

Laying of the Report The Report of the Director of Audit on the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2009 and his Report No. 53 on the results of value for money audits were laid in the Legislative Council on 25 November 2009. The Committee's Report (Report No. 53) was subsequently tabled on 3 February 2010, thereby meeting the requirement of Rule 72 of the Rules of Procedure of the Legislative Council that the Report be tabled within three months of the Director of Audit's Report being laid.

2. **The Government Minute** The Government Minute in response to the Committee's Report No. 53 was laid in the Legislative Council on 12 May 2010. A progress report on matters outstanding in the Government Minute was issued on 22 October 2010. The latest position and the Committee's further comments on these matters are set out in paragraphs 3 to 40 below.

Commercialisation and utilisation of government properties

(Paragraphs 3 and 4 of Part 3 of P.A.C. Report No. 53)

3. The Committee was informed that:

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

- since May 2010, the Government Property Agency ("GPA") and concerned departments had been taking active steps trying to put the three reserved areas of the MTR Corporation Limited to other gainful uses. The GPA had meetings and discussions with the concerned parties of Buildings A, B and C relating to the change of use of the reserved areas and the feasibility of making building services/facilities of the buildings concerned available for use in the reserved areas. A more definitive way forward for the three reserved areas was as follows:
 - (a) the MTR Corporation Limited confirmed in September 2009 and March 2010 that it had no plan to use the three reserved areas. In June 2010, the GPA obtained the approval of the Building Authority and the Fire Services Department to change the use of the three reserved areas to shops;

- (b) for Building A, there was no legal hurdle for putting the reserved area into other gainful uses. With the in-principle agreement of the Incorporated Owners ("IO") given in July 2010 for using the building services and common areas of Building A, works for converting the reserved area into a two-storey shop commenced in the same month for completion in early 2011. The GPA would thereafter lease out the reserved area through open tender;
- (c) for Building B, legal challenge by the developer and 620 co-owners could not be ruled out if the use of the area was changed without their consent. The GPA wrote to the developer in July 2010 to obtain an express release or a confirmation of not enforcing the covenant in the relevant legal documents on the proposed change of use. The GPA planned to write to all owners seeking their consent if the response from the developer was positive. However, the developer rejected the GPA's request in September 2010;
- (d) under the circumstances, the Administration did not propose spending public money to convert the reserved area in Building B, as such expenditure could become abortive if the developer or any of the co-owners challenged the Administration for changing the use of the area without their consent. The Administration had considered the option of selling the reserved area in the market in "as is" condition, but given the difficulties surrounding the change of use the chance of a successful sale was slim. In the absence of the requisite consent to the change of use, the Administration would leave the area as it was and carry out some minor works from time to time to upkeep the appearance of the frontage of the area; and
- (e) for Building C, any change of use would require the consent of the developer and all 155 co-owners. In April 2010, the IO agreed to changing the reserved area to community facilities use only. The GPA wrote to the developer and all co-owners in June 2010, seeking their consent to the proposed community facilities use. The deadline for reply was end July 2010. The response of the developer was positive, but of the 36 co-owners who responded, eight objected to the proposal. As the Administration failed to get the consent of concerned parties and the option of sale was also considered not viable because of the difficulties in changing the use, the Administration would, as in the case of Building B, leave the area as it was and carry out minimal works to maintain the appearance of the frontage area regularly;

- the above problems concerning Buildings B and C stemmed mainly from the overtly restrictive conditions in the relevant legal documents governing the use of the reserved areas. If in future there was a need to have such reserved areas, the Administration would ensure that the legal documents would be drafted in such a way so as to allow the areas to be used for other purposes more readily;
- as regards the water seepage problem, the GPA would work closely with the IO of Building A to resolve the problem in the course of carrying out conversion works for the reserved area. For Building B, the GPA was discussing with the IO on the proposal to install a sump pump in the reserved area; and
- the Administration had taken action to map out the way forward for the three reserved areas and any outstanding issues would be pursued as part of the Administration's on-going duties.

