secretary for Commerce and Economic Development (SCED) will continue to give due regard to the individuals' qualifications and experience, as well as their ability to make a positive contribution to the Board, having regard to the needs of the Board. When considering members' suitability for reappointment, SCED will also consider their contribution to the deliberations of the Board and their attendance record. We recommend deleting this part from the next progress report.

Management of potential conflicts of interest

70. HKDC Board has adopted a set of guidelines for managing conflicts of interest, which is modeled on the guidelines issued by HAB on declaration of interests for advisory and statutory bodies. Suggestions made by the Independent Commission Against Corruption have also been incorporated where appropriate. The two-tier reporting system has also been implemented with effect from 1 April 2009. Furthermore, a register of Board directors' declaration of interests is maintained and is made available for inspection by the public upon request. As HKDC has taken follow-up action to address Audit's recommendation, we recommend deleting this part from the next progress report.

Procurement of goods and services

71. HKDC management has tightened up its internal control system to monitor compliance with the procurement procedures stipulated in the Corporate Governance Manual. Cases deviating from the Guidelines will be fully justified, properly approved and documented. As HKDC has taken follow-up action to address Audit's recommendations, we recommend deleting this part from the next progress report.

Administration of the Design Incubation Programme (DIP)

Utilisation of rental assistance

72. As reflected in the Director of Audit Report No. 51, HKSTPC has revised downwards the maximum office space allocation from 1,200 sq.ft. to 800 sq.ft. and launched a revised subsidy package to allow greater flexibility for incubatees in making claims. As HKSTPC has taken follow-up action to address Audit's concern, we recommend deleting this part from the next progress report.

Disbursements of financial assistances

73. HKSTPC has revised the claim forms and reimbursement arrangements to ensure that the disbursements of financial assistance comply with the Memorandum of Administrative Arrangements governing DIP, license agreements and the relevant HKSTPC guidelines. Measures have been put in place to ensure that incubatees submit sufficient and relevant supporting documents, such as receipt or payment proof, in making claims for reimbursement. As HKSTPC has taken follow-up action to address Audit's concern, we recommend deleting this part from the next progress report.

Mentorship programme

74. HKSTPC held a seminar in November 2008 to promote the mentorship programme to incubatees, and as a result four design incubatees joined the service. Success cases of the programme were published in the November/December 2008 issue

of HKSTPC's newsletter. More success cases will be promulgated in the coming issues. As HKSTPC has taken follow-up action to address Audit's concern, we recommend deleting this part from the next progress report.

Due diligence visits

75. HKSTPC has revised the format of its due diligence evaluation report to capture the date, time, venue, name of interviewers and interviewees of the due diligence visits. As HKSTPC has taken follow-up action to address Audit's concern, we recommend deleting this part from the next progress report.

Marking sheet for the evaluation of applications

76. The Design Admission Panel has re-considered the need to use a marking sheet which was originally devised as a trial and had never been put to use. The Panel was of the view that the vetting process would be complicated by using the marking sheet. Since the Panel members only need to evaluate applications against the qualitative admission criteria and do not need to grade each application, the Panel concluded that the marking sheet was not applicable. As HKSTPC has given due deliberation to the matter, we recommend deleting this part from the next progress report.

Conditional approval cases

77. HKSTPC will circulate supplementary information for conditionally approved applications to relevant members of the Admission Panel for review and final approval. As HKSTPC has taken follow-up action to address Audit's concern, we recommend deleting this part from the next progress report.

Application processing time

78. The reason for taking longer time to process the applications was the unavailability of Panel members who were in the same design disciplines of the applications. The Admission Panel has discussed the issue and concluded that members from the design field possessed the expertise in cross/multi design disciplines, and hence the need to match the disciplines of Admission Panel members with the disciplines of the applications could be obviated. HKSTPC will record the reasons for taking longer time to process an application and report to the Design Admission Panel for appropriate action. As HKSTPC has taken follow-up action to address Audit's concern, we recommend deleting this part from the next progress report.

Milestone targets and milestone assessments

79. New guidelines provided by the Design Advisory Panel were issued in February 2009 to assist DIP applicants in setting realistic quantitative milestones targets. The milestone assessment form has been revised to allow assessors to fill in

justifications for the judgments made, particularly for incubatees' failed milestones. The new form also includes a checklist on supporting documents reviewed. As HKSTPC has taken follow-up action to address Audit's concern, we recommend deleting this part from the next progress report.

Submission of audited financial statements and monthly progress reports

80. As reflected in the Director of Audit's Report No. 51, incubatees are now required to submit audited reports/financial statements 18 months instead of 12 months after admission to DIP. Reminders will be sent to ensure incubatees submit monthly progress reports in a timely manner. As HKSTPC has taken follow-up action to address Audit's concern, we recommend deleting this part from the next progress report.

Overseas practice in the promotion of design

81. The Administration has all along been making reference to overseas experience in promoting design in Hong Kong. As an illustration, SCED and ITC officials joined the delegation organised by HKDC and Hong Kong Trade Development Council to visit France, the partner country for BODW 2009, in early March 2009 to study its development in creative industries and technology. The Administration will continue to tap overseas experience, when appropriate.

82. HKDC intends to embark on a study comprising (i) construction of a Design Index to measure design performance in Hong Kong, (ii) a baseline study of the Hong Kong Design industries; and (iii) subject to further review upon completion of the above two deliverables, an in-depth comparative study of design councils and their work in selected countries. The study will fill the existing knowledge gaps in measuring design performance and providing basic facts and figures of the local design industries. It also represents the commitment of HKDC to conduct tracking surveys on design awareness and standard in Hong Kong, and benchmarking studies on the economic/social benefits brought about by design and innovation. The research is expected to provide useful information for future policy formulation. We recommend deleting this part from the next progress report.

