

THE GOVERNMENT MINUTE

in response to the

**REPORTS OF
THE PUBLIC ACCOUNTS COMMITTEE**

- **No. 51A of May 2009; and**
- **No. 52 of July 2009**

21 October 2009

THE GOVERNMENT MINUTE IN RESPONSE TO THE PUBLIC ACCOUNTS COMMITTEE REPORT NO. 51A DATED MAY 2009

REPORT ON THE RESULTS OF VALUE FOR MONEY AUDITS (Report No. 51A)

Chapter 1 – Emergency ambulance service

The Director of Audit (D of A) conducted a review to examine the economy, efficiency and effectiveness in the provision of the emergency ambulance service (EAS) by the Fire Services Department (FSD) in response to emergency calls. The review focused on the use of EAS, performance measurement, use of ambulance resources, maintenance of ambulances, and procurement of replacement and additional ambulances.

Use of EAS

Measures taken to facilitate and ensure optimal deployment of emergency ambulance resources

2. The Administration has put forward its proposal on the implementation of a Medical Priority Dispatch System (MPDS) so as to prioritise the dispatch of ambulances in accordance with the degree of urgency of ambulance calls. The Legislative Council Panel on Security was briefed on the proposal at its meeting on 6 July 2009. A four-month public consultation is being conducted to collect views on the proposal. The Administration will consider all comments received during the consultation period carefully before finalising the proposal, and will inform the Panel of the outcome of the consultation in due course.

3. FSD has also taken other measures, including conducting a sample survey and launching an electronic Ambulance Journey Records System (AJRS) (paragraph 4) to collect information on the degree of urgency of emergency ambulance calls; and stepping up efforts to encourage the proper use of EAS (paragraphs 5 – 7). In respect of the sample survey, FSD completed an analysis on a randomly selected sample of about 10 000 emergency ambulance calls received in 2008. The survey result showed that around 10% of the cases did not appear to be in need of EAS. The survey result will be used to draw the public's attention to the proper use of EAS in FSD's educational programmes. As FSD has taken follow-up actions to address PAC's recommendation and the Panel will be kept informed of the development on the MPDS proposal, we recommend deleting this part from the next progress report.

Progress made in implementing the electronic ambulance journey records

4. The development of the electronic AJRS has been completed. FSD is providing staff with the necessary training on the system's operation and plans to launch the new system on a trial basis in November 2009. The Administration will keep PAC informed of the progress.

Measures taken to step up efforts to encourage the public's proper use of EAS

5. To enhance awareness amongst the public on the proper use of EAS, FSD has organised an Ambulance Service Campaign with the theme of 'Do Not Misuse Ambulance'. Promotional banners have been displayed in 18 districts since mid-August 2009. Posters have been displayed at government offices, hospitals and clinics of the Hospital Authority (HA), housing estates, schools, community centres, elderly homes, and facilities of various non-government organisations (NGOs). A one-hour promotional TV programme was also produced and broadcasted on 5 September 2009 drawing over 1.4 million viewers.

6. FSD will join hands with HA, the Auxiliary Medical Service and Hong Kong St. John Ambulance to promote the proper use of their ambulance service. Relevant promotional activities include a roving exhibition outside Shatin Town Hall in late October 2009. Information on the ambulance service provided by these organisations has also been consolidated and publicised at their websites to give the public a better understanding of the ambulance service available in Hong Kong. In addition, FSD has obtained the agreement of HA to show promotional videos at their Accident & Emergency (A&E) Departments and clinics starting from 1 November 2009.

7. FSD has also initiated an outreach programme to schools to educate children on the objectives of EAS. As FSD has taken follow-up actions to address PAC's recommendation, we recommend deleting this part from the next progress report.

Performance measurement

Timetable and result of the review of the 12-minute target response time for EAS

8. The Administration has put forward its proposal on the implementation of MPDS for the dispatch of ambulances in Hong Kong and is consulting the public on the proposal (paragraph 2). If the proposed MPDS is acceptable to the public, it will lead to fundamental changes to the mode of ambulance dispatch and operations, and the response time target will be adjusted accordingly. Therefore, the Administration will revisit the target response time for EAS after the way forward on the MPDS proposal is clear. The Administration will keep PAC and the Panel informed of the progress.

Progress made in identifying suitable sites in the New Territories (NT) Region for constructing additional ambulance depots

9. In view of the growing demand for EAS in the northern part of the NT Region, measures have been taken to increase the deployment points in that part of the NT Region. FSD has set up a temporary ambulance standby point at Dills Corner Garden in Kwu Tung (from late September 2009 until the end of 2009). In addition, it will use the Ta Kwu Ling Rural Centre Government Building as a temporary ambulance day-time standby point (from October 2009 until July 2012) and is pursuing the use of the Lady Ho Tung Dispensary in Kwu Tung as a long-term standby point from the start of 2010. The Administration has also identified a site of suitable size in Sheung Shui for the construction of a new ambulance depot and is examining the feasibility of this works project. The Administration will keep PAC informed of the progress.

Review on the allocation of ambulance resources among individual divisions

10. FSD has reviewed the allocation of ambulance resources to individual divisions, namely the Hong Kong Division, Kowloon Division, NT East & West Division, and NT South Division, taking into account all relevant factors, including the service demand in the respective areas and the response time performance; the existing network of ambulance depots and deployment points; the location of A&E Departments; and the size of their geographic coverage. To ensure that the performance target is achieved in all Divisions, FSD has redeployed resources and provided new shifts at certain locations with greater service demand, such as Tai Po East Fire Station and Yuen Long Ambulance Depot.

11. FSD will continue to monitor closely the response time performance of all Divisions and allocate new shifts as appropriate to Divisions. We will inform PAC of the progress.

Maintenance of ambulances

Review on the appropriateness of FSD joining the Minimum Cost Refurbishment Programme (MCRP) for its ambulances and reactivating refurbished ambulances for rescue operations

12. FSD joined MCRP for the refurbishment of ten ambulances only as a temporary measure to enhance ambulance availability on a need basis. All refurbished ambulances were retired from service and replaced by new vehicles in early 2009. As the recommendation of PAC has been addressed, we recommend deleting this part from the next progress report.

Keeping and making use of management information on the breakdown and maintenance history of individual ambulances; maintaining the availability of the ambulance fleet at a level that can meet public expectation

13. Starting from the end of 2008, FSD has been receiving from the Electrical and Mechanical Services Department (EMSD) daily reports on the number of ambulances kept at each of its workshops as well as quarterly performance reports on ambulance availability. These reports enable FSD to monitor more closely the maintenance service provided by EMSD under the Service Level Agreement (SLA), make more timely decisions on the deployment of ambulances, and take proactive measures to enhance the availability and reliability of ambulances. For further improvement in this area, FSD is exploring with EMSD the feasibility of establishing an Ambulance Management Information System for the provision of more timely and detailed information on the breakdown and maintenance history of individual ambulances. With the benefit of more comprehensive information on vehicle breakdown and maintenance, the Administration is reviewing the mechanism for determining the provision of a maintenance reserve. We will inform PAC of further progress.

Review of the causes and consequences of the increase in breakdowns and improvement measures taken

14. FSD and EMSD have reviewed the causes of the increase in breakdowns. The major factors include:

- (a) the ageing ambulances with diminished reliability due to wear and tear;
- (b) malfunction of certain vulnerable parts such as the battery and the cooling system; and
- (c) the effect of heat and humidity in the summer months.

15. To minimise breakdowns, FSD, in collaboration with EMSD, has taken the following measures to enhance the availability and reliability of the ambulance fleet:

- (a) the frequency of preventive maintenance of ambulances increased from once every four months to once every three months starting from August 2008;
- (b) the frequency of preventive maintenance of ambulances with accumulative mileages over 400 000 km or having abnormal maintenance history was further increased to once every two months starting from May 2009;

- (c) a bulk replacement programme was implemented between February and August 2009 to replace parts that are more susceptible to breakdowns. These vulnerable parts include main battery, fan belt, tensioner, damper, fan driver, upper and bottom hose, coolant and gear lever assembly, radiator assembly, alternator, starter assembly, water pump assembly, coil ignition, slide idle speed actuator, fuel pump, gear shaft, gear change lever, slated gate and wire cable;
- (d) a fault monitoring mechanism was established such that whenever there is premature failure of any ambulance part, EMSD would conduct an analysis of the problem and carry out thorough checking/repair of all other ambulances of the same model/years of service to prevent the occurrence of the same problem;
- (e) the deployment of more technical staff by EMSD to undertake repair and maintenance of ambulances in Siu Ho Wan and Fan Garden workshops. The service hours of the Tuen Mun and Fan Garden workshops have also been extended; and
- (f) the set up of two quick-repair workshops at the Yuen Long Ambulance Depot and Shatin Ambulance Depot by EMSD in April and June 2009 respectively. By providing immediate service at a convenient location, these workshops are able to shorten the ambulance downtime in the NT Region considerably.

16. FSD has also issued guidelines on the 'use and care of ambulances' and some small tips on the checking of ambulances to all ambulance drivers to assist them in identifying possible problems with the ambulances at an early stage. To minimise breakdowns and unscheduled maintenance due to traffic accidents, instruction has been issued to remind all ambulance drivers to be conversant with the relevant driving regulations, instructions and guidelines.

17. Since the implementation of the above improvement measures, the breakdown rate of ambulances has improved significantly. Between June to August 2009, the average number of breakdowns per month was reduced by some 70% compared to figures for the same period of the past two years. As follow-up action has been taken to enhance the availability and reliability of ambulances, we recommend deleting this part from the next progress report.

Procurement of replacement and additional ambulances

Review on the provision of ambulance resources to FSD

18. The Administration has reviewed the provision of ambulance resources in FSD with a view to ensuring satisfactory delivery of ambulance service. Additional resources were provided for FSD to create 121 new posts to strengthen its EAS, replace 73 town ambulances and procure 21 additional town ambulances to meet increase in service demand. In the first eight months of 2009, the response time performance of FSD's EAS was 92.8%, which met the department's performance pledge of 92.5%. The Administration will continue to take a multi-pronged approach in meeting the response time performance pledge, including exploring the possibility to introduce MPDS with a view to giving priority to people in urgent need of medical assistance, and stepping up public education to encourage the public to make judicious use of ambulance service. We will report the result of the MPDS review to the Panel on Security. As the provision and utilisation of ambulance resources will be kept under review as an ongoing activity, we recommend deleting this part from the next progress report.