4. The Committee:

- wishes to be kept informed of further development in the case of Building A; and
- recommends that the GPA should revisit the cases of Buildings B and C periodically with a view to obtaining the consent of the parties concerned and bringing the cases to a satisfactory conclusion.

The Society for the Aid and Rehabilitation of Drug Abusers

(Paragraphs 5 and 6 of Part 3 of P.A.C. Report No. 53)

5. The Committee was informed that:

Strategic management, performance measurement and reporting

- in August 2010, the Efficiency Unit ("EU") completed a Scoping Study Report on the Review on Positioning of Society for the Aid and Rehabilitation of Drug Abusers ("SARDA") Resources for Treatment and Rehabilitation of Drug Users. The Narcotics Division ("ND") of the Security Bureau was working in collaboration with the Department of Health ("DH") and SARDA to refine the recommendations for

mapping out the strategic way forward, in order to expand SARDA's capacity to serve more psychotropic substance abusers and to enable more effective management of such resources;

- according to the review and updated statistics, three of the four residential treatment and rehabilitation centres of SARDA subvented by the DH, viz. Au Tau Youth Centre, Sister Aquinas Memorial Women's Treatment Centre and Adult Female Rehabilitation Centre, had been admitting more psychotropic substance abusers. The average percentage of psychotropic substance abusers they admitted rose from 41% in 2006 to 79% in 2009. The average occupancy rate was 96% in 2009;
- the remaining centre in Shek Kwu Chau had an established role to focus on opiate abusers. Its occupancy rate was 69% in 2009. In line with a recommendation of the EU review and following the Government's advice on the strategic direction to suitably re-engineer its services to cater for more psychotropic substance abusers, in December 2009, SARDA put forward a proposal to make use of the under-utilised facilities in Shek Kwu Chau to deliver the three-year pilot programme "Project Youth Care", dedicated to psychotropic substance abusers;
- in May 2010, the ND provided SARDA with a coordinated assessment made by relevant government departments on the proposal. In July 2010, the ND also shared with the Hong Kong Jockey Club Charities Trust ("HKJCCT") policy views on combating youth drug abuse and the Government's initial assessment of SARDA's proposal. In response to the assessment, SARDA was working to substantiate the proposal and thrash out the details for further submission to the HKJCCT. If implemented, the proposed pilot programme might help SARDA further demonstrate its capability in treating and rehabilitating young psychotropic substance abusers, and serve as a basis to work out an appropriate level of longer-term resources required by SARDA for providing new programmes for psychotropic substance abusers;
- the DH was discussing with SARDA to help it develop an accounting template recommended in the EU review to facilitate future cost reporting of SARDA's service programmes;

Corporate governance

- in accordance with the recommendations following a review on SARDA's corporate governance, the DH had nominated a staff member to join SARDA's Management Committee from May 2010 onwards. SARDA was studying the remaining recommendations, including the DH's nomination of three persons (not being government officials or SARDA members) as members of its Executive Committee. The ND was working with the DH and SARDA to expedite the matter; and

Management and control of government subvention

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

6. The Committee:

- wishes to be kept informed of further development on the above subject; and
- notes that the Audit Commission has conducted another review of the residential treatment and rehabilitation services for drug abusers, and the results were reported in Chapter 10 of the Director of Audit's Report No. 55 of October 2010. The Committee's observations as well as conclusions and recommendations on that chapter are set out in Chapter 2 in Part 8 of this Report.

Administration of short term tenancies

(Paragraphs 3 and 4 of Part 4 of P.A.C. Report No. 53)

7. The Committee was informed that the Lands Department had informed the trade of the requirement for tenderers to submit a bank reference along with their tender. This practice would be adopted on a trial basis for six months in 2011. The sharing of tenants' information among relevant government departments had already been implemented and was now a standard practice.

8. The Committee wishes to be kept informed of the further progress made in implementing the requirement of submitting a bank reference along with tenders.

