

香港特別行政區政府
商務及經濟發展局
工商及旅遊科

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23 May 2011

Ms Miranda Hon
Clerk to the Public Accounts Committee
Legislative Council
Legislative Council Building
8 Jackson Road, Central
Hong Kong

Dear Ms Hon,

**The Director of Audit's Report on the
results of value for money audits (Report No. 56)**

**Hong Kong Export Credit Insurance Corporation ("ECIC")
(Chapter 6)**

Thank you for your letter dated 18 May 2011.

Regarding the issues raised by the Audit Commission in paragraph 2.6 of the Audit Report, we would like to set out below the actions which have already been taken or are being implemented by the ECIC and the Commerce and Economic Development Bureau ("CEDB") based on the existing governance structure of the ECIC.

Rapid Business Expansion

Both CEDB and the Advisory Board of the ECIC will continue to monitor closely the growth of the ECIC's insured business and

ensure that the Government's guarantee remains sufficient for it to carry its statutory duties effectively. It is noted that with the gradual recovery of the global economy, the increase in demand for the ECIC's services has slowed down significantly.

Role of Advisory Board

As stated in its response to para 2.21(a) of the Audit Report, the ECIC is reviewing its guidelines for determining the types of issues (and the timeframe) which should be submitted to the Advisory Board and its Committees for advice and will seek the Advisory Board's endorsement on these guidelines upon the completion of the review. Meanwhile, the Advisory Board discussed and agreed at its meeting held on 23 March 2011 on the issues to be submitted to the Advisory Board for information and advice for all meetings scheduled in 2011-12.

Role of CEDB

While the present mechanism already enables the ECIC to incorporate the Government's views into its annual corporate plan/budget through discussions at the Advisory Board, we have asked the ECIC to submit its annual corporate plan/budget to SCED for formal approval from this year onwards after seeking the endorsement of the Advisory Board.

Scope of ECIC's Services under the ECIC Ordinance

In response to the recommendation in para 4.58 of the Audit Report, CEDB has sought legal advice which reconfirmed that the services provided by the ECIC are consistent with the true intent, meaning and spirit of section 9(3) of the ECIC Ordinance (Cap. 1115).

Monitoring of the ECIC's Work and Performance

While CEDB currently does not micro-manage the daily operations of the ECIC, we have recently reviewed the situation and have further stepped up our monitoring by requiring the ECIC to submit its annual corporate plan/budget to SCED for formal approval from this year onwards, after seeking the endorsement of the Advisory Board. As regards

the half-yearly housekeeping meeting between the Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) and the ECIC, in addition to its business and financial performance, the ECIC also reports regularly on its management and operational matters including internal audit, human resource management, reinsurance arrangement and development plans for new services. We will continue to assess through the annual corporate plan/budget and our regular liaison and housekeeping meetings with the ECIC how effectively the ECIC discharges its public mission.

Administration Irregularities Identified

In 2009, the ECIC commissioned a consultancy study on the internal control procedures of the ECIC on a number of areas including tendering and disbursement of IT development and consultancy projects. A number of administration irregularities were identified. All of the consultant's recommendations to address the irregularities had been implemented in the same year before the Director of Audit commenced its value for money audit on the ECIC. Since then, the ECIC has regularly reviewed its internal control. An internal audit unit was set up in 2010 to audit the work of each division of the ECIC and its plan is to complete a full internal audit within three years. It will submit a report on each division to the Audit Committee (under the Advisory Board) which will, in turn, put forward its recommendations to the full Board for consideration.

The Administration's response in Para 2.8(a) of the Audit Report

As stated in our letter to the Public Accounts Committee on 12 May 2011, the findings on the governance structure and operation of overseas export credit agencies (ECAs) are based on information in websites and documents available to the public. To get a better understanding of the governance and operations of these ECAs, we will ask the ECIC to write to these ECAs for more information. Upon receipt of additional data from these organizations, we will further review the governance of the ECIC and report back to the Panel on Commerce and Industry of the Legislative Council on the outcome of the review.

I hope the above will address the concerns of the Public Accounts Committee.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Candy', written in a cursive style.

(Mrs Candy Yeung)
for Secretary for Commerce and Economic Development

c.c. Commissioner, Hong Kong Export Credit Insurance Corporation
(fax no. 2311 8446)
Secretary for Financial Services and the Treasury (fax no. 2147 5239)
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