Review of the mechanism for the replacement of ambulances, and progress made in planning for the replacement in future to ensure that the problems caused by the ageing ambulance fleet will not recur

19. To address the problem of ageing ambulances, the Administration is in the process of replacing 196 ambulances with new vehicles. As at August 2009, a total of 70 new ambulances have been delivered and commissioned to front line service. Another 30 new ambulances are expected to be delivered before the end of 2009. The remaining 96 ambulances will be delivered in batches before the end of 2010. Over 80% of FSD's ambulance fleet would be replaced by new vehicles by the end of 2010. The new vehicles will bring the average age of the entire ambulance fleet from over eight years in 2008 down to below two years in 2010.

20. The Administration has reviewed the mechanism for the replacement of ambulances and identified room for improvement. The relevant bureaux and departments are working out a new mechanism for the replacement of ambulances. This aims to provide FSD with the resources to even out the number of ambulances to be replaced each year and pursue a more steady programme of replacement in the long run, hence maintaining the average age of the ambulance fleet at a healthy level. We will keep PAC informed of the progress.

Review of the existing methodology of estimating the number of additional ambulances required to meet the projected increase in emergency calls

21. The procurement of additional ambulances is to provide the vehicles necessary for the manning of additional ambulance shifts. The number of additional ambulances to be required is estimated on the basis of the number of additional shifts plus an allowance for maintenance. We have reviewed this methodology and found it to be in order. As the mechanism for maintenance reserve is being reviewed (paragraph 13), which may have a bearing on the methodology, we will revisit the methodology when the said review is completed and will inform PAC of the progress.

Measures taken to strengthen FSD's internal information and resource management functions

22. To strengthen FSD's internal information and resource management functions, FSD has enlisted the assistance of the Efficiency Unit to conduct a study and identify areas for improvement. The study commenced in September 2009 and is expected to take four months to complete. We will inform PAC of further progress.

Progress made in implementing other audit recommendations

Review of the effectiveness of publicity campaigns

23. FSD has completed an evaluation of the effectiveness of its publicity campaigns (including the Ambulance Service Campaign and the Announcement of Public Interest) for 2008 following the Good Practice Guide issued by the Information Services Department. The 2008 publicity campaigns were found to be effective and attracted wide media coverage. In the future, FSD will conduct similar evaluation on an annual basis to review the effectiveness of publicity campaigns launched by the department. As FSD has taken follow-up action to address D of A's concern, we recommend deleting this part from the next progress report.

Review on the reasons for the decrease in the percentage of emergency calls answered within the 10-minute travelling time despite the implementation of the Third Generation Mobilising System

24. FSD has conducted a review to ascertain the reasons for the decrease in the percentage of emergency calls answered within the 10-minute travelling time. According to the review, long travelling distance is a major cause. This is particularly

so in the NT Region, in light of its comparatively larger geographical coverage. To achieve the performance target, FSD has been making efforts to improve the coverage by establishing additional ambulance depots and deployment points (paragraph 9) and has redeployed resources and provided new shifts at certain existing locations, such as Tai Po East Fire Station and Yuen Long Ambulance Depot (paragraph 10). As follow-up action has been taken, we recommend deleting this part from the next progress report.

Measures taken to improve the response time of ambulances in view of FSD's failure to achieve the performance target for EAS for the first six months of 2008

25. FSD created additional posts and procured additional town ambulances to strengthen its EAS and improve the response time performance. Furthermore, FSD has improved the response time through a number of other measures, including the replacement of ambulances to prevent breakdowns caused by ageing ambulances (paragraph 19), enhanced maintenance (paragraphs 15 – 16), and public education to promote the proper use of EAS (paragraphs 5 – 7). In the first eight months of 2009, the response time performance has improved to 92.8%. As follow-up action has been taken for this part, we recommend deleting this part from the next progress report.

Review of the ambulance turnout time

26. Subject to the development of the MPDS proposal in paragraph 8, FSD has concluded the internal benchmark study on the turnout time of ambulances. In view of the complexity of the issues involved, which require further specialist knowledge and professional inputs, the Department is considering the engagement of a consultant to conduct a further study. We will inform PAC of further progress.

Measures to enhance the Daily Ambulance Availability (DAA) for the provision of EAS

27. FSD has taken various measures to enhance DAA, including speeding up the recruitment process; closely monitoring the sick leave situation; and working in collaboration with EMSD to enhance the availability of ambulances through better maintenance. FSD will continue to monitor the operational need to deploy off-duty ambulancemen to man additional ambulances when necessary. As follow-up action has been taken for this part, we recommend deleting this part from the next progress report.

Review on the efficiency and effectiveness of the Urgent Care Ambulance Service (UCAS)

28. FSD has conducted a comprehensive review on the efficiency and effectiveness of UCAS. The results reaffirmed that for the handling of inter-hospital transfers, it is more efficient and effective to use urgent care ambulances with their two-member crews than emergency ambulances, which are manned by three ambulancemen. To further enhance the availability of urgent care ambulances and their utilisation, FSD has taken a number of improvement measures, which include closer liaison with HA personnel to shorten the waiting time at hospitals, and adjustment to the duty pattern of urgent care ambulances so that they cover longer service hours in the daytime to meet the demand profile and improve the utilisation rate. As FSD has taken follow-up action to address D of A's recommendation, we recommend deleting this part from the next progress report.

Training of Emergency Medical Assistant (EMA) II

29. FSD has assessed the number of EMA II required for providing paramedic ambulance service. Based on the existing strength and ambulance shift, a shortfall of 82 EMA II is identified. FSD will make up the shortfall by training sufficient EMA IIs by 2010-11. As FSD has taken follow-up action, we recommend deleting this part from the progress report.

Specifying the percentage of emergency cases to be reviewed by clinical support officers, and ensuring that the reviews are reliable assessments of the performance of paramedic ambulance staff

30. Having considered the advice of its Medical Directors, FSD has decided to set the percentage of emergency cases to be reviewed by the Clinical Support Officers (CSO) at 2%. CSO's work will be monitored by their supervisors to ensure that their review assessments are reliable and any irregularities in the performance of paramedic ambulance staff detected in the course of the reviews are properly rectified. As FSD has taken follow-up action, we recommend deleting this part from the progress report.

Keeping of management information on the deployment of resources for the provision of training in Cardiopulmonary Resuscitation (CPR) and Public Access Defibrillation (PAD) and review on the cost-effectiveness of the provision of such training by FSD

31. FSD has reviewed the issue and is now maintaining a management information system to keep and manage the deployment of resources for the provision of Community CPR and PAD training so as to ensure the cost effectiveness of such training. As follow-up action has been taken for this part, we recommend deleting this part from the next progress report.

Setting of a target availability for ambulances with a service period exceeding the design serviceable life of seven years

32. Under the updated SLA, the target availability for all the ambulances is 92% irrespective of the age of ambulances. This measure will help minimise the frequency of breakdowns and enhance the availability and reliability of the ambulance fleet. As follow-up action has been taken for this part, we recommend deleting this part from the next progress report.

Review of the serviceability of the ambulance fleet

33. EMSD has reviewed the serviceability of FSD ambulance fleet. Further to the implementation of a series of enhanced maintenance measures (paragraphs 15 – 17) and the replacement of ambulances (paragraphs 19 – 20), the availability and reliability of the ambulances fleet will be improved. As FSD has addressed D of A's recommendation, we recommend deleting this part from the next progress report.

Expediting the process for replacing ambulances

34. To expedite the process for replacing ambulances, the Administration will adopt the following measures with immediate effect :

- (a) EMSD will start drawing up the design and specifications at the same time when FSD is preparing its funding bid for the replacement of ambulances with a view to completing the process within four months before the announcement of Resources Allocation Exercise (RAE) results; and
- (b) Government Logistics Department (GLD) will in parallel start making pre-tender preparation upon submission of the RAE bid by FSD, with a view to completing the preparatory work and inviting tender as soon as funding is secured.

With the above measures, the replacement process (i.e. from the bidding of funds to the actual delivery of ambulances) will be shortened from 33 months to 25 months (i.e. a reduction of eight months).

**THE GOVERNMENT MINUTE IN RESPONSE TO THE
PUBLIC ACCOUNTS COMMITTEE REPORT NO. 52
DATED JULY 2009**

**REPORT ON THE RESULTS OF VALUE FOR
MONEY AUDITS (Report No. 52)**

Chapter 1 – Equal Opportunities Commission

35. The Administration and Equal Opportunities Commission (EOC) accept the recommendations of Audit and PAC, which focused on the corporate governance and the administration of EOC. We note PAC's observation that the key findings of the Audit Report do not concern EOC's performance in promoting equal opportunities and implementing the four anti-discrimination ordinances.

36. The new Board of EOC, the term of which commenced in May 2009, has closely examined the findings and recommendations of Audit and PAC, and has taken measures to enhance EOC's operation and strengthen its rapport with EOC management. It has tasked a working group, chaired by the Convenor of the Administration and Finance Committee of EOC, to review the systems and procedures of EOC in response to the recommendations and formulate appropriate improvement measures. Most of the improvement measures have now been implemented as reported in this Government Minute and at Enclosure 1.

Encl. 1

Handling of the draft Audit Report

37. PAC invited the D of A to consider advising an auditee which is a NGO more positively of the need to seek its governing body's endorsement of the organisation's response to the draft Audit Report. It has always been the practice of Audit to advise an NGO auditee to engage its governing body in the consideration of the findings of the draft Audit Report and in making a response. To further enhance the arrangements, Audit has taken the following measures with immediate effect:

- (a) at the commencement of an audit of an NGO, Audit will state clearly in a letter to NGO that there is a need to engage its governing body in the consideration of the observations and recommendations of the draft Audit Report, and to seek the governing body's endorsement of the response to the draft Report; and
- (b) when issuing the draft Audit Report for consultation, Audit will remind NGO of the need to seek its governing body's endorsement of the response to the draft Report.

