

THE GOVERNMENT MINUTE

in response to the

**REPORTS OF
THE PUBLIC ACCOUNTS COMMITTEE
No.53A and No.54**

of June and July 2010

20 October 2010

**THE GOVERNMENT MINUTE IN RESPONSE TO THE
PUBLIC ACCOUNTS COMMITTEE REPORT NO. 53A
DATED JUNE 2010**

**REPORT ON THE RESULTS OF VALUE FOR
MONEY AUDITS (Report No. 53A)**

Chapter 1 – Control of western medicines

The Administration welcomes the comments and recommendations made by the Audit Commission and PAC on the control of western medicines. The Food and Health Bureau (FHB) and the Department of Health (DH) have been working with relevant bureaux and departments to implement the recommendations.

Review of existing regulatory control of medicines

2. The Secretary for Food and Health and the Director of Health have accorded priority to ensuring the safety, efficacy and quality of medicines in Hong Kong. In formulating the Government's strategy and preparing legislative amendments to tighten up control, FHB will take into serious consideration the observations and recommendations of the Audit and PAC. FHB also attaches great importance to enhancing the regime for the regulation and control of medicines in Hong Kong. The Administration is preparing legislative amendments and finalising the implementation details for improving the regime. We will inform PAC of the progress in due course.

Importation of unregistered medicines

3. In order to work closely with other relevant bureaux and departments to tighten up the import and export control of pharmaceutical products, DH has convened a Task Force on Import and Export Control of Pharmaceutical Products with representatives from FHB, Commerce and Economic Development Bureau, Efficiency Unit (EU), Customs and Excise Department (C&ED), and Trade and Industry Department (TID) to formulate strategies on the control of medicines imported for re-export based on risk assessment and implementation of the recommendations of Audit and the Review Committee on Regulation of Pharmaceutical Products in Hong Kong. The Task Force is exploring the feasibility of developing a computer system to track the import and re-export of unregistered medicines and sharing of information among DH, C&ED and TID. The Administration will keep the Legislative Council (LegCo) Panel on Health Services informed of developments and we recommend deleting this part from the next progress report.

Inspection of dealers' activities and other enforcement actions

4. In response to PAC's concern, DH has taken steps to improve its inspection of dealers' activities and enforcement actions, as well as explore other measures to improve the frequency, quality and effectiveness of inspection and enforcement actions. DH makes unannounced inspections to manufacturers and will uphold the practice as suggested by the Audit. DH plans to enhance the standard of local drug manufacturing in phases and adopt the latest international Good Manufacturing Practices standards, including inspections and reporting. Adopting a risk-based approach, DH regularly reviews the frequency and extent of inspection of wholesalers, importers/exporters and authorised and listed sellers of poisons. DH has also increased the number of test purchases and started to conduct test purchases during weekends and night time. DH will explore further regulatory measures in collaboration with the Pharmacy and Poisons Board (PPB) such as requiring authorised and listed sellers of poisons to display their licences at their retail shop entrances and publishing the removal of listed sellers of poisons on DH's website. We will inform PAC and the LegCo Panel on Health Services of the progress.

Medicine testing, recalls and public alerts

5. DH accords a high priority to medicine testing, monitoring of medicine recalls and issuing of public alerts. DH has enhanced the monitoring system on recalls in response to the recommendations of the Audit. It works closely with the Government Laboratory and has initiated an annual review of the number of test samples and set performance targets for the turnaround time of sample testing based on the risk assessment of medicines selected from the market surveillance system. Outsourcing of certain testing work is being explored. We will inform PAC of the progress in due course.

Licence-refusal criteria, prosecutions and disciplinary actions

6. DH and PPB have considered the recommendations of the Audit on the improvement of the prosecutions and disciplinary actions as well as penalty system, with a view to achieving a greater deterrent effect and protecting the public interest. DH will actively consider and pursue measures suggested by the Audit. PPB has set up a working group to review and strengthen the licensing criteria. It has revised the registration protocol to include the checking of conviction record of the related authorised sellers of poisons when considering applications for registration. In response to the concern of the Audit and PAC, PPB has also cleared the backlog of disciplinary cases and imposed heavier penalty for achieving a greater deterrent effect. As DH and PPB have addressed the concerns of PAC and Audit in the context of the overall review of the regulatory regime and related legislative amendments, we recommend deleting this part from the next progress report.

Public information and internal support

7. DH is working closely with different stakeholders to enrich information on its website on medicines and dealers, and will ensure that the information is up-to-date. DH is also conducting a review of the existing IT systems of Pharmaceutical Service to enhance its regulatory work. Support and assistance from EU will be sought. We will inform PAC and the LegCo Panel on Health Services of the progress.

Progress made in implementing the Audit's recommendations

8. A summary of progress on implementing the Audit's recommendations is at Enclosure 1.

Encl. 1

**THE GOVERNMENT MINUTE IN RESPONSE TO THE
PUBLIC ACCOUNTS COMMITTEE REPORT NO. 54
DATED JULY 2010**

**REPORT ON THE RESULTS OF VALUE FOR
MONEY AUDITS (Report No. 54)**

Chapter 1 – Construction of pedestrian crossing facilities

Review of utilization of footbridges and subways

9. The Transport Department (TD) will conduct a review to examine the reasons for the existence of a footbridge/subway in close proximity with an at-grade crossing and to identify improvement measures for grade-separated crossing facilities with low utilization in each district. TD has already compiled a preliminary shortlist for the review. Starting end 2010, TD will consult the respective District Councils (or their relevant committees) before finalizing the list of facilities for the review.

10. Guidelines and implementation plan for the review are being formulated. The review will be conducted in stages, taking into account the assigned priority of the facilities and availability of resources. First phase of the review is expected to be completed by around mid-2011; any necessary improvement measures will be carried out thereafter. As necessary, TD will conduct further phases of the review.

Provision of information in the funding applications

11. Following the immediate measure of issuing internal memoranda in May/June 2010, as reported to PAC by the Commissioner for Transport on 8 June 2010, the relevant departments (i.e. the TD, the Highways Department (HyD) and the Civil Engineering and Development Department (CEDD)) have reviewed and updated the relevant departmental procedures and technical circulars to, among other things, give clear instructions that sufficient and detailed justifications for constructing footbridges and subways should be provided in the Public Works Subcommittee (PWSC)/Finance Committee (FC) submissions:

- (a) CEDD issued on 7 July 2010 the updated CEDD Technical Circular No. 07/2010 setting out the updated departmental procedures for preparing PWSC submissions;
- (b) HyD issued on 3 August 2010 the updated HyD Technical Circular on preparation of PWSC submissions; and

- (c) TD issued on 13 October 2010 the updated departmental procedures in their Departmental Instructions.

12. As actions for the above recommendation have been completed, we recommend deleting this part from the next progress report.

Improvement in the management of electricity supply and flood prevention of closed subways

13. HyD has amended its internal operation procedure to give clear instructions that necessary management measures (including maintaining electricity supply for the essential electrical and mechanical installations) should be taken for closed highway structures, including subways. The amended procedure took effect on 1 August 2010.

14. As actions for the above recommendation have been completed, we recommend deleting this part from the next progress report.

Better planning of grade-separated crossing facilities

15. To ensure better planning of grade-separated crossing facilities in future, TD has updated the relevant departmental instructions to give clear instructions that justifications for providing grade-separated crossing facilities should be critically examined by taking into account all relevant factors before funding approval is sought.

16. As actions for the above recommendation have been completed, we recommend deleting this part from the next progress report.

Progress made in implementing improvement measures for the footbridges and subways identified by the Audit

Encl. 2 17. Details of the progress made in implementing improvement measures for the footbridges and subways identified by the Audit are set out in the Enclosure 2.

Chapter 2 – Development of EcoPark

18. The Environment Bureau (ENB) and the Environmental Protection Department (EPD) welcome and accept the recommendations of the Director of Audit (D of A) and PAC, which focused on the planning and administration of EcoPark. The Administration has been taking steps to address their concerns and implement the improvement measures. ENB and EPD will continue to accord high priority to achieving the objective of EcoPark, i.e. to provide long-term land at affordable costs for the development of the recycling industry with a view to encouraging investment in more advanced technologies and value-added processes.

19. ENB/EPD note PAC's concern on whether LegCo has been consulted on the development of the EcoPark project. EPD briefed the LegCo Panel on Environmental Affairs (EA Panel) in 2005 the progress of EcoPark development, including the operation and management of EcoPark and the procurement arrangements. In the light of the market situation and noting the views of the EA Panel and the Financial Services and the Treasury Bureau (FSTB), EPD proposed subsequently to adopt a conventional management contract option. EPD then sought EA Panel's support for the development of EcoPark and its upgrading to Category A for consideration by PWSC with a view to seeking funding approval from FC. The project eventually commenced in July 2006. EPD will continue to report regularly to the EA Panel progress of EcoPark development.

Planning of EcoPark

20. In response to the concerns of the Audit and PAC, EPD will in future planning of environmental projects ensure that the contract and financial arrangements will be resolved during the early planning stage, and consult FSTB where necessary. EPD will also critically examine the need for involving the private sector in project development and operation, and, if necessary, explore alternative contract arrangements. As regards the recommendation to include all relevant costs and benefits in the financial evaluation of a project, FSTB has reminded bureaux/departments to note this point in Financial Circular No. 4/2010 issued in August 2010. As the Administration has already taken actions to follow up on the recommendations of the Audit and PAC, we suggest deleting this part from the next progress report.

Administration of Management Contract

21. As recommended by the Audit and PAC, EPD will consider including additional terms in future contracts to allow for payment adjustments in accordance with the actual level of services provided by the operator appointed for the operation and management of EcoPark (the Operator). Building on its private-sector expertise in marketing activities, the Operator has worked out an integrated marketing strategy comprising such elements as outreach plan, partnership programmes, sponsorship campaign and training programmes. A series of marketing and promotional activities have been implemented since September 2010.

