

**THE GOVERNMENT MINUTE**

**in response to the**

**REPORT NO. 53 OF  
THE PUBLIC ACCOUNTS COMMITTEE**

**dated February 2010**

**12 May 2010**



**THE GOVERNMENT MINUTE IN RESPONSE TO THE  
PUBLIC ACCOUNTS COMMITTEE (PAC) REPORT NO. 53  
DATED FEBRUARY 2010**

**REPORT ON THE RESULTS OF VALUE FOR  
MONEY AUDITS  
(Report No. 50)**

**MATTERS OUTSTANDING**

**Commercialisation and utilisation of government properties** (Chapter 1 of Part 4 of PAC Report No. 50)

*Utilisation of entrance/exit areas that were previously reserved for the Mass Transit Railway (MTR) in private developments*

- In September 2009, MTR Corporation Limited advised the Government that they had no plan to use the government-owned entrance/exit area originally reserved for MTR (MTR reserved area) in Building A. As for Buildings B and C, MTR Corporation Limited confirmed in March 2010 that, upon finalisation of its long term planning in the Western District, MTR reserved areas would not be required for future railway extensions and could be released to the Government for other uses. The Government Property Agency (GPA), the Buildings Department (BD) and other departments are exploring options to put these entrance/exit areas to other uses. In March 2010, BD indicated no in-principle objection to changing the use of these entrance/exit areas to office/shop/advertising. The departments concerned will continue to work on other factors with a view to putting these entrance/exit areas to other uses. These factors include the need to comply with the requirements of the Buildings Ordinance, the provisions in the Deed of Mutual Covenant of the relevant buildings, technical restrictions of the associated building structures, etc.; and
- GPA has obtained legal advice on issues relating to water seepage problems in MTR reserved areas in Buildings A and B. GPA wrote to the Incorporated Owners (IO) of Buildings A and B in April 2009 and March 2009 respectively requesting them to carry out the necessary repair works. GPA is discussing with IO of Building B how best to take forward the necessary repair works and awaiting a response from IO of Building A.

**The Society for the Aid and Rehabilitation of Drug Abusers** (Chapter 2 of Part 4 of PAC Report No. 50)

***Strategic Management, Performance Measurement and Reporting***

2. Following Government's advice on the strategic direction to suitably re-engineering its services to cater for more psychotropic substance abusers (PSAs), the Society for the Aid and Rehabilitation of Drug Abusers (SARDA) provided in December 2009 to Narcotics Division of Security Bureau (ND) a framework proposal for a new three-year pilot programme (Project Youth Care). At the same time, SARDA applied to the Hong Kong Jockey Club Charities Trust (HKJCCT) for funding support for the proposed pilot programme. The latter follows a multi-disciplinary and holistic service model to deliver drug preventive and rehabilitation programmes to youths aged 12 to 18, providing one-stop service comprising "primary", "secondary" and "tertiary" levels. Services include medical check-up, treatment, social work intervention, supported by residential character training for male clients using under-utilised facilities of the Shek Kwu Chau Treatment and Rehabilitation Centre and an after-care programme. SARDA plans to partner with a non-governmental organisation with more experience in engaging PSAs to provide community-based medical care and treatment services.

3. ND is coordinating with relevant departments to assess the support-worthiness of the proposal. If feasible, the proposed pilot programme may help SARDA further demonstrate its capability in treating and rehabilitating young PSAs, and serve as a basis to work out an appropriate level of longer-term resources required by SARDA for providing new programmes for PSAs.

4. Separately, a study is being conducted to consider the feasibility and arrangement for re-prioritisation of SARDA's existing resources in order to expand its capacity to serve more PSAs and to enable more effective management of such resources. An accounting template is being developed to facilitate future financial reporting of SARDA's service programmes. ND is working in collaboration with Department of Health (DH) and SARDA to refine the recommendations for mapping out the strategic way forward and facilitating performance measurement and reporting, also taking into account the progress of Project Youth Care.

***Corporate Governance***

5. Following completion of a review on SARDA's corporate governance and in line with its recommendation and the Social Welfare Department (SWD)'s prevailing policy, SWD withdrew representation on SARDA's Executive Committee (EC) in December 2009. SARDA is studying the other recommendations, including that on DH's nomination of three persons (not being government officials or SARDA members) as EC members. ND is working with DH and SARDA to expedite the matter.

***Management and Control of Government Subvention***

6. DH and SARDA have made useful exchanges and progress in finalising a Funding and Service Agreement (FSA). Having regard to the proposed new strategic direction of SARDA as set out above, appropriate provisions will need to be included in the FSA. DH and SARDA will further examine the draft FSA in collaboration with ND with a view to concluding the FSA as soon as possible.

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

**MATTERS OUTSTANDING**

**Administration of short term tenancies** (Paragraphs 3 to 4 of Part 3 of PAC Report No. 51)

7. The Lands Department (Lands D) is now implementing on a trial basis a requirement for tenderers to submit a bank reference in the tender documents.

8. On the issue of sharing tenants' information among relevant government departments, Lands D has with effect from May 2010 started sharing with GPA information on tenants who are successful in Government land tender exercises.

**Management of government fresh food wholesale markets** (Paragraphs 5 to 7 of Part 3 of PAC Report No. 51)

*Letting of market facilities*

*Poultry market at Western Wholesale Food Market (Western Market)*

9. In 2009, the Central and Western District Council set up a Working Group on Beautification and Enhancement of the Central and Western District Harbourfront (the Working Group). One of its tasks, among other things, is to explore whether the under-utilised premises at the Western Market can be put to alternative uses that would complement harbourfront development; and whether the vacant piers at the Western Market, as mentioned in paragraph 10 below, can be reused. The concerned bureaux and departments are studying the comments received from the Working Group. The Administration suggests deleting this part from the progress report as its future development has been taken up by the above Working Group.

*Four unused piers at Western Market*

10. The Development Bureau (DEVB) together with other concerned bureaux and departments are looking into the possible re-use of the four vacant piers at the Western Market so that these piers would contribute to the vibrancy of the waterfront. The Administration suggests deleting this part from the progress report as its future development has been taken up by the Working Group as mentioned in paragraph 9 above.

### *Collection of rentals*

11. The overall overdue rental situation has improved. The Agriculture, Fisheries and Conservation Department (AFCD) will start levying surcharge on late payment of rental from 1 April 2010. As the Administration has already taken the necessary measures to follow up on the Audit and PAC recommendations, we suggest deleting this part from the next progress report.

### *Managing daily market operation*

12. AFCD will continue reviewing the effectiveness of the market entry registration system with the Hong Kong Police and the relevant Market Management Advisory Committees. Since the relevant Market Management Advisory Committees will follow the development, the Administration suggests deleting this part from the next progress report.

### *Reprovisioning of Outdated Wholesale Markets*

13. With a view to reaching a mutual understanding with the fruit wholesalers at the Yau Ma Tei (YMT) Fruit Market, the Administration has continued to actively engage the stakeholders in discussion through various channels, including meetings with the fruit wholesalers at the YMT Fruit Market and the Western Market, as well as Legislative Councilors and District Council members. Upon further discussion with the fruit wholesalers and the relevant District Councils on the relocation, the Administration will proceed with the development of the new wholesale fruit market according to the timetable forwarded to PAC earlier. As follow-up action will continue to be taken on an on-going basis, the Administration suggests deleting this part from the next progress report.

### **Management of the government fleet (Paragraphs 3 to 4 of Part 4 of PAC Report No. 51)**

#### *Charging on the use of workshops by contractors*

14. Earlier this year, the Marine Department conducted a tender exercise adopting the newly devised charging scheme to allocate the workshops at the Government Dockyard for use by contractors. The tender exercise was successfully concluded in March 2010 and the charging scheme took effect from 1 April 2010.

15. As follow-up actions have been duly completed for this item, we recommend deleting this item from the next progress report.

**Provision of public museum services** (Paragraphs 5 to 6 of Part 4 of PAC Report No. 51)

*Acquisition and management of museum collection items*

16. The Leisure and Cultural Services Department (LCSD) continues its best efforts to clear the backlog of collection items pending accession in the Hong Kong Museum of History (HKMH), the Hong Kong Heritage Museum (HKHM) and the Hong Kong Film Archive (HKFA). By 1 March 2010, HKMH, HKHM and HKFA had processed the majority of their backlog items. The numbers of backlog items cleared by HKMH, HKHM and HKFA are 256 925, 16 767 and about 363 000 respectively. For HKMH, it is now processing the remaining 855 backlog items which require detailed study of their background before formal accessioning. For HKHM and HKFA, the number of items to be accessioned are 1 983 and about 73 000 respectively. HKMH, HKHM and HKFA aim to complete the accession by end 2010 as scheduled, and HKFA will continue to engage temporary staff to assist in the accession work. The task force formed by LCSD to monitor the progress of clearing backlog items for accession conducted three site inspections to HKMH, HKHM and HKFA between September 2009 and March 2010, and will continue to closely monitor progress by conducting site inspections once every four months.

17. LCSD is considering the feasibility of converting the temporary storage space at Yip Shing Street, Kwai Chung for use by HKMH.

*Performance of LCSD museums*

18. The Hong Kong Science Museum is making preparation for the opening of its Jockey Club Environmental Conservation Gallery in August 2010 to promote the awareness of environmental protection and green living.

19. The Astropark in Sai Kung, one of the outreach projects of Hong Kong Space Museum, was completed and opened to the public on 30 January 2010. The Astropark is well received by the public.

20. The Hong Kong Museum of Art has introduced sign language services in guided tours since 30 December 2009. Public guided tours with additional sign language interpretation have been arranged for different exhibitions on a monthly basis in 2010 with a view to encouraging hearing-impaired persons to come into closer contact with art. The service will be in place on a trial basis for one year.

**Provision of aquatic recreational and sports facilities** (Paragraphs 7 to 8 of Part 4 of PAC Report No. 51)

***Improving water quality of the gazetted beaches in Tsuen Wan District***

21. The Administration advanced the commissioning of part of the disinfection facilities (advance disinfection facilities (ADF)) under the Harbour Area Treatment Scheme Stage 2A to December 2009. The commissioning of ADF and its full operation since March 2010 have helped improve the water quality of the gazetted beaches in Tsuen Wan. As action has been completed, we recommend deleting this part from the next progress report.

***De-gazetting of the Kiu Tsui Beach on Sharp Island***

22. Lands D confirmed that the private developer had cleared the unauthorised structures on Sharp Island by September 2009. Up till March 2009, Lands D did not receive any proposal from the private developer for the development of the area into a holiday resort. Lands D will consult other relevant government departments, including LCSD, should any proposal be received.

***Alignment of fees and charges of all swimming pool complexes and swimming training courses***

23. The Working Group for fees and charges review for leisure services (the Working Group) continues to examine various aspects of the fee structures and fee levels for using different types of recreation and sports facilities managed by LCSD. A number of studies on, among others, the utilisation rates, the impact of changing or aligning the fee structures/fee levels on the cost recovery rates, and the concessionary arrangements, were conducted. The findings of these studies have provided useful input to the review. However, in view of the scale and complexity of the review, preliminary proposals for some categories of leisure services fees (including fees for using swimming pool complexes) need to be further examined and discussed.

24. The Working Group is also reviewing all the fees for recreation and sports programme organised by LCSD (including swimming training courses), and is studying the financial implications of changing or aligning the fees for all programmes, the impact on the concessionary arrangements, etc.

25. LCSD has accorded the highest priority to completing the fee alignment review and would conduct public consultation once proposals are drawn up.

**University Grants Committee funded institutions - Governance, strategic planning and financial and performance reporting** (Paragraphs 9 to 10 of Part 4 of PAC Report No. 51)

*Corporate governance of institutions*

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

26. The Court of the University of Hong Kong (HKU) resolved in December 2005 that the University of Hong Kong Ordinance should be amended so that the descriptions of the respective roles of the Council and the Court therein would be consistent with their powers as set out in the relevant statutes. The proposal for the relevant legislative amendments has been discussed by the Legislative Council (LegCo) Panel on Education on two occasions. HKU is refining its legislative proposal in light of views received at the Education Panel Meetings, and will submit it to LegCo when ready.

**University Grants Committee funded institutions - General administrative services** (Paragraphs 11 to 12 of Part 4 of PAC Report No. 51)

*Student hostels*

*Review of the existing policy on students' grants and loans*

27. The Joint Committee on Student Finance (JCSF) which advised the Administration on the operation of the "Tertiary Student Finance Scheme – Publicly-funded Programmes" had previously recommended, among other things, that needy students should be provided with an accommodation expenses loan. This recommendation would be considered in the context of a consultancy study on the review of the mechanism for setting and adjusting the levels of living expenses loans for post-secondary students. We aim to consult the JCSF on the initial recommendations of the study in the latter half of 2010.

**University Grants Committee funded institutions - Staff remuneration packages and stipends** (Paragraphs 13 to 14 of Part 4 of PAC Report No. 51)

*Pay structure*

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

28. PolyU has completed the drafting of The Hong Kong Polytechnic University (Amendment) Bill 2009 to, among other things, define more clearly the PolyU Council's role in drawing up the University's policy governing the terms and

conditions of service of staff. The Bill was discussed by the LegCo Panel on Education on 9 November 2009. PolyU is refining the Bill in light of views received at the Education Panel Meeting, and will submit it to LegCo when ready.