Other Audit recommendations

83. As regards Audit recommendations mentioned in paragraphs 2.46, 2.62(b)-(d), 3.16, 3.17, 4.13(c)-(e), 4.21 and 4.34 of the Director of Audit Report No. 51, HKDC had indicated in the same report and at the PAC public hearings that it has accepted the recommendations. For specific irregularities identified, corrective actions have been completed to the satisfaction of ITC. Where follow-up action is required for HKDC to step up its internal administrative and financial control procedures and ensure that the irregularities will not recur in future, the response under "Further measures taken by HKDC to improve its internal control and accounting systems" above applies. ITC will continue to closely monitor the work of HKDC. We recommend deleting this part from the next progress report.

Chapter 3 – Management of public markets

The result of the market surveys to gauge the views of market patrons and stall tenants, and the Administration's policy on the provision of public markets, including the positioning, functions and appropriate level of subsidisation of the operation of public markets, formulated in the light of the survey result

84. The Food and Environmental Hygiene Department (FEHD) has started to conduct utilisation and patron opinion surveys (“the surveys”) since March 2009 on all 79 wet markets, to collect information on market patronage, the number of market stalls providing active market services, the number of other fresh provision retail outlets in the vicinity of the public markets, as well as the views of tenants and customers on possible improvement measures to individual markets. A questionnaire survey targeted at customers at nearby fresh provision retail outlets, e.g. supermarkets and fresh provision shops, is also being conducted so that FEHD can have a better understanding of customers’ choices and their shopping habits.

85. The collection of patronage information for all wet markets will be completed by June 2009, while the patron and tenant opinion surveys and questionnaire survey for customers at nearby fresh provision retail outlets are being conducted by batches in 2009-10 with priority given to public markets which are less vibrant. The first batch of surveys covering 35 such markets is expected to be completed by June 2009. The data collated from the surveys will form the basis of our review on the positioning, functions and appropriate level of Government’s subsidisation of the operation of public markets. The Administration plans to present the survey findings on patronage of all markets and opinion findings of those 35 markets to the Panel on Food Safety and Environmental Hygiene of the LegCo (“the LegCo Panel”) in July 2009. FEHD will continue the questionnaire surveys on the remaining markets in the second half of 2009 so as to obtain more in-depth information on public perception on markets. The Administration will keep the PAC and the LegCo Panel informed of progress.

The result of FEHD's review on the provision of the cooked food markets

86. As explained at the PAC hearing, cooked food markets (CFMs) are quite different from wet markets in their overall operation. In the past two years, the average let-out rate of the 39 cooked food centres (CFCs) and 25 CFMs exceeded 85%. According to the 2006-07 financial costing analysis, 10 of the 25 stand-alone CFMs recorded an operating surplus. The Administration plans to conduct a separate review on the provision of CFCs/CFMs in the second half of 2009-10, after completing the surveys on all wet markets. Similarly, the review will include utilisation and patron opinion surveys on all 39 CFCs, which form part of the public markets, and the 25 stand-alone CFMs managed by FEHD. The Administration will present the findings of this review to the LegCo Panel after completion and keep the PAC informed of progress.

Details of the mechanism for regularly monitoring changes in the community and the business environment, so as to avoid over-provision of market stalls in public markets

87. To avoid over-provision of market stalls, FEHD has established a mechanism for regularly monitoring changes in the community and the business environment as follows –

- (a) the occupancy rates of public markets are to be reviewed on a monthly basis, to examine the adequacy of provision or over-provision of market stalls in respect of individual markets; and
- (b) further to the surveys being conducted in March to June 2009, FEHD will carry out similar surveys every three to four years, targeting at markets that are less vibrant. This will provide up-to-date information on changes in the community and the business environment and help work out appropriate measures to avoid over-provision.

The proposed rental adjustment mechanism to deal with the problem of rental disparity and stall tenancy renewal cases

88. Food and Health Bureau (FHB) and FEHD are reviewing the mechanism for market rental adjustment in consultation with other relevant bureaux and departments. In formulating proposals for rental adjustment, FEHD will take into account the Director of Audit's observation regarding rental disparity as well as other factors, such as possible impact on tenants' operations and the prevailing economic conditions. The Administration plans to present its proposals to the LegCo Panel in July 2009.

The Director of Food and Environmental Hygiene's decision on the arrangements for rates payment by stall tenants

89. FEHD has sought legal advice and notes that there lacks valid grounds for the Department to recover rates paid in the past years from public market tenants. The Department will seek the necessary approval to waive the taking of relevant rates recovery actions under the leases. On the other hand, FEHD agrees that as a matter of principle, rates should be paid by market stall tenants in future. The Department is exploring an appropriate mechanism for collection of rates payment from stall tenants of public markets in consultation with other relevant bureaux and departments, including the Rating and Valuation Department. The Administration plans to report to the LegCo Panel in July 2009.

The various measures taken by FEHD to step up controls over stall subletting

90. FEHD has introduced various measures to step up control over stall subletting and the measures have been incorporated in the internal guidelines promulgated in March 2009. The key measures included in the revised guidelines are set out as follows –

- (a) New and renewed tenancy agreements will specify that no public market stall tenant shall sublet the stall or any part of it. Breach of this condition shall lead to immediate termination of the tenancy agreement.
- (b) New and renewed tenancy agreements will also require the tenants to display Business Registration Certificates registered in their own names in accordance with the Business Registration Ordinance (Cap 310). If tenants are in breach of this requirement, FEHD would refer the case to the Inland Revenue Department for enforcement action and would conduct investigation to see if there is stall subletting.
- (c) Apart from stepping up routine checking, FEHD officers will keep a close watch on stalls more prone to subletting (e.g. stalls rented by different tenants but displaying the same shop signs, stalls with tenants seldom found superintending business, and stalls with rentals far below the Open Market Rental levels).
- (d) When investigating into cases of suspected subletting or related complaints, the tenant will be interviewed within a prescribed period, asked to submit documents to prove proprietorship and control over the stall. Reference will also be made to other relevant information, e.g. Business Registration Certificate of the stall, stall inspection records and employment engagement records of the Registered Assistant(s), if any.
- (e) Upon termination of tenancy agreements as a result of subletting, the market names and stall numbers of the stalls involved will be publicised so that the consequence of subletting will be made known to the public and market stall tenants to achieve a deterrent effect.