38. As D of A has addressed PAC's concern, we recommend deleting this part from the next progress report.

Corporate Governance

Governance structure

39. The Administration noted PAC's view on the need to put forward a final proposal on separating the posts of the Chairperson and the Chief Executive Officer expeditiously after consulting the LegCo Panel on Constitutional Affairs (CA Panel), EOC and other stakeholders. The Administration consulted the CA Panel and EOC in June 2009. Taking into account the comments received, the Administration considered it appropriate to retain the full-time executive Chairperson position, and to delineate part of the Chairperson's functions to a new post of Chief Operations Officer (COO). This new position will oversee administrative and operational matters with a view to strengthening the governance of EOC. The Administration will closely liaise with EOC on this.

40. The term of office of the incumbent EOC Chairperson will expire in January 2010. The Administration has launched an open recruitment exercise for the appointment of the new Chairperson. A selection board chaired by a non-official has been formed to recommend the most suitable candidate to the Chief Executive for appointment. Recruitment of the new COO is expected to commence after the new EOC Chairperson takes office in January 2010. We will inform PAC of further progress.

41. EOC is working out the detailed roles and responsibilities between the Chairperson and COO taking into account the Administration's general guidelines on good corporate governance and management of publicly-funded statutory organisations, as well as the relevant studies of the Efficiency Unit and professional bodies.

42. In response to PAC's suggestion, EOC is inviting proposals for engaging an external auditor with expertise in management consulting to follow up the recommendations in the Reports of Audit and PAC and to enhance EOC's internal financial control and management capabilities. We will inform PAC of further progress.

Board and Committee meetings

43. In relation to the concerns of PAC on the shortcomings in matters relating to the conduct of EOC Board and Committee meetings, including the low attendance rates of some Members, EOC has put in place appropriate follow-up measures as mentioned in the PAC report. In particular, EOC has established a central register of attendance at Board and Committee meetings and has decided to publish the attendance records of Board/Committee meetings in its Annual Reports starting with that of 2009/10.

44. As EOC has implemented appropriate follow-up actions to improve the conduct of its Board and Committee meetings, we recommend deleting this part from the next progress report.

Memorandum of Administrative Arrangements (MAA)

45. In relation to PAC's recommendation that the Secretary for Constitutional and Mainland Affairs and EOC should finalise the revised MAA without delay, the Administration and EOC finalised and signed the revised MAA on 11 September 2009. The Administration and EOC will take timely action to update MAA in future to reflect changing circumstances. As the concerns of PAC and Audit have been addressed, we recommend deleting this part from the next progress report.

Life insurance coverage for the Chairperson

46. Regarding the life insurance coverage of the Chairperson, the Audit has recommended the EOC to seek a specific approval from the Administration, and the PAC has urged the EOC and the Administration to expeditiously make a decision on how the matter should be followed up. At present, the life insurance of the Chairperson is covered under the group life insurance that was provided by the EOC to its staff and the Chairperson. Having considered that it is common for statutory bodies and private organisations to provide life insurance coverage to senior executives, the EOC Board recommended that retrospective approval be given to the incumbent Chairperson and former Chairpersons for the provision of such benefits. The incumbent Chairperson, on his own volition and having regard to the limited period remaining in his tenure, has requested that the coverage for the Chairperson be deleted from the group life insurance policy when it fell due on 1 August 2009. The Administration has accepted EOC Board's recommendation and reminded the EOC to ensure that similar administrative oversights should not recur.

47. As the Administration has addressed the concerns of PAC and Audit, we recommend deleting this part from the next progress report.

Corporate culture on the use of public funds

48. In response to PAC's concern, EOC management has taken various measures to strictly apply the "moderate and conservative" principle in making expenditure decisions, with emphasis on the prudent and economical use of public funds. The major measures are set out in the following paragraphs.

Duty visits outside Hong Kong

49. EOC Board has endorsed revisions to the guidelines on duty visits. The revised guidelines have prescribed financial limits regarding hotel accommodation, hospitality expenses and meal expenses involving the Chairperson and Board members in accordance with the level of subsistence allowance applicable to the civil service. The Board's prior approval must be sought for all business trips outside Hong Kong.

Seminars, purchases and other administrative issues

50. EOC has adopted revised guidelines on the preparation of budget for seminars and in making other purchases, which include the need to exercise strict economy in planning future events and to clearly identify alternatives as well as distinguish between essential and "desirable non-essential" items in the budget to facilitate Board members' consideration. The need for an item will be clearly established in future before expenditure is incurred.

51. The working group comprising Board Members as mentioned in paragraph 36 above has reviewed, amongst other things, spending and procurement procedures and made necessary improvements to the procedures to ensure the prudent use of public money. The external auditor to be engaged by EOC as mentioned in paragraph 42 will also examine the compliance with the "moderate and conservative" principle in making expenditure decisions, including those on duty visits, in order to develop a culture of prudence and economy in the use of public funds in EOC.

52. As EOC has implemented appropriate follow-up actions, we recommend deleting this part from the next progress report.

Internal control, procurement and management of stores

53. EOC has tightened up its system on internal control, procurement and management of stores, and implemented all relevant follow-up actions it undertook in the PAC Report. In particular, the GLD was invited in August 2009 to share experience with EOC's staff on matters relating to procurement of stores and disposal of surplus assets. The EOC's Procurement of Stores and Services Manual has been further revised after a review, making reference to the Stores and Procurement Regulations of the Government and taking into account the Audit recommendations.

54. EOC has put in place in October 2009 a centralised stock control system to ensure that any future purchase decision would take into account the overall stock situation and the availability of alternatives. Guidelines have also been drawn up to stipulate more clearly the procedures involved in the disposal of assets. An Administrative Supervisor has been designated to take charge of the disposal of assets of EOC, and to ensure that proper records are kept to provide a clear audit trail.

55. As EOC has implemented appropriate follow-up actions, we recommend deleting this part from the next progress report.

Complaint handling procedures

56. In response to PAC's comments, EOC has made efforts to improve the complaint handling procedures expeditiously. The Internal Operating Procedure Manual (IOPM) has been revised to incorporate the practices recommended by a consultant commissioned earlier by EOC. The computerised Complaint Management System has been updated to ensure proper record of the initial and assignment decisions and the rationale behind them. EOC staff were reminded in May 2009 to comply with IOPM in preparing investigation plans. Moreover, information on conciliation cases in the settlement register on EOC website has been updated.

57. As EOC has implemented appropriate follow-up actions, we recommend deleting this part from the next progress report.

Performance reporting in Controlling Officer's Report

58. The Administration noted the concerns of PAC and Audit that the performance reporting of EOC in the Controlling Officer's Report is inadequate in measuring the outcome, efficiency and cost-effectiveness of EOC's efforts. We have worked with EOC to identify new performance targets and indicators, including indicators on the percentage of complaints settled through conciliation, the average time taken to reach a conciliation, and the percentage of participants satisfied with EOC's training service and community programmes.

59. The new performance targets and indicators will be included in the next Controlling Officer's Report. We recommend deleting this part from the next progress report.

Progress made in implementing other Audit recommendations

60. Details of the progress made in implementing the various Audit and PAC recommendations are set out at Enclosure 1.

Chapter 2 – Hong Kong Arts Development Council

Role and functions of the Hong Kong Arts Development Council (HKADC)

61. The Government recognises HKADC's important role as a major statutory body responsible for the planning, promotion and support of the development of the arts in Hong Kong. The role and functions of HKADC remain unchanged with the establishment of the West Kowloon Cultural District (WKCD) Authority, which was tasked to take forward WKCD project. HKADC will continue to play a role together with other arts and cultural stakeholders in the WKCD project and in the overall development of the arts and culture in Hong Kong.

62. Arts and culture is a policy of wide scope. The Secretary for Home Affairs, who is both a Board member of WKCD Authority and a council member of HKADC, will ensure co-ordination of overall cultural policy and division of labour between relevant stakeholders. The focus of WKCD Authority is to handle the planning and development of WKCD. HKADC is responsible for building up the cultural and arts software of Hong Kong society as a whole. It supports the development of small and medium sized arts groups and nurtures budding artists through its various grant schemes supported by government subvention.

63. To promote the development of creative industries, the Government set up a dedicated office "Create Hong Kong" on 1 June 2009 under the Commerce and Economic Development Bureau (CEDB). Create Hong Kong will co-ordinate resources within the Government to drive creative industries development and to better support the trade through a one-stop service. In view of the establishment of Create Hong Kong, HKADC's funding and monitoring responsibility over the Hong Kong International Film Festival Society (HKIFFS) was transferred to CEDB on 1 April 2009 and hence there will not be any institutionalised participation of HKADC in HKIFFS. The Administration is now considering the optimal way to monitor the funding arrangement and operation of HKIFFS. It will take into account the D of A's recommendations in establishing the monitoring system for HKIFFS.

Corporate governance

64. The Home Affairs Bureau (HAB) is planning for the 2010 nomination exercise for HKADC. In response to the recommendations of the D of A and the PAC, HAB will lengthen the registration period to facilitate the registration of members of the nominating bodies, step up voter registration efforts and widen publicity channels to promote arts community's understanding of the nomination process. We will inform PAC of further progress.

65. The declining attendance rates of members at the Council and Committee meetings of HKADC during the previous Council term might be due to the fact that some members, being arts practitioners, had to work irregular hours or outside Hong Kong for a prolonged period and there were practical difficulties for all members to attend the meetings as scheduled. To improve meeting attendance, HKADC will draw members' attention to their attendance rates at Council and Committee meetings regularly in June and December every year and remind members with low attendance records of the importance of attending these meetings. Attendance records of members will be uploaded onto HKADC website for public information. As HKADC has taken follow-up action to address PAC's concern, we recommend deleting this part from the next progress report.

66. HKADC is planning to set up an audit and compliance committee to oversee and strengthen internal control and compliance matters in mid 2010. The Management Committee of HKADC will consider the implementation plan at its next meeting in October 2009. We will inform PAC of further progress.

67. To promote an understanding of important corporate governance principles among Council members, especially new members, HKADC will invite members to attend its corporate governance seminars in January 2010 and include the corporate governance principles in the orientation programme for new members. As HKADC has taken follow-up action to address PAC's concern, we recommend deleting this part from the next progress report.