**Services provided by the Official Receiver's Office** (Paragraphs 15 to 16 of Part 4 of PAC Report No. 51)

29. The expanded scheme to outsource more debtor-petition bankruptcy cases to private sector insolvency practitioners has commenced in January 2010, with seven firms awarded contracts there under. Official Receiver's Office (ORO) does not foresee any difficulties with the scheme's operation.

30. Due to the limited size of the market and pool of insolvency professionals in Hong Kong, the per capita cost of operating a "cab rank" or licensing system would be considerably high, and is likely to be translated into higher cost for insolvency services. Rather than establishing and up keeping a statutory "cab rank" or licensing system, we consider it appropriate to facilitate the established professional sectors to deliver insolvency services effectively instead. Nonetheless, ORO will keep in view the market developments and take these issues into consideration in the context of reviewing its outsourcing schemes from time to time. The comprehensive review of ORO's cost of operation/impact on fees and charges is expected to be completed later in the year.

**Recoverability of the outstanding advances to the United Nations High Commissioner for Refugees** (Paragraphs 17 to 19 of Part 4 of PAC Report No. 51)

31. The Administration has continued to urge the United Nations High Commissioner for Refugees (UNHCR) to make renewed efforts to appeal to the international community for donations with a view to settling the outstanding advances, which remain at \$1,162 million. The Security Bureau (SB) wrote to the Head of Hong Kong Sub-office of UNHCR in August 2009 and March 2010 respectively to register the community's expectation of an early recovery of the outstanding advances.

32. Although it was not optimistic that repayment can be made in the foreseeable future due to other more pressing refugees and humanitarian issues around the world faced by UNHCR, the Administration will continue to press UNHCR for an early repayment of the outstanding advances.

**Footbridge connections between five commercial buildings in the Central District**  
(Paragraphs 20 to 21 of Part 4 of PAC Report No. 51)

33. Lands D has met with the representatives of the owner of Building II together with representatives from Transport Department and BD to further discuss the advantages and constraints of various connection options for the proposed footbridge. The option of setting up a footbridge support at the pavement of Queen's Road Central was considered not feasible. Owner of Building II has been requested to continue the feasibility study of various options. Lands D will coordinate another joint meeting with the owners of Buildings I and II to discuss the requirements of both owners in materialising the footbridge proposal.

**Small house grants in the New Territories** (Paragraphs 24 to 26 of Part 4 of PAC Report No. 51)

*Implementation of small house policy*

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

**The acquisition and clearance of shipyard sites** (Paragraphs 29 to 31 of Part 4 of PAC Report No. 51)

*Resumption and Clearance of North Tsing Yi Shipyard Site*

35. Since January 2009, Lands D has implemented the audit recommendation of enforcing strictly the self-demolition requirement in short term tenancies and seeking Financial Services and the Treasury Bureau (FSTB)'s approval for waiver of such requirement on a case-by-case basis if the circumstances so justify. We will continue to adopt this arrangement in dealing with future cases. As no further follow-up action is required, we recommend deleting this part from the next progress report.

*Assessment of Contamination at the Penny's Bay Shipyard Site*

36. In January 2009, the Court of Appeal (C of A) allowed the ex-lessee's appeal against the Lands Tribunal's judgment. The Administration subsequently appealed to the Court of Final Appeal (CFA) against the judgment of C of A. CFA handed down its judgment on 26 March 2010 and unanimously allowed the appeal made by the Administration. The amount of compensation will be determined by the Lands Tribunal in due course.

**Grant of land at Discovery Bay and Yi Long Wan** (Paragraphs 39 to 40 of Part 4 of PAC Report No. 51)

***Site boundaries of Discovery Bay and Yi Long Wan Development***

37. As the land encroachment problems of Yi Long Wan Development give rise to complex legal and operational issues, the Department of Justice had sought legal advice from outside counsel on the legal issues after consideration of the problem and discussion with Lands D. On the basis of the legal advice received, Lands D is now considering what further action to take.

**Development of a site at Sai Wan Ho** (Paragraphs 41 to 42 of Part 4 of PAC Report No. 51)

38. We are continuing with our review on gross floor area (GFA) concessions granted under the Buildings Ordinance. In collaboration with DEVB and the Environment Bureau (ENB), the Council for Sustainable Development conducted a public engagement process on “Building Design to Foster a Quality and Sustainable Built Environment” from June to October 2009. The review on provision of essential, green and amenity features in buildings and GFA concessions is one of the three areas for consideration and discussion by the community. The Council is analysing the views collected and aims to submit a report and its recommendations to the Government by mid-2010. We will carefully assess the findings and recommendations of the Council before deciding on the way forward.

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

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

**Administration of the DesignSmart Initiative** (Chapter 1 to Part 8 of PAC Report No. 51)

***Review of the Design Support Programme (DSP)***

41. Create Hong Kong conducted a review of the General Support Scheme and the Professional Continuing Education Scheme under DSP and an overarching review of DSP in December 2009 and April 2010 respectively. It is consulting the DesignSmart Initiative Assessment Panel and will incorporate comments and suggestions received as appropriate. As Create Hong Kong has taken follow-up actions to address Audit’s recommendations, we recommend deleting this part from the next progress report. We will make public announcement of changes to the schemes when they are finalised.

***Further measures taken by Hong Kong Design Centre (HKDC) to improve its internal control and accounting systems***

42. HKDC has set up an Audit Committee to oversee an internal audit programme which covers both financial audit and procedural compliance. It has also appointed an outside audit firm to execute the programme. A two-year audit plan has been prepared and the audit programme will be initiated by May 2010. As HKDC has taken follow-up actions to address PAC's concern, we recommend deleting this part from the next progress report.

**Management of public markets (Chapter 3 to Part 8 of PAC Report No. 51)**

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

43. Further to the Administration's submission to the Legislative Council Panel on Food Safety and Environmental Hygiene (the Panel) in July 2009 putting forward its preliminary views on the positioning, functions and level of subsidisation of public markets, the Food and Environmental Hygiene Department (FEHD) organised 11 consultation sessions from September to October to collect views from District Councillors, market tenants, representatives from market trader associations and Market Management Consultative Committees. The Administration reported the outcome of the consultation to the Panel on 10 November 2009.

44. On the positioning and functions of public markets, tenant and trader representatives generally shared the view that public markets are one of the major sources of fresh provisions and daily necessities for the grassroots. In addition, public markets also play an important role in providing employment and business opportunities for the grassroots. As regards the subsidisation of the operation of public markets, tenant and trader representatives viewed public markets as community facilities serving the whole population. Therefore, they considered that the Government should subsidise the operation of public markets.

45. The Government will take into account these views in the formulation of relevant policies in future. As follow-up action will continue to be taken on an on-going basis, we recommend deleting this part from the next progress report.

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

46. The patron opinion surveys on 39 cooked food centres and 25 stand-alone cooked food markets were completed in the second half of 2009. FEHD plans to present the findings to the Panel within this legislative year. As this issue will be followed up with the Panel, we recommend deleting this part from the next progress report.

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

47. Since consultation had to be conducted on the proposed rental adjustment mechanism as well as the positioning, functions and subsidisation level of public markets, the Administration has tackled both issues in one go. We briefed the Panel in July 2009 on the proposed mechanism, consulted the trader representatives from September to October, and reported to the Panel on 10 November on the outcome of the consultation.

48. In general, tenant and trader representatives were of the view that, as the current operating environment was difficult, it was not opportune to discuss the rental adjustment mechanism at the moment. Moreover, tenant and trader representatives were sceptical of the assessment of "Open Market Rental" as the basis for determining stall rentals. The Administration will further review the proposed rental adjustment mechanism with reference to these views. Upon completion of the review, we will report to the Panel at a suitable juncture. As on-going discussion on this issue will be conducted with the Panel, we recommend deleting this part from the next progress report.

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

49. The Administration reported to the Panel on 10 November 2009 that the assessment of rates of individual market stalls involved a substantial amount of administrative work and was estimated to require more than one year to complete. FEHD would work with the relevant departments and tenants on the specific arrangements for the recovery of rates. As follow-up action will continue to be taken on an on-going basis, we also recommend deleting this part from the next progress report.

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

50. Instead of tenancy extension by writing as has been the practice over the past years, FEHD plans to invite tenants whose tenancies are due to expire on 30 June 2010 to appear in person at designated branch offices to sign tenancy agreements on or before that day.

51. In addition, FEHD also proposes a one-off tenancy transfer scheme to regularise the status of market stall operating partners. New tenants who successfully apply to take over the tenancies will sign a new tenancy agreement, in which clauses aimed at stepping up control over subletting will be included.

52. After the Administration briefed the Panel on the details of the above two proposals on 13 April 2010, the Panel would invite deputations to its meeting in May 2010 and listen to views of the trade. As on-going discussion on this issue will be conducted with the Panel, we recommend deleting this part from the next progress report.

***The progress made in implementing other audit recommendations***

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

53. The Administration reported to the Panel on 10 November 2009 the views of the tenant and trader representatives on the proposal to recover air-conditioning cost from stall tenants. Generally speaking, the tenant and trader representatives objected to the proposal. The Panel considered that the Administration should review the proposal to recover air-conditioning cost. As on-going discussion on this issue will be followed up with the Panel, we recommend deleting this part from the next progress report.

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

54. FEHD organised three regional retreats on public markets in December 2009. Representatives of district councils, area committees, market tenant and trader associations were invited to give their views on public market improvement measures and design concepts of new markets. FEHD is following up on the feasible suggestions received. As follow-up action will be taken on an on-going basis, we recommend deleting this part from the next progress report.

**Reduction and recovery of municipal solid waste (Chapter 4 to Part 8 of PAC Report No. 51)**

55. ENB and the Environmental Protection Department have taken actions to address the following improvement items recommended by the Director of Audit's Report: take necessary measures with a view to achieving the target on reduction of municipal solid waste (MSW) generated as set out in the 2005 Policy Framework; ascertain the reasons for the increase in the per capita MSW generated and take necessary measures to contain the increase; keep under review the need to raise the target on the recovery rate of MSW; and consider conducting periodic surveys to estimate the quantities of recyclable waste recovered under the source separation of domestic waste programme for information of stakeholders and the general public. The progress of the various items are set out in Enclosure 1.

56. As all related improvement measures have been taken on board and will be included as on-going initiatives for regular reporting to the Legislative Council's Panel on Environmental Affairs on the implementation progress of the "Policy Framework for the Management of Municipal Solid Waste (2005-2014)", we recommend deleting this chapter from the next progress report.

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

**MATTERS OUTSTANDING**

**Emergency ambulance service (Part 4 of PAC Report No. 51A)**

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

57. The Administration conducted a four-month public consultation between July and November 2009 on the proposed introduction of a Medical Priority Dispatch System (MPDS) to prioritise the dispatch of ambulances in accordance with the degree of urgency of ambulance calls. We reported the results of the consultation to the Legislative Council Panel on Security (the Security Panel) on 13 April 2010. We will carefully consider the views and comments of Members before deciding on the way forward. We will keep PAC informed of progress.

***Progress made in implementing the electronic ambulance journey records***

58. The Fire Services Department (FSD) launched the new electronic Ambulance Journey Records System (e-AJRS) by phases with effect from 23 November 2009. After the satisfactory launch in the Hong Kong Region, FSD has been rolling out the system in the Kowloon and New Territories Regions since February 2010. We recommend deleting this part from the next progress report.

***Timetable and result of the review of the 12-minute target response time for Emergency Ambulance Service (EAS)***

59. If the proposed MPDS is accepted for implementation, it will lead to fundamental changes to the mode of ambulance dispatch and operations, and the response time targets will be adjusted accordingly. The Administration will revisit the target response time for EAS after the way forward for the proposed MPDS is clear. We will keep the PAC and the Security Panel informed of progress.

***Progress made in identifying suitable sites in the New Territories Region for constructing additional ambulance depots***

60. Apart from using the Ta Kwu Ling Rural Centre Government Building as a temporary ambulance day-time standby point, FSD has continued to explore the feasibility of adding another temporary standby point at Lady Ho Tung Dispensary in Kwu Tung and constructing a new ambulance depot in Sheung Shui. The Administration will keep the PAC informed of progress.

***Review on the allocation of ambulance resources among individual divisions***

61. FSD has reviewed the allocation of ambulance resources among individual divisions. 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, Yuen Long Ambulance Depot and Po Lam Ambulance Depot. FSD will continue to monitor closely the response time performance of all divisions and review the allocation of ambulance resources regularly. 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, and maintaining the availability of the ambulance fleet at a level that can meet public expectation***

62. On the establishment of an Ambulance Management Information System (AMIS) for the provision of more timely and detailed information on the breakdown and maintenance history of individual ambulances, FSD is working out the user requirements of the system with the Efficiency Unit (EU) and will inform the PAC of further progress.

***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***

63. The Administration has devised a better planned and transparent ambulance replacement programme with a view to facilitating FSD to plan and manage its replacement orders over a reasonable timeframe. Under the improved programme, in general, FSD replaces one-seventh<sup>Note</sup> of its entire fleet on a routine basis annually. Furthermore, FSD has full discretion in deploying the additional provision to replace any individual ambulance in its fleet as appropriate, having regard to the advice of the Government Logistics Department (GLD), vehicle condition upon examination by the Electrical and Mechanical Services Department (EMSD), and daily performance of vehicle as reflected by its operating ambulance staff. This will help maintain the average age of the ambulance fleet at a healthy level and improve the overall reliability of the fleet. As details have been reported to the Security Panel on 1 December 2009, we recommend deleting this part from the next progress report.