91. FEHD issued letters on 2 April 2009 to inform all tenants of the Department's enhanced surveillance and enforcement against subletting as detailed above.

92. In addition, FEHD is actively following up on the 28 suspected subletting cases referred by the Director of Audit. Among them, tenancies of four stalls were surrendered by the tenants three cases were found not substantiated and the remaining 21 cases are under investigation.

93. The tenancies of some 11 000 public market stall tenants are due to expire by 30 June 2009. Instead of tenancy extension as was the arrangement in recent years, FEHD will arrange for tenancy renewal and require tenants to appear in person to sign a new tenancy agreement.

Details of FEHD's guidelines on conducting comprehensive viability studies in planning new markets

94. Pending revisions to be made to the Hong Kong Planning Standards and Guidelines for the provision of public markets, FEHD has drawn up detailed internal guidelines for conducting comprehensive viability studies in planning for new markets. The guidelines have set out clearly that in the early stage of planning, viability studies should be conducted in assessing, on a case-by-case basis, the need to construct new public markets.

95. For factors to be included in the viability study, FEHD will collect data on the population and demographic mix of the catchment area, availability and proximity of alternative fresh provision shops, supermarkets or competing markets, opinion surveys on potential customers and, if there are resitement plans for on-street hawkers, surveys on affected hawkers to ascertain their inclination so that a more realistic estimate of the scope of the facility can be made. The study will also examine if there are other supporting infrastructure, such as public transport interchange or major rail stations in the catchment, that is conducive to the viability of the market. Where necessary, FEHD will seek information from the relevant bureaux or departments to facilitate a comprehensive assessment of the factors concerned.

96. In addition, FEHD will take into account the development of the live poultry trade, hawker policy and where appropriate, the survey and patronage data available for existing public markets in the district, in determining the district's provision of market stalls and public demand. Before submission for funding application, FEHD will examine if there is a need to review and update the study findings so that the new market under planning can respond to changes in the retail trend and remaining viable in the long run.

Progress made in implementing other Audit recommendations

(i) *to encourage and assist traders to introduce new types of goods and services into public markets, thereby increasing market patronage and reducing vacancy rate*

97. FEHD will launch pilot schemes in six selected public markets by allowing designated vacant stalls in these markets to operate service trades or new types of permitted trades such as traditional snack shops and bakeries. The markets under trial include Yee On Street Market and Lei Yue Mun Market in Kwun Tong District, Plover Cove Road Market in Tai Po District, Aldrich Bay Market and Sai Wan Ho Market in Eastern District and Luen Wo Hui Market in North District. Upon consultation with the relevant Market Management and Consultation Committees, FEHD plans to put up those selected stalls for auction in June 2009.

98. To attract more potential bidders for market stalls thereby reducing vacancy rate and increasing market patronage, FEHD has since February this year implemented a new rental scheme for long standing vacant stalls by reducing the upset auction prices for these stalls. Upset auction prices are set at 80% and 60% of the Open Market Rental for stalls fallen vacant for six months and eight months or more respectively. The auctions are held monthly. As at end April 2009, 552 long standing vacant stalls have been successfully let out under this scheme.

(ii) *work out an appropriate arrangement for the recovery of air-conditioning cost from stall tenants in the long term, including separating the air-conditioning charges from the stall rentals, and revising the tenancy conditions to allow for annual revision of the air-conditioning charges*

99. FEHD observes that of the 105 public markets (including CFMs managed by FEHD), 32 of them, involving about 2 790 stalls, have been installed with air-conditioning (A/C) systems. Among them, 426 stalls in three public markets, namely the Sha Tin Market, the Yan Oi Market and the Tai Kiu Market were retro-fitted with A/C systems in the year 2000 but have been exempted from paying A/C charges until tenancy renewal; another 471 stalls in 16 air-conditioned markets have their A/C charges subsumed under the stall rentals, the charges have not been separated from rentals since the rental freeze in 1999; whilst about 1 890 stalls have already had separate A/C charging, though they have not had their charges revised pending tenancy renewal.

100. FHB and FEHD are working out, in consultation with the Financial Services and the Treasury Bureau, an appropriate arrangement for the levying of A/C charges from the above tenants and to separate the A/C charges from the rentals of market stalls in the long term after consultation with the stakeholders. Proposals are planned to be presented to the LegCo Panel in July 2009. Provision on annual revision of A/C charges has been included in the new tenancy agreements.

(iii) *to assess the need for the continued operation of the identified Market A in Kowloon, particularly the stalls at the basement*

101. Having regard to the low usage of Market A, particularly the stalls at the basement, FEHD consulted the Food and Environmental Hygiene Committee of Yau Tsim Mong District Council (“the Committee”) on 26 March 2009 on the future of this Market and recommended its closure. After discussion, the Committee unanimously supported the complete closure of Market A, that is, closing both the cooked food centre on the ground floor and the stalls at the basement. Subsequently, the two existing tenants of Market A notified FEHD of their agreement not to renew the market tenancies upon their expiry on 17 April 2009. The Market was closed on 18 April 2009. FEHD is consulting relevant departments on the future use of the premises and will remove it from the list of public markets stipulated in the Schedule pursuant to section 79(1) of the Public Health and Municipal Services Ordinance (Chapter 132).