Grants and proactive projects

68. To address the inadequacies in the appointment of examiners for application adjudication and project assessment, HKADC has taken the following measures -

- HKADC will withdraw appointment of examiners who fail to comply with HKADC's appointment requirements, specifically, the submission of curriculum vitae forms, appointment acceptance forms and declarations of interests;
- examiners are required to submit/update their declarations of interests in January each year; and
- HKADC will evaluate the work and performance of examiners every time after they complete an assessment. Major review will be conducted before the renewal of their terms of appointment. It will tighten its current procedures to monitor the work of examiners to ensure that assessment reports will be completed on time. HKADC will also remind examiners to inform HKADC Administration Office in case they cannot undertake the assigned duties. Should replacement examiners be unavailable for attending the event, HKADC Administration Office would use the visual or audio recording of the event for subsequent assessments by either the same or other examiners.

As HKADC has taken the necessary follow-up action, we recommend deleting this part from the next progress report.

69. HKADC has reviewed its control system to ensure that timely reminders are sent to grantees/project organisers who have failed to complete projects/project reports by the due date. Cases requiring an extension of deadline for project completion/report submission will be duly considered by the Arts Support Committee. The Committee will also undertake to discuss and adopt more stringent measures on those who have repeatedly failed to complete projects/reports on time. Besides, HKADC will enhance communication with the grantees to agree on more realistic project completion dates before drawing up the funding agreements. We will inform PAC of further progress.

Progress made in implementing other audit recommendations

Encl. 2 70. The progress of follow-up work on D of A's recommendations carried out by the Administration and HKADC is detailed at Enclosure 2.

Chapter 3 – The Quality Education Fund

71. The Administration and the Quality Education Fund (QEF) welcome the PAC's study and recommendations relating to the Audit's Report to improve the administration of QEF. Responses to the recommendations are set out in the ensuing paragraphs.

Governance and Strategic Management

Increasing Assessment and Monitoring Sub-committee (AMS)'s Participation in the Assessment of Small Scale Applications

72. The QEF Steering Committee (QEFSC) deliberated at its meeting on 17 July 2009 on the recommendation of increasing the number of assessors to assess applications with grant sought not exceeding \$200,000. Members were of the view that the existing mechanism of assessment by two AMS members had been operating effectively, providing a fair and timely assessment to such small scale projects. While the number of assessors remains unchanged, the QEF Secretariat (the Secretariat) will strengthen its support to facilitate members' assessment. The Secretariat implements a robust internal checking mechanism with comprehensive preliminary assessment that helps assess the capability and capacity of the applicants to achieve the intended project objectives. As and when necessary, the Secretariat will engage AMS assessors to discuss these applications. The proposed improvement measure has taken immediate effect and we recommend deleting this part from the next progress report.

Encouraging Applications from the Pre-primary Sector

73. The Secretariat has been implementing various support services to encourage applications from the pre-primary sector. In July 2009, tips on writing project proposals and videos of relevant briefings were uploaded to QEF homepage. Two tailor-made workshops on proposal writing were organised for pre-primary institutions and similar workshops will be run on a regular basis. Furthermore, the Secretariat will continue to conduct briefings for school sponsoring bodies, tertiary institutions and NGOs to encourage them to file applications which will benefit the pre-primary sector. Since the above improvement measures have been in place, we recommend deleting this part from the next progress report.

Administration of Information Technology Equipment Projects

Encourage Applications under the Theme "Use of New Technology for School Administrative Work"

74. A recent survey conducted among schools which have not submitted any application under the project theme "Use of new technology for school administrative work" reveals that about half of the schools responded are interested in the project theme and will consider submitting applications. In the new school year, the Secretariat will organise sharing sessions to facilitate these schools to identify solutions which can meet their specific administrative needs and encourage them to submit applications.

75. Among the rest of the respondents without any plans to make applications, some have already been using their own administrative system and thus another system using new technology is not considered necessary. Nonetheless, among the same group of respondents, some have expressed concern on the recurrent expenditure incurred in maintaining a new system, especially when their schools have other development priorities. The Secretariat will share with them cases in which schools are able to identify economical solutions with affordable recurrent implications. The way that schools use technology to ease administrative work will also be disseminated to facilitate other schools to make informed choices. We will keep PAC informed of the progress.

Engaging the Potential Beneficiaries of a Project Theme with Timely Evaluation

76. The Secretariat will step up its engagement with the potential beneficiaries of proposed or on-going project themes, with a view to gauging their views for improving the implementation of QEF projects and optimising the utilisation of the project themes. We will keep PAC informed of the progress.

Project Management

Simplifying the Reporting Procedure of QEF

77. QEFSC has agreed that the funding ceiling of small scale applications should be lifted from \$200,000 to \$300,000, and medium scale applications from \$500,000 to \$600,000, thus expanding the pool of grantees who can reap the benefits of using the relatively simple application procedures for these projects. Besides, grantees of small scale projects (including schools and tertiary institutions with good track records in implementing QEF projects) will be required to submit a progress report every 12 months instead of six months so as to reduce their administrative work. Since the proposed simplifying measures have been implemented, we recommend deleting this part from the next progress report.

Encouraging Prompt Submission of Monitoring Reports

78. QEFSC has given due consideration to various ways to encourage prompt submission of monitoring reports. It was agreed that before any consideration of using penalties such as linking release of grant with a grantee's timeliness in submitting reports, there should be incentives to encourage grantees' prompt submission. First, through streamlining the administrative requirements as mentioned in paragraph 77 above, the grantees can concentrate their efforts in reporting on the major milestones of the projects, thus increasing readiness to submit timely monitoring reports. Second, the Secretariat will duly take note of late submission of monitoring reports in the grantee's future applications for other QEF projects. We will keep track of the improvement measures and keep PAC informed of the progress.

Vetting Financial Reports of Projects

79. The Secretariat has reviewed the existing methodology in vetting the financial reports. A risk-based approach will be adopted to determine the extent of vetting by taking into account the scale of projects and the risk profile of different types of grantees. The risk-based approach is scheduled for implementation from early 2010. We will keep PAC informed of the progress.

Dissemination and Commercialisation of Project Deliverables

Finalising the Level of Service Fees to be Paid by Schools for Using the Reading Platform Developed by Grantee 6

80. As regards Case 6 examined by PAC, the Grantee has worked out the calculations for charging schools in using the reading platform developed as a QEF project under the “break-even” principle as set out in the agreed project proposal attached to the agreement. It is estimated that an annual operating cost of \$100,800 (including the operating costs of technical service, customer service, and server and data centre expenses) would be required to maintain the reading platform and the annual charge per school will be \$2,000. The proposed charge was endorsed by QEFSC at its meeting on 17 July 2009, having regard to the fact that the operating cost proposed is comparable to QEF’s pricing standard and adheres to the “break-even” principle. As the Secretariat has taken follow-up action in this aspect, we recommend deleting this part from the next progress report.

Ensuring a Reasonable and Affordable Price for QEF Products Developed by Commercial Organisations

81. When entering into agreements with commercial organisations for the commercialisation of QEF products, the Secretariat requires the grantee to establish a clear and mutually agreed mechanism in respect of the commercial deliverables to be charged on schools. A “break-even” principle should be adopted to determine the charges to ensure that the products are made available to schools at a reasonable and affordable price. The proposed charges are vetted and considered by the Secretariat and details of which should be stipulated in the agreed project proposal attached to the agreement. The Secretariat will continue to monitor the fees to be charged and ensure that the agreed basis of charging has been followed. As the Secretariat has taken follow-up action in this aspect, we recommend deleting this part from the next progress report.

Progress Made in Implementing Other Audit Recommendations

Governance and Strategic Management

Procedures for Committee and Sub-Committee Meeting

82. QEFSC endorsed the following at its meeting on 17 July 2009 with decisions recorded –

- (a) QEF Investment Committee and Dissemination and Promotion Sub-committee (DPS) should conduct meetings three and four times respectively in each 12-month period.
- (b) The quorum should be constituted by at least 50% of the membership of the Committees/Sub-committees.
- (c) The discussion papers will be made available to Members at least five working days before the meeting to ensure that Members are provided with the required information for discussion in good time.

83. As the Secretariat has taken follow-up action in this aspect, we recommend deleting this part from the next progress report.

Attendance at Committee and Sub-committee meetings

84. QEFSC has endorsed that the Secretariat should remind QEF Committee and Sub-committee members with low attendance to make an effort to attend meetings. When considering the members' reappointment to the Committees and Sub-committees, the Secretariat would continue its practice of taking into account a basket of factors including the expertise of the members, their contributions to the various ad hoc working groups formed under the Sub-committee, as well as members' attendance in the meetings of their serving Committee or Sub-committee. As the Secretariat has taken follow-up action in this aspect, we recommend deleting this part from the next progress report.

Handling Conflicts of Interest

85. QEFSC has endorsed that all the Committees and Sub-Committees should adopt the two-tier reporting system. Newly appointed members are required to declare interests and to acknowledge receipt of a set of guidelines on declaration of interests by completing a reply slip. During the course of assessment of each batch of applications, members are required to declare interests, and be excused from attending assessment meetings if they are in close connection with the applications under deliberation. As the Secretariat has taken follow-up action in this aspect, we recommend deleting this part from the next progress report.

Strategic Planning

86. The Secretariat will continue the practice of reviewing the objectives and plans of QEF regularly. The Secretariat also plans to conduct annual review of the application procedures and new priority themes, and seek the views of QEFSC and AMS views as appropriate. As these plannings are in place, we recommend deleting this part from the next progress report.

Improving Business Planning and Budgeting

87. QEF applications are bottom-up initiatives and it is difficult to include AMS's budget of grant payments for each application year in QEF's annual budget. The total grant approved for each year would depend on the number of applications and most importantly, the quality of proposals submitted by applicants. Besides, with the introduction of the year-round mode of application which is welcome by and proved beneficial for the school sector, QEF is ready to consider any quality projects. That said, without limiting the QEF to fund worthwhile and innovative projects throughout the year, QEF is prepared to set a budget of \$200 million in a year for the grant payments and other expenses. As the Secretariat has taken follow-up action in this aspect, we recommend deleting this part from the next progress report.

Performance Management

88. In addition to the performance information relating to the project processing such as the distribution of themes in respect of the approved projects, the compliance of pledge relating to project processing, QEFSC has decided to adopt more performance indicators such as grantees' satisfaction level of implementing the projects, attainment of target objectives of approved projects, etc. As the Secretariat has taken follow-up action in this aspect, we recommend deleting this part from the next progress report.