22. To strengthen the assessment on the performance of the Operator, in addition to the existing monitoring and assessment arrangements, EPD has introduced a new quarterly performance appraisal reporting system since September 2010 to evaluate the Operator's performance in accordance with the contract requirements. EPD will continue to monitor closely the Operator's performance in all aspects of its services.

23. As follow-up actions will continue to be taken on an on-going basis, we suggest deleting this part from the next progress report.

Phase 1 Development

24. All six lots in Phase 1 of EcoPark have been let out for recycling of waste cooking oil, waste metals, waste wood, waste computers, waste plastics and waste car batteries. At present, four tenants have commissioned operation. As for the remaining two tenants, one plans to commence initial operation in October 2010 whereas the other will soon start the construction work. To assist EcoPark tenants to obtain statutory and other approvals, EPD has provided advice and guidance through briefings, workshops and experience sharing sessions. EPD has also maintained close communications with the concerned government departments, and explored with them specific measures such as setting up a dedicated help desk for the tenants to enable early commissioning of their operation. We will keep PAC informed of progress.

25. To critically assess the demand for land from recycling traders and prepare for the leasing of Phase 2 lots, EPD will continue to monitor the latest market situation and seek views and inputs from the recycling trade as well as the EcoPark Advisory Committee (EAC). EAC has held two meetings since August 2010, and EPD will continue to seek advice from EAC on a quarterly basis. EPD also launched a survey in September 2010 to gauge the interests of local and overseas recyclers. We will inform PAC and the EA Panel of progress in due course.

Phase 2 Development

26. The Administration has stepped up efforts in expediting the development of Phase 2. The site formation and road works of Phase 2 have been substantially completed. The Phase 2 lot temporarily allocated for container storage will also be returned to EPD in October 2010.

27. With the experience gained from Phase 1 development, EPD is critically reviewing the modus operandi and potential measures to render the Phase 2 lots more attractive to the trade. The review outcome will be reported to the EA Panel. On leasing arrangements for Phase 2, EPD is exploring in consultation with EAC and FSTB appropriate adjustments to increase the attractiveness of the EcoPark while ensuring that the tenants will be selected through an open, competitive and fair process. It is expected that the tendering exercise of Phase 2 lots will commence in end 2010. Pending outcome of the tendering exercise, EPD will work out further measurable performance targets for Phase 2 with milestone dates for their achievement. EPD will keep PAC and the EA Panel informed of progress.

28. In response to the recommendation of the Audit and PAC, EPD has initiated a review to assess whether the objective of promoting value-added and higher-end operations can be sustained. The review will form the basis for EPD to formulate a concrete strategy to ensure that the EcoPark will achieve its intended objective. We will inform PAC of progress.

Funding Arrangements of Waste Processing Centres

29. As part of our on-going efforts to update the Financial Circulars, FSTB is reviewing Financial Circular No. 8/2001. In doing so, we will take into account PAC's comments and consider whether further guidelines should be developed on the funding arrangements of works projects. We will inform PAC of progress in the next progress report.

Progress made in Implementing Audit Recommendations

Encl. 3 30. Detailed progress in implementing the various Audit recommendations are set out in Enclosure 3.

Chapter 3 – Hong Kong Chinese Orchestra Limited

31. The Government acknowledges the continuous efforts of the Hong Kong Chinese Orchestra (HKCO) in promoting arts development in Hong Kong. As the Bureau responsible for administering the subvention to major performing arts groups, the Home Affairs Bureau (HAB) strives to ensure the prudent use of public money by the arts groups. At the same time, we also respect their artistic autonomy by avoiding micro-managing their affairs, thus providing the performing arts groups with a conducive environment for development. Apart from leading the groups to artistic excellence in their respective art forms, the governing boards of performing arts groups have the responsibility to set up necessary internal procedures and guidelines to ensure proper management, effective governance and appropriate use of public money.

32. HAB and HKCO attach great importance to the recommendations of PAC and the D of A, and have been taking follow-up actions as set out below.

Criteria for evaluating subvented performing arts groups

33. Under the existing funding mechanism, the HAB, in consultation with the Funding Committee for the Performing Arts, examines the funding applications of the performing arts groups each year to determine the levels of funding for the following year, and offers advice on the development of the groups. Looking ahead, we will arrange meetings between the representatives of the groups and committee members responsible for approving the applications. This will enable the groups to present their work reports and projects in detail and address members' concerns, thereby enhancing the transparency and professional participation in the evaluation and approval process. Furthermore, HAB has appointed a consultant in March 2010 to conduct a study on funding for performing arts. The study aims to review the objectives of public funding for the performing arts in Hong Kong, and make recommendations on a sustainable funding mechanism for Government subvention of the performing arts groups,

including establishing both qualitative and quantitative assessment criteria. The consultant will seek views from arts groups and stakeholders through interviews, focused group discussions and other means. We will report to the Legislative Council Panel on Home Affairs (HA Panel) on the progress of the study and consult the Panel before formulating proposals. We will also inform PAC of further progress.

34. Besides, HAB has consulted FSTB on how to ensure compliance by HKCO and other performing arts groups with the provisions that are outside the revised audit scope under the 2010-11 Funding and Services Agreement (FSA). As mentioned above, HAB considers that the governing boards of subvented performing arts groups have the responsibility to ensure effective governance of the groups. Representatives of HAB will continue to attend the council/governing board meetings of the groups as observers to monitor the implementation of FSA. In fact, according to the Guide to Corporate Governance for Subvented Organisations issued by EU in May 2010, the role of the governing body involves dealing with matters relating to the provisions that are outside the revised audit scope under the 2010-11 FSA as pointed out by the D of A. These provisions include adopting proper internal controls and auditing measures, complying with the requirements on the prevention of conflict of interest, and establishing procurement procedures. We explained to HKCO and other subvented performing arts groups at a meeting on 26 August 2010 that the governing boards of performing arts groups had the responsibility to ensure compliance with the aforesaid provisions to ensure prudent use of public money and proper management of the groups according to the principles of transparency and accountability. Along the same line, we wrote to the chairpersons of the councils/governing boards of these groups on 20 September 2010 to elaborate on the specific requirements. Since HAB has taken follow-up actions to address PAC's concern, we recommend deleting this part from the next progress report.

Governance and Management

35. Following the Council meeting of HKCO on 14 July 2010, the committees under the Council have incorporated the review exercise for the Corporate Governance Guidelines, Accounting Policies and Procedures Manual (PPM), Human Resources PPM, Marketing and Development PPM, and other relevant regulations and guidelines into their schedule. Having regard to the nature and characteristics of the work of HKCO, the committees will critically review the relevant guidelines and manuals to ensure that all the procedures and regulations are practicable and in line with good governance and management principles. We will inform PAC of progress.

36. HKCO has proactively invited more people to become members in July 2010, and will continue to do so as an avenue for bringing in more ideas in arts and administration as well as expertise to facilitate HKCO's development. HKCO expects that the number of members will increase from 23 to 33 at the coming annual general meeting scheduled for October 2010. Since HKCO has taken appropriate follow-up actions, we recommend deleting this part from the next progress report.

37. On facilitating the dissemination of information on governance and management practices of performing arts groups, HAB has again distributed reference materials to the subvented performing arts groups on 28 July 2010, including the Government's guidelines on air passage and lodging provision for duty visits outside Hong Kong and the Guide to Corporate Governance for Subvented Organisations issued by EU. At the meeting with subvented performing arts groups held on 26 August 2010, we informed the groups that HAB would continue to disseminate useful references and arrange similar meetings to enable sharing of sound governance and management practices. Besides, HAB's representatives who attend the meetings of the councils/governing boards of the groups will, where appropriate, proactively inform the councils/boards of the relevant government practices and guidelines, and explain government policies and views for the groups' reference. Since HAB has taken appropriate follow-up actions, we recommend deleting this part from the next progress report.

Core Activities

38. Regarding the arrangement for holding concerts as "private functions" for commercial sponsors, HKCO is collecting information from other performing arts groups, with a view to reviewing existing policies and establishing objective criteria. We will inform PAC of progress.

39. HKCO has completed its review of seating and ticketing strategy. Starting from the new season in September 2010, it offers part of the seats temporarily blocked in the past for ticket sale at discounted prices to increase the number of tickets for sale for each concert. HKCO has also invited schools and other organisations (e.g. social welfare organisations) to book tickets in advance, including tickets at discounted prices for less favourable seats, thereby increasing the attendance rate, minimising the number of unoccupied seats and promoting Chinese music among the underprivileged. Since HKCO has taken appropriate follow-up actions, we recommend deleting this part from the next progress report.

Human Resources Management

40. HAB is committed to promoting Chinese music in collaboration with the Leisure and Cultural Services Department and HKCO. We provided the relevant information to the HA panel on 30 September 2010, outlining the measures that the Government and HKCO have taken to promote Chinese music in the community. Regarding the recommendation of providing a home base to HKCO in the West Kowloon Cultural District (WKCD) to ensure that adequate support facilities be provided to HKCO, we have relayed the suggestion to the WKCD Authority for consideration. We will also continue to maintain close liaison with and offer assistance to HKCO in identifying support facilities for rehearsals and storage, etc. Since HAB has taken appropriate follow-up actions, we recommend deleting this part from the next progress report.

41. HKCO has completed the revision of the relevant terms and conditions of the employment contracts of the artistic staff and signed new contracts with them in May 2010, having regard to the characteristics of their work and the contracts of artistic staff in other orchestras. Since HKCO has taken appropriate follow-up actions, we recommend deleting this part from the next progress report.

42. HKCO has issued a circular on 9 August 2010 to remind its staff to observe the guidelines on the granting of annual leave and time off for overtime work. HKCO will re-issue the circular to remind them of these guidelines on a regular basis. Since HKCO has taken appropriate follow-up actions, we recommend deleting this part from the next progress report.