(iv) *before making any important decision which may constitute a deviation from the original objectives of building a new market, consider whether LegCo needs to be informed and devise an action plan to ensure the viability of the new market*

102. As an on-going measure, FEHD will inform or consult the Legislative Council on important decisions related to the building of a new market and will, upon market commissioning, devise an action plan to ensure the viability of the new market in consultation with the stakeholders, such as tenants and the relevant District Council.

(v) *monitor closely the usage of newly commissioned markets, particularly the Tai Kok Tsui Market, and if necessary, take measures to improve their viability and usage*

103. FEHD will continue to monitor closely the usage of public markets including newly commissioned markets by reviewing their occupancy rates on a monthly basis and where necessary, devise appropriate measures to improve occupancy and usage. For Tai Kok Tsui Market, FEHD has implemented the new rental scheme for long-standing vacant stalls since February 2009 to attract more potential bidders. As a result, the market's occupancy rate has increased from 66% to 71%. FEHD has also expanded the permitted types of trade in this market and will put up vacant stalls for auction this summer for selling "siu mei/lo mei" to enhance market usage.

(vi) *to inject innovative thinking in the design and layout of new market, and make reference to successful overseas examples as appropriate*

104. FEHD will organise district retreats on public markets in the second half of 2009, inviting relevant stakeholders such as District Councils, Area Committees and other tenant representatives to explore new ideas on market improvement measures and design concepts of new public markets. FEHD will also invite the relevant works agent(s) to make reference to successful overseas examples as appropriate in building new markets in future.

Chapter 4 – Reduction and recovery of municipal solid waste

105. The Audit Commission (Audit) conducted a review to examine the economy, efficiency and effectiveness of the Environment Bureau (ENB) and the Environmental Protection Department (EPD) in managing the disposal of municipal solid waste (MSW). The review focused on the following areas:

- strategic management of MSW;
- progress of MSW recovery;
- implementation of domestic waste-recovery programmes; and
- implementation of non-domestic waste-recovery programmes.

PAC tabled the observations and recommendations on this subject vide PAC Report No. 51 on 18 February 2009. ENB and EPD have accepted the recommendations and have taken steps to address them. Some measures have already been implemented.

106. The ENB and EPD accord high priority to the reduction, recycling and disposal of MSW in Hong Kong. There is a pressing need to step up our implementation of strategies to further promote waste reduction and recycling, and prepare for the development of advanced treatment facilities to manage our waste in a sustainable manner.

Progress made in achieving the MSW reduction target laid down in the Policy Framework for the Management of Municipal Solid Waste (2005–2014) and the measures taken to achieve it

107. We will continue to work towards the MSW reduction target laid down in the Policy Framework for the Management of Municipal Solid Waste (2005–2014) (2005 Policy Framework) and keep the Legislative Council (LegCo) informed of the progress. We note that the quantity of MSW generated is highly dependable on the economic situation and population growth.

108. As part of our strategy, we aim to create economic incentives for waste reduction, recovery and recycling. We will continue to promote producer responsibility schemes (PRS) under the legal framework of the Product Eco-Responsibility Ordinance enacted last year. We will launch the first PRS on plastic shopping bag environmental levy in July 2009. We also plan to consult the public and the trades on the feasible options of introducing mandatory PRS for used electrical and electronic equipment before the end of 2009. This will be accompanied by measures to vigorously step up educational and publicity campaigns to engage the public and raise awareness about the importance of reducing waste generation.

Reviewing target on the recovery rate of MSW

109. We will continue to implement the measures as set out in the 2005 Policy Framework so as to achieve the MSW recovery rate of 50% by 2014. We appreciate the PAC's recommendation on raising the target concerned, especially when the MSW recovery rate has further increased to 48% in 2008, compared to 45% in 2007. Nearly all recyclable materials from Hong Kong are exported to manufacturing bases outside the Territory, e.g. Pearl River Delta, where they are used as raw materials to produce new goods. Amidst the current economic downturn, the orders for new goods by the global market are weakening and the demand for recyclable materials by these manufacturing bases has declined as a result. The demand for recyclable materials by overseas markets is an external factor which is basically determined by the global economic situation and beyond Hong Kong's control. We will continue to enhance MSW recovery and will keep in view the need to review the target and keep the LegCo informed.

The definite timetables and action plans to expedite the provision of large-scale waste management facilities

110. We concur with PAC's view about Hong Kong's over reliance on landfill disposal, compared to other Asian cities. We have proposed to develop the Integrated Waste Management Facilities (IWMF) with incineration as the core technology. We have identified two potential sites suitable for developing the first phase of the IWMF. We are currently conducting engineering studies and environmental assessments and have adopted a "continuous public involvement" process with a view to commissioning the IWMF in mid-2010. We will expedite the implementation programme of the Organic Waste Treatment Facilities at Siu Ho Wan, Lantau, to advance the commissioning date from mid-2010 to 2013. Furthermore, we have already submitted the proposal for the Sludge Treatment Facility in Tuen Mun to the LegCo Panel on Environmental Affairs on 30 March 2009. The proposed Sludge Treatment Facility in Tuen Mun is intended to provide appropriate treatment to further reduce the volume of sludge and thereby help to save landfill space. Similarly, the reduction and recovery of MSW also share this common goal of saving landfill space.