Administration of Information Technology Equipment Projects

Need to Provide Relevant Information to the Finance Committee (FC)

89. The Administration undertakes to provide FC with all relevant information required when seeking funding approval that involves QEF contributions in the future. We recommend deleting this part from the next progress report.

Project Management

Formalising the Present Practice for Endorsing Variations of Project Deliverables

90. At present, the requests for variations of project deliverables are processed by staff of different levels in the Secretariat. For complicated cases, the endorsement from higher levels will be sought. When a proposal involves significant deviation from the agreement, the Secretariat will seek advice and/or endorsement of QEFSC on the course of action to take. QEFSC has endorsed that the existing practice be formalised. As the Secretariat has taken follow-up action in this aspect, we recommend deleting this part from the next progress report.

Stepping up Control on Reallocation of Funds

91. The Secretariat has strengthened the existing mechanism on control of reallocation of funds. The grantees are reminded through various channels, such as briefing, monitoring guidelines attached to the agreement, etc., the importance of seeking prior approval for variations beyond grantees' jurisdiction. The Secretariat will also issue warning letters where necessary. Moreover, grantees will be required to provide more detailed information in seeking approval for such variations for consideration. As the Secretariat has taken follow-up action in this aspect, we recommend deleting this part from the next progress report.

Management Practices of Grantees

92. The Secretariat will continue the existing practice of reminding grantees of their obligations to follow the General Guidelines and the undesirable impacts of non-compliance. Further measures to be taken to deter grantees' non-compliance will be explored. We will keep PAC informed of the progress.

Management of Assets

93. The Secretariat has included in the Guide to Applicants the requirement to include in the proposal an asset usage plan to account for the deployment of reusable equipment and assets upon project completion. As the Secretariat has taken follow-up action in this aspect, we recommend deleting this part from the next progress report.

Review of Operation Manual

94. The Secretariat is prepared to review the Manual annually and update it on a need basis. The latest annual review was completed in July 2009. As the Secretariat has taken follow-up action in this aspect, we recommend deleting this part from the next progress report.

Dissemination of Project Deliverables

95. The Secretariat has included in the Guide to Applicants the requirement to include in the proposal the means through which the project deliverables will be disseminated to beneficiaries. The Secretariat will continue to monitor the effectiveness of the monitoring system. As the Secretariat has taken follow-up action in this aspect, we recommend deleting this part from the next progress report.

Commercialisation of Project Deliverables

96. The pricing strategy for QEF products will be reviewed by DPS at its coming meeting in late 2009. We will keep PAC informed of the progress.

Sales Channels

97. QEF has explored the feasibility of using various sales channels in the past years but most are either not cost effective or not yet ready for the time being for various reasons. The Secretariat will continue to explore further channels from time to time. We will keep PAC informed of the progress.

**Equal Opportunities Commission
Progress in implementing the various Audit and PAC recommendations**

Audit/PAC's Recommendations	Administration/EOC's Response in March 2009	Progress to Date
Corporate governance		
1	<p><i>The Chairperson and CEO posts</i></p> <p>Expedite action to take forward the matter on the separation of the Equal Opportunities Commission (EOC) Chairperson and CEO posts and bring it to a satisfactory conclusion.</p>	<p>CMAB noted that some Legislative Council (LegCo) Members had expressed strong reservations about the separation proposal in 2006. CMAB has reviewed the relevant considerations and will take into account any further views to be expressed by LegCo Members and the relevant quarters of the community in taking forward the matter and bringing it to a conclusive stage.</p> <ul style="list-style-type: none"> • In progress. After taking into account the comments received from relevant stakeholders, the Administration considered it appropriate to retain the full-time executive Chairperson position, and to delineate part of the Chairperson's functions to a new position of Chief Operations Officer (COO). The new position will oversee administrative and operational matters with a view to strengthening the governance of EOC. If it is considered necessary to review the arrangement in future, the Administration would be prepared to consider the views of EOC and that of other quarters of the community.

Audit/PAC's Recommendations		Administration/EOC's Response in March 2009	Progress to Date
			<ul style="list-style-type: none"> Recruitment of COO is expected to commence when the new Chairperson takes up office in January 2010. We will inform PAC of further progress.
2	<p><i>Board and Committee meetings</i></p> <p>(a) Monitor the attendance of Members at Board/Committee meetings and ascertain the reasons for low attendance.</p>	<p>(a) So far, information regarding attendance is kept by the respective secretaries to the Board and Committees and recorded in the relevant minutes. EOC will establish a central register of attendance to facilitate monitoring of Members' attendance at Board and Committee meetings, including their reasons for absence.</p>	<p>(a) Completed. EOC has established a central register of attendance to monitor Members' attendance at Board and Committee meetings, and will publish the attendance records of Board/Committee meetings in EOC's Annual Reports starting from 2009/10.</p>

Audit/PAC's Recommendations	Administration/EOC's Response in March 2009	Progress to Date
<p>(b) Take action to improve the attendance of Members at Board/Committee meetings, by, for example, issuing reminders to Members with low attendance to encourage them to make efforts to attend the meetings.</p> <p>(c) Take into account the attendance of Members at Committee meetings in assessing their suitability for re-appointments to Committees.</p> <p>(d) Ensure that the quorum requirement is met throughout all Board/Committee meetings.</p>	<p>(b) A general reminder on the importance of Members' presence at Board/Committee meetings has been issued to all Members. Specific reminders will be issued to the Members who fail to attend two consecutive meetings.</p> <p>(c) Attendance of Members will also be taken into account when their re-appointments are being considered. The central register mentioned in (a) above will facilitate the process.</p> <p>(d) EOC will ensure that the requisite quorum is present throughout the meetings.</p>	<p>(b) Completed. New Members who took office in May 2009 have been generally reminded at the orientation session on the importance to attend Board/Committee meetings.</p> <p>(c) Accepted. Attendance of Members had been taken into account in the latest re-appointment to EOC Committees in May 2009. Members' attendance will be put forth to EOC Board for consideration in future re-appointment to Committees.</p> <p>(d) Accepted. Meetings will be adjourned and discussions will cease if there is insufficient quorum.</p>

Audit/PAC's Recommendations	Administration/EOC's Response in March 2009	Progress to Date
<p>(e) Review the decision made, if any, at the three Board meetings and the two Committee meetings (referred to in paragraph. 2.22 of the Audit Report) when the quorum requirement was not met to see whether remedial actions are necessary.</p> <p>(f) Provide guidelines on the need for rescheduling cancelled meetings, to ensure that Board/Committee meetings are held in accordance with the frequency stipulated in the terms of reference, and that time-critical issues are deliberated in a timely manner.</p>	<p>(e) Regarding decisions made at meetings referred to in paragraph. 2.22 of the Audit Report, a review has been conducted as suggested by the Audit Commission (Audit). It is confirmed that all decisions were made when a quorum was present at the relevant meetings.</p> <p>(f) The Board and Committee will be requested to consider setting appropriate guidelines on the need for rescheduling cancelled meetings.</p>	<p>(e) Completed.</p> <p>(f) Completed. Guidelines are included in the terms of reference of EOC Board/Committees and EOC's "Procedures for Meetings and Related Matters" for meetings to be rescheduled as soon as possible and within one month from the original date of the meeting. If this is not possible, the respective Convenor will decide on items to be circulated for advice/information, and items to be discussed in the next regular meeting. The new arrangement has been implemented in October 2009.</p>

Audit/PAC's Recommendations	Administration/EOC's Response in March 2009	Progress to Date
<p>(g) Ensure that minutes of meetings are issued to Members as soon as possible after the meetings and set a target for monitoring purpose.</p> <p>(h) Ensure that all declarations of interests and the related follow-up actions are recorded in a central file.</p> <p>(i) Consider adopting the two-tier reporting system for managing potential conflicts of interests of Board/Committee Members.</p>	<p>(g) One month from the date of meeting has been set as a target for issuing draft minutes, effective from February 2009.</p> <p>(h) The declarations relevant to the meetings mentioned in paragraph. 2.27 of the Audit Report, originally kept in working files, have since been placed in the central file.</p> <p>(i) EOC will consider whether a two-tier reporting system will be adopted. The issue will be raised for discussion with CMAB.</p>	<p>(g) Completed. Draft minutes of meetings after February 2009 have been issued within one month from the date of meeting.</p> <p>(h) Completed.</p> <p>(i) Completed. EOC has adopted a two-tier reporting system for declaration of interests by its Board Members. The register of declaration of interests by Board Members will be updated annually. It is also available for inspection by the public.</p>

	Audit/PAC's Recommendations	Administration/EOC's Response in March 2009	Progress to Date
	(j) Take into account the attendance of Members at Board Meetings in assessing their suitability for re-appointments to EOC Board.	(j) It is CMAB's established policy and practice to appoint the most suitable persons to EOC. In considering re-appointments of Board Members, the Administration takes into account the attendance rates of Members, together with other factors including their abilities, expertise, experience, integrity and commitment to public service. CMAB will continue the practice in assessing the suitability of Members for re-appointment.	(j) Accepted. The Administration had taken into account, amongst other factors, the attendance rates of EOC Members in re-appointing existing Board Members for the new term commencing from May 2009.
3	<p><i>Memorandum of Administrative Arrangements (MAA)</i></p> <p>Expedite action to finalise the proposed amendments to MAA and in future, take timely action to update MAA to reflect changing circumstances.</p>	<p>CMAB has taken the initiative to restart the discussion with EOC and the Financial Services and the Treasury Bureau in late 2008. The proposed amendments have been put to EOC for consideration. CMAB will take timely action to update MAA as and when there are changes in circumstances.</p>	<p>Completed. MAA has been finalised and signed on 11 September 2009.</p>