Provision of public museum services

(Paragraphs 9 and 10 of Part 4 of P.A.C. Report No. 53)

9. The Committee was informed that:

Acquisition and management of museum collection items

- the Leisure and Cultural Services Department ("LCSD") continued its best effort to clear the backlog of collection items pending accession in the Hong Kong Museum of History ("HKMH"), the Hong Kong Heritage Museum ("HKHM") and the Hong Kong Film Archive ("HKFA"). The HKFA had cleared all the 436,200 backlog items in end July 2010. The majority of the backlog items of the HKMH and the HKHM had also been cleared as at 30 September 2010. The HKMH had already cleared 257,078 out of the 257,780 backlog items and would complete clearing the remaining 702 items by end 2010 as scheduled. The HKHM had cleared 17,489 backlog items and was processing the remaining 1,261 backlog items with a view to completing the accession in 2010. The task force formed by the LCSD to monitor the progress of clearing backlog items for accession had conducted three site inspections to the HKMH, the HKHM and the HKFA between April and September 2010, and would continue to closely monitor progress through site inspections once every four months;
- due to the dilapidated condition of the godown at Yip Shing Street, Kwai Chung, it would require considerable cost and time to convert the godown into a temporary storage for use by the HKMH. Therefore, the LCSD was exploring other options for addressing the storage problem, including building new premises or making use of other abandoned godowns for storage of the museum collections;

Performance of LCSD museums

- the Jockey Club Environmental Conservation Gallery of the Hong Kong Science Museum was opened in August 2010 to promote awareness of environmental protection and green living; and

- the Hong Kong Museum of Art had continued to provide sign language services in guided tours on a trial basis until 29 December 2010 and arranged public guided tours with additional sign language interpretation for different exhibitions on a monthly basis to encourage hearing-impaired persons to come into closer contact with art. It also endeavoured to widen the range of its arts appreciation programmes, including staging free monthly concerts in the lobby for the enjoyment of the public and enriching the cultural ambiance of the museum.

10. The Committee wishes to be kept informed of further development on the subject.

Provision of aquatic recreational and sports facilities
(Paragraphs 11 to 13 of Part 4 of P.A.C. Report No. 53)

11. The Committee was informed that:

De-gazetting of the Kiu Tsui Beach on Sharp Island

- up till July 2010, the Lands Department ("Lands D") had not received any proposal from the private developer for the development of Sharp Island into a holiday resort. The Lands D would consult all relevant government departments, including the Leisure and Cultural Services Department ("LCSD"), should they receive any such proposal; and

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

- the Working Group for fees and charges review for leisure services ("the Working Group") continued with the review to examine various aspects of the fee structures and fee levels for using different types of recreation and sports facilities (including swimming pool complexes). The key issues being examined included the utilisation rates, impact of changing the fee structures/levels on the cost recovery rates, concessionary arrangements, possible rationalisation of the current fee structures/levels, and alignment options. The review would take into consideration the policy objectives of promoting the development of sport and sport for all, cost recovery rates, and public affordability and acceptability. As part of the exercise, the Working Group would also examine all the fees for

recreation and sports programmes organised by the LCSD (including swimming training courses), and assess the financial implications of changing or aligning the fees. The LCSD would consult the public once concrete proposals were drawn up.

12. The Committee wishes to be kept informed of further development on the subject.

University Grants Committee funded institutions — General administrative services

(Paragraphs 16 and 17 of Part 4 of P.A.C. Report No. 53)

13. The Committee was informed that the Administration aimed to consult the Joint Committee on Student Finance on the initial recommendations of the consultancy study on the review of the mechanism for setting and adjusting the levels of living expenses loans for post-secondary students in early 2011.