***Review of the existing methodology of estimating the number of additional ambulances required***

64. The number of additional ambulances required was estimated on the basis of the number of additional shifts for the projected increase in ambulance calls, plus an allowance for maintenance. While this methodology was found to be in order, FSD has

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<sup>Note</sup> The normal serviceable life of an ambulance is about seven years.

reviewed the mechanism for estimating the number of ambulance required for maintenance reserve and a new method has been worked out and agreed with the Security Bureau and GLD. Under the new arrangement, the number of reserved ambulances required is projected on the basis of the age profile of the ambulance fleet and the breakdown rates of vehicle groups of different “ages”. We recommend deleting this part from the next progress report.

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

65. To enhance management of the ambulance service and further optimise the utilisation of resources, FSD plans to create 11 new posts in the Ambulance Command starting from 2010-11. These new posts will be deployed to, among other duties, maintain and manage essential information about the ambulance fleet; monitor the replacement, maintenance and acquisition of ambulances; enhance quality assurance programmes; and reinforce the Ambulance Command’s strategic planning, deployment and training capabilities.

66. In addition, EU has completed a study on FSD’s internal information and resource management functions and identified areas for improvement. These recommendations include the establishment of a comprehensive AMIS (see paragraph 62 above) to enhance the management of ambulance information and resources; clearer delineation of the roles and functions of officers in fleet management; strengthening monitoring of the maintenance services provided by EMSD under the Service Level Agreement; and providing staff with relevant training. FSD has accepted these recommendations for full implementation. We therefore recommend deleting this part from the next progress report.

***Review of the ambulance turnout time***

67. As mentioned in paragraph 59 above, if the proposed MPDS is accepted for implementation, the response time targets including the turnout time and travelling time will be adjusted accordingly. The Administration will revisit the ambulance turnout time after the way forward for the proposed MPDS is clear. We will keep the PAC and the Security Panel informed of progress.

***Expediting the process for replacing ambulances***

68. An expedited process for the replacement of ambulances has been adopted to reduce the time required from the bidding of funds to the actual delivery of ambulances from 33 months to 25 months. We recommend deleting this part from the next progress report.

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**Chapter 1 – Administration of the Sports Subvention Scheme**

69. LCSD accepts the recommendations made by the Audit Commission (Audit) and PAC on the administration of the Sports Subvention Scheme (the Scheme). The Department is following up on the recommendations by comprehensively reviewing the Scheme and implementing measures to enhance the National Sports Associations' (NSAs') compliance with the subvention guidelines.

*Comprehensive review of the Scheme*

70. LCSD has set up a Steering Committee, chaired by the Director of Leisure and Cultural Services, to conduct a comprehensive review (the Review) of the Scheme. The objectives are to improve the effectiveness and efficiency of the Scheme, enhance internal control of NSAs and the monitoring work of LCSD, as well as increase the transparency of the subvention policy and approval procedures.

71. The Steering Committee is underpinned by three working groups to examine issues relating to (a) allocation of subvention; (b) LCSD's monitoring work, NSAs' reporting requirements, internal control and compliance; and (c) manpower and financial implications. In conducting the Review, LCSD aims to strike a balance between strengthening monitoring of the use of public funds and maintaining reasonable flexibility for NSAs in their planning and implementation of programmes.

72. The working groups started work in January 2010. The Steering Committee met in March 2010 to provide steer and advice to the working groups so that the latter could continue with their deliberations and report their recommendations to the Steering Committee in due course. The Review is scheduled for completion in early 2011. NSAs will be consulted on the proposed improvement measures before the Steering Committee finalises its recommendations.

*Performance targets and allocation of subvention*

73. To address PAC's concern on the setting of performance targets for NSAs and the establishment of performance-based criteria to determine the amount of subvention to be granted to NSAs, LCSD will examine in the Review how individual NSAs' achievement of their performance targets under the Scheme could be better linked to the subvention level. For instance, LCSD will consider establishing a reward/penalty system based on NSAs' past performance in determining the subvention level to be granted in the following annual subvention exercise. LCSD has put across to

NSAs Audit's recommendation that they should set more objective and quantitative performance targets in their annual plans for the purpose of applying for subvention. LCSD will also devise clearer guidelines for NSAs on the setting of objective/quantitative performance targets.

74. As part of the Review, LCSD will also examine the need for maintaining the two funding approaches adopted in determining the subvention for different categories of sports programmes.

75. To address PAC's concern that the budget submitted by an NSA should be examined having regard to its actual expenditure/income in the previous year, LCSD will adopt new measures to ensure that the determination of subvention for individual NSAs would take into account their achievement of the agreed performance targets, the evaluation reports with statements of accounts on individual programmes, the audited reports of the previous subvention period, as well as NSAs' compliance record with relevant subvention requirements. LCSD will also ensure that the subvention documents are properly filed and their movements duly recorded. Besides, LCSD has reminded its staff to be more careful in adjusting NSAs' budget for subvention allocation purpose.

#### ***Monitoring of NSAs' performance***

76. LCSD accepted the comments made by Audit and PAC on the inadequate monitoring of the performance of NSAs, including their late submission of reports and financial statements, and non-compliance with reporting requirements. LCSD has adopted a number of measures to enhance the monitoring of NSAs' performance. First of all, during the annual meetings with NSAs held in late 2009 and early 2010, LCSD reminded NSAs of the importance of strict compliance with the subvention agreement and related guidelines. To increase the deterrent effect against non-compliance, LCSD has revised the provisions in the subvention agreement for 2010-11 by adding a new provision to allow the Department to take retrospective sanction against NSAs which fail to fulfill the obligations stipulated in the agreement.

77. Furthermore, LCSD has completed a study on the restructuring of the business process of the Scheme in February 2010. One of the recommendations of the study is to develop a computerised system to enhance the Department's operational efficiency in administering the Scheme and timely monitoring of NSAs' compliance, as well as to facilitate effective submission of reports by NSAs. LCSD is in the process of developing the computerised system. Phase I of the system, which will enhance LCSD's monitoring capability, is planned for implementation in 2011-12; while Phase II, which will help improve NSAs' communication, operational efficiency and online reporting capability, is expected to be completed in 2012-13. The new computerised system will help address PAC's concern on NSAs' late submission of reports and

financial statements by generating reminders to LCSD staff and NSAs at the same time, so that appropriate follow-up actions could be taken by both parties. It will also help monitor any inadequacies and non-compliance in NSAs' reports. Meanwhile, LCSD staff has also taken follow-up actions to send reminders to request NSAs to submit timely reports and financial statements and to provide explanations if subvented programmes were cancelled. Besides, LCSD will review guidelines to ensure that reports submitted will be checked thoroughly, and that the annual accounts will be processed promptly.

78. Also, as part of the Review, LCSD is actively exploring ways to streamline the reporting requirements for NSAs and to revise the report format with a view to reducing the reporting burden on NSAs and facilitating examination by LCSD staff. In this regard, the Review will also examine the manpower required by LCSD in ensuring the efficient and effective administration of the Scheme.

79. Apart from the above, LCSD will also revise the existing guidelines to facilitate its staff in conducting risk-based on-site inspections of subvented programmes, taking into account NSAs' past performance and the nature of the programmes. Furthermore, LCSD will consider conducting user surveys to gauge the feedback of users or participants on the subvented programmes.

80. To address the concerns of Audit and PAC about allowing NSAs to retain the unspent subvention of cancelled programmes, LCSD has reviewed the calculation of the reserve fund balance for all NSAs and recovered funds from those NSAs carrying a reserve fund balance that exceeds 25% of the annual subvention. To enhance LCSD's monitoring work, the Department has revised the terms of the subvention agreement for 2010-11 to require NSAs to keep separate bank accounts and ledger accounts for the annual subvention and the reserve fund respectively. In the Review, LCSD will also re-examine the current arrangements for handling reserve fund balance and the return of the unspent subvention from NSAs to the Government.

### ***Internal controls of NSAs***

81. To follow up the concerns raised by Audit and PAC on the weaknesses in NSAs' internal controls and reporting errors in their accounts, LCSD has provided more training to NSAs' staff by conducting workshops in March and April 2010, advising them on the proper accounting procedures and best practices for addressing procedural loopholes. Representatives from the Independent Commission Against Corruption and accounting professionals from LCSD's Quality Assurance Section were present at the workshops to provide professional advice on compliance with accounting and auditing requirements. LCSD will continue to organise workshops and seminars periodically to assist NSAs in complying with the subvention agreement and improving their internal controls. As for the control weaknesses indentified in the six NSAs by Audit, LCSD

has already taken follow-up actions accordingly. LCSD staff will also ascertain whether there are similar errors in the annual accounts of other NSAs when processing their accounts for 2007-08. LCSD has also reminded NSAs to state clearly in their annual accounts the amount of income, eligible expenditure and excessive expenditure absorbed by NSAs, as well as number of complimentary tickets issued. Besides, LCSD will try to identify suitable accounting software for NSAs to facilitate and speed up their preparation of statements of accounts for submission to LCSD.

82. To facilitate timely submission of annual audited accounts by NSAs, LCSD has included in the subvention agreement for 2010-11 the requirement for NSAs to submit written documentation confirming the engagement of auditors to prepare a report on annual audited accounts. In this regard, LCSD will provide NSAs with samples of auditor's engagement letter and auditor report to facilitate provision of inputs by auditors and preparation of auditor's reports in accordance with the established requirements.

83. Furthermore, to ensure that NSAs would suitably follow up the recommendations made by the Quality Assurance Section of the Department, LCSD will set out the necessary guidelines for NSAs' reference and compliance.

84. LCSD has examined the code of conduct and procurement guidelines deposited by NSAs and suggested necessary adjustments to address potential weaknesses. LCSD has reminded NSAs at the annual meetings held in late 2009 and early 2010 of the need to arrange regular circulation of the code of conduct and procurement guidelines to all NSA staff and office-bearers.

85. To conclude, LCSD will continue to liaise with NSAs and other parties concerned with a view to strengthening the subvention mechanism and ensuring the proper use of public funds. We will keep PAC informed of the progress.

### **Chapter 3 – Hong Kong Productivity Council: Corporate governance and administrative issues**

86. The Administration and the Council of the Hong Kong Productivity Council (HKPC) welcome the views and suggestions made by PAC and the Audit Commission. To strengthen its governance, the HKPC initiated two consultancies in 2006 and has been taking steps to implement the measures recommended by the consultants. The Audit Report and the PAC's findings help reinforce the HKPC's on-going internal reforms. The HKPC has already implemented more than 60 recommendations for reforming its procurement, administrative and human resource management systems and has issued 26 new Standard Practices and revised 44 existing Standard Practices in the three-year period from 2007. The PAC and Audit recommendations address areas which may not have been adequately reviewed

previously, including fixed asset management, administrative issues, and human resource management measures such as performance pay and staff remuneration packages. In these areas, the Administration has since been working on a number of improvement measures with the HKPC and noted that its Council is fully committed to improving HKPC's corporate governance and administration. As of 30 March 2010, all 63 recommendations in Chapter 7 of the Director of Audit's Report No. 53 have been implemented.

***Corporate governance, culture of compliance and prudent use of public funds***

87. The PAC urged the HKPC to foster a corporate culture of compliance and prudent use of public funds and take measures to ensure that such a culture takes root in the organization. The Council of the HKPC attaches great importance to this matter and has deliberated in detail the recommendations of the PAC and Audit. On instruction of the Council, the HKPC Management briefed all staff on Audit's recommendations immediately upon the release of the Audit Report in November 2009. Another staff briefing was conducted in March 2010 focusing on the key improvement measures and emphasizing the importance of compliance and the prudent use of public funds. The HKPC Management believe that all HKPC staff fully appreciate and accept the importance of these improvement measures and will implement them.

88. To reinforce efforts to improve the HKPC's corporate governance, the HKPC Management has carefully reviewed the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules issued by the Hong Kong Stock Exchange Limited and produced its own Corporate Governance Manual in March 2010. The HKPC will continue to review and update the Corporate Governance Manual in the light of prevailing circumstances and best practices. The Council understands that EU of the HKSAR Government is developing a Practical Guide which highlights principles and best practices relating to corporate governance of subvented organizations to provide a ready reference and facilitate self-assessment and identification of room for improvement. The Council will take the Guide into account when updating its Corporate Governance Manual in future. Besides, the Council will further look into the division of responsibility and authority amongst the Council, its committees and the Management. We will inform the PAC of progress in due course.

***Safe custody and management of fixed assets***

89. The PAC urged the HKPC to take effective measures expeditiously to ensure the safe custody and management of fixed assets. The HKPC Management has thoroughly reviewed the fixed asset management system and identified key problem areas. At the meeting held on 30 March 2010, the Council decided to adopt a series of measures to address the problems identified in the Management's review. These key measures include (a) strengthening the capitalization policy by expanding its scope to

cover items which have high consumption utility and are prone to theft or loss even though they need not be subject to control under the existing policy; (b) assigning responsibilities for certain fixed assets to responsible staff; (c) linking individual identification details of certain fixed assets to barcodes; (d) improving the annual partial stocktake exercise by stocktaking all high-value items each year; and (e) conducting compliance checks by the internal auditor. As the HKPC has taken follow-up actions to address PAC's concern, we recommend deleting this part from the next progress report.