The progress made in implementing the various Audit recommendations

Encl. 4 43. Details on the follow-up actions taken by HAB and HKCO in response to the recommendations of the Audit are provided in Enclosure 4.

Chapter 4 – Provision of postal services

44. Among 27 recommendations made by Audit, 18 have been implemented and the rest are being actively pursued.

45. Hongkong Post (HKP) is carrying out a review on the financial viability of loss-making post offices and will take appropriate measures according to the outcome available upon its completion in the last quarter of 2010. Meanwhile, two post offices will be relocated to smaller premises for rental savings in 2011-12.

46. On underpaid postage, HKP has strengthened its internal checking and monitoring system which led to the recovery of \$175,700 in surcharges from February to July 2010, representing an increase of 2.5 times over the same period last year. Efforts are also being stepped up to educate members of the public on their responsibility to pay sufficient postage.

Encl. 5 47. A progress report is at Enclosure 5.

Control of Western Medicines

Updated Progress of Implementing Audit Recommendations

DoA's Report Para.	Audit Recommendations	Progress to date
Part I : Introduction		
1.17	<p><i>Review of existing regulatory control of medicines</i></p> <p>Audit recommends that the Secretary for Food and Health (SFH) should take into account the Audit observations and recommendations in this report in formulating the Government's strategy for building up an effective regime for the regulation and control of medicines in Hong Kong.</p>	<p>The Food and Health Bureau (FHB) attaches great importance to enhancing the regime for the regulation and control of medicine in Hong Kong. In formulating the Government's strategy and preparing legislative amendments to tighten up control, FHB would take into serious consideration the observations and recommendations of the Audit.</p>
Part 2 : Importation of Unregistered Medicines		
2.20	<p><i>Importation of medicines for re-export</i></p> <p>Audit recommends that the SFH should take the lead and, in collaboration with the Board, the Director of Health (D of Health), the Director-General of Trade and Industry, and the Commissioner of Customs and Excise:</p> <p>(a) work out a proper strategy to plug the control loophole in the importation of unregistered medicines for re-export purposes and implement the strategy without delay;</p>	<p>(a) Regarding the control of the unregistered pharmaceutical products purported for re-export, the Department of Health (DH) has convened a Task Force on Import and Export Control of Pharmaceutical Products with representatives from FHB, the Commerce and Economic Development Bureau, the Efficiency Unit (EU), the Customs and Excise Department (C&ED), and the Trade and Industry Department (TID) to formulate strategies based on risk assessment.</p>

DoA's Report Para.	Audit Recommendations	Progress to date
	<p>(b) explore, in consultation with the pharmaceutical trade, the feasibility of developing a computer system to track the import and re-export of medicines, including the more effective flow of shipment and medicine information among DH, C&ED and TID;</p> <p>(c) in devising measures to strengthen import control, take care not to create cumbersome procedures which may cause inconvenience to the trade and discourage business; and</p> <p>(d) keep the Health Panel informed of subsequent developments.</p>	<p>(b) & (c) With the assistance of EU, the Task Force is exploring the feasibility of developing a computer system to track the import and re-export of unregistered medicine and the sharing of information among DH, C&ED and TID. Trade consultation is an integral process in the exercise. We would strike a balance between strengthening control and avoiding unnecessary inconvenience to the trade.</p> <p>(d) We will keep the Legislative Council Panel on Health Services informed in due course.</p>
2.31	<p><i>Importation of medicines without licences</i></p> <p>Audit recommends that the Commissioner of Customs and Excise, the D of Health and the Director-General of Trade and Industry need to work closely together to explore ways to step up controls over the importation of medicines.</p>	<p>The Task Force is also exploring ways to step up control over the importation of medicines. DH has implemented measures such as providing more training to the C&ED front-line staff to enhance their capability in detecting medicines among imported goods; providing C&ED with an updated list of registered medicines on a regular basis to assist C&ED in enforcing import and export control at the boundary; and increasing the weekly quota of consignment checking from 18 to 36.</p>
Part 3: Inspection of Dealers' Activities and Other Enforcement Actions		
3.14	<p><i>Inspections of manufacturers' licensed premises</i></p> <p>Audit recommends that the D of Health should:</p> <p>(a) uphold the DH efforts in conducting surprise inspections of manufacturers' premises;</p>	<p>(a) Since March 2009, DH has introduced unannounced inspections to manufacturers and will uphold the practice. Between March 2009 and</p>

DoA's Report Para.	Audit Recommendations	Progress to date
	<p>(b) for manufacturing processes that have been outsourced to contractors outside Hong Kong, consider conducting inspections of the contractors' premises; and</p> <p>(c) improve the effectiveness and quality of the DH inspections, including the conduct of more frequent inspections (particularly on manufacturers with conviction records or poor performance) and adequate documentation of inspection work, taking into account the consultant's recommendations on the GMP system in Hong Kong.</p>	<p>June 2010, DH has conducted 94 unannounced Good Manufacturing Practices (GMP) inspections against licensed manufacturers.</p> <p>(b) As recommended by the Review Committee on Regulation of Pharmaceutical Products in Hong Kong, DH will enhance the standard of local drug manufacturing in phases and plans to adopt the latest international GMP standards promulgated by the World Health Organization (WHO) and the Pharmaceutical Inspection Co-operation Scheme (PIC/S). According to the WHO and PIC/S requirements, DH should conduct inspections of the overseas contractors who take up the outsourced manufacturing process.</p> <p>(c) On a consultant's advice, DH will enhance in phases its regulatory functions including the GMP inspections and reporting.</p>
3.25	<p><i>Inspections of wholesalers' and importers/exporters' (I/Es) licensed premises</i></p> <p>Audit recommends that the D of Health should improve the effectiveness and quality of the DH inspections on wholesalers' and I/Es' premises, including the conduct of more frequent and more comprehensive inspections (particularly on those wholesalers with high risk).</p>	<p>DH conducts inspections on wholesalers and I/Es, and regularly reviews the frequency and the extent of such inspections adopting a risk-based approach. Inspection forms have been revised to strengthen monitoring. Relevant documents are checked before inspection to monitor the import/export status of their medicines.</p>

DoA's Report Para.	Audit Recommendations	Progress to date
3.35	<p><i>Inspections of authorised sellers of poisons (ASPs) and listed sellers of poisons (LSPs)</i></p> <p>Audit recommends that the D of Health should:</p> <p>(a) take steps to strengthen the DH regulatory controls to prevent illegal sales of medicines, including, for example, inspecting convicted ASPs more frequently;</p> <p>(b) conduct more publicity programmes to enhance the public's knowledge of medicines;</p> <p>(c) explore the desirability of imposing a requirement for ASPs/LSPs to display their licences at the entrance of their retail shops;</p> <p>(d) explore additional measures, such as publication on the DH website of the removal of retailers from the LSP list, and the conduct of surprise inspections and test purchases, to effectively deter improper retail sale of Part II poisons by former LSPs; and</p> <p>(e) review how the quality of the DH routine inspections of ASPs and LSPs can be enhanced.</p>	<p>(a) DH conducts inspections on ASPs and regularly reviews the frequency and the extent of such inspections according to the conviction records and risk profiles of ASPs.</p> <p>(b) DH has already enhanced public health education on slimming products and virility drugs through Announcements of Public Interest, pamphlets and thematic websites. DH will work with other professional bodies and consumer associations to update drug information on DH's website on a regular basis.</p> <p>(c) DH will, in collaboration with the Pharmacy and Poisons Board (PPB), explore measures such as requiring ASPs/LSPs to display their licences at the entrance of their retail shops.</p> <p>(d) DH has already enhanced inspections and test purchases at the removed LSPs and will, in collaboration with PPB, explore measures such as publishing the removal of LSP on DH's website.</p> <p>(e) DH conducts inspections on ASPs and LSPs and regularly reviews the frequency and the extent of such inspections adopting a risk-based approach.</p>
3.40	<p><i>Market Surveillance</i></p> <p>Audit recommends that as a good management practice, the D of Health</p>	<p>The current market surveillance strategy and follow up action are based on risk</p>

DoA's Report Para.	Audit Recommendations	Progress to date
	should document the DH market surveillance strategy and regularly review and update it to meet changing circumstances.	assessment and are reviewed from time to time having regard to market changes, new product information and intelligence. The strategy has been reviewed and documented.
3.46	<p><i>Test purchase</i></p> <p>Audit recommends that the D of Health should review and improve the existing mode of conducting test purchases. In particular, he should consider:</p> <p>(a) Conducting test purchases during weekends and night-time; and</p> <p>(b) Purchasing different medicine items (based on risk assessment) at different times and different places.</p>	<p>(a) DH has increased test purchases, and started to conduct test purchases during weekends and night-time either on its own or jointly with other law enforcement agencies. Since June 2010, apart from 1 292 test-buy operations conducted during office hour, 94 additional test-buy operations have also been conducted after office hours.</p> <p>(b) The current strategy of test purchases is based on risk assessment taking into consideration of nature of medicines, which include their potential of abuse and harmfulness, and the location and time of purchase.</p>
Part 4: Medicine Testing, Recalls and Public Alerts		
4.15	<p><i>Collection of medicine samples for testing</i></p> <p>Audit recommends that the D of Health should:</p> <p>(a) as regards samples taken from different sources for analysis, review DH's sample testing requirements each year and, if necessary, liaise with the Government Laboratory (GL) with a view to increasing the agreed test workload;</p>	<p>(a) DH is working closely with GL and has initiated an annual review of the number of test samples based on the risk assessment of medicines selected from the market surveillance system. DH and GL are exploring the feasibility of increasing the number of samples for testing by 700.</p>