14. The Committee wishes to be kept informed of further development on the subject.

University Grants Committee funded institutions — Staff remuneration packages and stipends

(Paragraphs 18 and 19 of Part 4 of P.A.C. Report No. 53)

Pay structure

15. The Committee was informed that The Hong Kong Polytechnic University had refined The Hong Kong Polytechnic University (Amendment) Bill 2009 in light of views received at the Legislative Council ("LegCo") Panel on Education meeting, and would submit it to the LegCo in the 2010-2011 legislative session.

16. The Committee wishes to be kept informed of further development on the subject.

Services provided by the Official Receiver's Office

(Paragraphs 20 and 21 of Part 4 of P.A.C. Report No. 53)

17. The Committee was informed that the expanded scheme to outsource debtor-petition bankruptcy cases to private sector insolvency practitioners had been running smoothly. The Official Receiver's Office ("ORO") would continue to keep its outsourcing schemes under review. The review of the ORO's cost of operation and the impact on fees and charges had been progressed as planned, and was expected to be completed in late 2010.

18. The Committee wishes to be kept informed of further development on this subject.

Recoverability of the outstanding advances to the UNHCR

(Paragraphs 22 and 23 of Part 4 of P.A.C. Report No. 53)

19. The Committee was informed that:

- the Administration had continued to urge the United Nations High Commissioner for Refugees ("UNHCR") to make renewed efforts to appeal to the international community for donations to enable early repayment of the outstanding advances, which remained at \$1,162 million. The Security Bureau had written to the Head of Hong Kong Sub-office of the UNHCR in March and August 2010 to reiterate the Administration's stance on the matter and restate that the Hong Kong community would expect an early repayment from the UNHCR; and
- although it was not optimistic that repayment could be made very soon in view of the pressing service demands on the UNHCR worldwide, the Administration would continue to pursue early repayment of the outstanding advances from the UNHCR.

20. The Committee wishes to be kept informed of the action taken by the Administration to pursue the repayment of the outstanding advances to the Government.

Footbridge connections between five commercial buildings in the Central District

(Paragraphs 24 and 25 of Part 4 of P.A.C. Report No. 53)

21. The Committee was informed that the Lands Department was actively coordinating a joint meeting with the owners of Buildings I and II to discuss the concerns and requirements of both owners regarding the footbridge proposal. In response to the suggestion of the owner of Building I, the owner of Building II was preparing some information for discussion.

22. The Committee wishes to be kept informed of further discussions with the owners of the two concerned buildings for any feasible solution to materialise the footbridge proposal.

Small house grants in the New Territories

(Paragraphs 26 to 28 of Part 4 of P.A.C. Report No. 53)

23. The Committee was informed that:

Implementation of small house policy

- in taking forward the small house policy review, the Administration had identified and considered a wide range of issues; and
- some proposals had been formulated and implemented. The remaining issues, which were complex in nature, required further and careful deliberation within the Administration.

24. The Committee wishes to be kept informed of further development on the review of the small house policy.

The acquisition and clearance of shipyard sites

(Paragraphs 29 and 30 of Part 4 of P.A.C. Report No. 53)

25. The Committee was informed that subject to the ex-lessee's request to restore a full hearing in the Lands Tribunal on its claim for compensation under the Foreshore and Sea-bed (Reclamations) Ordinance (Cap. 127), the Lands Tribunal would determine the amount of compensation in due course.

26. The Committee wishes to be kept informed of the progress of action taken by the Administration.

Grant of land at Discovery Bay and Yi Long Wan
(Paragraphs 31 and 32 of Part 4 of P.A.C. Report No. 53)

27. The Committee was informed that the Lands Department was working on the way forward in consultation with the legal advisers.

28. The Committee wishes to be kept informed of the progress of action taken by the Administration.

Development of a site at Sai Wan Ho
(Paragraphs 33 and 34 of Part 4 of P.A.C. Report No. 53)

29. The Committee was informed that the Council for Sustainable Development ("CSD") had conducted a public engagement exercise on "Building Design to Foster a Quality and Sustainable Built Environment" from June to October 2009 and had submitted its recommendations to the Government in June 2010. The Council had suggested tightening up the current practices of granting gross floor area concessions for provision of various features (such as green and amenity features, car parks, etc.) in buildings.