The proposed review of the practice of using non-statutory means instead of statutory Waste Disposal Plans to set out Government's policy on waste disposal

111. We note the PAC's concern that the Administration has used non-statutory means to set out its policy framework on those aspects of waste disposal concerning waste avoidance and recycling, and its suggestion that the Administration should use statutory Waste Disposal Plans (WDP) issued under the Waste Disposal Ordinance (Cap. 354) instead. We would like to clarify that the focus of the WDP was only on waste collection and disposal. Other important aspects of waste management strategies, namely waste avoidance, reuse, recovery and recycling, were addressed in the Waste Reduction Framework Plan (1998 – 2007) and the 2005 Policy Framework. The waste management targets set out in the 2005 Policy Framework are the results of the Council for Sustainable Development's extensive public engagement process in 2005. We are committed to achieving the targets as set out in the 2005 Policy Framework as soon as practicable and will continue to report to the LegCo on the progress.

The definite timetables for implementing the audit recommendations in paragraph 3.16 of the Audit Report

112. The Director of Audit has in paragraph 3.16 of the Audit Report recommended the Administration to expedite action on the recovery and recycling of putrescible waste and take further measures to improve the recovery of paper waste and plastic waste. The programme to develop organic waste treatment facilities to recover and recycle putrescible waste is outlined in paragraph 110 above. For paper waste and plastic waste, the respective recovery rate in 2008 has improved to 60% and 66% (from 56% and 57% in 2007). For the reason explained in paragraph 109 above, such increase in recovery rates may not be sustainable as recovery is hinged upon the global demand

for recyclable materials. We will continue to implement source separation of waste and undertake further efforts to enhance community participation with a view to recovering more recyclables for recycling, particularly waste paper and plastics. EPD has commissioned the Hong Kong Business Environment Council to carry out a “Study on Waste Paper and Plastics Generation and Recovery in the Commercial and Industrial Sectors in Hong Kong”, which is expected to be completed by mid 2009. The findings can help further improve the recovery of paper waste and plastic waste.

113. On top of implementing the Source Separation of Waste Programme and enhancing public participation, the Government is also helping the local recycling trade to handle and export these recyclable materials by providing affordable land to support their operation. The Government provides land to the recycling trade mainly through: i) Short Term Tenancy (STT) sites (short-term land, mostly 3 to 5 years tenure); and ii) EcoPark (long-term land, up to 10 years tenure). At this moment, there are 35 STT sites allocated to the local recycling trade and about 10 new STT sites are expected to come in the next 12 months. So far, 4 hectares of land under Phase I of EcoPark have been let to six local recyclers and Phase II will be able to provide around 10 hectares of land upon completion by end 2009.

The Administration's decision on setting more aggressive performance targets under the Source Separation of Domestic Waste Programme and any specific measures formulated to achieve them

114. We agree with the PAC's view that there is room for review on the performance targets under the Source Separation of Domestic Waste Programme (SSDW programme). We will conduct a review of the SSDW Programme when the impacts of the current economic downturn are better ascertained. Notwithstanding this, we will continue to implement the SSDW programme vigorously with a view to achieving the best possible results, and keeping the LegCo informed of the progress.

115. We will organise a forum in August 2009 to further promote waste reduction and recovery of waste from housing estates, commercial premises and industrial buildings. We are also examining means to conduct periodic surveys to estimate the quantities of waste recovered under the SSDW programme.

The progress made in providing waste-separation bins at all schools in the territory

116. The Environmental Campaign Committee has been distributing newly designed waste separation bins to primary and secondary schools. As at end of March 2009, over 320 applications for bins have been received. All bins required will be provided within this school year, boosting the coverage rate of bins in school premises to 86%. We will continue to reach out to those schools that have not yet joined the voluntary “Source Separation and Recycling Scheme” to proactively invite them again to join or to ascertain their reasons for not joining.

The progress made in increasing the number of waste-separation bins provided at refuse collection points in rural areas

117. We will provide waste-separation bins at 298 new locations across the territory including the rural areas. We have consulted the District Councils (DC) in March and April 2009 on the choice of locations for placing the new bins. We will deploy the new bins in June 2009 according to the DC's recommendations. The total set of bins placed at refuse collection points in rural areas will increase from 180 in August 2008 to 251 by then.

The progress made in implementing other audit recommendations

Encl. 3 118. Further developments and progress in implementing the various audit recommendations are set out at Enclosure 3.

	Recommendations of PAC	Response from ESF to PAC	Action Plan as prepared in May 2005	Responsible Party	Forecast Completion/ Comments (Position as at May 2009)	Remarks
1.	<p>Corporate governance</p> <p>b. Adopt measures to ensure that external members will constitute a majority at each of the respective meetings of the Foundation and the ExCom; and</p> <p>d. Amend the Regulations of the ESF to the effect that ESF staff members of ExCom would abstain from voting on matters concerning ESF staff benefits at its meetings.</p>	<p>This is agreed and formed the basis of the work of the Governance Task Force.</p> <p>To be considered by Governance Task Force.</p>	<p>Agreed in principle by Foundation Meeting on 9 December 2004.</p> <p>Governance Reform Task Force to consider (b), (d) and (e) by April 2005 and to publish a consultation paper by May 2005. Foundation to consider the reform in June 2005.</p>	ExCom	<p>Review of Governance – The new Board of Governors with external members forming its majority commenced operations in October 2008.</p> <p>Review of Governance – Board members have signed a code of conduct drawn up under the new Regulation and approved by the Transitional Board on 27 May 2008 and are required to declare any possible conflict of interests at the beginning of each Board meeting.</p> <p>The new Remuneration Committee has been established without any ESF staff being its members.</p>	<p>Completed. To delete this part from the next progress report.</p> <p>Completed. To delete this part from the next progress report.</p>