DoA's Report Para.	Audit Recommendations	Progress to date
	<p>(b) for testing of samples collected for medicine registration, conduct a post-implementation review to assess whether the streamlined procedures are effective; and</p> <p>(c) for testing of samples collected from manufacturers' premises, in collaboration with the Government Chemist, make sustained efforts to further improve the sample testing procedures; and explore the feasibility of using IT to improve DH's information sharing (such as information relating to the movements of samples and dissemination of the test results) with GL.</p>	<p>(b) DH has reviewed the streamlined procedures post-implementation and found them effective.</p> <p>(c) DH and GL are working closely with each other and regularly review testing procedures collected from the manufacturers' premises. DH and GL have already used IT to streamline the dissemination of test results and conduct regular reviews to identify room for further improvement.</p>
<p>4.29</p>	<p><i>Medicine recalls and public alerts</i></p> <p>Audit recommends that the D of Health should:</p> <p>(a) remind the DH staff of the need to request the manufacturers/wholesalers to take recall actions when a defective/sub-standard medicines are found, even if the registration of the medicines concerned has not been renewed;</p> <p>(b) remind manufacturers/wholesalers to recall medicines with expired registration; and</p> <p>(c) sustain DH's enhanced efforts to monitor the recall actions taken by manufacturers/wholesalers.</p>	<p>(a) & (b) DH has already reviewed the renewal of registration of medicine. Product license holders are required to submit a detailed disposal plan to ensure all non renewed products are removed from the market before the expiry of the product license.</p> <p>(c) DH has enhanced the monitoring system on recall. The manufacturers and wholesalers have to submit a distribution list and a detailed recall report of any recalled product. DH will follow up with post-recall surveillance. DH will sustain these enhancement efforts.</p>

DoA's Report Para.	Audit Recommendations	Progress to date
Part 5: Licence–refusal Criteria, Prosecutions and Disciplinary Actions		
5.19	<p><i>Enforcement of disciplinary actions</i></p> <p>Audit recommends that the D of Health should, in collaboration with the Board:</p> <p>(a) step up the DH regulatory controls over dealers, including the enforcement of disciplinary decisions made by the Board and its committees and taking into account the measures Audit suggested in paragraphs 5.14 and 5.18; and</p> <p>(b) follow up on the irregularities identified in paragraph 5.12, including investigations, in collaboration with C&ED, into Case 8 to find out if there are any illegal/improper trading activities.</p>	<p>(a) DH has obtained legal advice from the Department of Justice (DoJ) that PPB should take into account circumstances and merits of the particular case in question. DH will take into account the measures suggested by Audit in the context of the overall review of the regulatory regime and related legislative amendments.</p> <p>(b) DH and C&ED followed up on Case 8, Facts 1, 2 and 3 and completed investigation on any illegal/improper trading activities. DoJ advised no prosecution for Fact 1. For Fact 2, the company concerned was convicted of offences under the Import and Export Ordinance and the Pharmacy and Poisons Ordinance. For Fact 3, there was no evidence of the alleged offence.</p>
5.31	<p><i>Effectiveness of licence-refusal criteria and disciplinary actions</i></p> <p>Audit recommends that the D of Health should, in collaboration with the Board:</p> <p>(a) monitor closely the effectiveness of the expanded licence-refusal criteria newly adopted for manufacturers, wholesalers, I/Es and LSPs;</p> <p>(b) critically review whether the licence-refusal criteria for ASP should be expanded to cover all drug-related convictions;</p> <p>(c) in processing ASP registration applications, step up the DH checking</p>	<p>(a) DH agrees to closely monitor the effectiveness of the expanded licence-refusal criteria newly adopted for manufacturers, wholesalers, I/Es and LSPs.</p> <p>(b) PPB has established a Working Group to critically review the criteria.</p> <p>(c) PPB has revised the protocol to include the checking of conviction</p>

DoA's Report Para.	Audit Recommendations	Progress to date
	<p>of ASPs' conviction records, particularly checking to determine whether convictions in related ASPs should also be taken into account; and</p> <p>(d) review the desirability of imposing heavier penalties (such as the removal of ASPs) in appropriate ASP cases, to increase the deterrent effect.</p>	<p>record of the related ASPs when considering applications for ASP registration.</p> <p>(d) The Disciplinary Committee of PPB has already imposed heavier penalty on ASP. Legislative amendments are being prepared to enable the removal of ASP licences.</p>
5.37	<p><i>Instigation of disciplinary actions</i></p> <p>Audit recommends that the D of Health should explore, in collaboration with the Board, ways to expedite disciplinary actions, and to clear the backlog of disciplinary cases as early as possible.</p>	<p>PPB and its Disciplinary Committee have cleared the backlog of disciplinary cases.</p>
Part 6: Public Information and Internal Support		
6.6	<p><i>Public information on medicines and dealers</i></p> <p>Audit recommends that the D of Health, in collaboration with the Board:</p> <p>(a) enrich the information on medicines and dealers on the DH website and ensure that the website information is always kept up-to-date; and</p> <p>(b) consider setting up a website for the Board and upload the register of pharmacists onto the website.</p>	<p>(a) DH is working closely with different stakeholders to enrich the information on medicines and dealers on the DH website and ensure the information is up-to-date.</p> <p>(b) PPB will set up a website to promulgate the register of pharmacists.</p>
6.12	<p><i>Internal support for regulatory work</i></p> <p>Audit recommends that the D of Health should:</p> <p>(a) conduct an overall review of the DH systems with a view to enhancing them to effectively support its regulatory work;</p>	<p>(a), (b) & (c) DH is reviewing the existing IT systems of the Pharmaceutical Service and will seek support and assistance from EU to enhance its regulatory work.</p>

DoA's Report Para.	Audit Recommendations	Progress to date
	<p>(b) ensure that, once a computer system has been developed, it is properly put into use to reap the expected benefits (such as improving operational efficiency and effectiveness); and</p> <p>(c) seek support and assistance from EU, if appropriate, to explore for instance the use of IT to support the DH inspection work.</p>	

Progress made in implementing improvement measures for the footbridges and subways identified by the Audit

Audit Report Para. No.	Audit Recommendations	Departments	Departments' Response in March 2010	Progress To Date (as at 20 October 2010)
Implementation of the improvement works and follow-up actions proposed in the 2010 Review Report				
2.14 (a)	<p>➤ Take early action to implement the proposed improvement works and follow-up actions proposed in the 2010 Review Report</p>	<p>Transport Department (TD)</p>	<p>➤ TD will take early action to implement the proposed improvement works and follow-up actions. However, some proposed improvement works will require detailed discussion with the relevant departments, followed by consultation with the relevant District Council and local community before a final decision could be made.</p>	<p>➤ Progress in implementing improvement works for the facilities identified in the 2010 Review Report is set out below.</p> <p><u>Subway across Tsuen King Circuit</u></p> <p>TD is working with the Highways Department (HyD) on the details of the engineering work for the closure of the subway.</p> <p><u>Subway near Kwok Shui Road</u></p> <p>Installation of four pedestrian directional signs at the entrance was completed in June 2010.</p> <p><u>Footbridge across Tong Ming Street at Sheung Tak Shopping Centre</u></p> <p>Planning for demolishing the ramps of the footbridge under a separate elevated</p>

Audit Report Para. No.	Audit Recommendations	Departments	Departments' Response in March 2010	Progress To Date (as at 20 October 2010)
				<p>walkway project in the vicinity is underway.</p> <p><u>Further monitoring of the 19 identified pedestrian crossing facilities</u></p> <p>Further monitoring surveys for all the 19 footbridges/subways were completed in June 2010. Additional improvement measures will be implemented by phases.</p> <p>Additional surveys on the concerned facilities will be carried out as necessary.</p>
A footbridge alongside Hung Hom Bypass				
3.19 (a)	➤ Monitor the utilization of Footbridge J with a view to identifying ways to promote its uses	TD	➤ The Commissioner for Transport (C for T) accepts the recommendation and has said that TD will consider ways to promote the use of this walkway in consultation with other departments, in particular when	<p>➤ TD will continue to monitor the utilization of the footbridge.</p> <p>➤ TD is consulting the Leisure and Cultural Services Department (LCSD) and the HyD on alternative uses and ways to promote the use of Footbridge J.</p>
3.19 (b)	➤ In consultation with other relevant government departments, explore alternative uses of Footbridge J, taking into account the planned development of the nearby areas			

Audit Report Para. No.	Audit Recommendations	Departments	Departments' Response in March 2010	Progress To Date (as at 20 October 2010)
			there is a change in development in adjacent areas.	
A closed subway in Sham Shui Po				
4.19	<p>➤ The C for T should examine the justifications for constructing Subway W, and its closure after completion, with a view to drawing lessons for better planning of grade-separated crossing facilities in future</p>	<p>TD HyD</p>	<p>➤ The C for T accepts the recommendation and has said that TD will, in consultation with HyD, carry out a review of the closure of Subway W, including the justifications for constructing the subway and the reasons for its closure with a view to better planning grade-separated crossing facilities in future.</p>	<p>➤ Available records show that when the construction work of Subway W was completed in 1988, the use of the reclaimed land where the subway would lead to had yet to be decided. To avoid illegal intrusion into the subway and to discourage occupation by street sleepers at night, TD decided to close the subway temporarily. However, detailed record on the justifications for constructing the subway is not available.</p> <p>➤ To ensure better planning of grade-separated crossing facilities in future, TD has updated the relevant departmental instructions to give clear instructions that justifications for providing grade-separated crossing facilities should be critically examined by taking into account all relevant factors before funding approval is sought.</p>

Audit Report Para. No.	Audit Recommendations	Departments	Departments' Response in March 2010	Progress To Date (as at 20 October 2010)
			<ul style="list-style-type: none"> ➤ The Director of Highways (D of Hy) accepts the audit recommendations and has agreed to examine the justifications for constructing Subway W, and its closure after completion, with a view to drawing lessons for better planning of grade-separated crossing facilities in future. 	<ul style="list-style-type: none"> ➤ In reflecting on the case, HyD is of the view that the follow-up action as mentioned in paragraph 3 of the main text (i.e. to remind staff to give sufficient and detailed justifications for constructing footbridges and subways in the preparation of PWSC/FC submissions) will serve as a helpful reminder to HyD staff in ensuring that there are ample justifications for proposed footbridge/subway projects, thereby hopefully avoiding the recurrence of similar cases in future.
4.20	<ul style="list-style-type: none"> ➤ The C for T should, in consultation with other relevant government departments (e.g. the Home Affairs Department and the Housing Department (HD)), review the future use of Subway W, including the prospect of opening it for public use 	TD	<ul style="list-style-type: none"> ➤ The C for T accepts the recommendation and has said that TD will, in consultation with other relevant government departments, carry out a review of the future use of Subway W, including the prospect of opening it for public use. 	<ul style="list-style-type: none"> ➤ TD is exploring with LCSD, HD, HyD, Lands Department and the Police on the possibility of reopening the subway for public use.