Audit/PAC's Recommendations	Administration/EOC's Response in March 2009	Progress to Date	
Complaint handling procedures			
4	<p>(a) Ensure all initial intake decisions are properly taken and documented; and consider incorporating the consultants' recommended practice in the Internal Operating Procedure Manual (IOPM) to guide future operations.</p> <p>(b) Remind EOC staff of the need to prepare investigation plans to guide the investigations, in compliance with IOPM requirement.</p>	<p>(a) EOC will ensure that all initial intake decisions are properly documented. EOC will also consider incorporating the consultants' recommended practice in IOPM.</p> <p>(b) Staff will be reminded to prepare an investigation plan in accordance with the relevant IOPM requirements.</p>	<p>(a) Completed. From June 2009, the initial intake decisions have been documented centrally in the computerised Complaint Management System (CMS), in line with the consultants' recommendations in 2003. Complaints are being classified as complex or sensitive or to be fast tracked for assignment purposes and experienced officers will generally be assigned cases of complex nature. The revised IOPM incorporating the consultants' recommended practices has been adopted in October 2009.</p> <p>(b) Completed. Staff have been reminded to prepare investigation plans to guide complaint investigations.</p>

Audit/PAC's Recommendations	Administration/EOC's Response in March 2009	Progress to Date
<p>(c) Take measures to ensure that data in the computerised complaint management system is accurate.</p> <p>(d) Update the settlement register on its website with the latest conciliation cases for public information.</p> <p>(e) Ensure that the figures shown on EOC's website are accurate.</p>	<p>(c) The discrepancies about closure dates identified by Audit have since been rectified. EOC will initiate a system of random checking at quarterly intervals to ensure data accuracy.</p> <p>(d) Other than updating the settlement register, EOC will also review the format and contents of conciliated cases, with a view to refreshing the presentation of case outcomes on EOC website.</p> <p>(e) An EOC officer will be designated with the responsibility to ensure data accuracy and literacy prior to updating onto EOC website.</p>	<p>(c) Completed. Two Chief Equal Opportunities Officers in the Operations Division have been designated to perform random checking at quarterly intervals to ensure data accuracy. The latest quarterly random check was carried out in August 2009.</p> <p>(d) Completed. The settlement register has been updated. Cases concluded in 2006 and thereafter have been placed in the settlement register. The presentation of the outcomes of conciliated cases has been refined.</p> <p>(e) Completed. Discrepancies of the figures on EOC website have been rectified. A Senior Corporate Communications Officer from the Corporate Communications and Training Unit has been designated with the responsibility to verify data accuracy and literacy.</p>

Audit/PAC's Recommendations	Administration/EOC's Response in March 2009	Progress to Date	
Duty visits outside Hong Kong			
5	<p><i>Beijing visit/Macao trips</i></p> <p>(a) Strictly apply the “moderate and conservative” principle in making expenditure decisions on duty visits in future.</p> <p>(b) Consider setting appropriate guidelines (or financial limits) on hotel accommodation and hospitality expenses for the Chairperson and Board Members, to facilitate the application of the “moderate and conservative” principle for such expenses.</p>	<p>(a) Networking with overseas counterparts is important for EOC as it provides a valuable platform for communication and discussion on matters of common interest as well as staff development. The Beijing visit was arranged when all Members were newly appointed. In preparing the budget for duty visits, the “moderate and conservative” approach was adopted resulting in overall cost savings.</p> <p>(b) EOC will revise the guidelines and set financial limits regarding hotel accommodation and hospitality expenses for the Chairperson and Board Members, with reference to the level of subsistence allowance provided for staff.</p>	<p>(a) Accepted. EOC management has taken various measures as set out below to strictly apply the “moderate and conservative” principle in making expenditure decisions, with emphasis on the prudent and economical use of public funds.</p> <p>(b) Completed. In line with the arrangement for EOC staff, the financial limits on hotel accommodation and hospitality expenses for the Chairperson and Board Members on duty visits outside Hong Kong are prescribed in accordance with the level of subsistence allowance applicable to civil servants. The new financial limits have taken effect from October 2009.</p>

Audit/PAC's Recommendations	Administration/EOC's Response in March 2009	Progress to Date
<p>(c) In respect of hospitality meals, ensure that there is sufficient information on record about the EOC personnel and guests involved.</p> <p>(d) Review the expenditure decision regarding the staff lunch of 11 July 2005, referred to in paragraph 4.14(d) of the Audit Report, and draw up guidelines to disallow similar expenses in future.</p>	<p>(c) Staff have been reminded to ensure that the relevant information about EOC personnel and guests involved in hospitality meals is available on record. A specific note on such requirement has been incorporated into the Human Resources and Administration manual (HRAM).</p> <p>(d) EOC will review the relevant expenditure decision against the need to reimburse to the staff the relevant subsistence allowance for that day. Guidelines will be drawn up balancing the need to exercise due economy and respect for staff's entitlements.</p>	<p>(c) Completed.</p> <p>(d) Completed. EOC has reviewed the expenditure decision for the staff lunch on 11 July 2005 before the duty visit to Beijing. The amount of \$540 for the staff lunch on 11 July 2005 has been paid by the Chairperson. Claims for staff meals before departing and after arriving Hong Kong to/from the places of duty visits are no longer allowed. The revised guidelines have been drawn up and implemented.</p>

Audit/PAC's Recommendations		Administration/EOC's Response in March 2009	Progress to Date
	(e) Ensure that all business trips outside Hong Kong, including short trips to Macao, have the Board's prior approval.	(e) The Board's covering approval has been sought.	(e) Completed. The Board's prior approval will be sought for all business trips outside Hong Kong including Macao.
6	<i>Sweden visit</i> (a) Consider setting appropriate guidelines (or financial limits) for meals taken by the Chairperson during business trips, to help staff involved in the payment process determine reasonableness, and to facilitate the application of the "moderate and conservative" principle.	(a) EOC will revise existing guidelines applicable to Chairperson and Members. While maintaining reimbursement on actual expenditure basis, the level of subsistence allowance for staff will be taken as a reference to facilitate the application of the "moderate and conservative" principle.	(a) Completed. The relevant EOC guidelines on work-related activities outside Hong Kong have been revised to set financial limits for meals taken by the Chairperson and EOC Members during duty visits. The basis of setting the financial limits for meals follow that of the civil service, which has been applicable to EOC staff. The revised guidelines and financial limits have been implemented in October 2009.

Audit/PAC's Recommendations	Administration/EOC's Response in March 2009	Progress to Date
<p>(b) Ensure that all claims for duty visit expenses are supported by invoices or bills, in accordance with the requirement of the HRAM.</p>	<p>(b) EOC will compile a duty visit manual for the guidance of its staff. The manual will include a reminder about the support of claims for reimbursement of expenditure by invoices or bills.</p>	<p>(b) Completed. After review, EOC considered it more appropriate to amend their existing HRAM to implement the Audit recommendation, instead of compiling a separate duty visit manual. The revised HRAM states that all claims for reimbursement of duty visit expenses have to be supported by invoices or bills. The relevant guidelines will be provided to the Chairperson, EOC Members and staff prior to the commencement of their duty visits as reminder.</p>

Audit/PAC's Recommendations	Administration/EOC's Response in March 2009	Progress to Date
<p>(c) Remind those on duty visits to:</p> <p>(i) Use the most economical means available for the delivery of materials (such as books and publications) received during the visits.</p> <p>(ii) Obtain electronic copies as far as possible to minimise delivery cost.</p> <p>(d) Follow up with Organisation A over the issue of hotel accommodation charges with a view to meeting EOC's commitment, and keep the Board informed of the development.</p> <p>(e) Remind those on duty visits to bring to the Board's attention any significant programme changes, in particular the addition of material hospitality items, preferably before the commencement of the trips.</p>	<p>(c) Regarding the use of economical means for the delivery of materials obtained during duty visits, the manual mentioned in (b) above will also include a reminder about the matter for staff's guidance.</p> <p>(d) Regarding the conflicting information about the hotel accommodation charges, Organisation A has been contacted and its response is awaited. When clarification is received, the Board will be duly informed;</p> <p>(e) Regarding the reporting of additional hospitality items, the manual mentioned in (b) above will include a reminder for staff's guidance.</p>	<p>(c) Completed. Relevant guidelines have been included in the revised HRAM which will be provided to the Chairperson, EOC Members and staff on duty visits as reminder.</p> <p>(d) Completed. Organisation A has replied to EOC office and EOC has reimbursed the Organisation for the paid amount.</p> <p>(e) Completed. The revised HRMA on undertaking of work-related activities outside Hong Kong (see (b) above) has included a reminder about the reporting of additional hospitality items for staff's guidance.</p>

Audit/PAC's Recommendations	Administration/EOC's Response in March 2009	Progress to Date
(f) Consider recovering from EOC officer concerned the amount of \$514, being one night of subsistence allowance paid in excess of his entitlement.	(f) The visit team departed Hong Kong on 31 August 2007 and returned to Hong Kong on 9 September 2007. A miscalculation occurred in counting the number of nights and the sum of \$514 has been returned to EOC by the officer.	(f) Completed.
Seminars		
<p>7 (a) Remind EOC staff of the need to exercise strict economy in the planning of future events.</p> <p>(b) Identify available alternatives (together with their relative merits and costs) in event budgets to facilitate Board Members' consideration.</p> <p>(c) Identify "desirable non-essential" items (together with their costs) in the event budgets to help Board Members make informed decisions.</p>	<p>Regarding recommendations on the budgetary process, EOC will further formulate guidelines that will take into account Audit's observations.</p>	<p>Completed. Relevant guidelines have been revised to facilitate planning and budgeting of an event in line with the "moderate and conservative principle" and serves to remind staff of the need to exercise strict economy. The guidelines have been implemented in October 2009.</p>

Audit/PAC's Recommendations	Administration/EOC's Response in March 2009	Progress to Date
(d) For "desirable non-essential" items that involve significant expenditure, apply the good practice of approving only those items that have sufficient and documented justifications.		
(e) Require EOC staff to use the environmental bags in stock, instead of procuring new ones, for distribution at future seminars.	(e) The bags procured for the seminars incorporated specific seminar features for the convenience of participants and they have all been distributed. Environmental bags without seminar features that are in stock will be used for distribution at future seminars.	(e) Completed. Staff have been reminded to distribute environmental bags without seminar features that are in stock in future seminars. EOC has put in place in October 2009 a centralised stock control system to ensure that any future purchase decision would have regard to the overall stock situation and availability of alternatives.