	Recommendations of PAC	Response from ESF to PAC	Action Plan as prepared in May 2005	Responsible Party	Forecast Completion/ Comments (Position as at May 2009)	Remarks
3.	<p>Staff remuneration and recruitment</p> <p>b. The membership of the Remuneration Study Group (RSG) should not be drawn from ESF's own teaching and non-teaching staff.</p>	<p>ESF has stated that RSG's membership was agreed by ExCom and reflects the need for transparency for all stakeholders. ExCom will decide on pay levels.</p>		ExCom	<p>The new Regulation excludes employees from membership of the Remuneration Committee.</p>	<p>Completed. To delete this part from the next progress report.</p>
4.	<p>Staff housing and medical benefits</p> <p>c. Recommends that ESF should formulate a policy and a plan for disposing of its surplus staff quarters.</p>	<p>ESF has stated that the ExCom of the Foundation will review carefully the audit recommendation in paragraph 5.31(a), having regard to the long-term needs of ESF and the financial security conferred by the ownership of such fixed assets.</p>	<p>To submit a paper in respect of audit recommendations in paragraph 5.31(a) and (b) to ExCom by June 2005.</p>	ExCom	<p>The review of housing policy and property holdings is in progress under the guidance of the Remuneration Committee and Finance Committee established under The English Schools Foundation (Amendment) Ordinance 2008.</p>	

Follow up Actions on Report No. 49 of the Director of Audit (DoA) – Chapter 5

	DoA's Recommendations	HKTB's Response in October 2007	Progress To date
Remuneration And Recruitment			
1.	Ensure that there are good reasons for allowing staff to receive a salary higher than the maximum of their respective salary ranges.	HKTB will continue to identify ways to resolve such cases.	Completed. The remaining case where a staff member receives a salary higher than the maximum of her salary range has been resolved. To delete this part from the next progress report.
Procurement Matters			
2.	Taking into account the Government's guidelines, consider adopting open tendering for procurement with value exceeding a certain amount.	HKTB will review the procurement procedures and make recommendations to the Board.	Completed. HKTB has adopted open tendering for procurement with value exceeding \$2 million from 1 April 2009 onwards. To delete this part from the next progress report.

	DoA's Recommendations	HKTB's Response in October 2007	Progress To date
Other Administrative Issues			
3.	<p>(a) Improve the control for project-related business travel expenses.</p> <p>(b) Maintain separate accounts for business travel expenses to record the amounts incurred for budgetary control purpose.</p>	<p>(a) Respective project owners will be required to estimate the budget for each activity under a project, business travel being one, for control purposes.</p> <p>(b) For project-related business travel, by working out the duty travel budget for each project under the new policy, HKTB can account for the expenses incurred.</p>	<p>Completed. New policy and procedures to manage and account for project-related business travel expenses have been adopted since 1 April 2009. Separate accounts for business travel expenses are kept for budgetary control purpose under the new policy and procedures. To delete this part from the next progress report.</p>

Hong Kong Tourism Board
Follow up Actions on Report No. 49 of the DoA – Chapter 6

	DoA's Recommendations	HKTB's Response in October 2007	Progress to Date
Worldwide Offices and Representative Offices			
1.	<p>HKTB to consider -</p> <p>(a) laying down guidelines and objective criteria for determining the establishment of Worldwide Offices (WWOs) and Representative Offices in overseas markets; and</p> <p>(b) periodically review the set up of WWOs having regard to relevant pre-determined criteria.</p>	<p>HKTB is committed to constantly reviewing the establishment of its WWOs and Representative Offices so as to take into account the changing market conditions and to tie in with its marketing strategies. HKTB has also responded that it will take into consideration various factors and criteria to closely monitor the development of the source markets and review the need to establish a WWO or Representative Office. Recommendations will be submitted to the Board for consideration and approval.</p>	<p>Completed. The guidelines for establishment of WWOs and Representative Offices overseas were completed and approved by the Board in March 2009. To delete this part from the next progress report.</p> <p>HKTB will periodically review the set-up of WWOs having regard to relevant pre-determined criteria. To delete this part from the next progress report.</p>
Execution and evaluation of other marketing activities			
2.	<p>Set performance targets for its advertising and promotion campaigns to evaluate the effectiveness of the campaigns in achieving their intended objectives.</p>	<p>HKTB had conducted pre-campaign and post-campaign tracking studies to assess the changes before and after the launch of the worldwide promotion campaign for 2005-06 to 2006-07. These tracking studies directly measured the effectiveness of the marketing initiatives under the campaign, whereas the overall results of the campaign were measured by the defined Key Performance Indicators set for the campaign period, such as visitor arrivals, spending, satisfaction and revisit intention.</p>	<p>Completed. HKTB has implemented the corporate performance evaluation framework to measure corporate performance by strategic focus, which includes the performance of campaigns/events. To delete this part from the next progress report.</p>

	DoA's Recommendations	HKTB's Response in October 2007	Progress to Date
Quality Tourism Services (QTS) Scheme			
3.	Explore ways to enable QTS Scheme to achieve self-financing.	In the long run, HKTB aims to recover the operating expenditure directly related to merchant accreditation. The expenses on the promotion of QTS Scheme will continue to be funded by HKTB as part of its effort to promote Hong Kong's destination image in quality service.	Completed. A QTS Review covering the issue of cost recovery has been completed. A strategy to recruit more merchants, step up marketing of QTS Scheme and increase the cost recovery ratio has been worked out and reported to QTS Committee. To delete this part from the next progress report.