Audit Report Para. No.	Audit Recommendations	Departments	Departments' Response in March 2010	Progress To Date (as at 20 October 2010)
Two footbridges in Tung Chung West				
5.29	➤ The C for T should, in consultation with the D of Hy, continue to monitor the problem of jaywalking near Footbridge K at Chung Yan Road after the completion of the at-grade crossing	TD	➤ The C for T accepts the recommendation and has said that following the completion of the at-grade crossing in January 2010, TD will continue to address any road safety problem at Chung Yan Road as part of TD's day-to-day traffic management duties.	➤ After the completion of the at-grade crossing in January 2010, TD has conducted site visits about once every two months. At the location concerned, the pedestrians used the new crossing and no jaywalking was observed. TD will continue to monitor the situation.
Footbridges built under Castle Peak Road improvement project				
6.41 (a)	➤ Monitor road safety at the locations of the 11 footbridges along the Castle Peak Road (CPR) section, and identify measures to deter jaywalking and encourage pedestrians to use the footbridges	TD	➤ The C for T accepts the recommendation and has said that TD will continue to address any road safety problem along the CPR section as part of TD's day-to-day traffic management duties.	➤ TD conducted consultation through the Tsuen Wan District Office on its plan to install "No Pedestrian" warning signs at appropriate locations at the road sections in the vicinity of the footbridges and received no objections. TD is working with HyD to implement the above works with a view to installing the signs by end 2010. TD will keep in view the

Audit Report Para. No.	Audit Recommendations	Departments	Departments' Response in March 2010	Progress To Date (as at 20 October 2010)
6.41 (b)	➤ Continue to improve the pedestrian crossing facilities along the CPR section having regard to road safety, the residents' needs and other considerations			need for further improvements, such as closing gaps at railings along the footpath, installing directional signs near footbridges and carrying out publicity to encourage the use of footbridges.

Development of EcoPark
Updated Progress in Implementing Audit Recommendations as at September 2010

Director of Audit's Recommendations		Policy Bureaux/ Departments	Progress to-date (As at end of September 2010)
Planning of EcoPark			
1	Take action to resolve the contract and financial arrangements early during the planning stage, and consult the Financial Services and the Treasury Bureau (FSTB) where necessary, so as to minimize delay in project implementation	Environment Bureau (ENB)/ Environmental Protection Department (EPD)	<ul style="list-style-type: none"> ● ENB/EPD will in future planning of environmental projects ensure that the contract and financial arrangements will be resolved during the early planning stage.
2	<p>Critically examine the need for involving the private sector in the project development and operation, and, if necessary, explore alternative contract arrangements with a view to:</p> <p style="margin-left: 40px;">(i) bringing in the private-sector expertise to help improve the service quality; and</p> <p style="margin-left: 40px;">(ii) allowing flexibility to meet market changes</p>	EPD	<ul style="list-style-type: none"> ● EPD will in future planning of environmental projects critically examine the need for involving the private sector in project development and operation, and, if necessary, explore alternative contract arrangements.
3	In the financial evaluation of the projects, take into account the full costs and benefits, including the cost savings, and consider providing such information in	EPD	<ul style="list-style-type: none"> ● EPD will provide estimates on cost savings in the financial evaluation of future projects of a similar nature.

Director of Audit's Recommendations		Policy Bureaux/ Departments	Progress to-date (As at end of September 2010)
	the PWSC/FC papers where appropriate		
Phase 1 Development			
4	Keep in view the progress of Phase 1 and step up efforts in expediting its development	EPD	<ul style="list-style-type: none"> ● EPD will continue to keep in view of Phase 1 of EcoPark. As at end September 2010, four tenants (for processing waste cooking oil, waste metals, waste wood and waste computers) have commissioned operation. For the two tenants who have yet to commence operation, one is constructing the plant with a view to commencing initial operation in October 2010 while the other one is preparing to start construction in October 2010. EPD will continue to provide appropriate assistance and step up efforts to encourage/facilitate their early commissioning of recycling operation.
5	Critically assess the demand for land from recycling traders, including conducting more market research and extensive consultations with the traders, before inviting tenders	EPD	<ul style="list-style-type: none"> ● As at end September 2010, all six lots in Phase 1 have been let out. EPD will continue to critically assess the land demand from the recycling and environmental industry through regular consultations with the EcoPark Advisory Committee (EAC). In this connection, two meetings of EAC were held in August 2010. In addition, EPD conducted a survey in September 2010 to collect views/identify interests of recycling industry in EcoPark before letting the lots in Phase 2.

Director of Audit's Recommendations		Policy Bureaux/ Departments	Progress to-date (As at end of September 2010)
6	Take measures, including termination of tenancies if the breach is serious and substantial, to enforce tenancy conditions on tenants who have failed to comply with the requirements	EPD	<ul style="list-style-type: none"> ● EPD will keep in view the situation and take decisive contract enforcement measures which include termination of tenancy, if there is any serious and substantial breach of tenancy conditions. In fact, EPD issued warning letters to the concerned tenants in August 2010.
7	Continue taking measures to help expedite the processing of building plans submitted by tenants	EPD	<ul style="list-style-type: none"> ● To facilitate and assist EcoPark tenants in submitting applications to meet statutory requirements for commencing operation, EPD has maintained very close communication with the concerned government departments, such as Buildings Department and Fire Services Department. ● Apart from having meetings with individual tenants, EPD has been providing tenants with advice and guidance through briefings on statutory requirements by Authorized Person, workshop on utilities installation by utilities companies and experience sharing sessions. ● EPD is actively exploring with relevant departments including Buildings Department to work out specific measures (e.g. setting up a dedicated help desk) to assist all tenants to enable early commissioning of their operation at EcoPark.

Director of Audit's Recommendations		Policy Bureaux/ Departments	Progress to-date (As at end of September 2010)
8	Explore measures which can help tenants tackle their operational difficulties, especially those relating to compliance with government regulations and tenancy requirements	EPD	<ul style="list-style-type: none"> ● EPD has taken the following measures to help Phase 1 tenants to tackle operational difficulties: <ul style="list-style-type: none"> (a) releasing part of the rental deposits to relieve tenants of short term cash flow problem; (b) releasing part of the performance guarantee to tenants when considerable capital investment has been injected; (c) deferring handing over of lots to tenants for a period of up to three months to allow more time for tenants to prepare for plant development/operation without immediate commencement of rental period; (d) providing support letters for tenants to facilitate their liaison with local waste generators; (e) facilitating and assisting in liaison with major waste producers (e.g. cargo handling companies for waste wood, restaurant trade for used cooking oil, etc); and (f) assisting tenants to explore partnership arrangements with relevant organisations such as trade associations, non-government organisations, government departments, etc. ● In respect of compliance with government regulations and tenancy requirements, EPD has been providing the tenants with advice and guidance through briefings on statutory requirements by Authorized Person, workshop on utilities

Director of Audit's Recommendations		Policy Bureaux/ Departments	Progress to-date (As at end of September 2010)
			<p>installation by utilities companies and special experience sharing sessions.</p> <ul style="list-style-type: none"> ● In the light of the experience of the Phase I development and the views from relevant stakeholders, EPD is actively exploring the specific measures to assist all tenants to enable early commissioning of their operations at EcoPark.
9	<p>In consultation with the Secretary for Financial Services and the Treasury, consider whether, apart from open tendering, there are other appropriate arrangements for letting the lots in EcoPark</p>	EPD/FSTB	<ul style="list-style-type: none"> ● With the experience of the Phase 1 development, EPD is reviewing in consultation with EAC and FSTB the leasing arrangement for Phase 2. While ensuring that the tenants will be selected through an open, competitive and fair process, EPD is considering appropriate adjustments (e.g. open waste types, longer tenancy period and flexible lot size) to increase the attractiveness of EcoPark to the recycling industry and to facilitate early commencement of recycling operation on site.
10	<p>Update the target materials throughput of EcoPark in the light of market changes, and closely monitor the actual throughput of the materials</p>	EPD	<p>A minimum processing tonnage is stipulated in individual tenancies. The total minimum tonnage for the six Phase 1 lots is around 53 720 tonnes a year. It is expected that the actual total tonnage could be greater according to the latest operation plans of some tenants. EPD will closely monitor the actual throughput of recycling materials processed.</p>

Director of Audit's Recommendations		Policy Bureaux/ Departments	Progress to-date (As at end of September 2010)
11	Consider reporting periodically the forecast and actual throughputs of EcoPark to the Panel on Environmental Affairs (EA Panel)	EPD	<ul style="list-style-type: none"> ● EPD has been reporting regularly to EA panel the progress of the EcoPark project and will continue to do so. The next reporting is scheduled for November 2010.
12	Review the extent of achievement of the waste-management objectives of EcoPark, in particular whether the objectives of establishing value-added and higher-end operations can be sustained	EPD	<ul style="list-style-type: none"> ● EPD will closely monitor the operations at EcoPark, and review the practicability of attaching more weight to higher-end and value-added operations. In this connection, a review has been initiated in September 2010.
Phase 2 Development			
13	Keep in view the progress of Phase 2 and step up efforts in expediting its development	EPD	<ul style="list-style-type: none"> ● With the experience of Phase 1 development, EPD is critically reviewing the modus operandi and potential measures to render Phase 2 lots more attractive to the trade and facilitate future tenants to start up operation as soon as possible. ● EPD is reviewing in consultation with EAC and FSTB the leasing arrangement for Phase 2. While ensuring that the tenants will be selected through an open, competitive and fair process, EPD is considering appropriate adjustments (e.g. open waste types, longer tenancy period and flexible lot size) to increase the attractiveness of the EcoPark to the recycling industry and to facilitate early commencement of recycling