Audit/PAC's Recommendations	Administration/EOC's Response in March 2009	Progress to Date	
Procurement and management of stores			
8	<p><i>Procurement procedures</i></p> <p>(a) Ensure compliance with the procurement procedures and requirements stipulated in the Procurement of Stores and Services Manual (PSSM) in future.</p> <p>(b) Taking into account the audit observations mentioned in paragraphs 6.7 to 6.20 of the Audit Report, ensure in future that the need for an item is clearly established before expenditure is incurred.</p>	<p>(a) A briefing has been conducted with the relevant staff to remind them of the need to strictly comply with the PSSM requirements; with regards to the instances identified by Audit (on the meeting of quotation requirement), emphasis has been placed on ensuring proper documentation in those circumstances where the relevant procedural requirement can be waived. Emphasis has also been placed on ensuring that the suppliers' list is reviewed and updated on regular basis.</p> <p>(b) The issue has been included in the staff briefing in (a). The relevant internal manual will be reviewed to highlight the requirement identified by Audit, incorporating conditions to be fulfilled and criteria to be observed in the procurement process.</p>	<p>(a) Completed.</p> <p>(b) Completed. The PSSM and Purchase Requisition Form of EOC have been revised to take into account the Audit recommendations, incorporating conditions to be fulfilled and criteria to be observed in the procurement process.</p>

	Audit/PAC's Recommendations	Administration/EOC's Response in March 2009	Progress to Date
9	<p><i>Disposal of surplus assets</i></p> <p>Draw up guidelines to ensure that the disposal of assets is properly carried out and documented to provide a clear audit trail. In this regard, reference should be made to the practice of the Government in its disposal of surplus assets.</p>	<p>Reference will be made to the Government's practice and guidelines will be incorporated in the PSSM where appropriate. An officer has been designed to take charge of the disposal of assets, and to ensure that proper records are kept to provide a clear audit trail. Regarding the computer equipment mentioned in paragraph 6.26(c) of the Audit Report, EOC will endeavour to reassemble the usable computer parts for donation by the end of April 2009, and dispose of the unusable parts.</p>	<p>Completed. The computer equipment identified by Audit for disposal was disposed of in April 2009 and proper record made and receipt obtained. The guidelines on disposal of surplus assets, drawn up with reference to the system of the Government, have been implemented in September 2009. An Administrative Supervisor has been designated to take charge of the disposal of assets, and to ensure that proper records are kept to provide a clear audit trail.</p>

Audit/PAC's Recommendations		Administration/EOC's Response in March 2009	Progress to Date
10	<p><i>Control of library materials</i></p> <p>(a) Require its staff to acknowledge receipt when borrowing library materials;</p> <p>(b) Conduct periodical stocktaking of the library materials, and take necessary follow-up action on missing items; and</p> <p>(c) Set out procedures for the regular updating of library records and handling of overdue library materials.</p>	<p>EOC conducted a stocktaking exercise and updated the loan records. To improve the computerised library system, a new column has been created for recording items on loan to a division or unit; and full-scale stocktaking exercises will be conducted in future, on an annual basis, for the regular tracking of the exact locations of all items. The current procedures for borrowing, updating and handling overdue library materials will be reviewed and strengthened.</p>	<p>Completed. All staff are now required to acknowledge receipt in writing for any borrowed materials. For any damage or loss of the borrowed materials, the staff concerned would be liable for the replacement of the item at cost. A full-scale stock taking will be conducted annually in future to verify the items and update the records as necessary. The procedures for managing library materials have been reviewed and revised.</p>

Audit/PAC's Recommendations	Administration/EOC's Response in March 2009	Progress to Date
Other administrative issues		
<p>11 <i>Life insurance coverage for the Chairperson</i></p> <p>Seek a specific approval from the Administration for the provision of life insurance coverage for the Chairperson.</p>	<p>EOC will take follow-up actions with CMAB.</p>	<p>EOC Board has recommended to the Administration that retrospective approval should be given to the incumbent Chairperson and former Chairpersons for the provision of life and disability insurance benefits which have been provided for all EOC staff. The incumbent Chairperson, of his own volition and having regard to the limited period remaining in his tenure, has requested that the coverage for the Chairperson be deleted from the group life insurance policy when it fell due on 1 August 2009. The Administration has accepted EOC Board's recommendation and has granted retrospective approval for the provision of life and disability insurance benefits to the incumbent and former EOC Chairpersons on an exceptional basis. EOC has been reminded to pay utmost</p>

Audit/PAC's Recommendations	Administration/EOC's Response in March 2009	Progress to Date
Other administrative issues		
		attention to ensuring that such oversight should not recur.
12	<p><i>Litigation against EOC by former employees</i></p> <p>(a) Ensure that the proceedings are closely monitored in litigation cases involving EOC as a party, with particular attention being paid to the legal costs incurred.</p> <p>(b) Conduct post-litigation review as soon as practicable after conclusion of each case, with a view to identifying lessons to be learnt for future reference.</p>	<p>EOC will explore the feasibility of establishing a formalised process to specify the frequency of review for ongoing complex and time-consuming cases. In the reviews, particular attention will be paid to the case progress, litigation strategy and implications on legal cost. Such review process may also form the basis for conducting post-litigation reviews.</p> <p>Completed. Written guidelines for managing and monitoring litigation cases involving EOC as a party and conducting post litigation review have been adopted in September 2009.</p>
13	<p><i>Office vehicles</i></p> <p>Remind EOC staff of the need to comply with the instructions relating to vehicle journeys.</p>	<p>Staff have been reminded of the need to comply with the relevant instructions.</p> <p>Completed. EOC staff have been reminded to comply with the instructions relating to vehicle log books.</p>

Audit/PAC's Recommendations		Administration/EOC's Response in March 2009	Progress to Date
14	<p><i>Traffic fines</i></p> <p>EOC should review its decision (to pay the fines on traffic offences incurred by its driver out of EOC funds), taking into account Audit's observations.</p>	<p>The matter was reviewed and the relevant staff has paid EOC an amount of \$320 for the fine.</p>	<p>Completed.</p>
Performance reporting in controlling officer's report			
15	<p>Consider developing more performance targets/indicators to measure outcome and productivity, taking into account the practice of the overseas counterparts of EOC.</p>	<p>CMAB will work with EOC to identify new performance targets/indicators to measure the outcome and productivity of EOC; and in doing so, CMAB will take into account the practice of overseas counterparts of the EOC, the targets/indicators as suggested by Audit, and the circumstances and actual operation of EOC.</p>	<p>Completed. The Administration has worked with EOC to identify new performance targets and indicators, including indicators on the percentage of complaints settled through conciliation, the average time taken to reach a conciliation, and the percentage of participants satisfied with EOC's training service and community programmes. We will include them in the next Controlling Officer's Report.</p>

**Follow-up on Director of Audit's Report No. 52
on Hong Kong Arts Development Council**

Director of Audit's Recommendations	Progress of Follow-up Work
CORPORATE GOVERNANCE	
1. Nomination of Hong Kong Arts Development Council members	
<p>(a) The Home Affairs Bureau (HAB) should introduce measures to step up voter registration efforts, lengthen the registration period, widen the publicity channels, and promote the arts community's understanding of the nomination process.</p>	<ul style="list-style-type: none"> • HAB is planning for the 2010 nomination exercise for the Hong Kong Arts Development Council (HKADC) and will take into account the Director of Audit's (D of A) recommendations.
2. Members' attendance at meetings	
<p>HKADC should:</p> <p>(a) monitor the attendance rates at Council/Committee meetings and issue reminders to members with low attendance to draw their attention to the importance of attending meetings;</p> <p>(b) ensure that the requirements laid down in the Members' Handbook for managing members' attendance at Council/Committee meetings are complied with; and</p> <p>(c) continue to provide up-to-date information on members' attendance rates for reference of the arts sectors in the nomination of representatives as Council members.</p> <p>The Secretary for Home Affairs should give due consideration to the members' attendance at Council/Committee meetings in considering reappointments.</p>	<ul style="list-style-type: none"> • HKADC will notify all members of their attendance rates at Council/Committee meetings in June and December every year, and the Administration Office of HKADC (the Administration Office) will report those members who are absent for three meetings continuously without giving prior notice to the Council. In addition, Members' Handbook has been amended to clarify how the attendance of meetings will be calculated. To delete this part from the next progress report. • The 2008 attendance records were posted on the website of HKADC in February 2009. Members' attendance will continue to be uploaded onto the website for public information. To delete this part from the next progress report. • Members' attendance rates have all along been one of the considerations in the past appointment exercises. HAB will continue to give due regard to this factor in making appointments in future. To delete this part from the next progress report.

Director of Audit's Recommendations	Progress of Follow-up Work
3. Proceedings of meetings	
<p>HKADC should:</p> <p>(a) ensure that there is a quorum throughout a Council/Committee meeting; and</p> <p>(b) review the resolutions passed during the two Council meetings when there was not a quorum to see whether remedial actions are needed.</p>	<ul style="list-style-type: none"> • Completed. There were five discussion items with resolutions passed without a quorum. The Administration Office has already sought the Council's covering approvals for the resolutions concerned and will pay attention to the quorum of meetings in future. To delete this part from the next progress report.
4. Declaration of interests by Council members	
<p>(a) HKADC should remind all appointed Council members to submit their declarations of interests to the Administration Office in accordance with the Members' Handbook.</p>	<ul style="list-style-type: none"> • HKADC will call for annual submission of members' declarations in every January. It will adopt the practice of reporting to the Council within three months upon the issue of reminders to members on outstanding declarations. To delete this part from the next progress report.
5. Strategic planning of HKADC	
<p>HKADC should:</p> <p>(a) prepare strategic plans in a timely manner to ensure that there is no break in the planning period; and</p> <p>(b) adopt the good practice of publicising its strategic plans.</p>	<ul style="list-style-type: none"> • Completed. HKADC discussed the 3-year strategic plan and annual business plan in the Council Retreat in June 2009, and the 3-year strategic plan for the years 2009-2011 approved by the Council in July 2009 has been published in HKADC's website. To delete this part from the next progress report.