### ***Review of the terms of reference of the Finance Committee***

90. The PAC urged the HKPC to review the terms of reference of the Finance Committee under the HKPC Council to see if they should be expanded to include overseeing matters relating to fixed asset management and procurement. The Council has reviewed the terms of reference of the Finance Committee, and decided that its terms of reference should be expanded to cover (a) major changes to procurement and building management policies and practices; (b) changes to fixed asset management policies and practices; (c) the charging levels of HKPC's services; and (d) any matters that have a significant financial impact on the HKPC. As the HKPC has taken follow-up actions to address PAC's concern, we recommend deleting this part from the next progress report.

### ***Building management services provided by BMM Limited***

91. The PAC urged the HKPC to continue to monitor the operating cost of BMM Limited and periodically assess its cost-effectiveness. Following the recommendation of Audit, the HKPC conducted a benchmarking exercise in early 2010 and has critically considered the feasibility of outsourcing building management services. Taking into account the benchmarking results, the cost-effectiveness of BMM Limited in providing building management services and staffing implications on the part of the HKPC arising from any redundancy exercise, the Council decided at its meeting on 30 March 2010 to continue with the services provided by BMM Limited at this stage. The HKPC Management would in parallel examine the rationalization of duties of BMM Limited with a view to streamlining its services to HKPC and enhancing cost-effectiveness. Another benchmarking exercise will be conducted to review the cost-effectiveness of BMM in a year's time. We will inform the PAC of progress in due course.

### ***Proposed comprehensive review of the HKPC Ordinance***

92. The PAC urged the Administration to, in consultation with the HKPC, comprehensively review the HKPC Ordinance to ensure that it meets present-day good corporate governance and management principles and practices, and suits the current needs of Hong Kong industries, in particular the provisions relating to the membership of the Executive Director (ED) of the HKPC on standing committees under the Council and the requirement on the minimum rate charged by the HKPC for projects undertaken

elsewhere than in Hong Kong. The Administration notes that the Council of HKPC have put in place appropriate administrative measures to address the potential problems arising from ED's ex-officio membership on the Audit Committee under the Council, including requiring ED to refrain from taking part in voting and to be excused from the discussion of sensitive issues. In addition, the HKPC has just completed a review on the long-term sustainability of the HKPC's Mainland subsidiaries. The findings indicate that the operation and financial performance of the subsidiaries will improve in the coming years by furthering the existing programme platforms and serving as a marketing agent and service integrator. In the light of these measures and plans, the Administration will consider the practical need to review the HKPC Ordinance having regard to future developments. We will keep the Council and Management of HKPC as well as relevant stakeholders including the industry informed of developments and will solicit their views. We will inform the PAC of progress when ready.

### ***Progress made in implementing the Audit recommendations***

Encl. 2 93. HKPC has implemented all recommendations in Chapter 7 of the Director of Audit's Report No. 53. A summary of the progress made is at Enclosure 2. As HKPC has taken follow-up action to address the concerns of the PAC and Audit, we recommend deleting this part from the next progress report.

### **Chapter 4 – Office of the Privacy Commissioner for Personal Data**

94. The Administration and the Office of the Privacy Commissioner for Personal Data (PCPD) accept the recommendations of the Director of Audit (Audit) and PAC, which focused on the corporate governance, operation, internal control and administration of the PCPD.

Encl. 3 95. Following the publication of Audit's report and PAC Report on the PCPD, the Administration has been working with the PCPD on a number of improvement measures to enhance the PCPD's operation and strengthen its governance and internal control. Most of the improvement measures and follow-up actions have now been implemented as reported in this Government Minute. Details of the progress are set out at Enclosure 3.

### ***Corporate Governance***

96. The PAC urged the Constitutional and Mainland Affairs Bureau (CMAB) and PCPD to discuss the establishment of standing arrangements to oversee compliance and internal control matters of the PCPD and the PCPD to make strategic planning a standing agenda item of the Personal Data (Privacy) Advisory Committee (PDPAC) meetings. The Administration and the PCPD also noted the PAC's view on the importance of institutionalising an effective and formal corporate governance structure and system. The major improvement measures are set out in the following paragraphs.

97. The PCPD plans to engage a professional management consultancy to review the internal procedural matters for recommending measures to enhance compliance and internal control. Pending the recommendations of the professional management consultancy, the Privacy Commissioner for Personal Data (PC) will include any matters needing special attention concerning internal control and compliance on the agenda of the PDPAC as he considers appropriate. Separately, the PCPD is currently recruiting an Internal Controller to supervise and monitor the work of the relevant Divisions of the PCPD to ensure compliance and proper internal control and achievement of performance targets.

98. CMAB will, in accordance with the Memorandum of Administrative Arrangements (MAA), continue to monitor the PCPD's overall performance through holding of regular progress review meetings and meetings at working level, as well as examination of quarterly progress review reports prepared by the PCPD to report on the financial position and operational performance in regard to its objectives and aims.

99. Regarding strategic planning, in January, the PCPD formed a group comprising heads of Divisions to drive the strategic planning process. A five-year strategic plan and an annual business plan for 2010 were compiled by the PCPD in January 2010, and subsequently discussed at a PDPAC meeting in February 2010. In future, PCPD will seek advice from the PDPAC on strategic planning.

100. As to Audit's recommendations to compile a set of formal rules governing the meetings of the PDPAC, a set of formal rules was discussed and agreed at the PDPAC meeting in February 2010. As the PCPD has taken appropriate follow-up actions, we recommend deleting the issues deliberated in paragraphs 99 and 100 from the next progress report.

### ***Complaint Management***

101. In response to PAC's comments, the PCPD has made efforts to improve its complaints handling procedures and clear long outstanding cases. Key measures to enhance complaints management in the PCPD are set out in the following paragraphs.

102. The PCPD conducted a post-implementation review on streamlined planning procedures for complaint cases in March 2010. Compliance with the 45-day requirement of serving the refusal notice under section 39(3) of the Personal Data (Privacy) Ordinance (PDPO) has become a standing agenda item of PDPAC meetings and Progress Review Meetings between CMAB and the PCPD.

103. The PAC urged CMAB, in consultation with the PCPD, to clarify the proper construction of the 45-day requirement and, pending the outcome of public consultation, to take immediate and effective measures to ensure compliance with the 45-day requirement. In the public consultation document on the review of the PDPO, CMAB proposed to remove the 45-day requirement with regard to a decision to discontinue an investigation. CMAB will take into account views received during the public consultation in considering the way forward.

104. In the meantime, CMAB has provided in 2010-11 additional resources to the PCPD for the creation of four posts, namely one Chief Personal Data Officer, one Senior Personal Data Officer and one Personal Data Officer to cope with the increase in the number of complaint cases handled by the Operations Division of PCPD; and a Legal Counsel post to provide the necessary legal support. PCPD's recruitment work is in progress.

105. In addition, after consulting the Financial Services and the Treasury Bureau, CMAB has agreed to raise the reserve ceiling of PCPD from \$5 million (about 11% of this year's recurrent subvention) to 20% of its annual recurrent subvention. At the current subvention level, PCPD has a reserve ceiling of about \$9 million. This provides the PCPD with greater flexibility in using its resources, including employment of additional staff to help clear the backlog of complaints where there is sufficient justification to do so.

### ***Promotional Activities***

106. As recommended by Audit, the PCPD compiled a Promotional Events Manual (PEM) in September 2009 setting out budgetary control measures, role of respective parties, guidelines on expenditure on venue, food and beverages, honoraria for artists etc. and the expenditure-sharing requirement. The PCPD will approve proposed promotional events upon confirmation that the guidelines have been complied with and requirements set out in PEM observed.

107. In February 2010, CMAB provided additional resources to the PCPD for carrying out promotional and educational activities. CMAB has also provided additional resources to the PCPD in 2010-11 for the creation of a Corporate Communications Officer for enhancing promotion work.

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

### ***Overseas Duty Trips and Other Administrative Issues***

#### ***Overseas duty trips***

109. The Administration noted the PAC's acknowledgement that the new MAA of 2009 has enhanced the checks and balances on the PC's overseas duty trips. To address the PAC's concern on offers of free accommodation, the PCPD has formulated a policy on the acceptance of free offers by organisers of the events attended by PCPD staff (including the PC) on overseas duty trips. Under the policy, where hotel accommodation is sponsored, the PCPD should record the relevant document for reference. Refusal of such offer should be fully accounted for. Consideration would be given in each case as to whether there is any conflict of interests in accepting free offers.

### *Office accommodation*

110. The existing lease of the PCPD will expire in January 2011. As recommended by Audit, the PCPD has started a thorough assessment of accommodation needs with reference to government standards to facilitate its consideration of whether to renew the lease or take up a new lease.

### *Office car*

111. The Administration noted the PAC's concern on the non-compliance of relevant requirements of the MAA during the procurement of the office car in 2003-04 by the then PC. The Administration wrote to the PCPD on 25 November 2009 to underline the importance of complying with the requirements of MAA at all times and to remind the PCPD to exercise prudence and strive for economy in its expenditure. The current PC had assured the Administration that he would exercise prudence and strive for economy in considering the PCPD's expenditures, including the procurement of equipment and services.

### *Other issues*

112. On the earmarked fund to implement the Data User Registration Scheme, the PCPD is working on the work plan to carry forward the project. The subject is included as one of the work targets in PCPD's 2010 Business Plan.

113. As for hospitality expenditure, the PCPD has issued various guidelines and financial circulars or incorporated them in the PEM to give directions on expenditure on farewell dinners, gift giving and hospitality means hosted by PCPD officers. As recommended by Director of Audit, the PCPD will make continuous efforts to economize on hospitality expenditure in future.

114. Details of the recommendations of Audit on overseas duty trips and various administrative issues and the actions duly completed are shown at Enclosure 3. We recommend deleting these parts from the next progress report.

### *Corporate Culture on the Use of Public Funds*

115. In response to the PAC's concern, the PCPD has taken various measures to apply the "moderate and conservative" principle in making expenditure decisions, with emphasis on the prudent and economical use of public funds, familiarise PCPD staff with the requirements of MAA and ensure compliance. For instance, the PCPD will include in its induction training for newly recruited staff a session on the need to observe the "moderate and conservative" principle. Staff of PCPD will be reminded on a regular basis through Commissioner's meetings and team meetings on the need to observe this principle and other standing guidelines in making expenditure decision. The Administration will provide relevant government circulars and guidelines where appropriate for PCPD's reference.

116. The Administration will promulgate in late May 2010 a Practical Guide to Corporate Governance of Subvented Organisations. The Guide sets out principles and best practices relating to corporate governance of subvented organizations to provide a ready reference and facilitate self-assessment and identification of room for improvement.

117. As the Administration and PCPD have fully responded to the concerns of the PAC and Audit, we recommend deleting this part from the next progress report.

***Performance reporting in Controlling Officer's Report***

118. The Administration noted the concerns of the PAC and Audit that more performance indicators are required in the Controlling Officer's Report (COR) for measuring the outcome and productivity of PCPD. CMAB, with the assistance of PCPD, has included the following new indicators in the 2010-11 COR:

- (i) number of complaint cases resolved through mediation, warning notices and enforcement notices issued, and cases referred to prosecution;
- (ii) number of cases with recommendation given on the implementation of the PDPO;
- (iii) average time (days) taken to settle a simple complaint case and a complicated case;
- (iv) number of codes of practice / guidance notes issued; and
- (v) number of promotional and educational activities carried out.

119. As the Administration has implemented the recommendations of the PAC and Audit, we recommend deleting this part from the next progress report.

***Progress made in Implementing other Audit recommendations***

120. Details of the progress made in implementing the various Audit and PAC recommendations are set out at Enclosure 3.

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**Reduction and recovery of municipal solid waste  
Updated progress of implementing audit recommendations as at March 2010**

<b>Director of Audit's Recommendations</b>	<b>Policy Bureaux/ Departments</b>	<b>Response in October 2008</b>	<b>Progress to-date (as at end of March 2010)</b>
<b>Strategic management of municipal solid waste (MSW)</b>			
1.	Take necessary measures with a view to achieving the target on reduction of MSW generated as set out in the 2005 Policy Framework.	Environment Bureau (ENB)/ Environmental Protection Department (EPD)	<ul style="list-style-type: none"> <li>● The increase in the per capita MSW was mainly contributed by the increase in waste from the commercial and industrial (C&amp;I) sector brought about by the significant growth in economic activities in recent years.</li> </ul>
2.	Ascertain the reasons for the increase in the per capita MSW generated and take necessary measures to contain the increase.	ENB/EPD	<ul style="list-style-type: none"> <li>● EPD will continue to monitor the trend to ascertain the relationship between the per capita MSW generated and economic growth.</li> </ul> <ul style="list-style-type: none"> <li>● The continuous expansion of the source separation of waste programmes and the introduction of voluntary producer responsibility schemes (PRS's) help to improve the waste recovery in Hong Kong. In 2009, the domestic waste recovery rate is 35% as compared to only 16% in 2005. As for C&amp;I waste, the recovery rate has been maintained at a relatively high level of some 60% over the years. Overall, we have achieved a MSW recovery rate of 49% in 2009. As compared with equivalent statistics in some other jurisdictions, our MSW recovery rate is higher than United States (33%), United Kingdom (35%) and Singapore (43%), although there are some even better examples such as Germany (62%).</li> <li>● The efforts in waste recovery also reduce the quantity of waste requiring disposal at landfills. Since the launch of the 2005</li> </ul>