30. The Committee enquired about the Administration's timetable for considering the CSD's above recommendations and when the results would be known. In response, the **Secretary for Development** stated in her letter of 25 January 2011 (in *Appendix 3*) that:

- in his Policy Address 2010-2011, the Chief Executive ("CE") reaffirmed that the Government was committed to enhancing the design standard of new buildings to foster a quality and sustainable built environment for the next generation. The CE announced that the Government would introduce a series of measures formulated in light of the recommendations of the CSD, requiring the incorporation of such design elements as building separation or enhancement of building permeability, setback and greenery in new buildings. To widely promote green building in Hong Kong, the Government would raise the building

energy efficiency standards and require developers to provide environmental and energy consumption information of buildings for the reference of potential users;

- the series of measures also included the tightening up of policy on granting gross floor area concessions for private buildings. Major changes included doing away with concessions for certain features, lowering the level of concessions for car parks, balconies, utility platforms and clubhouse facilities, and imposing an overall cap of 10% for a number of features which still qualified for concession. The Government would also reduce the maximum permissible projection of bay windows;
- the details of the proposal and implementation plan had been set out in the Legislative Council brief on "Measures to Foster a Quality and Sustainable Built Environment" issued on 13 October 2010. The revised practice notes stipulating the details of the proposals would come into effect on 1 April 2011; and
- the Development Bureau believed that the new package of measures would strike a proper balance between fulfilling environment performance and comfort requirements of buildings on the one hand, and minimising the impact on the surrounding environment as far as possible on the other. It would also ensure room for creativity in Hong Kong's building designs.

31. The Committee wishes to be kept informed of further development on the subject.

Emergency ambulance service

(Paragraphs 3 and 4 of Part 5 of P.A.C. Report No. 53)

32. The Committee was informed that:

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

- the Administration reported the results of the public consultation on the proposed introduction of the Medical Priority Dispatch System ("MPDS")

to the Legislative Council Panel on Security ("Security Panel") in April 2010. The Administration was formulating the way forward taking into careful consideration the views and comments of the members of the Security Panel;

Timetable and result of the review of the 12-minute target response time for emergency ambulance service ("EAS")

- if the proposed MPDS was accepted for implementation, it would lead to fundamental changes to the mode of ambulance dispatch and operations, and the response time targets would be adjusted accordingly. The Administration would revisit the target response time for EAS after the way forward for the proposed MPDS was clear;

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

- the Fire Services Department ("FSD") had already set up an extra temporary ambulance stand-by point at Ta Kwu Ling Rural Centre Government Building. While the previous plan of converting the Lady Ho Tung Dispensary in Kwu Tung into an additional temporary stand-by point was found infeasible, the FSD had successfully secured a suitable alternative location in the nearby Dills Corner Garden for use from end 2010 to 2014. In the long term, the Administration was exploring the feasibility of constructing a new ambulance depot in Sheung Shui;

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

- the FSD had already secured funding for the establishment of the Ambulance Management Information System ("AMIS") to provide more timely and detailed information on the breakdown and maintenance history of each ambulance. Tendering was in progress, and the AMIS was expected to commence operation by the end of 2012; and

Review of the ambulance turnout time

- the Administration would revisit the ambulance turnout time after the way forward for the proposed MPDS was clear.