Director of Audit's Recommendations		Policy Bureaux/ Departments	Progress to-date (As at end of September 2010)
			operation on site. The target is to invite tenders from the recycling industry for Phase 2 lots by the end of 2010.
14	Closely monitor the use of EcoPark lots with a view to ensuring that sufficient land is made available for use by the recycling industries	EPD	<ul style="list-style-type: none"> ● EPD launched a survey in September 2010 to gauge the interests of local and overseas recyclers. ● EPD will continue to monitor the latest market situation and maintain effective dialogue with local and regional recycling stakeholders through various channels, including EAC, recycling trade associations and major recyclers in the region.
15	Liaise with the Secretary for Development and the Director of Lands regarding the time-frame for handing back the Phase 2 lot temporarily allocated for container storage	EPD/ Development Bureau/ Lands Department	<ul style="list-style-type: none"> ● The Phase 2 lot temporarily allocated for container storage will be returned to EPD in October 2010.
16	Review the operation of the two pilot waste processing centres, in particular their effectiveness in enhancing waste recycling, having regard to the objectives of EcoPark in establishing value-added and higher-end activities	EPD	<ul style="list-style-type: none"> ● The two pilot waste processing centres have been designed to meet the objective of promoting higher-end and value-added waste recycling. The waste plastic processing centre has commissioned since March 2010 while the Waste electrical and electronic equipment (WEEE) processing centre is scheduled to be commissioned in the 4th quarter of 2010. The effectiveness of the two pilot waste processing centres will be monitored closely.

Director of Audit's Recommendations		Policy Bureaux/ Departments	Progress to-date (As at end of September 2010)
17	Consult FSTB about the funding arrangement for WEEE processing centre at EcoPark	EPD/FSTB	<ul style="list-style-type: none"> ● In March 2010, EPD consulted FSTB. FSTB had no objection to charging WEEE processing centre capital cost to the block allocation.
Administration of Management Contract			
18	In administering management contracts for environmental projects in future, take measures to ensure that payments made are commensurate with the services required. These may include examining the feasibility of incorporating a contract condition which allows for the adjustment of payments in case there is a substantial reduction in the service level	EPD	<ul style="list-style-type: none"> ● EPD will consider including additional terms in future contracts to allow for payment adjustments in accordance with the actual level of services provided by the operator appointed for the operation and management of EcoPark (the Operator). ● EPD met with the senior executives of the Operator in August 2010 to work out new measures for improving the delivery of management services by the Operator. The Operator has set up a dedicated marketing team for promoting EcoPark and implementing the marketing strategy. The Operator is also providing additional support to individual tenants to set up and commence their operations on site.
19	Consider making better use of the Operator's private-sector expertise in marketing activities for promoting EcoPark to the recycling traders	EPD	<ul style="list-style-type: none"> ● The Operator has been providing marketing services to promote EcoPark, including liaison with the local and overseas recycling industry, meetings with interested parties, taking

Director of Audit's Recommendations		Policy Bureaux/ Departments	Progress to-date (As at end of September 2010)
			<p>referrals from Invest Hong Kong, developing a dedicated website for EcoPark, and preparing promotional flyers and leaflets.</p> <ul style="list-style-type: none"> ● Building on its private-sector expertise in marketing activities, the Operator has worked out an integrated strategy comprising such elements as outreach plan, partnership programmes, sponsorship campaign and training programmes. A series of marketing and promotional activities have been implemented since September 2010. EPD will continue to make use of the private-sector expertise of the Operator in promoting and marketing EcoPark.
20	Closely monitor the Operator's performance with reference to the service requirements included in the management contract, and compile assessment reports on the Operator's performance	EPD	<ul style="list-style-type: none"> ● To strengthen the assessment on the performance of the Operator, in addition to the existing monitoring and assessment arrangements in accordance with the contract terms, EPD has introduced a new quarterly performance appraisal reporting system since September 2010 to evaluate the Operator's performance in accordance with the service requirements as stipulated in the contract. ● EPD will continue to monitor closely the Operator's performance in all aspects of its services.

Director of Audit's Recommendations		Policy Bureaux/ Departments	Progress to-date (As at end of September 2010)
21	Expedite action to commission the Visitor Centre and the Product Gallery to tie in with the recycling activities at EcoPark	EPD	<ul style="list-style-type: none">● The EcoPark Visitor Centre has commenced to receive visitors since March 2010. So far, about 600 group visits with over 9 000 visitors have been received. Schools, community organisations and the general public can make booking for visit through EPD and EcoPark websites.

Hong Kong Chinese Orchestra
Follow up Actions on Report No. 54 of the Director of Audit

Recommendations of Director of Audit	Progress of the follow-up actions taken
1. Corporate Governance	
<p>The Hong Kong Chinese Orchestra (HKCO) should:</p> <p><i>Declaration of interests</i></p> <p>(a) ensure that the laid-down requirements on annual declarations of interests and declarations of conflict of interests for meetings are strictly complied with;</p> <p>(b) require the administration department to keep proper record of both verbal and written declarations;</p> <p>(c) review the arrangements for declaring conflict of interests, including extending the requirement to all committee meetings;</p> <p><i>Proceedings of Meetings</i></p> <p>(d) remind the administration department to distribute meeting documents within the stipulated time; and</p> <p><i>Audit requirements</i></p> <p>(e) ensure that the audit requirements laid down in the Funding and Services Agreement (FSA) are complied with.</p>	<ul style="list-style-type: none"> • At the Council meeting on 19 May 2010, the HKCO reminded its Council members to strictly comply with the laid-down requirements on annual declarations of interests and declarations of conflict of interests for meetings, and required the administration department to keep proper record of both verbal and written declarations. We suggest deleting this part from the next progress report. • The HKCO has extended the requirement on the declaration of conflict of interests to all committee meetings starting from 11 May 2010. We suggest deleting this part from the next progress report. • The HKCO issued a circular on 16 September 2010 to remind the administration department to distribute the circulars and agendas of meetings to the Council within the stipulated time. We suggest deleting this part from the next progress report. • The HKCO has submitted the financial report for 2009-10 in accordance with the revised audit requirements, and will continue to observe the audit requirements laid down in the FSA. We suggest deleting this part from the

Recommendations of Director of Audit	Progress of the follow-up actions taken
	next progress report.
<p>The Secretary for Home Affairs (SHA) should :</p> <p>(a) consider consulting the Director of Accounting Services on the issue of compliance with the audit requirements in the FSA and follow up the compliance by the HKCO and other performing arts groups as appropriate; and</p> <p>(b) in the light of findings in this report, remind other performing arts groups to check whether there are similar problems for taking necessary action.</p>	<ul style="list-style-type: none"> • In respect of the recommendation that the HKCO and other major arts groups should comply with the audit requirements in the FSA in preparing their annual financial report, we have revised the relevant audit requirements in Annex C to the 2010-11 FSA signed with the groups after consulting the Financial Services and Treasury Bureau. We have also required the groups to observe the revised audit requirements when submitting their financial reports for the 2009-10 financial year. Under the revised audit requirements, an auditor's opinion on the groups' compliance with the accounting requirements in relation to their financial matters is required in the annual financial reports. The revision seeks to stipulate more clearly the scope of auditors' duties with a view to more accurately reflecting the principle of proper management and control of Government funding. We suggest deleting this part from the next progress report.
<p>2. Core Activities</p>	
<p>The SHA should:</p> <p>(a) work out with the HKCO an improved reporting basis for the Self-evaluation Report (including a reassessment of what performance information should be reported), with clear definitions and methodologies on the performance information to be compiled in the Report;</p> <p>(b) require other performing arts groups to adopt similar improvements in (a) above in their Self-evaluation Reports;</p>	<ul style="list-style-type: none"> • The HAB has examined what performance information should be reported in the Self-evaluation Reports of the HKCO and other major performing arts groups, and has worked out a detailed proforma to facilitate the groups to report to the HAB the performance results of their core programmes. The new proforma has incorporated the recommendations put forth in the Audit Report, and provided

Recommendations of Director of Audit	Progress of the follow-up actions taken
<p>(c) urge the performing arts groups (including the HKCO) to set up, if not already established, an appropriate mechanism to validate the information reported in the Self-evaluation Reports; and</p> <p>(d) require the performing arts groups to submit their Self-evaluation Reports to their governing boards and obtain their boards' endorsement of the Reports before submission to the HAB.</p>	<p>clear definitions and methodologies on the performance information to be included in the Report, such as the maximum venue capacity, the maximum audience capacity stated in an approved seating plan, the number of paid audience, the number of complimentary tickets (including free tickets or complimentary tickets paid by the arts group), and the ticket proceeds and ticket sale rates. We suggest deleting this part from the next progress report.</p> <ul style="list-style-type: none">• The HAB has written to the chairpersons of the councils/governing boards of the performing arts groups on 31 March 2010, urging them to set up an appropriate mechanism to validate the information reported in the Self-evaluation Reports and requiring them to submit such reports to their councils/governing boards for endorsement before submission to the HAB. The groups have met the above requirements when submitting their Self-evaluation Reports for 2009-10. We suggest deleting this part from the next progress report.