Director of Audit's Recommendations	Progress of Follow-up Work
6. Audit requirements of the HKADC's statement of accounts	
<p>(a) HKADC should take immediate action to amend the scope of the current audit service contract to ensure that the audit of its annual statement of accounts for 2008-09 will conform with the requirement of MAA signed between the Government and HKADC.</p>	<ul style="list-style-type: none"> • The audit for the year 2008-09 was completed in August 2008 and it shows that HKADC has complied with, in all material respects, all the terms and conditions of the subvention as specified in MAA. The new audit contract from 2009 to 2012, which will be signed in January 2010, will also include provisions to ensure that the audit will conform with MAA requirement. To delete this part from the next progress report.
GRANTS AND PROACTIVE PROJECTS	
1. Appointment of examiners	
<p>HKADC should:</p> <p>(a) remind all examiners to promptly return appointment acceptance forms, and curriculum vitae (CV) forms to register their interests, upon their appointment;</p> <p>(b) continue to follow up with serving examiners who have not returned their appointment acceptance and/or CV forms;</p> <p>(c) only assign application adjudication/project assessment duties to examiners who have submitted their appointment acceptance and CV forms; and</p> <p>(d) ensure that the Code of Conduct requirement on annual submission of updated CV forms by examiners is fully complied with.</p>	<ul style="list-style-type: none"> • Completed. HKADC has withdrawn the appointments of one examiner who failed to submit his CV form and three examiners who failed to submit the appointment acceptance forms according to the direction under the Arts Support Committee (ASC) of HKADC meeting on 25 March 2009. All other examiners have already submitted their appointment acceptance forms or CV. In addition, a standing procedure to obtain approval from ASC to withdraw appointment of examiners who fail to comply with HKADC appointment requirements has been adopted. To delete this part from the next progress report. • Examiners are required to submit or update their declarations of interests in January annually. To delete this part from the next progress report.

Director of Audit's Recommendations	Progress of Follow-up Work
2. Administration of grant and proactive projects	
(a) Projects completed before entering into grant agreements	
<p>HKADC should:</p> <ul style="list-style-type: none"> • require the Administration Office to urgently seek the Council/ASC's decision on a cultural exchange project which is planned to commence shortly after the submission of grant application; and • endeavour to enter into an agreement with the grantee before the commencement of a grant project. 	<ul style="list-style-type: none"> • Completed. ASC has agreed in May 2008 that cultural exchange grant applications should be given priority treatment and processed in batches at least four times a year. The decision of ASC has been implemented since then. To delete this part from the next progress report. • Completed. Since March 2009, deadlines are given in the approval letters requiring successful applicants to sign the agreement before the commencement of a grant project. In addition, the Administration Office has set up a bring-up system to monitor the signing of agreements before the deadlines. To delete this part from the next progress report.
(b) Assessment of grant/proactive projects	
<p>HKADC should:</p> <ul style="list-style-type: none"> • remind the Administration Office to strictly follow the laid-down guidelines in assigning examiners for assessing grant/proactive projects; • require examiners to immediately inform the Administration Office in case they cannot undertake any assigned duties; and 	<ul style="list-style-type: none"> • Completed. The guidelines on assigning examiners for assessing grant/proactive projects have been circulated to staff. The Grants Processing Manual has also been updated accordingly. To delete this part from the next progress report. • Completed. The Administration Office has already revised the assignment letters to examiners reminding them of the need to inform the Administration Office immediately in case they cannot undertake the assigned duties. Should replacement examiners be unavailable for attending the event, the Administration Office would use the visual or audio recording of the event for subsequent assessments by either the same or other examiners. To delete this part from the next progress report.

Director of Audit's Recommendations	Progress of Follow-up Work
<ul style="list-style-type: none"> • closely monitor the deployment of examiners to ensure that project assessments are carried out as planned. 	<ul style="list-style-type: none"> • Completed. A monthly report was compiled in June 2009 to monitor the deployment of examiners to ensure that project assessments are carried out as planned. To delete this part from the next progress report.
(c) Assessment reports	
<p>HKADC should:</p> <ul style="list-style-type: none"> • require the Administration Office to present assessment reports to the Council/ASC for evaluating the effectiveness of their funded projects in furthering arts development; and • consider requiring assessment of the value of performance-related projects towards arts development to be made in the relevant project assessment forms. 	<ul style="list-style-type: none"> • Completed. Starting from July 2009, a list of assessor reports received by the Administration Office will be circulated to Council members periodically. Copies of the assessor reports will be made available to members upon request. To delete this part from the next progress report. • Completed. Assessment forms have already been amended to facilitate assessment of the value of performance-related projects towards arts development. To delete this part from the next progress report.

Director of Audit's Recommendations	Progress of Follow-up Work
(d) Extension of time in completing projects/reports	
<p>HKADC should:</p> <ul style="list-style-type: none"> • issue reminders in accordance with the Procedures Handbook to urge grantees/project organisers to complete their projects/reports by the specified due dates; and • carry out a review to ascertain the grantees/project organisers' difficulties in completing their projects/reports on time with a view to drawing lessons for the benefit of new grantees/project organisers. 	<ul style="list-style-type: none"> • The control system for ensuring timely issue of reminder letters was reviewed. Starting from February 2009, a weekly Frozen Report has been compiled for internal reference to ensure the timely issue of "frozen" and "refund" letters. • Since July 2009, the list of overdue cases has been circulated monthly to members of ASC for consideration of extension of deadlines. Cases requiring extension of deadlines for over six months will be discussed at meetings of ASC. • Since June 2009, the Administration Office has enhanced communication with grantees to agree on a more realistic project completion date before the agreement is drawn up. • ASC will discuss and adopt more stringent measures on those who have repeatedly failed to complete projects/reports on time.

Director of Audit's Recommendations	Progress of Follow-up Work
(e) Handling of long outstanding projects/reports	
<p>HKADC should:</p> <ul style="list-style-type: none"> • issue “frozen” letters and “refund” letters to grantees/project organisers with overdue projects/reports in accordance with the Procedures Handbook; and • take immediate follow-up action on the four long outstanding cases with a view to recovering the grants from the grantees/project organisers. 	<ul style="list-style-type: none"> • Same as (d) above. • The grantees of three of the four cases have submitted the project report. HKADC has issued a statutory demand on 14 April 2009 to the grantee of the remaining outstanding case. If the grantee fails to return a proper audit report by 10 November 2009, HKADC will proceed to obtain the Management Committee's approval for presenting a petition to court for the recovery of the grant amount.
(f) Checking to guard against hidden subsidy	
<p>HKADC should:</p> <ul style="list-style-type: none"> • carry out regular cross-checking with other relevant organisations to guard against understatement by grantees of other financial support. 	<ul style="list-style-type: none"> • Completed. HKADC has set up a monitoring system in July 2009 to guard against double subsidies. HKADC will share and cross-check grant information with HAB and the Leisure and Cultural Services Department (LCSD) to ensure that there will be no double subsidies for projects that are concurrently seeking or receiving funding support from both HKADC and HAB/LCSD. To delete this part from the next progress report.

Director of Audit's Recommendations	Progress of Follow-up Work
(g) Monitoring of a three-year grant	
<p>HKADC should:</p> <ul style="list-style-type: none"> • expedite action to finalise the evaluation mechanism with the Hong Kong International Film Festival Society (HKIFFS) so that a performance assessment can be carried out without further delay; and • include provisions in future grant agreements enabling Audit Commission to access the accounts and records of HKIFFS. 	<ul style="list-style-type: none"> • The funding responsibility over HKIFFS has been transferred from HKADC to the Commerce and Economic Development Bureau (CEDB) on 1 April 2009 in view of the establishment of the Create Hong Kong on 1 June 2009. CEDB is now considering the optimal way to monitor the funding arrangement and operation of HKIFFS. It will take into account the D of A's recommendations in establishing the monitoring system for HKIFFS.
C. ADMINISTRATIVE ISSUES	
1. Relocation of the HKADC Office	
<p>HKADC should:</p> <p>(a) critically examine future office accommodation proposals to ensure that any request for additional space is fully justified by supporting data;</p> <p>(b) require the Administration Office to provide, for the Council's consideration, information on the financial implication of introducing new services;</p> <p>(c) adequately plan for the space and fitting-out requirements of all personnel and services to be accommodated in a new office for future office relocation exercises; and</p> <p>(d) urgently review the space and fitting-out requirements of the planned support services and future expansion with a view to putting the surplus office space into effective use.</p>	<ul style="list-style-type: none"> • Completed. HKADC has accepted D of A's recommendations and will take them into account in future office relocation exercises. To maximise the use of office space, the Administration Office will continue to maintain and monitor the Arts Service Centre's occupancy rate. To delete this part from the next progress report.

Director of Audit's Recommendations	Progress of Follow-up Work
2. Management of Investments	
<p>HKADC should:</p> <p>(a) expand its list of banks for obtaining interest rate quotations for the placement of time deposits;</p> <p>(b) maximise its investments in banks offering the best interest rates, as far as practicable;</p> <p>(c) ensure that the laid-down rule on approving investments is strictly followed; and</p> <p>(d) improve its cash flow planning so as to invest more surplus fund for interest income.</p>	<ul style="list-style-type: none"> • Completed. The Administration Office has reviewed its practice of investment management and obtained additional interest rate quotations from banks for reference to maximise time deposit return. To delete this part from the next progress report. • Completed. The laid-down rule on approving investments is now added under a note to the investment proposal to remind the two approving persons and the Administration Office to observe the rule. To delete this part from the next progress report. • Completed. The hand down practice on one-month cash flow forecast was changed to two-week cash flow forecast for investment decision making. To delete this part from the next progress report.
3. Entertainment and overseas duty visit expenses	
<p>HKADC should:</p> <p>(a) maintain proper guest attendance records to support entertainment expenses;</p> <p>(b) abide by the spending limits when incurring entertainment expenses; and</p> <p>(c) ensure compliance with the laid-down rules on overseas duty visit expenses.</p>	<ul style="list-style-type: none"> • Completed. With a view to improving the reporting of information on entertainment and overseas visit expenses, the relevant report form for seeking expenditure approval has been revised by specifying the expenditure per head. To ensure that HKADC members can act in compliance with the laid-down rules on overseas duty visit expenses, the Members' Handbook of HKADC has been amended to cover arrangements for members attending or acting as officiating guests for HKADC in outbound events presented or co-presented by HKADC. To delete this part from the next progress report.

Director of Audit's Recommendations	Progress of Follow-up Work
4. Management of human resources	
(a) HKADC should require the Administration Office to seek the Council's or the Management Committee's approval for any variation to the terms of the Staff Handbook that carries recurrent cost implication.	• Completed. The Administration Office has sought covering approval from the Management Committee for the staff insurance scheme. To delete this part from the next progress report.