Director of Audit's Recommendations	Policy Bureaux/ Departments	Response in October 2008	Progress to-date (as at end of March 2010)
			<p>Policy Framework, landfill disposal of domestic waste has decreased for five consecutive years and accumulated a reduction of over 14%. On a year-by-year comparison, the amount of domestic waste disposed of at landfills has dropped by 1.4% in 2009 as compared to 2008, to about 2.20 million tonnes. On C&amp;I waste, the quantity of C&amp;I waste disposed of at landfills in 2009 has remained at the 2008 level of around 1.08 million tonnes.</p> <ul style="list-style-type: none"> <li>● The overall landfill disposal of MSW has decreased by 0.9% to about 3.27 million tonnes. Taking into account the factor of population growth, the per capita disposal rate has indeed progressively decreased from 1.37 kg per day in 2004 to 1.28 kg per day in 2009. Overall, our per-capita disposal rate has been maintained at a reasonable level as compared with equivalent statistics in some other jurisdictions. We will continue to monitor the changing trend of the per capita MSW generated and disposed of.</li> </ul>

<b>Director of Audit's Recommendations</b>		<b>Policy Bureaux/ Departments</b>	<b>Response in October 2008</b>	<b>Progress to-date (as at end of March 2010)</b>
3.	Keep under review the need to raise the target on the recovery rate of MSW.	ENB/EPD	<ul style="list-style-type: none"> <li>● EPD will continue to implement measures as set out in the 2005 Policy Framework to achieve MSW recovery rate of 50% by 2014, and will keep under regular review the need to raise the MSW recovery rate target.</li> </ul>	<ul style="list-style-type: none"> <li>● Overall, we have achieved a MSW recovery rate of 49% in 2009.</li> <li>● However, as the international economic situation remains challenging, the outlook of waste recovery in Hong Kong in the coming years is overshadowed by the uncertainty in the global demands for recyclable materials. We will continue to support the development of local recycling, including the facilitation for the recycling industry to move to higher-end and value-added operations, and to explore possible outlets for recovered materials and recycled products.</li> </ul>
<b>Implementation of domestic waste-recovery programmes</b>				
4.	Consider conducting periodic surveys to estimate the quantities of recyclable waste recovered under the Source Separation of Domestic Waste (SSDW) programme for information of stakeholders and the general public.	EPD	<ul style="list-style-type: none"> <li>● EPD will consider conducting periodic surveys to estimate the quantities of recyclable waste recovered under the SSDW programme.</li> </ul>	<ul style="list-style-type: none"> <li>● Based on the results of the pilot survey conducted in late June 2009, we would arrange regular surveys to estimate the quantities of recyclables recovered under the SSDW Programme.</li> </ul>

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## Hong Kong Productivity Council

## Follow Up Actions on Report No. 53 of the Director of Audit (DoA) – Chapter 7

DoA's Report para. No.	DoA's Recommendations	HKPC/The Administration's Response in November 2009 in the Audit Report	Progress as at 5 May 2010
2.23	<p>Audit recommends that the HKPC should:</p> <p><u>Attendance of members at Council/Committee meetings</u></p> <p>(a) monitor the attendance of members at Council/Committee meetings;</p> <p>(b) consider taking action to improve the attendance of members at Council/Committee meetings, for example, by setting tentative dates for Council/Committee meetings well in advance to facilitate members to plan the schedules and increase their attendance;</p>	<p>HKPC agreed with Audit's recommendations, and ED, HKPC said that:</p> <ul style="list-style-type: none"> <li>- in addition to its regular reminders to members, the Council Secretariat will at each meeting of the Council/Committees provide a note informing all members of their up-to-date attendance rates;</li> <li>- the Council Secretariat will draw up an annual tentative schedule of Council/Committee meetings at the beginning of each year so that members can better plan in advance;</li> </ul>	<ul style="list-style-type: none"> <li>- Action completed. Members' attendance record is tabled at each Council and Committee meeting starting from November 2009.</li> <li>- Action completed. Annual tentative meeting schedule of Council and Committees fixed at the end of each year for next year and the meeting schedules for 2010 have already been drawn up.</li> </ul>

DoA's Report para. No.	DoA's Recommendations	HKPC/The Administration's Response in November 2009 in the Audit Report	Progress as at 5 May 2010
	<p><u>Minutes of Council/Committee meetings</u></p> <p>(c) ensure that the draft minutes of meetings are issued to members in a timely manner;</p> <p>(d) consider setting an early target time for the issuance of draft minutes after the meetings;</p> <p>(e) consider posting the minutes of the Council/Committee meetings, other than those parts with sensitive information, on its website to enhance the transparency and accountability of the Council and the Committees;</p>	<ul style="list-style-type: none"> <li>- the Council Secretariat will issue draft minutes of meetings of the Council/Committees within three weeks of the meetings and any proposed amendments within two weeks thereafter;</li> <li>- the minutes of Council/Committee meetings will be made available on the HKPC's website, except discussion items containing commercially sensitive or confidential information; and</li> </ul>	<ul style="list-style-type: none"> <li>- Action completed. Draft minutes now being issued within 3 weeks of meetings starting from September 2009.</li> <li>- Action completed. Proposed amendments to draft minutes (if any) now being issued within 2 weeks after issue of draft minutes starting from September 2009.</li> <li>- Action completed. Starting from July 2009, confirmed minutes put on HKPC's website, except discussion items containing commercially sensitive or confidential information.</li> </ul>

DoA's Report para. No.	DoA's Recommendations	HKPC/The Administration's Response in November 2009 in the Audit Report	Progress as at 5 May 2010
	<p><u>Joint-meeting arrangement for the Council and Finance Committee</u></p> <p>(f) review the appropriateness of the current arrangement of holding joint meetings of the Council and the Finance Committee;</p> <p>(g) ensure that proper documentation of the justifications and approval is kept if a joint-meeting arrangement is adopted for Council/Committee meetings; and</p> <p><u>Management of conflicts of interest</u></p> <p>(h) take action to ensure that declarations of interests by members are made in a timely manner.</p>	<p>the Council Secretariat will issue written reminders to members when declarations of interests are due.</p>	<p>Action completed. Finance Committee meeting is now held separately starting from November 2009 and if there would be joint meeting of Council and Finance Committee in future, approval would be sought and justification would be documented.</p> <p>Action completed. Starting from December 2009, reminders were sent to members when declarations of interests were due.</p>

<b>DoA's Report para. No.</b>	<b>DoA's Recommendations</b>	<b>HKPC/The Administration's Response in November 2009 in the Audit Report</b>	<b>Progress as at 5 May 2010</b>
2.24	<p>Audit recommends that the Secretary for Commerce and Economic Development and the Commissioner for Innovation and Technology should:</p> <p>(a) give due consideration to the attendance records of members at Council/Committee meetings in assessing their suitability for reappointments to the Council;</p> <p>(b) properly document the justifications for those cases where members with low attendance are recommended for reappointment;</p>	<p>- The Administration agreed with Audit's recommendation.</p>	<p>- Actions completed. When making recommendations in the latest round of re-appointment exercise, ITC has given due consideration to the performance of the serving Council members concerned, including their attendance records.</p> <p>- Action completed. ITC has done so in the latest round of re-appointment exercise in end 2009.</p>

DoA's Report para. No.	DoA's Recommendations	HKPC/The Administration's Response in November 2009 in the Audit Report	Progress as at 5 May 2010
	<p>(c) ensure that the arrangement for appointing alternate members is made to ensure attendance of public officers at Council/Committee meetings; and</p> <p>(d) consider amending the HKPC Ordinance in order to follow the generally accepted good corporate governance practices that the ED should not be a member of the Audit Committee.</p>	<p>- The Administration agreed with Audit's recommendation. All public officers on the Council have made arrangements on the appointment of alternate members to facilitate attendance at Council meetings.</p> <p>- To address Audit's concerns, it has been agreed that while ED will continue to attend Audit Committee's meetings, he will refrain from taking part in voting in this committee. He will also be excused from the discussion of sensitive issues if the Chairman of the Audit Committee sees such a need.</p>	<p>- Action completed.</p> <p>- Action completed. A new administrative arrangement has been in place to avoid any role conflict on the part of the ED who will continue to attend meetings of the Audit Committee. We will keep in view the new arrangement to see if it achieves the intended effect.</p>

DoA's Report para. No.	DoA's Recommendations	HKPC/The Administration's Response in November 2009 in the Audit Report	Progress as at 5 May 2010
2.35	<p>Audit recommends that the HKPC should follow the good corporate governance practices and ensure that:</p> <p>(a) the whole Council is involved in the strategic planning process;</p> <p>(b) a strategic plan is prepared and regularly updated; and</p>	<p>HKPC agreed with Audit's recommendations. The ED, HKPC said that:</p> <ul style="list-style-type: none"> <li>- the HKPC's decision in April 2009 to dispense with the five-year strategic plan was made after consideration of the fact that a Three-year Forecast had all along been prepared alongside the Annual Programme and Estimates, coupled with the rapid changes in technology and the operating environment of the industries, and the introduction of more structured and frequent consultations with the ITC;</li> <li>- the rolling Three-year Forecast maps out in detail the direction and activities planned for the HKPC over a three-year period, which serves essentially the same function as a strategic plan, albeit of a slightly shorter time span; and</li> </ul>	<p>Action completed. At its meeting on 30 March 2010, the Council decided that a three-year strategic plan on a rolling basis should be prepared starting from 2011-12 and the strategic plan will be reviewed annually.</p>

DoA's Report para. No.	DoA's Recommendations	HKPC/The Administration's Response in November 2009 in the Audit Report	Progress as at 5 May 2010
	(c) the progress of implementation of the strategic plan is reported to the Council regularly.	- the HKPC will revisit the need for a five-year strategic plan and other viable alternatives that would serve the same purpose.	
2.43	<p>Audit recommends that the HKPC should:</p> <p>(a) conduct a thorough strategic review on the long-term sustainability and operation of the subsidiaries in the PRD, in particular, the GZ-WFOE and the DG-WFOE which have accumulated operating loss;</p>	<p>HKPC agreed with Audit recommendations to conduct a thorough strategic review on the long-term sustainability and operation of the subsidiaries in the PRD. At the Council meeting on 16 September 2009, the HKPC Management undertook to report the operating results of the Mainland subsidiaries to the Council at least once a year. Regarding the audit recommendation on full-cost recovery of projects undertaken for the WFOEs, the ED, HKPC said that:</p> <p>- the WFOEs were set up to accomplish the HKPC's public mission of providing support to Hong Kong industries in the Mainland to move up the value chain for greater competitiveness;</p>	<p>- Action completed. At its meeting on 30 March 2010, the Council noted that with the new business model in place for WFOEs since 2007, the WFOEs recouped all its paid-in capital on an aggregate basis as of end December 2009. The Council also reviewed the business model of WFOEs and considered it suitable and sustainable. HKPC Management will continue to refine the model as necessary. In conclusion, the Council considered that the WFOEs were important and necessary vehicles to accomplish HKPC's mission. The situation will be closely monitored including the need/timing to review the legislation.</p>

DoA's Report para. No.	DoA's Recommendations	HKPC/The Administration's Response in November 2009 in the Audit Report	Progress as at 5 May 2010
	<p>(b) report the operating results of its subsidiaries to the Council regularly;</p> <p>(c) ensure that projects undertaken for the subsidiaries outside Hong Kong are carried out on a full cost recovery basis; and</p>	<p>- there were marked improvements in the financial performance of the WFOEs in the last two years, and the accumulated loss of the three WFOEs and SZ-JV over the past six years was only about \$404,000 (less than 3.8% of the total paid-up capital);</p> <p>- HKPC considers the financial results of the WFOEs and SZ-JV in these initial years reasonable, given the industry support nature of their businesses, and would strive to achieve full-cost recovery in the long term; and</p>	<p>- Action completed. The operating results of WFOEs were reported to the Business Development Committee on 9 November 2009 and the Council on 17 November 2009. The operating results of WFOEs will be reported to the Council at least once a year.</p> <p>- Action completed. The Council approved on 17 November 2009 the full cost charging policy for the provision of its services to its subsidiaries in the Mainland.</p>

<b>DoA's Report para. No.</b>	<b>DoA's Recommendations</b>	<b>HKPC/The Administration's Response in November 2009 in the Audit Report</b>	<b>Progress as at 5 May 2010</b>
	<p>(d) consider taking actions to recover any amount undercharged from the subsidiaries operating outside Hong Kong.</p>	<p>- HKPC considers that the WFOEs are instrumental in extending the HKPC's services to Hong Kong industries in the Mainland. With the migration of Hong Kong industries to the Mainland in the last three decades, the industries would welcome services from the WFOEs to be provided on the same subvented basis as they are provided by the HKPC from Hong Kong.</p>	<p>- Action completed. At its meeting on 30 March 2010, the Council considered whether action could be taken to recover the undercharged amount. However, having regard to the contractual obligations for these projects and the Mainland regulation governing remittance from the Mainland to Hong Kong, the Council accepted that it would not be practicable to obtain approval under Mainland regulation for remittance to recover the undercharged amount.</p>