33. The Committee wishes to be kept informed of further development on the subject.

Administration of the Sports Subvention Scheme

(Chapter 1 of Part 8 of P.A.C. Report No. 53)

34. The Committee was informed that:

Comprehensive review of the Sports Subvention Scheme

- in June 2010, the Steering Committee, chaired by the Director of Leisure and Cultural Services, to conduct a comprehensive review of the Sports Subvention Scheme ("the Scheme") endorsed a number of preliminary recommendations to improve the administration of the Scheme. The key preliminary recommendations were elaborated below. The Leisure and Cultural Services Department ("LCSD") would consult the Sports Federation & Olympic Committee of Hong Kong, China ("SF&OC") and National Sports Associations ("NSAs") before finalising the recommendations, and implement the improvements in 2011-2012 where practicable;

Performance targets and allocation of subvention

- to address the Committee's concern about the criteria for determining the eligibility of sports organisations for receiving subvention under the Scheme, the Steering Committee recommended that any new applicant for subvention under the Scheme should satisfy a set of criteria, including the applicant's membership/affiliation with SF&OC and the international federations of the respective sports, as well as whether the sport was or would likely become one of the sports of major international games (e.g. the Olympic or Asian Games). In order to facilitate potential applicants in the preparation of applications, the LCSD should publish these criteria on its website together with the notice inviting applications for subvention;

- regarding the Audit Commission ("Audit")'s recommendation of setting more quantitative performance targets for NSAs, the Steering Committee had identified a number of key performance areas (e.g. organisation of programmes and development of sport) for which more objective and quantitative performance targets had to be set by NSAs for inclusion in their annual plans. The LCSD would devise guidelines to assist NSAs in setting these targets. As proposed by the Committee, the LCSD would adopt a performance-based approach in determining the subvention for NSAs. The LCSD would link achievements in the major key performance areas to the amount of subvention to be granted to NSAs in the following year;
- the Steering Committee had reviewed the two different approaches (one taking income into consideration and the other not) adopted by the LCSD in determining the subvention for different categories of sports programmes and recommended that they should be standardised. In determining the amount of subvention to be granted to an NSA for all categories of programmes, the LCSD should take into account the estimated income that could be derived from the programmes as well as the maximum subvention level for the eligible expenditure of that category;

Monitoring of NSAs' performance

- to address the concern of Audit and the Committee on NSAs' late submission of reports and financial statements, and non-compliance with reporting requirements, the LCSD had put in place a number of measures to enhance the monitoring of NSAs' performance. These included regular reminders and briefings for NSAs to remind them of the importance of strict compliance with the subvention agreement and relevant guidelines. Moreover, a new provision had been included in the subvention agreement for 2010-2011 allowing the LCSD to take retrospective sanction against NSAs which failed to fulfil the obligations stipulated in the agreement;
- the LCSD was developing a computerised system to strengthen the administration of the Scheme and monitoring of NSAs' compliance/performance, and to facilitate timely submission of reports by NSAs. The project would be implemented in two phases. Phase I, which would be implemented in 2011-2012, would enhance the LCSD's monitoring capability while Phase II, to be completed in 2012-2013,

would help improve NSAs' communication, operational efficiency and online reporting capability. The service contract was awarded by tender in August 2010. The successful contractor was developing the system which would generate reminders to LCSD staff and NSAs at the same time, so that appropriate follow-up actions could be taken by both parties in a timely manner. The system would also help detect errors and non-compliance in the reports submitted by NSAs, as well as ensure accuracy in the calculation of allocation and reserve funds for individual NSAs;

- the Steering Committee also recommended that the reporting requirements and system be streamlined and simplified. NSAs should only be required to submit one programme report (instead of three reports as in the past) for each of their programmes on a quarterly basis, and the auditor's report on the entire subvention on an annual basis. NSAs should, however, still be required to report on major issues including the achievement or otherwise of performance targets and any significant variance between the estimated and actual expenditure/income through the new programme report. LCSD staff would be required to sign off the programme report after verification. Any cancellation of programmes (with reasons given), or staff changes should be reported separately to the LCSD within one month;
- to help its staff monitor NSAs, the LCSD would prepare a set of "Best Practices for Internal Processing of Reports and Follow-up Work" that would include checklists on verification of programme/audit's reports, necessary follow-up work, calculation of NSAs' reserve funds and prompt recovery of unspent subvention from NSAs;
- having examined the question raised by Audit about the lump-sum subvention approach for certain categories of programme, the Steering Committee considered that NSAs should have the flexibility to decide how best to deploy their subvention for five categories of programmes, namely (a) international competitions held outside Hong Kong; (b) national and junior squad training; (c) regional squad training; (d) training of officials; and (e) meetings and conferences. The Steering Committee recommended that these programmes be processed in the form of "wish lists" whereby NSAs should set out their proposals in order of priority and the LCSD should decide on the amount of subvention to be allocated for these programmes having regard to funding availability. NSAs should be allowed to retain savings in their