Recommendations of Director of Audit	Progress of the follow-up actions taken
<p>The HKCO should: <i>Strategy and monitoring system for issuing complimentary tickets</i></p> <p>(a) critically review, and revise as appropriate, its complimentary ticket strategy and monitoring system with due regard to the principle of prudence and good value for money, and making reference to the Leisure and Cultural Services Department's (LCSD) complimentary ticket strategy and monitoring system;</p> <p>(b) explore more effective measures to promote the ticket sales of its regular concerts, and in collaboration with the HAB, explore more effective ways to promote Chinese music to the community in the long term;</p> <p><i>Good initiatives that should be further promoted</i></p> <p>(c) step up its efforts to plan and organise educational programmes (similar to the "Chinese Music Alive" Scheme) to promote Chinese music among the youth and the underprivileged;</p>	<ul style="list-style-type: none"> • The HKCO is reviewing its complimentary ticket strategy and monitoring system, including the relevant provisions in the Marketing and Development Policies and Procedures Manual, to ensure that they are in line with good governance and management principles while at the same time practicable. • The HKCO will continue to explore measures to actively promote the ticket sales of its regular concerts, and in collaboration with the HAB and the LCSD, explore more effective ways to promote Chinese music to the community, including building an audience for Chinese music through various arts education and community outreach programmes. We suggest deleting this part from the next progress report. • The HKCO will continue to organise educational programmes, including cooperating with the Education Bureau in encouraging students to attend regular concerts to tie in with the New Senior Secondary Curriculum. Moreover, the HKCO will continue to invite underprivileged families to attend its concerts through the "Music for Love" Scheme in order to expand their horizons in the arts. We suggest deleting this part from the next progress report.

<p>Recommendations of Director of Audit</p>	<p>Progress of the follow-up actions taken</p>
<p><i>Documentation to support the issue of complimentary tickets</i></p> <p>(d) maintain proper records of ticket requests and ticket acknowledgement;</p> <p>(e) improve the documentation on justifications and approvals for additional complimentary tickets issued;</p> <p>(f) set up a proper system to collect audience feedback (particularly from those complimentary ticket audience), making reference to the good practice of conducting surveys and compiling half-yearly evaluation reports under the “Chinese Music Alive” Scheme;</p> <p>(g) enforce the requirement for submission of the Recipients’ Lists (including their attendance) to the Council; and</p> <p><i>Concerts held as “private functions” for commercial sponsors</i></p> <p>(h) require commercial sponsors to bear the full cost of concerts to be held as private functions for them.</p>	<ul style="list-style-type: none"> • The HKCO has started to maintain proper records of ticket requests and ticket acknowledgement since 10 May 2010. Staff have been reminded to properly record the justifications and approvals for additional complimentary tickets issued. We suggest deleting this part from the next progress report. • The HKCO will continue to collect audience feedback through the Internet so as to be environmentally responsible, and report to the Council regularly. Meanwhile, starting from the new season in September 2010, the HKCO will issue questionnaires to complimentary ticket audience to collect their views. We suggest deleting this part from the next progress report. • Since 19 May 2010, the HKCO has included the Recipients’ Lists (including their attendance) in the Council meeting papers. We suggest deleting this part from the next progress report. • Regarding the arrangement of holding concerts for commercial sponsors, HKCO is gathering information from other performing arts groups for reviewing the existing policy and establishing objective criteria.
<p>The HKCO should:</p> <p>(a) review its seating and ticketing strategy and consider possible ways to optimise the number of seats for each concert;</p> <p>(b) explore the desirability of offering</p>	<ul style="list-style-type: none"> • The HKCO has completed the review of its seating and ticketing strategy. Starting from the new season in September 2010, the HKCO offers part of the seats temporarily blocked in the

Recommendations of Director of Audit	Progress of the follow-up actions taken
<p>temporarily blocked seats for ticket sales at discounted prices; and</p> <p>(c) offer concessionary tickets to schools for concerts with ticket sales not reaching 30% three weeks before the concerts are held, as laid down in the Marketing Manual.</p>	<p>past for ticket sales at discounted prices to increase the number of seats for each concert. The HKCO has also invited schools and other appropriate organisations (e.g. social welfare organisations) to book tickets in advance, including tickets at discounted prices for less favourable seats, thereby increasing the attendance rates, minimising the number of unoccupied seats and promoting Chinese music among the underprivileged. We suggest deleting this part from the next progress report.</p>
<p>3. Human resources management</p>	
<p>The HKCO should:</p> <p><i>Utilisation of artistic staff resources</i></p> <p>(a) closely monitor the working hours of artistic staff to ensure that they are gainfully employed in accordance with the employment contract provisions;</p> <p>(b) put any spare artistic staff resources to beneficial use, such as engaging them more on outreach community activities;</p> <p><i>Annual leave</i></p> <p>(c) tighten the control over annual leave to ensure that staff are not granted more leave than their entitlement; and</p> <p><i>Time off for overtime work</i></p> <p>(d) remind all supervisors to check that their subordinate staff have worked in excess of</p>	<ul style="list-style-type: none"> • The HKCO will draw up duty roster for the artistic staff having regard to the orchestra's activities every month to facilitate the monitoring of their working hours and to ensure that they are gainfully employed in accordance with the employment contract provisions. We suggest deleting this part from the next progress report. • The HKCO will put spare artistic staff resources to beneficial use and engage them in outreach community activities where operationally appropriate. We suggest deleting this part from the next progress report. • The HKCO issued a circular on 9 August 2010 to remind its staff to observe the guidelines on the granting of annual leave and time off for overtime work. The HKCO will re-issue the circular to remind them of these guidelines on a regular basis. We suggest deleting this part from the next

Recommendations of Director of Audit	Progress of the follow-up actions taken
<p>the conditioned working hours before granting them time off for the equivalent hours of overtime work.</p>	<p>progress report.</p>
<p>The HKCO should:</p> <ul style="list-style-type: none"> • ensure that outgoing staff are gainfully employed up to the end of their contract periods and, where there are practical difficulties to do so, explore ways to minimise any nugatory expenditure. 	<ul style="list-style-type: none"> • The HKCO will follow the Audit's recommendation to ensure that outgoing staff are gainfully employed up to the end of their contract periods and, where there are practical difficulties to do so, explore ways to minimise any nugatory expenditure (e.g. considering earlier termination of the contract, etc). We suggest deleting this part from the next progress report.
<p>The HKCO should:</p> <p>(a) ensure that the laid-down guidelines on air passage and lodging provision for duty visits outside Hong Kong are strictly complied with; and</p> <p>(b) review the appropriateness of providing Business class air passage for Council representatives, the Artistic Director and the Executive Director for all overseas performance tours, and where necessary, consult the HAB.</p>	<ul style="list-style-type: none"> • The HKCO issued a circular on 16 September 2010 to remind its staff to strictly comply with the laid-down guidelines on air passage and lodging provision for duty visit outside Hong Kong. We suggest deleting this part from the next progress report. • The HKCO is reviewing the air passage arrangement for overseas performance tours. It will make reference to the Government's practice on the provision of air passage and lodging for duty visits outside Hong Kong provided by the HAB.
<p>The HKCO should:</p> <p>(a) for a new research and development (R&D) initiative outside the scope of the R&D officer's employment contract, agree with him appropriate contract terms for managing key issues such as intellectual property right and research cost before commencing the work; and</p> <p>(b) set milestone dates in the R&D officer's employment contract for measuring the progress of his work.</p>	<ul style="list-style-type: none"> • The HKCO will agree with the R&D officer on appropriate contract terms before embarking on new R&D initiatives in future. We suggest deleting this part from the next progress report. • The HKCO is in discussion with the R&D officer with a view to setting milestone dates for measuring the

Recommendations of Director of Audit	Progress of the follow-up actions taken
	<p>progress of his work. Moreover, the HKCO will consider incorporating appropriate terms into the new employment contract during the contract renewal negotiation process with the R&D officer (the existing contract will expire in May 2011).</p>
<p>4. Other administrative issues</p>	
<p>The HKCO should –</p> <p>(a) invite more suppliers to participate in its annual evaluation exercise for selecting nominated suppliers;</p> <p>(b) set out clearly the tendering procedures for the administration staff to follow; and</p> <p>(c) remind administration staff to strictly follow the laid-down procurement procedures.</p>	<ul style="list-style-type: none"> • In June 2010, the HKCO invited not less than ten suppliers to participate in its annual evaluation exercise for selecting nominated suppliers. The HKCO will also continue to adopt the same approach in future. We suggest deleting this part from the next progress report. • The HKCO has set out clearly the tendering procedures and issued a circular on 9 August 2010 to remind its administration staff to strictly follow the relevant guidelines and procedures, including the tendering and procurement procedures. We suggest deleting this part from the next progress report.
<p>The HKCO should:</p> <p>(a) remind the administration staff to strictly follow the laid-down fixed asset management guidelines in handling musical instruments;</p> <p>(b) consider amending the guidelines to include large batch of musical instruments with significant aggregate value as fixed assets for proper management control;</p>	<ul style="list-style-type: none"> • The HKCO has set out clearly the fixed asset management procedures and issued a circular on 9 August 2010 to remind its administration staff to strictly follow the relevant guidelines and procedures. We suggest deleting this part from the next progress report. • The HKCO will continue to explore follow-up measures to deal with the assets procured specifically for a major event, including promptly assessing their potential for future use, formulating

Recommendations of Director of Audit	Progress of the follow-up actions taken
<p>(c) require the administration staff to conduct regular stock-taking of valuable assets; and</p> <p>(d) for any assets procured specifically for a major event (such as the drums in this case), promptly assess their potential for future use and formulate a plan for the expeditious disposal of any surplus stock to minimise storage cost and wastage.</p>	<p>a plan for the expeditious disposal of any surplus stock and treating musical instruments as fixed assets.</p> <ul style="list-style-type: none"> • The HKCO issued a circular on 9 August 2010 (see item (a) above) to remind its administration staff to conduct regular stock-taking of fixed assets. We suggest deleting this part from the next progress report. • Same as item (b) above.
<p>The HKCO should:</p> <ul style="list-style-type: none"> • review the appropriateness of the existing medical insurance procured for its Council members. 	<ul style="list-style-type: none"> • On 13 January 2010, the HKCO Council discussed the arrangement for providing medical insurance for its members. The Council was of the view that the HKCO had the responsibility to provide personal accident and hospital insurance coverage for its Council members attending HKCO activities, and ensure that they understand that the insurance was procured only for those specific activities. The HKCO will also continue to source suitable insurance plans in the market which provide such specific coverage. A review will also be conducted before the existing insurance plans to be expired in early December 2010 and March 2011 respectively.