DoA's Report para. No.	DoA's Recommendations	HKPC/The Administration's Response in November 2009 in the Audit Report	Progress as at 5 May 2010
3.16	<p>Audit recommends that the HKPC should:</p> <p>(a) include the estimated expenditure of variable pay in the annual budget submitted to the ITC;</p>	<p>HKPC agreed with Audit recommendations. The ED, HKPC said that:</p> <ul style="list-style-type: none"> <li>- the determination of variable pay has been strictly in accordance with the latest available performance appraisal results. The inconsistencies observed by Audit were merely due to the fact that, at present, the financial year cycle and the staff performance appraisal cycle do not synchronise in respect of determining variable pay for individual staff. The HKPC is fully satisfied that there is no question of any arbitrary award of variable pay; and</li> </ul>	<ul style="list-style-type: none"> <li>- Action completed. Separate provision for variable pay already included in HKPC's Programme and Estimates (P&amp;E) for 2009-10 and 2010-11.</li> </ul>

DoA's Report para. No.	DoA's Recommendations	HKPC/The Administration's Response in November 2009 in the Audit Report	Progress as at 5 May 2010
	<p>(b) determine the amount of the variable pay after the annual financial results are available;</p> <p>(c) ensure that the variable pay awarded to individual staff is consistent with their performance as reflected in the annual performance appraisals of the same year;</p> <p>(d) ensure that all changes to the staff salary scales (including scale of allowances) are properly approved before implementation; and</p>	<p>the variable pay determined in 2008 and 2009 were moderate and reasonable and had fully taken into account the HKPC's financial position. The HKPC will take further steps to synchronise the financial year cycle and the staff performance appraisal cycle for determining variable pay from 2009-10 onwards.</p>	<p>Action completed.</p> <p>Starting from 2009-10, HKPC would adjust the timing of determining variable pay to the effect that decision would be made after annual financial results are available.</p> <p>From 2009-10 onwards, HKPC would adjust the appraisal cycle so that annual staff performance appraisal would be conducted after the end of the relevant financial year to determine the variable pay.</p> <p>HKPC will ensure that changes to the staff salary scales (including allowances) will be approved by the Government pursuant to the HKPC Ordinance and the MAA, before implementation.</p>

<b>DoA's Report para. No.</b>	<b>DoA's Recommendations</b>	<b>HKPC/The Administration's Response in November 2009 in the Audit Report</b>	<b>Progress as at 5 May 2010</b>
	<p>(e) ensure that the amount of the variable pay is reasonable and moderate, and would not aggravate the operating losses of the HKPC.</p>		<p>- Accepted. The Council noted that in 2007-08 and 2008-09, HKPC had recorded a considerable sum of surplus and the variable pay determined was reasonable and moderate. When deciding the amount of variable pay in future, the Council will continue to ensure that the variable pay is reasonable and moderate in the light of HKPC's financial position and other factors.</p>

DoA's Report para. No.	DoA's Recommendations	HKPC/The Administration's Response in November 2009 in the Audit Report	Progress as at 5 May 2010
3.24	<p>Audit recommends that the HKPC should ensure that:</p> <p>(a) the terms of appointment offered to the selected candidate are consistent with those advertised for the post. If there is a change in the terms of appointment, the recruitment exercise should be held again in a fair and open manner;</p> <p>(b) the requirements on short-listing of candidates for job interview as stipulated in the Standard Practices are complied with; and</p>	<p>HKPC agreed with Audit's recommendations. The ED, HKPC said that:</p> <ul style="list-style-type: none"> <li>- in respect of the recruitment exercise in October 2007, while ten of the candidates met the quantitative requirements of having 15 years of experience, they were not short-listed for interview primarily because either part of their experiences were considered not relevant or their background / working experience had cast serious doubts as to their suitability;</li> <li>- the HKPC issued a revised Standard Practice in April 2008 to the effect that short-listing of candidates for interview should take into account both quantitative and qualitative requirements, and all considerations should be documented; and</li> </ul>	<ul style="list-style-type: none"> <li>- Action completed. HKPC undertakes to comply fully with the Standard Practices and ensure that the terms of appointment offered would be in line with those advertised.</li> <li>- Action completed. Relevant Standard Practices have been revised since April 2008 to the effect that shortlisting of candidates should take into account overall requirements including both quantitative and qualitative requirements.</li> </ul>

DoA's Report para. No.	DoA's Recommendations	HKPC/The Administration's Response in November 2009 in the Audit Report	Progress as at 5 May 2010
	(c) approval from the Staffing Committee is obtained for all deviations from the Standard Practices and the justifications for the approval are fully documented.	- HKPC undertakes to comply fully with the Standard Practice.	- Accepted. Approval of Staffing Committee will continue to be sought, as necessary, with full documentation of justifications.
3.41	<p>Audit recommends that the HKPC should:</p> <p>(a) consider whether remedial action should be taken regarding the NCA offered to Staff A which was against the "no double housing benefits" rule in force when Staff A was appointed in November 2000;</p>	<p>HKPC agreed with Audit's recommendations. The ED, HKPC said that:</p> <p>- with the promulgation of the Government's policy in December 2003 to de-link the pay structure of subvented organizations from that of the civil service and the removal of the "no better than" and "no double housing benefits" requirements, the HKPC introduced the PPS in January 2008 to migrate towards a more market-oriented pay structure;</p>	<p>- Action completed. At its meeting on 30 March 2010, the Council considered carefully whether remedial action could be taken in respect of staff A. Having regard to the legal advice on HKPC's contractual obligations and the circumstances surrounding the granting of NCA by the Staffing Committee at that time, the Council decided that no remedial action should be taken in respect of Staff A.</p>

DoA's Report para. No.	DoA's Recommendations	HKPC/The Administration's Response in November 2009 in the Audit Report	Progress as at 5 May 2010
	<p>(b) ensure that the requirements of the Standard Practices on NCA are strictly complied with unless there is a very exceptional need; and</p> <p>(c) provide detailed and complete information (including the candidate's existing remuneration package, his expected salary, and the availability of reserve appointees) to the Staffing Committee, in seeking its exceptional approval for offering the full entitlement of the NCA to the candidate whose entitlement should have been reduced or limited according to the Standard Practices.</p>	<p>- the relevant provisions regarding the NCA under the Standard Practices should have been revised to reflect the new market-oriented pay policy framework. The HKPC has firm plans to do so; and</p> <p>- in taking forward the audit recommendation regarding Staff A, the HKPC will carefully take into account all considerations, including the contractual obligations, legal and staff management implications.</p>	<p>- Action completed. The relevant Standard Practices have been amended since November 2009. HKPC Management will ensure full compliance.</p> <p>- Accepted. Case details and justifications will be provided in each case for Staffing Committee's approval.</p>

DoA's Report para. No.	DoA's Recommendations	HKPC/The Administration's Response in November 2009 in the Audit Report	Progress as at 5 May 2010
3.51	<p>Audit recommends that the Commissioner for Innovation and Technology should ensure that:</p> <p>(a) in seeking the approval of the Council on the appointment of the ED, the Council is provided with all relevant information about the eligibility to the allowances included in the remuneration package, together with the financial implications of encashing the allowances for inclusion in the lump-sum monthly salary;</p> <p>(b) prior approval from the Council is obtained for any changes in the terms of appointment (e.g. salary adjustment mechanism) of the ED; and</p> <p>(c) in seeking the approval of the Council on renewal of the contract with the ED, the Council is informed of the implications of and justifications for all changes proposed in the new contract.</p>	<p>The Administration agreed with Audit's recommendations.</p> <p>The Administration agreed with Audit's recommendation.</p> <p>The Administration agreed with Audit's recommendation.</p>	<p>Accepted. ITC will provide all relevant details in future Council papers in this regard.</p> <p>Accepted. ITC will ensure that prior approval will be sought before making any changes to the terms of appointment of the ED.</p> <p>Accepted. ITC will provide greater details in future Council papers in this regard.</p>

DoA's Report para. No.	DoA's Recommendations	HKPC/The Administration's Response in November 2009 in the Audit Report	Progress as at 5 May 2010
4.10	<p>Audit recommends that the HKPC should:</p> <p>(a) take measures to ensure that fixed assets are always kept under proper custody to guard against damage or loss;</p>	<p>HKPC agreed with Audit's recommendations. The ED, HKPC said that since June 2009, the HKPC has appointed a Fixed Asset Manager in each division to strengthen the safe custody of fixed assets.</p>	<p>Action completed. HKPC Management carried out a comprehensive review of the fixed asset management system and identified key problems. It also proposed various improvement measures. At its meeting on 30 March 2010, the Council agreed to adopt additional measures (including expanding the scope of stock-taking to cover items which have high consumption utility and are prone to theft or loss, assigning responsibilities for certain fixed assets to responsible staff and improving the annual partial stocktake exercise by stocktaking all high-value items each year) to strengthen fixed asset management.</p>

DoA's Report para. No.	DoA's Recommendations	HKPC/The Administration's Response in November 2009 in the Audit Report	Progress as at 5 May 2010
	<p>(b) find out the causes for each case of loss, and investigate:</p> <p>(i) whether any criminal act is involved and whether it is necessary to report the loss to the police; and</p> <p>(ii) whether any negligence is involved and whether it is necessary to require the responsible officer to replace the lost items;</p> <p>(c) ensure that the Fixed Asset Register records accurately all the fixed assets to facilitate efficient and effective management and maintenance; and</p>		<p>- Action completed. HKPC Management has conducted investigation on each of the loss cases. All loss incidents with suspected criminal act have been reported to the Police. There were some cases suspected to have involved negligence but there were insufficient evidences to support taking further actions against the officers concerned.</p> <p>- Action completed as deliberated in para. 4.10(a) above.</p>

DoA's Report para. No.	DoA's Recommendations	HKPC/The Administration's Response in November 2009 in the Audit Report	Progress as at 5 May 2010
	(d) ensure that partial stocktakes and full-scale stocktakes are carried out according to the Standard Practices.		- Action completed. HKPC Management will ensure compliance. Partial stocktake will be further enhanced by stocktaking of all high value items each year. Partial stocktake exercise will be held annually after the end of a financial year and full stocktake will be conducted once every five years in accordance with the Standard Practices.
4.16	<p>Audit recommends that the HKPC should:</p> <p>(a) consider lowering the threshold of the equipment purchase cost of \$500,000 or more stated in the Standard Practices so that more laboratory equipment will be covered by the inventory control system;</p>	HKPC agreed with Audit's recommendations.	- Action completed. In October 2009, HKPC promulgated a revised Standard Practices lowering the threshold to \$100,000.

DoA's Report para. No.	DoA's Recommendations	HKPC/The Administration's Response in November 2009 in the Audit Report	Progress as at 5 May 2010
	<p>(b) take measures to ensure that the requirements stated in the Standard Practices in respect of the inventory control system of laboratory equipment are strictly complied with; and</p> <p>(c) take action to dispose of in a timely manner the equipment which is beyond repair or has an utilisation rate below the minimum required level.</p>		<p>Action completed. As of 31 October 2009, a review of all equipment has been conducted and equipment items previously found to be malfunctioning and beyond repair have been removed from the equipment list. HKPC staff have been reminded to comply with the Standard Practices.</p>
4.24	<p>Audit recommends that the HKPC should:</p> <p>(a) ensure that the requirements laid down in the Standard Practices on tender procedures are properly followed;</p> <p>(b) consider arranging direct subscription to newspapers and magazines from the publishers;</p>	<p>HKPC agreed with Audit's recommendations. The ED, HKPC said that:</p> <p>- HKPC will start subscribing magazines newspapers direct from publishers, where appropriate, as soon as its current contract with the newsagent expires; and</p>	<p>- Action completed. HKPC Management will ensure compliance. Reminders have been sent to HKPC staff.</p> <p>- Action completed. HKPC has started to subscribe directly from publishers 5 magazines since October 2009 and 2 newspapers since November 2009.</p>

DoA's Report para. No.	DoA's Recommendations	HKPC/The Administration's Response in November 2009 in the Audit Report	Progress as at 5 May 2010
	<p>(c) discontinue renting the private post office box at the Tsim Sha Tsui Post Office; and</p> <p>(d) make use of the postal services of the post office near the HKPC Building to minimise the need to travel to the Tsim Sha Tsui Post Office.</p>	<p>- the Tsim Sha Tsui Post Office was notified in August 2009 of the discontinuation of renting the post office box.</p>	<p>- Action completed. The post office box service at Tsim Sha Tsui Post Office was discontinued on 1 November 2009.</p> <p>- Action completed. HKPC is now using the nearby Cheung Sha Wan Post Office for postal services.</p>
4.31	<p>Audit recommends that the HKPC should:</p> <p>(a) ensure that all reimbursements for entertainment expenses exceeding the spending limits are properly justified and approved;</p>	<p>HKPC agreed with Audit recommendations. The ED, HKPC said that:</p> <p>- the excess amount of entertainment expenses without approval (involving an amount of \$227) has been recovered in September 2009. The justifications for the entertainment limits have subsequently been documented; and</p>	<p>- Action completed. HKPC Management will ensure continual compliance and documentation of justifications with proper approval in future.</p>

DoA's Report para. No.	DoA's Recommendations	HKPC/The Administration's Response in November 2009 in the Audit Report	Progress as at 5 May 2010
	<p>(b) consider recovering the excess amount of entertainment expenses from the staff who had not obtained special approval for exceeding the spending limits;</p> <p>(c) ensure that the justifications for raising the cost-per-head entertainment limits are properly documented; and</p> <p>(d) given the low utilisation of the facilities for official purpose, review the need to continue the agreement with the private club when it is due for renewal.</p>	<p>- HKPC considers that the private club offers immense value to the operations of the HKPC and there is no alternative in the vicinity. Therefore, in reviewing the need for the club, full considerations must also be given to the utilisation for official purposes that do not involve any official entertainment claims.</p>	<p>- Action completed. Full amount of excess expenses has been recovered in September 2009.</p> <p>- Action completed. The justifications for raising the limits have been subsequently documented.</p> <p>- Action completed. At its meeting on 30 March 2010, the Council reviewed carefully the need for club membership. Having considered the level of membership fee and the useful function that this Club could serve in providing reasonably priced venues for official functions, the Council decided to continue the membership for the time being. When the membership is due for renewal in 2011, a review will be conducted on the basis of findings from an annual survey on the use of the club for business-related functions.</p>

DoA's Report para. No.	DoA's Recommendations	HKPC/The Administration's Response in November 2009 in the Audit Report	Progress as at 5 May 2010
4.36	Audit recommends that the HKPC should review the propriety of the practice of selling corporate assets to staff through internal bidding without making reference to their market values.	HKPC agreed with Audit's recommendation. The ED, HKPC said that the HKPC has dispensed with the arrangement of selling assets to staff through internal bidding since September 2009.	Action completed. In September 2009, HKPC Management dispensed with the arrangement of selling corporate assets to staff through internal bidding. Corporate assets will be sold to external bodies or donated to charities.
4.40	<p>Audit recommends that the HKPC should:</p> <p>(a) standardise the log sheets for use by all company cars to facilitate monitoring and analysis of the utilisation of the cars; and</p> <p>(b) ensure that the drivers record details of the journeys properly in the log sheets, including the purposes of the journeys, the precise destinations, the waiting time and fuel consumption data.</p>	HKPC agreed with Audit's recommendations.	Action completed. In November 2009, HKPC issued a revised Standard Practice standardizing all car log sheets to facilitate proper recording of all relevant details of the journeys.