reserve fund account only if they had already organised and participated in all the programmes on their respective "wish lists" for the year concerned. Otherwise, the unspent subvention should be netted off or used for other programmes of the same NSA within the same financial year, subject to the LCSD's prior approval;

- the Steering Committee also recommended the introduction of a new "risk-based" approach for conducting on-site inspections of subvented programmes. The "risk-based" approach would help determine the frequency of on-site inspections to be undertaken by LCSD staff, taking into account the nature and complexity of the programmes as well as the risk level of NSAs. For new or pilot programmes, NSAs should be required to conduct an opinion survey to gauge the feedback of users or participants for the LCSD's reference. The LCSD staff concerned should draw up an inspection plan for each NSA for the following year for endorsement by supervisors. They should complete and submit an inspection report after each inspection to their supervisor for information and follow-up action if required;

Internal controls of NSAs

- to help NSAs improve their internal controls and meet compliance requirements on accounting and audit, the LCSD would continue to organise periodic workshops and seminars. The LCSD had reviewed the existing guidelines and was finalising a checklist of best practices of internal control to assist NSAs and their staff;
- to address Audit's concern on auditing arrangements, the LCSD had revised the provision in the subvention agreement for 2010-2011 so as to require NSAs to submit written proof of the engagement of auditors for the auditor's report. The Steering Committee recommended that the standard of the auditor's report should be upgraded to provide reasonable assurance on NSAs' compliance with the relevant guidelines and requirements. The LCSD would prepare sample auditor's engagement letter and auditor's report for the reference of NSAs' auditors;
- to ensure that recommendations made by the LCSD's Quality Assurance Section were properly followed up, the LCSD would promulgate guidelines for compliance both by its staff and by staff of NSAs. Specifically, NSAs should be required to provide progress reports on the follow-up action taken within one month upon receipt of the Quality

Assurance Section's reports. The senior management of the LCSD would be kept informed at regular intervals of the progress of the Quality Assurance Section's work and the follow-up action taken by LCSD and NSA staff; and

- in response to the Committee's recommendation, the LCSD had surveyed the accounting software currently in use by NSAs and provided them with a list of suitable accounting software for reference and adoption in September 2010. The accounting software would help NSAs, in particular those which were still using a manual accounting system, enhance the management of their accounts and expedite the preparation of financial statements for timely submission to the LCSD.

35. The Committee was also informed that the Steering Committee had started to consult the sports sector in September 2010 on the recommended improvement measures concerned and would take into account the views received before finalising its recommendations. The LCSD would continue to keep the Committee informed of the progress.

36. The Committee wishes to be kept informed of further development on the subject.

Hong Kong Productivity Council: Corporate governance and administrative issues

(Chapter 3 of Part 8 of P.A.C. Report No. 53)

37. The Committee was informed that:

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

- senior staff of the Hong Kong Productivity Council ("HKPC") attended the Seminar on Corporate Governance for Subvented Organisations organised by the Efficiency Unit ("EU") in May 2010. The HKPC would make reference to the EU's "Guide to Corporate Governance for Subvented Organisations" when updating its Corporate Governance Manual in future;

- after revising the terms of reference of the HKPC's Finance Committee as proposed by the Committee, the Council of the HKPC had further reviewed and updated as necessary the terms of reference of the other three standing committees to reflect recent changes in the HKPC's work practices so as to improve its governance framework. Among others, the authority for appointment of Branch Directors had been transferred from the Staffing Committee to the Council of the HKPC, and in respect of strategic planning, the full Council of the HKPC would review and discuss the three-year strategic plans before endorsing the annual programme and estimates;