Recommendations of Director of Audit	Progress of the follow-up actions taken
<p>The HKCO should:</p> <ul style="list-style-type: none">• ensure that the laid-down guidelines on authorisation of entertainment expenses are complied with.	<ul style="list-style-type: none">• The HKCO issued a circular on 9 August 2010 to request all staff to comply with the laid-down guidelines on authorisation of entertainment expenses. We suggest deleting this part from the next progress report.

Provision of postal services

Audit Report para. no.	Issue	Position as at 20 October 2010
<p>2.6(a) and 2.7</p> <p>2.6(b) and 2.7</p>	<p><i>Business planning</i></p> <p>The Postmaster General (PMG) has agreed to:</p> <p>(1) in consultation with the Commerce and Economic Development Bureau (CEDB) and the Financial Services and the Treasury Bureau (FSTB), determine a practical submission time of the Medium Range Corporate Plan and the Annual Business Plan so that the necessary approval and authorisation can be given to the Hongkong Post (HKP) before the commencement of the relevant financial year; and</p> <p>(2) consider amending the Framework Agreement to reflect the new arrangements for the submission and approval/authorisation of the Medium Range Corporate Plan and the Annual Business Plan.</p>	<p>CEDB, FSTB and HKP have agreed on a revised time schedule for submission of the Medium Range Corporate Plan and Annual Business Plan so that the process of approval and authorisation could take place before commencement of each financial year.</p> <p>The three parties are now working on how the Framework Agreement should be amended to reflect this agreement.</p>
<p>3.13(a) and 3.14</p>	<p><i>Postal operations</i></p> <p>The PMG has agreed to:</p> <p>(3) conduct regular evaluation of the demand for the postal services of individual post offices and their financial viability to ensure that the operation of each post office is justified;</p>	<p>Regular evaluation is being conducted to assess the financial viability of individual post offices.</p>

Audit Report para. no.	Issue	Position as at 20 October 2010
3.13(b) and 3.14	(4) critically explore the feasibility of closing down loss-making post offices with low demand for postal services;	HKP will complete an overall review on the financial viability of loss-making post offices in the last quarter of 2010. Meanwhile, two post offices will be relocated to smaller premises for rental savings in 2011-12.
3.19(a) and 3.20	(5) devise an effective system to detect and deter the underpayment of postage by identifying the underpaid mail and recovering the correct postage and surcharges from the senders/addressees;	The frequency and vigour of random checking have been stepped up, as a result of which \$175,700 in unpaid postage was recovered during the period from February to July 2010, representing an increase of 2.5 times over the same period last year.
3.19(b) and 3.20	(6) step up HKP's publicity efforts to remind the public of their responsibility to pay sufficient postage for their mail;	Notices and posters have been displayed at retail counters, street posting boxes and our website to remind members of the general public of their responsibility to pay sufficient postage.
3.28 and 3.29	(7) in consultation with CEDB, revisit the proposed revision of the Local Bulk Mail Scheme submitted by HKP in November 2008;	HKP is revisiting proposed changes to the Local Bulk Mail Scheme in the context of postage revision.
3.34(a) and 3.35	(8) ensure that the requirements relating to the testing and maintenance of postal scales stipulated in the Departmental Rules (DRs) are complied with;	Circulars have been sent out to all Postmasters reminding them to comply with established requirements on testing and maintenance of postal scales as stipulated in the DRs, complemented by

Audit Report para. no.	Issue	Position as at 20 October 2010
3.34(b) and 3.35	(9) issue guidelines to post offices on the proper method of scale testing with a view to ensuring that scales are effectively tested and the testing includes all the scales used in the post offices;	<p>an upgraded maintenance programme and checking performed by area managers.</p> <p>Guidelines about proper method of testing postal scales have been promulgated to frontline supervisors.</p>
3.43(a) and 3.44	(10) ensure that the requirements specified in the DRs and the Bulk Mail Checking Manual are consistent with each other;	<p>Updates were incorporated into DRs and reconciled with the Bulk Mail Checking Manual.</p>
3.43(b) and 3.44	(11) ensure that supervisory checks are conducted according to the requirements of the DRs and the Bulk Mail Checking Manual;	<p>Instructions have been issued to remind frontline supervisors of established checking requirements. Surprise inspections will also be done by area managers</p>
3.48 and 3.49	(12) take expeditious measures to reduce the loss incurred for the post office box service. For example, action should be taken to boost the letting and/or remove the vacant boxes, particularly those provided at the General Post Office, To Kwa Wan Post Office and Kowloon East Post Office;	<p>HKP has drawn up a five-year plan to dismantle surplus post office boxes and devised incentive schemes to boost the usage rate.</p>
3.55(a) and 3.56	(13) continue to keep in view the latest development of technology in the mechanised sorting of letters with Chinese addresses and explore the feasibility of automating the sorting of such letters;	<p>EMSD has embarked on a detailed study about possible ways to enhance the Mechanised Letter Sorting System for sorting of letters bearing Chinese addresses. This study is expected to be finished by end 2010.</p>

Audit Report para. no.	Issue	Position as at 20 October 2010
<p>3.55(b) and 3.56</p> <p>3.63 and 3.64</p>	<p>(14) review the cost-effectiveness of deploying Postmen and non-civil service contract staff to perform video coding function, and explore the feasibility of performing the function by more cost-effective alternatives (e.g. outsourcing); and</p> <p>(15) consider inviting the Government Logistics Department (GLD) to conduct a departmental transport review of the HKP's vehicle fleet and the arrangements for the hiring of vehicles to identify savings and room for improvement. The review should include:</p> <ul style="list-style-type: none"> – the mode of operation of HKP's vehicle fleet as well as the arrangements for the hiring of vehicles to ensure the efficient use of the transportation resources; – cost comparison of using hired vehicles and HKP's own vehicles; and – the feasibility of using more hired vehicles to replace part of HKP's vehicle fleet. 	<p>We are carrying out a review on the existing mode of service delivery for completion in September 2010.</p> <p>GLD has been appointed to conduct a departmental transport review on behalf of HKP for completion by the third quarter of 2011.</p>
<p>4.6(a) and 4.7</p>	<p><i>Financial performance</i></p> <p>The PMG has agreed to:</p> <p>(16) taking into account the deteriorating financial performance, review the sustainability of the Post Office Trading Fund (POTF). Particular attention should be given to the threats brought about by the rise in the three operating cost components, namely staff costs, air conveyance charges and terminal dues;</p>	<p>We will keep staff cost under control by improving productivity and reducing wastage, as well as by adjusting manpower deployment against prevailing workload.</p> <p>Active collaboration is being forged with other postal administrations to secure air conveyance capacity at reasonable price and formalise mail transit arrangements for optimal utilisation of spare capacity.</p>

Audit Report para. no.	Issue	Position as at 20 October 2010
		<p>In 2009, HKP started a series of bilateral negotiations and successfully concluded agreement with 24 countries, including eight that account for over 80% of our outward traffic, leading to an estimated saving of HK\$53 million on terminal dues payment in 2010. A similar exercise will again be launched in 2010.</p>
4.6(b) and 4.7	(17) in consultation with CEDB, formulate a viable plan to enhance the sustainability of POTF with a view to ensuring that the target rate of return is achieved;	
4.11(a) and 4.12	(18) consider conducting a review to determine the postage rates that are considered reasonable and affordable to the public;	
4.11(b) and 4.12	(19) formulate a pricing strategy for the postal services which will ensure that: <ul style="list-style-type: none"> – postage rates set are reasonable and affordable to the public; and – POTF achieves the target rate of return on average net fixed assets, and is sustainable in the long term; and 	<p>HKP will map out in consultation with CEDB practical measures to enhance its financial sustainability through a combination of cost reduction and product innovation. Separate discussion is being held with CEDB on the need for postage adjustment.</p>
4.16 and 4.17	(20) take action to formulate a new proposal on postage rate revision for submission to CEDB, taking into account the latest economic outlook and the improvement in HKP's financial position brought about by the implementation of the audit recommendations in this report.	<p>Discussions with CEDB on postage adjustment are in progress.</p>

Audit Report para. no.	Issue	Position as at 20 October 2010
	<p><i>Performance management and reporting</i></p> <p>The PMG has agreed to:</p>	
5.15(a) and 5.16	(21) consider setting more challenging targets for services in HKP's performance pledges which it has consistently achieved and exceeded;	Completed.
5.15(b) and 5.16	(22) review the Measuring Procedures so that they cover all the services in HKP's performance pledges;	Completed.
5.15(c) and 5.16	(23) ensure that the performance relating to the delivery of local mail by delivery offices on outlying islands is covered in the measurement;	Completed.
5.15(d) and 5.16	(24) ensure that the measurement of the performance relating to the waiting time for over-the-counter services includes HKP's working days on Saturdays, Sundays and public holidays;	Completed.
5.15(e) and 5.16	(25) ensure that the measurement of the performance relating to the answering of telephone calls covers all hotlines of HKP, and expedite the action to improve the performance of answering such calls by the HKP staff;	Completed.
5.15(f) and 5.16	(26) ensure that documentary evidence is kept showing the actual time taken in processing the applications for the HKP Circular Service; and	Completed.

Audit Report para. no.	Issue	Position as at 20 October 2010
5.15(g) and 5.16	(27) include both the performance targets and the actual performance of the current year, and the targets of the ensuing year, in HKP's Annual Report.	The targets and actual performance of the current year as well as targets for the ensuing year will be published in the Annual Report for 2009-10.