DoA's Report para. No.	DoA's Recommendations	HKPC/The Administration's Response in November 2009 in the Audit Report	Progress as at 5 May 2010
4.45	<p>Audit recommends that the HKPC should:</p> <p>(a) closely monitor the utilisation of office space at the HKPC Building; and</p> <p>(b) take speedy action to ensure that the vacant office space is gainfully used</p>	<p>HKPC agreed with Audit's recommendations. The ED, HKPC said that:</p> <ul style="list-style-type: none"> <li>- of the 13,600 sq. ft. vacant space, about 6,900 sq. ft. have already been designated for new laboratory facilities and accommodation for new staff; and</li> <li>- for the remaining vacant space, its use is limited by the HKPC's own needs and the requirement that any licensed use by outsiders must relate to the HKPC's public mission.</li> </ul>	<p>Action completed. HKPC has reviewed the overall space utilisation and based on its needs for space for new laboratories, new IT Centre for SMEs and other new initiatives, HKPC has drawn up an overall plan to better utilize the building which will be implemented in phases. The first phase has commenced in March 2010.</p>

DoA's Report para. No.	DoA's Recommendations	HKPC/The Administration's Response in November 2009 in the Audit Report	Progress as at 5 May 2010
4.51	<p>In view of the potential recurrent cost savings that may be achieved, Audit recommends that the HKPC should:</p> <p>(a) periodically benchmark the cost-effectiveness of BMM Limited to other building management services providers in the market and take action to improve the cost-effectiveness of BMM Limited; and</p> <p>(b) critically reconsider the feasibility of outsourcing the provision of building management services at the HKPC Building.</p>	<p>HKPC agreed with Audit's recommendations. The ED, HKPC said that:</p> <ul style="list-style-type: none"> <li>- the HKPC will conduct a benchmarking exercise in 2010;</li> <li>- in 2007, the Council Chairman and Committee Chairmen had fully considered the cost-effectiveness and staff implications in outsourcing the management of the HKPC Building. They came to the view that maintaining the services from BMM Limited was the most viable option; and</li> <li>- the cost-effectiveness of BMM Limited has been improved. Its operating cost was reduced from \$7.68 million in 2001-02 to \$6.02 million in 2008-09, representing a decrease of 22%.</li> </ul>	<p>Action completed. HKPC Management conducted a benchmarking exercise in January 2010. Taking into account the benchmarking results, the cost effectiveness of BMM in providing building management services and staffing implications arising from any redundancy exercise, the Council decided at its meeting on 30 March 2010 that the company should at this stage continue to provide such services for HKPC whilst the HKPC Management will in parallel examine the duties of BMM Limited with a view to streamlining its services to HKPC and enhancing the cost-effectiveness.</p>

DoA's Report para. No.	DoA's Recommendations	HKPC/The Administration's Response in November 2009 in the Audit Report	Progress as at 5 May 2010
4.55	Audit recommends that the HKPC should ensure that the requirements of the Standard Practices (e.g. all cash advances must be accounted for within 45 days) governing cash advances are properly followed.	HKPC agrees with Audit's recommendation.	- Action completed. HKPC Management will ensure compliance. Reminders already sent to HKPC staff.
4.61	<p>Audit recommends that the HKPC should:</p> <p>(a) make necessary adjustments to the accounts to rectify the overstatements of the HKPC's income and expenditure; and</p> <p>(b) ensure that generally accepted accounting principles are strictly followed in preparing its accounts, in particular:</p> <p>(i) inter-division transactions are eliminated; and</p> <p>(ii) internal allocation of funds are not accounted for as income and expenditure of the HKPC.</p>	<p>HKPC agreed with Audit's recommendations. The ED, HKPC said that:</p> <p>- the overstatement in the accounts as a result of inter-division transactions amounted only to 1.2% of the total income/expenditure; and</p> <p>- HKPC will make the necessary adjustments to its annual accounts starting from 2009-10 and all inter-division transactions will be eliminated therefrom.</p>	<p>- Action completed. HKPC Management has made the necessary adjustments to the accounts in 2009-10.</p> <p>- Action completed. All inter-division transactions have been removed from the annual account in 2009-10.</p>

DoA's Report para. No.	DoA's Recommendations	HKPC/The Administration's Response in November 2009 in the Audit Report	Progress as at 5 May 2010
5.11	<p>Audit recommends that the HKPC should:</p> <ul style="list-style-type: none"> <li>(a) establish a set of performance measures and targets for the approval of the Commissioner for Innovation and Technology;</li> <li>(b) establish more outcome indicators to better report the effectiveness of its performance; and</li> <li>(c) report its performance to stakeholders and the public (e.g. actual performance against performance targets) in its annual report and on its website.</li> </ul>	<p>The Administration and the HKPC agreed with Audit's recommendations. The Commissioner for Innovation and Technology said that:</p> <ul style="list-style-type: none"> <li>- the ITC and the HKPC will work on the performance indicators and targets for 2010-11 in accordance with the procedures in the MAA; and</li> <li>- the Council and the ITC together have been monitoring the performance and operation of the HKPC through the drawing up of a Three-year Forecast and an Annual Programme and Estimates and various performance management systems.</li> </ul>	<p>Action completed. At its meeting on 17 November 2009, the Council approved a set of performance measures and targets for 2010-11, including some outcome-based measures, which have been approved by CIT. A performance report will be incorporated into HKPC's Annual Report and website starting from 2009-10.</p>

<b>DoA's Report para. No.</b>	<b>DoA's Recommendations</b>	<b>HKPC/The Administration's Response in November 2009 in the Audit Report</b>	<b>Progress as at 5 May 2010</b>
5.12	<p>Audit recommends that the Commissioner for Innovation and Technology should:</p> <p>(a) To ensure that the performance indicators of the HKPC are adequate and effective in reporting its performance and are formally approved in accordance with the MAA; and</p> <p>(b) To urge the HKPC to establish a set of performance targets, and seek explanations from the HKPC if its performance falls short of such targets.</p>	<p>The Administration agreed with Audit's recommendations.</p>	<p>Actions completed. HKPC has drawn up its performance indicators and targets for 2010-11, which were approved by CIT in accordance with the MAA in February 2010.</p> <p>ITC will review HKPC's performance and these targets accordingly. In addition, HKPC will incorporate a performance report into its Annual Report, which will also be published on its website starting from 2009-10.</p>

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**Privacy Commissioner for Personal Data (PCPD)  
Progress in implementing the various Audit and PAC recommendations**

Audit/PAC's Recommendations	Progress to Date
<b>1. Corporate governance</b>	
<ul style="list-style-type: none"> <li>• The PCPD to consider implementing a structured strategic planning process, taking into account the needs for formal long-term strategic plan, formal annual business plan, timetable for the annual conduct of strategic planning, and a strategic planning group.</li>   <li>• The PCPD to make strategic planning a standing agenda item of the PDPAC.</li> </ul>	<ul style="list-style-type: none"> <li>• Completed. A strategic planning group comprising heads of Divisions of the PCPD was formed in January 2010 to drive the strategic planning process. A 5-year strategic plan and the annual business plan for 2010 were compiled by the PCPD in January 2010, and subsequently discussed at the Personal Data (Privacy) Advisory Committee (PDPAC) meeting on 9 February 2010. Recommend deleting this item from the next progress report.</li>   <li>• In future, the PCPD will seek advice from the PDPAC on strategic planning which will form an agenda item for discussion at the PDPAC meetings. Recommend deleting this item from the next progress report.</li> </ul>



<b>Audit/PAC's Recommendations</b>	<b>Progress to Date</b>
<b>2. Complaint Management</b>	
<ul style="list-style-type: none"><li>• The PCPD to conduct post-implementation review on streamlined planning procedures at appropriate time.</li><li>• The PCPD to make increased efforts to clear long outstanding cases.</li></ul>	<ul style="list-style-type: none"><li>• Completed. The post-implementation review is conducted in March 2010. Recommend deleting this item from the next progress report.</li><li>• In progress. The average age of long outstanding cases had been reduced from the peak of 543 days in 2008 to 280 days as at the end of 2009.</li><li>• CMAB has provided in 2010-11 additional resources to the PCPD for the creation of four posts, namely one Chief Personal Data Officer, one Senior Personal Data Officer, and one Personal Data Officer to cope with the increase in the number of complaint cases handled by the Operations Division of the PCPD; and a Legal Counsel post to provide the necessary legal support. Recruitment work is in progress.</li><li>• CMAB, after consulting the Financial Services and the Treasury Bureau (FSTB), has agreed to raise the reserve ceiling of PCPD from \$5 million (about 11% of this year's recurrent subvention) to 20% of its annual recurrent subvention. At the current subvention level, PCPD has a reserve ceiling of about \$9 million. This provides the PCPD with greater flexibility in using its resources, including employment of additional staff to help clear the backlog of complaints, where there is sufficient justification to do so.</li></ul>

<b>Audit/PAC's Recommendations</b>	<b>Progress to Date</b>
<ul style="list-style-type: none"><li>• The PCPD to carry out thorough risk assessment to identify, assess, and formulate measures to manage the risks arising from the non-compliance with the 45-day requirement of serving the refusal notice under section 39(3) of the Personal Data (Privacy) Ordinance (PDPO).</li><li>• The PCPD to ensure that the CMAB and the PDPAC are involved in the risk assessment exercise.</li><li>• The PCPD to ensure that the issue of non-compliance with the 45-day requirement forms a standing agenda item in the PDPAC meetings and the CMAB's progress review meetings, until the issue is satisfactorily resolved.</li><li>• The PCPD to provide the PDPAC and the CMAB on a regular basis with statistics showing age distribution of the refusal notices served.</li></ul>	<ul style="list-style-type: none"><li>• The risk assessment of non-compliance with the 45-day requirement of serving refusal notice was duly discussed at the PDPAC meeting held on 9 February 2010. On-going efforts will be made to formulate risk assessment and management measures.</li><li>• Completed. The risk assessment exercise was discussed at the February 2010 meeting of the PDPAC and has become a standing agenda item of the PDPAC (of which CMAB is a member). The same item was discussed at the CMAB's progress review meeting held on 23 February 2010. Recommend deleting this item from the next progress report.</li><li>• Completed. The PCPD has made the issue of compliance with the 45-day requirement a standing agenda in PDPAC meetings and progress review meetings until the issue is satisfactorily resolved. Recommend deleting this item from the next progress report.</li><li>• Completed. The PCPD had provided the PDPAC and the CMAB with statistics showing age distribution of the refusal notices served at PDPAC meeting held on 9 February 2010 and will continue to do so regularly in future. Recommend deleting this item from the next progress report.</li></ul>

Audit/PAC's Recommendations	Progress to Date
<ul style="list-style-type: none"> <li>• SCMA and the PC to work out a feasible solution to address the problem of non-compliance with the 45-day requirement, taking into account the result of the public consultation and complainants' legitimate expectation.</li> <li>• The SCMA, in consultation with the PC, to clarify the proper construction of the 45-day requirement and, pending the outcome of the public consultation, to take immediate and effective measures to ensure compliance with the 45-day requirement.</li> <li>• The PC to make effective use of the additional resources allocated by the CMAB to resolve the manpower shortage.</li> </ul>	<ul style="list-style-type: none"> <li>• The CMAB is analysing views received during the public consultation on the review of the PDPO in relation to the 45-day limit for dealing with public complaints. The CMAB will arrange for further public discussion on possible legislative amendments in 2010.</li> <li>• In the meantime, CMAB has provided in 2010-11 additional resources to the PCPD for the creation of four posts, namely one Chief Personal Data Officer, one Senior Personal Data Officer, and one Personal Data Officer to cope with the increase in the number of complaint cases handled by the Operations Division of the PCPD; and a Legal Counsel post to provide the necessary legal support. PCPD's recruitment work is in progress.</li> <li>• In progress. The PCPD is continuing with the recruitment exercise to increase manpower for the Operations Division and the Legal Counsel post to cope with the increased number of complaint cases and to speed up the processing of cases.</li> </ul>
<p><b>3. Promotional Activities</b></p>	
<ul style="list-style-type: none"> <li>• The PCPD to compile a Promotional Events Manual setting out budgetary control (including timely submission of budget proposals and expenditure reports for the Commissioner's approval and monitoring).</li> </ul>	<ul style="list-style-type: none"> <li>• Completed. The PCPD compiled a Promotional Events Manual in September 2009.</li> </ul>