Building management services provided by BMM Limited

- in August 2010, the Council of the HKPC reviewed the current operation of BMM Limited and decided that BMM Limited should relinquish some of the administrative tasks not directly related to the management of the HKPC Building. As a result of this rationalisation exercise, a number of BMM Limited staff had been transferred to the HKPC with additional responsibilities. The Council of the HKPC planned to conduct another benchmarking exercise in early 2011 to review the cost-effectiveness of BMM Limited; and

Proposed comprehensive review of the HKPC Ordinance

- the Administration would consider the practical need for undertaking a review of the HKPC Ordinance (Cap. 1116) in due course, and, if found necessary, the scope and timing of the review. Given the complexity of the issue and having regard to the HKPC's plans for expansion of its services, it would take time for the relevant parties to deliberate and map out the way forward. The Administration would consult the relevant stakeholders and the Legislative Council Panel on Commerce and Industry on the proposals as appropriate.

38. The Committee wishes to be kept informed of further development on the subject.

Office of the Privacy Commissioner for Personal Data

(Chapter 4 of Part 8 of P.A.C. Report No. 53)

39. The Committee was informed that:

Corporate governance

- pursuant to the Audit Commission ("Audit")'s and Committee's recommendations, the Office of the Privacy Commissioner for Personal Data ("PCPD") had continued to work on a number of improvement measures to enhance its corporate governance. On the plan to recruit an Internal Controller to strengthen its internal control and compliance, since no suitable candidate could be identified in the recruitment exercise for the post, the PCPD had decided to recruit a supernumerary Chief Corporate Services Manager ("CCSM") to oversee the Administration, Finance and Corporate Communications Divisions. The job holder would focus on strengthening the internal systems of financial and management control and compliance. Pending the outcome of CCSM recruitment, the PCPD would examine the need of engaging a professional consultancy to review the internal procedural matters for recommending measures to enhance compliance and internal control;
- the Constitutional and Mainland Affairs Bureau ("CMAB") would, in accordance with the Memorandum of Administrative Arrangements, continue to monitor the PCPD's overall performance by holding regular progress review meetings and other meetings at working level, as well as examining the quarterly progress review reports prepared by the PCPD;

Complaint management

- in response to the Committee's recommendations, the PCPD had made efforts to improve its complaints handling procedures and clear long outstanding cases. With the provision of additional resources in 2010-2011, the PCPD had recruited one Chief Personal Data Officer and one Personal Data Officer to handle the increased number of complaint cases, and a Legal Counsel to provide necessary legal support. The PCPD was also recruiting a Senior Personal Data Officer to enhance complaints handling. The PCPD also redeployed one more Chief Personal Data Officer to the Operations Division in May 2010 to

supervise the handling of complaint cases and to cope with the increased workload. The PCPD would continue to closely monitor the position and effectively deploy resources to deal with complaints so as to minimise the number and age of outstanding cases;

- as regards compliance with the 45-day requirement of serving the refusal notice, the PCPD, in addition to making on-going efforts to assess and formulate management measures to address the risks arising from non-compliance, had reviewed the workflow of the Operations Division of the PCPD. The work of screening complaint cases had been delegated to a Chief Personal Data Officer who led and supervised a team of officers. With the change in workflow, statistics of July 2010 showed that 73% of the completed complaint cases met the 45-day requirement, as compared to the annual average of 49% in 2009; and
- on the Committee's concern on the proper construction of the 45-day requirement, the CMAB proposed in the public consultation document on the review of the Personal Data (Privacy) Ordinance (Cap. 486) published in 2009 to remove the requirement with regard to a decision to discontinue an investigation. The CMAB was analysing and consolidating the views received during the public consultation and would consult the public on the proposed legislative amendments in autumn of 2010.

40. The Committee wishes to be kept informed of further development on this subject.