**Follow up Actions on Report No. 51 of the Director of Audit (DoA)
Chapter 11 : Reduction and recovery of municipal solid waste**

DoA's Recommendations		Responsible Policy Bureaux/ Departments	Response in October 2008	Progress to-date
Strategic management of municipal solid waste (MSW)				
1.	Take necessary measures with a view to achieving the target on reduction of MSW generated as set out in the 2005 Policy Framework.	ENB/EPD	<ul style="list-style-type: none"> The increase in the per capita MSW was mainly contributed by the increase in waste from the commercial and industrial (C&I) sector brought about by the significant growth in economic activities in recent years. 	<ul style="list-style-type: none"> We will launch the first Producer Responsibility Schemes (PRS) on plastic shopping bag environmental levy in July 2009. We also plan to consult the public and the trades on the feasible options of introducing mandatory PRS for used electrical and electronic equipment before the end of 2009.
2	Ascertain the reasons for the increase in the per capita MSW generated and take necessary measures to contain the increase.	ENB/EPD	<ul style="list-style-type: none"> The EPD will continue to monitor the trend to ascertain the relationship between the per capita MSW generated and economic growth. 	<ul style="list-style-type: none"> The quantity of MSW generated is highly dependable on the economic situation and population growth. We will continue to monitor the trend amid the economic downturn.
3.	Consider stepping up educational and publicity campaigns to promote the importance of a reduction in the per capita MSW generated.	ENB/EPD	<ul style="list-style-type: none"> The Government has earmarked \$10 million under the Environment and Conservation Fund (ECF) to promote environmental initiatives under the 2005 Policy Framework, including public education programmes on waste reduction and recovery. The EPD and the Environmental Campaign Committee (ECC) organize major events such as Environmental Protection Festival each year to promote green living habits and highlight environmental issues of concern, focusing on waste recycling. EPD and ECC will continue to organize publicity campaigns and activities to further promote waste reduction to members of the public. 	<ul style="list-style-type: none"> As at March 2009, 16 applications with a total funding of about \$6.5 million have been approved so far under the ECF public education programmes under the 2005 Policy Framework. These projects cover a wide range of topics, including reduction of plastic shopping bags, green procurement, green festive packaging, and the recovery and recycling of waste electrical and electronic equipment, etc. The approval by the Finance Committee of Legislative Council (LegCo) to inject \$1 billion into the ECF will further strengthen our funding support to community education projects on waste reduction, which may take the form of partnership with district and community organizations to promote

DoA's Recommendations		Responsible Policy Bureaux/ Departments	Response in October 2008	Progress to-date
				<p>awareness on waste reduction and to adopt greener lifestyles.</p> <ul style="list-style-type: none"> ● Training courses and seminars on waste reduction are provided to teachers and students under the ECC's Student Environmental Protection Ambassador Scheme. ● Exhibitions to promote waste reduction are also provided to the public in selected government buildings and shopping malls, as well as to the housing estates upon requests.
4.	Keep under review the need to raise the target on the recovery rate of MSW.	ENB/EPD	<ul style="list-style-type: none"> ● The EPD will continue to implement measures as set out in the 2005 Policy Framework to achieve the MSW recovery rate of 50% by 2014, and will keep under regular review the need to raise the MSW recovery rate target. 	<ul style="list-style-type: none"> ● We will continue to enhance MSW recovery and will keep in view the need for reviewing the target and keep the Legislative Council informed.
5.	Expedite action with a view to reducing the Government's reliance on landfills for MSW disposal.	ENB/EPD	<ul style="list-style-type: none"> ● The EPD will expedite the development of new facilities so as to divert the MSW from the landfills. It has already commissioned the feasibility study on the development of organic waste treatment facilities (OWTF). The feasibility study on the development of integrated waste management facilities (IWMF) will also be commissioned in late 2008. 	<ul style="list-style-type: none"> ● We have identified two potential sites suitable for developing the first phase of the IWMF, with a view to commissioning IWMF in mid-2010. We commenced the engineering and environmental assessments study in November 2008. ● We will expedite the implementation programme of the OWTF at Siu Ho Wan, Lantau, to advance the commissioning date from mid-2010 to 2013. We commenced the feasibility study for OWTF in August 2008. ● Furthermore, we have already submitted the proposal for the Sludge Treatment Facility in Tuen Mun to the Legislative Council Panel on Environmental Affairs on 30 March 2009.

DoA's Recommendations		Responsible Policy Bureaux/ Departments	Response in October 2008	Progress to-date
Progress of municipal solid waste recovery				
6.	Expedite action on the recovery and recycling of putrescible waste;	EPD	<ul style="list-style-type: none"> The EPD has commissioned the feasibility study on the development of the OWTF and will expedite the development of the new facilities to divert putrescible waste from the landfills. 	<ul style="list-style-type: none"> We will expedite the implementation programme of the OWTF at Siu Ho Wan, Lantau, to advance the commissioning date from mid-2010 to 2013. We commenced the feasibility study for OWTF in August 2008.
7.	Take further measures to improve the recovery of paper waste and plastic waste.	EPD	<ul style="list-style-type: none"> The EPD has commissioned the Hong Kong Business Environment Council to carry out a "Study on Waste Paper and Plastics Generation and Recovery in the C&I Sector in Hong Kong". The study will be completed by early 2009 and the findings can help further improve the recovery of paper waste and plastic waste. 	<ul style="list-style-type: none"> In 2008, the recovery rate of paper waste and plastic waste has improved from 56% to 60% and 57% to 66%, respectively. We are reviewing the draft final report submitted by the Business Environment Council. We expect to complete the study by mid 2009.
Implementation of domestic waste-recovery programmes				
8.	Monitor closely the achievement of the Source Separation of Domestic Waste (SSDW) programme by reference to laid-down performance targets.	EPD	<ul style="list-style-type: none"> We have been closely monitoring the achievement of the SSDW programme and noted that through territory-wide promotion of the programme, the message of source-separation of waste is widely disseminated in the community. More residents, which include those living in buildings/estates that have not yet joined the programme, are practicing source separation of waste. The programme has improved the waste recovery in Hong Kong. The increased quantities of recyclable waste collected have contributed to the overall achievement of the programme. 	<ul style="list-style-type: none"> We will continue to closely monitor the achievement of the SSDW programme. We will conduct a review of the SSDW programme when the impacts of the current economic downturn are better ascertained and keep the LegCo informed.