Audit/PAC's Recommendations	Progress to Date
<ul style="list-style-type: none"> <li>• The PCPD to strengthen Administration Division's role in budgetary control process of promotional events. When processing requests for payment from Corporate Communications Division for an event, the Administration Division should be required to make reference to the approved budget, and should not pass a payment if it would cause the budgeted amount to be exceeded.</li> <li>• The PCPD to set clear guidelines in the Promotional Events Manual on expenditure of venue/food/beverages, honoraria for artists, service of entertainment company, backdrop production and cash prizes.</li> <li>• The PCPD to state the expenditure-sharing requirement in the Promotional Events Manual.</li> <li>• The PC to take effective measures to ensure that the PCPD staff will comply with the Promotional Events Manual.</li> <li>• The PCPD to make continued efforts to ensure meeting the "moderate and conservative" principle in organizing international seminars in future.</li> </ul>	<ul style="list-style-type: none"> <li>• Completed. The role of Administration Division of the PCPD is laid down in the Promotional Events Manual as recommended by Audit.</li> <li>• Completed. The guidelines recommended by Audit had been included in the Promotional Events Manual.</li> <li>• Completed. The Promotional Events Manual provides that due consideration should be given to expenditure-sharing with participants when joint promotional activities are to be undertaken.</li> <li>• In approving any proposed promotional events, the PCPD will ensure that the guidelines and requirements set out in the Promotional Events Manual have been observed.</li> <li>• Accepted. The PCPD has made on-going efforts to comply with the principle strictly. The Promotional Events Manual will be followed.</li> <li>• In February 2010, CMAB provided additional resources to the PCPD for carrying out promotional and educational activities. CMAB has also provided additional resources to the PCPD in 2010-11 for the creation of a Corporate Communications Officer for enhancing the promotion work of PCPD.</li> </ul>

Audit/PAC's Recommendations	Progress to Date
	<ul style="list-style-type: none"> <li>As the PCPD has addressed all concerns of PAC and Audit, we recommend deleting the section on "Promotional Activities" from the next progress report.</li> </ul>
<b>4. Overseas Duty Trips</b>	
<ul style="list-style-type: none"> <li>The PCPD to continue applying the "moderate and conservative" principle in making expenditure decision on future overseas duty trips and to make continued effort to economise on expenditure on overseas duty trips.</li> <li>The PCPD to give timely and due consideration to the option of free accommodation provided by the organiser, and to document the justification if the option is not taken.</li> <li>The PCPD to formulate a policy on the acceptance of free offers by organizers of the events attended by the PCPD staff (including the Commissioner) on overseas duty trips, and specify the factors for consideration in deciding whether to accept an offer.</li> <li>The PCPD to take measures to strengthen the PCPD's internal control systems.</li> </ul>	<ul style="list-style-type: none"> <li>Accepted. The PCPD will continue to make conscious efforts to do so.</li> <li>Accepted. The PCPD will give timely and due consideration to the option of free accommodation provided by the organiser, and to document the justification if the option is not taken.</li> <li>A policy is being formulated for adoption. Consideration would be given in each case as to whether there is any conflict of interests in accepting free offers.</li> <li>The PCPD will recruit an Internal Controller to supervise and monitor the work of the various Divisions of the PCPD to ensure compliance and proper internal control.</li> </ul>

Audit/PAC's Recommendations	Progress to Date
<ul style="list-style-type: none"> <li>• The PCPD to take appropriate measure to ensure correct rate is used in calculating the “40% allowance” in future.</li>   <li>• The PCPD to re-circulate the time-off directive (that PC is not entitled to claim time off) periodically for the attention of the staff responsible for the administration of time off.</li> </ul>	<ul style="list-style-type: none"> <li>• Completed. The PCPD issued a directive on 20 January 2010 to remind the staff to comply with the system for processing Overseas Subsistence Allowance (OSA) claims and exercise greater care in calculating the OSA in future. Such directive will be re-circulated on a regular basis as reminders.</li>   <li>• Completed. The PC directed on 20 January 2010 that the directive on time off should be re-circulated once every six months.</li>   <li>• As the PCPD and the Administration have addressed concerns of PAC and Audit, we recommend deleting the section on “Overseas Duty Trips” from the next progress report.</li> </ul>
<b>5. Hospitality Expenditure</b>	
<ul style="list-style-type: none"> <li>• The PCPD to continue efforts to economise on hospitality expenditure in future.</li>   <li>• The PCPD to review the appropriateness of using public funds to hold farewell dinners for Commissioners.</li> </ul>	<ul style="list-style-type: none"> <li>• Accepted. The PCPD will continue to make conscious efforts to contain and control hospitality expenditure.</li>   <li>• Completed. The PCPD issued Finance Circular No. 03/09 dated 18 September 2009 prohibiting any expenditure on meals to bid welcome or farewell to any member of the PCPD (including the PC).</li> </ul>

Audit/PAC's Recommendations	Progress to Date
<ul style="list-style-type: none"> <li>• The PCPD to set guidelines on gift giving, specifying nature and value of gifts that are appropriate to the occasion and the public sector environment.</li> <li>• The PCPD to clearly document the business purpose, and enforce the per-person financial limit, for hospitality meals hosted by the PCPD officers.</li> <li>• The PCPD to document the justification if there are compelling reasons for exceeding the financial limit for hospitality meals.</li> </ul>	<ul style="list-style-type: none"> <li>• Completed. The guidelines were laid down in the Promotional Events Manual.</li> <li>• Completed. The PCPD issued Finance Circular No. 03/09 dated 18 September 2009, which requires that expenditure on official entertainment should be fully supported by receipts wherever possible, and vouchers must be accompanied with sufficient supporting information such as the list of guests and the purpose of the function. Expenditure exceeding the financial limit must be justified in writing.</li> <li>• As the PCPD and the Administration have addressed concerns of PAC and Audit, we recommend deleting the section on “Hospitality Expenditure” from the next progress report.</li> </ul>
<b>6. Other Administrative Issues</b>	
<ul style="list-style-type: none"> <li>• The PCPD to conduct thorough assessment of accommodation needs with reference to government standards before renewing or taking up new leases.</li> <li>• The PCPD to document the justifications if there is justification for exceeding the government standards.</li> </ul>	<ul style="list-style-type: none"> <li>• The existing lease of PCPD will expire in January 2011. PCPD has started a thorough assessment of accommodation needs with reference to government standards to facilitate its consideration of whether to renew the lease or take up a new lease.</li> <li>• Accepted. Recommendation will be implemented.</li> </ul>

Audit/PAC's Recommendations	Progress to Date
<ul style="list-style-type: none"> <li>• Before entering into new lease for additional space to accommodate anticipated additional posts, the PCPD to ensure that funding for creation of the posts is available.</li> <li>• The PCPD to consider whether to renew the lease for unit 1302.</li> <li>• The PCPD to remind staff to complete vehicle log books.</li> <li>• The PCPD to remind staff of the need to ensure the use of the office car is in accordance with the guidelines.</li> <li>• SCMA, in conjunction with the Secretary for Financial Services and the Treasury, should review the appropriateness of the manner in which the PCPD purchased its office car in 2003-04.</li> <li>• The PCPD to continue exercise strict control over the use of taxi for duty journeys in accordance with the Financial Circular No. 03/08 dated 19 December 2008.</li> </ul>	<ul style="list-style-type: none"> <li>• Accepted. Recommendation will be implemented.</li> <li>• Completed. The PC had informed the PAC at the public hearing that he had renewed the lease of unit 1302 until 31 January 2011. Audit did not raise any comment on the decision.</li> <li>• Completed. The PCPD had reminded staff by internal minutes on 1 September 2009 to complete vehicle log books.</li> <li>• Completed. The PCPD had reminded staff of the need to ensure that the use of the officer car is in accordance with the guidelines revised on 30 September 2009.</li> <li>• Completed. The case was duly reviewed and the Administration had written to the PCPD on 25 November 2009 underlining the importance of complying with the requirements of the MAA at all times and to remind the PCPD to exercise prudence and strive for economy in its expenditure.</li> <li>• Accepted. The PCPD will continue to exercise strict control over the use of taxi for duty journeys.</li> </ul>

Audit/PAC's Recommendations	Progress to Date
<ul style="list-style-type: none"> <li>• The PCPD to remind staff to use office car before considering using taxi.</li> <li>• SCMA to consider requiring the PCPD to return the earmarked fund to the Government, if no firm plan to implement the DURS in the near future.</li> <li>• If the PCPD is allowed to keep the earmarked fund, SCMA to take appropriate measures to ensure that the fund is not used for other purposes without the CMAB's prior consent.</li> <li>• The PCPD to ensure timely completion of staff performance appraisals.</li> </ul>	<ul style="list-style-type: none"> <li>• The PCPD issued a Financial Circular on 19 December 2008 to remind staff to use office car before considering using taxi.</li> <li>• The Administration and the PCPD are working together on the work plan to carry the project forward. The subject is included as one of the work targets in the PCPD's 2010 Business Plan.</li> <li>• Accepted. Funding position will be closely monitored.</li> <li>• Accepted. Timely completion of staff performance appraisals will be closely monitored.</li> <li>• As the PCPD and the Administration have addressed concerns of PAC and Audit, we recommend deleting the section on "Other Administrative Issues" from the next progress report.</li> </ul>
<p><b>7. Corporate Culture on the Use of Public Funds</b></p>	
<ul style="list-style-type: none"> <li>• The PC to take appropriate actions to foster a culture of observing the "moderate and conservative" principle among the PCPD staff when making expenditure decision.</li> </ul>	<ul style="list-style-type: none"> <li>• Accepted. The PCPD has taken various measures to apply the "moderate and conservative" principle in making expenditure decision. Moreover, the PCPD will include in its induction training for newly recruited staff a session on the need to observe the "moderate and conservative" principle.</li> </ul>

Audit/PAC's Recommendations	Progress to Date
<ul style="list-style-type: none"> <li>• The PC to take appropriate action to foster a compliance culture within the PCPD, in the light of the various administrative non-compliance issues revealed by Audit.</li>   <li>• The PC to take appropriate action to familiarise the PCPD staff with the requirements of the new MAA and ensure compliance.</li>   <li>• The FSTB to expeditiously complete compilation of a set of government standards and guidelines on various subjects for reference by public-funded non-governmental organizations, and arrange suitable training on the standards and guidelines for staff of the organizations.</li>   <li>• The Administration to require the government representatives in publicly-funded non-governmental organizations to proactively inform the organizations of applicable government standards and guidelines.</li> </ul>	<ul style="list-style-type: none"> <li>• Staff of the PCPD will be reminded on regular basis through PC's meetings and team meetings on the need to observe the principle of "moderate and conservative" and other standing guidelines in making expenditure decision.</li>   <li>• The Administration will support the PCPD in the follow-up by providing relevant government circulars and guidelines where appropriate for the PCPD's reference.</li>   <li>• PCPD will include in its induction training to newly recruited staff a session on the terms of the MAA to ensure compliance.</li>   <li>• The Administration will promulgate in late May 2010 a Practical Guide to Corporate Governance of Subvented Organisations. The Guide sets out principles and best practices relating to corporate governance of subvented organizations to provide a ready reference and facilitate self-assessment and identification of room for improvement.</li>   <li>• CMAB has provided the PCPD with a copy of all relevant Government guidelines and circulars. CMAB will continue to provide updated guidelines and circulars to PCPD as and when appropriate.</li>   <li>• As the PCPD and the Administration have addressed concerns of PAC and Audit, we recommend deleting the section on "Corporate culture on the use of public funds" from the next progress report.</li> </ul>

Audit/PAC's Recommendations	Progress to Date
<b>8. Performance Reporting in Controlling Officer's Report (COR)</b>	
<ul style="list-style-type: none"> <li>• The SCMA should, in consultation with the PCPD, develop outcome indicators and productivity indicators, to include in the COR performance indicators on the PCPD's promotional activities and on the number of codes of practice or guidelines approved / issued by the PCPD.</li>   <li>• The SCMA to expeditiously implement the Audit's recommendations.</li> </ul>	<ul style="list-style-type: none"> <li>• Completed. CMAB, with the assistance of PCPD, has included in the 2010-11 COR the following new outcome indicators and productivity indicators:               <ul style="list-style-type: none"> <li>(i) number of complaint cases resolved through mediation, warning notices and enforcement notices issued, and cases referred to prosecution;</li> <li>(ii) number of cases with recommendation given on the implementation of the PDPO;</li> <li>(iii) average time (days) taken to settle a simple complaint case and a complicated case;</li> <li>(iv) number of codes of practice / guidance notes issued; and</li> <li>(v) number of promotional and educational activities carried out.</li> </ul> </li>   <li>• As the Administration has addressed concerns of PAC and Audit, we recommend deleting this item from the next progress report.</li> </ul>

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