DoA's Recommendations		Responsible Policy Bureaux/ Departments	Response in October 2008	Progress to-date
9.	Consider conducting periodic surveys to estimate the quantities of recyclable waste recovered under the SSDW programme for information of stakeholders and the general public.	EPD	<ul style="list-style-type: none"> The EPD will consider conducting periodic surveys to estimate the quantities of recyclable waste recovered under the SSDW programme. 	<ul style="list-style-type: none"> We are examining means to conduct periodic surveys to estimate the quantities of waste recovered under the SSDW programme. We plan to conduct a pilot survey in the 3rd quarter of 2009.
Implementation of non-domestic waste-recovery programmes				
10.	Obtain statistics of recyclable waste recovered under the Source Separation of Commercial and Industrial Waste (SSCIW) programme from management offices of the participating commercial and industrial buildings.	EPD	<ul style="list-style-type: none"> The EPD has requested participants of the SSCIW programme to submit regular returns in prescribed form, and compiled statistics based on the returns. The return rate has reached about 40%. The EPD will, through further communications with the participants, endeavour to encourage better response. 	<ul style="list-style-type: none"> About 51% of the participants have been submitting returns now. We will continue to make effort to encourage more returns.
11.	Compile and publish the quantities of the commercial and industrial waste recovered as a result of the implementation of the SSCIW programme.	EPD	<ul style="list-style-type: none"> The EPD will compile and publish data obtained from participants of the SSCIW programme. 	<ul style="list-style-type: none"> We have already set up a database to compile the data obtained from the participants. We will post the results on the EPD's website in mid 2009.
12.	Consider introducing a commendation scheme for the SSCIW programme.	EPD	<ul style="list-style-type: none"> The EPD will consider introducing a commendation scheme similar to the one for the SSDW programme. 	<ul style="list-style-type: none"> At present, certificates are issued to participants of SSCIW programme to commend their efforts in waste recovery. We will organize a forum on 20 August 2009 with a view to further commending their achievements. We will also conduct a review of the SSCIW Programme when the impacts of the current economic downturn are better ascertained. In this review, we will consider other means of commendation similar to the SSDW programme.

DoA's Recommendations		Responsible Policy Bureaux/ Departments	Response in October 2008	Progress to-date
13.	Step up measures to enhance students' awareness of the importance of resource conservation and waste separation. Provide adequate waste-separation bins for use by all schools as far as possible.	EPD Education Bureau (EDB)	<ul style="list-style-type: none"> The EPD shares the views of the Audit Commission that to sustain or facilitate the implementation of the Waste Separation and Recycling Scheme at schools, which has been jointly organized by the EPD, ECC and EDB since 2000, there is a need to provide adequate waste-separation bins for use by schools. ECC has already committed \$6 million for providing waste separation bins for schools. 	<ul style="list-style-type: none"> EPD will continue its effort in enhancing students' awareness of the importance of resource conservation and waste separation. ECC has been distributing newly designed waste separation bins to primary and secondary schools. As at end of March 2009, over 320 applications for bins have been received. All bins required will be provided within this school year, boosting the coverage rate of bins in school premises to 86%. We will continue to reach out to those schools that have not yet joined the voluntary "Source Separation and Recycling Scheme" to proactively invite them again to join or to ascertain their reasons for not joining.
14.	Take appropriate measures to minimize overflowing waste-separation bins at public places. Provide waste-separation bins at refuse collection points in rural areas.	Food and Environmental Hygiene Department (FEHD) EPD	<ul style="list-style-type: none"> The FEHD will step up contract management to ensure its contractors collect recyclable waste from various recyclable waste collection points at least once a week or when the waste-separation bins are 70% full. If situation warrants, the FEHD will increase the collection frequency or suitably adjust the number of recyclable waste collection points and waste-separation bins as appropriate. 	<ul style="list-style-type: none"> FEHD has closely monitored the performance of its recyclable collection contractor and will increase the collection frequency or suitably adjust the number of recyclable waste collection points and waste-separation bins as appropriate. As at April 2009, FEHD has set up 927 (854 as at August 2008) recyclable waste collection points in public places. FEHD has collaborated with EPD to provide another 298 sets of new waste-separation bins. EPD has consulted respective District Councils in March and April 2009 on the locations. FEHD will deploy the new bins in June 2009.
			<ul style="list-style-type: none"> The FEHD and EPD will review the design and size of waste-separation bins to suit different usage patterns. 	<ul style="list-style-type: none"> FEHD and EPD have agreed on the new design of the waste-separation bins for adoption in ordering new bins.

DoA's Recommendations		Responsible Policy Bureaux/ Departments	Response in October 2008	Progress to-date
			<ul style="list-style-type: none"> The FEHD has placed waste-separation bins at about 50 village-type refuse collection points since August 2008, in addition to the 130 refuse collection points. The FEHD will closely monitor the situation. 	<ul style="list-style-type: none"> As at April 2009, the total number of village-type refuse collection points placed with waste-separation bins is 236 (180 as at August 2008).
15.	Place rubbish bins near waste-separation bins at public places as far as practicable.	FEHD Leisure and Cultural Services Department (LCSD) EPD	<ul style="list-style-type: none"> It is the FEHD's existing practice to provide a rubbish bin near the waste-separation bins for public convenience. The EPD, FEHD and LCSD agreed with the audit recommendation. 	<ul style="list-style-type: none"> FEHD and LCSD will continue to place rubbish bins near waste-separation bins at public places where practicable.
