

**THE GOVERNMENT MINUTE**

**in response to the**

**REPORT OF  
THE PUBLIC ACCOUNTS COMMITTEE  
No.57**

**of February 2012**

**16 May 2012**



**THE GOVERNMENT MINUTE IN RESPONSE TO THE  
PUBLIC ACCOUNTS COMMITTEE (PAC) REPORT NO. 57  
DATED FEBRUARY 2012**

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

**MATTERS OUTSTANDING**

**Construction of pedestrian crossing facilities** (Chapter 1 of Part 4 of PAC Report No. 54)

*Review of utilisation of footbridges and subways*

Having consulted the respective District Councils (or their relevant committees), the Transport Department (TD) finalised the shortlist of 40 pedestrian crossing facilities for review in March 2011.

2. TD has completed the first phase of the review in July 2011, which covers 18 facilities for which improvement measures are being carried out. Basic improvement measures, including installation of directional signs, erection of footway railings and distribution of publicity leaflets etc., were completed in January 2012. Other more complex improvement measures (e.g. reopening of subway) are currently underway. TD has commenced the second phase of the review covering the remaining 22 facilities in October 2011 for completion in mid-2012. Further improvement measures identified will be initiated as soon as practicable after the review.

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

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

Encl. 1

Enclosure 1.

**REPORT ON THE RESULTS OF VALUE FOR  
MONEY AUDITS  
(Report No. 55)**

**MATTERS OUTSTANDING**

**Equal Opportunities Commission** (Paragraphs 3 and 4 of Part 3 of PAC Report No. 55)

4. The Equal Opportunities Commission (EOC) has concluded the review of the division of responsibilities within the senior management of the Commission and preparation for the recruitment of the Chief Operations Officer post is in progress. The position is expected to be filled in the second half of 2012.

5. As the EOC has taken follow-up actions to address all the concerns of PAC, we recommend deleting this part from the next progress report.

**Provision of aquatic recreational and sports facilities** (Paragraphs 11 and 12 of Part 4 of PAC Report No. 55)

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

6. The Administration has committed to align the fees and charges for using public sports facilities and services (including those of swimming pools) in the urban area and the New Territories. The Leisure and Cultural Services Department (LCSD) is reviewing the fee structures and fee levels of different types of recreation and sports facilities (including swimming pool complexes). The key issues being examined include the impact of changing the fee structures/levels on cost recovery rates, concessionary arrangements, and the implications of different fee alignment options, taking into account public affordability as well as the latest analysis on costing and utilisation patterns. As part of the exercise, LCSD will also examine all the fees for recreation and sports programmes it organises (including swimming training courses), and assess the financial implications of changing or aligning the fees. Upon completion of this review, LCSD will formulate proposals for consultation with the Legislative Council (LegCo), District Councils and relevant stakeholders.

**University Grants Committee funded institutions - General administrative services** (Paragraphs 13 to 14 of Part 4 of PAC Report No. 55)

*Student hostels*

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

7. The final report of the consultancy study to review the mechanism for setting and adjusting the level of living expenses loans for post-secondary students was presented to the Joint Committee on Student Finance (JCSF) in November 2011 for consideration. On the advice of the JCSF, the Education Bureau (EDB) has accepted the recommendations of the study to revise the existing mechanism of setting the maximum living expense loans and briefed the Legislative Council Panel on Education on 14 May 2012 on the proposed measures in this regard. As for other specific demands, such as accommodation expense loans or provision of hostels to students, the Administration will continue to keep in view the needs of students and take actions to address them as necessary.

8. As the consultancy study has been completed and the relevant proposed measures will be implemented on an on-going basis, we suggest deleting this part from the next progress report.

**Services provided by the Official Receiver's Office** (Paragraphs 17 and 18 of Part 4 of PAC Report No. 55)

9. The Official Receiver's Office has been actively reviewing its fees and charges. It aims at consulting the LegCo Panel on Financial Affairs in the 2012-13 LegCo session.

**Recoverability of the outstanding advances to the United Nations High Commissioner for Refugees** (Paragraphs 19 and 20 of Part 4 of PAC Report No. 55)

10. The Administration has continued to urge the United Nations High Commissioner for Refugees (UNHCR) to make renewed efforts to appeal to the international community for donations with a view to settling the outstanding advances, which remain at \$1,162 million. The Security Bureau wrote to the Head of Hong Kong Sub-office of UNHCR in August 2011 and April 2012 respectively to restate the community's expectation of an early recovery of the outstanding advances and to register the Administration's concerns.

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

**Footbridge connections between five commercial buildings in the Central District** (Paragraphs 21 and 22 of Part 4 of PAC Report No. 55)

12. In October 2011, the Lands Department (Lands D) wrote to the owner of Building II, requesting him to review the footbridge connection proposed by the owner of Building I and provide other suggestions, if appropriate, for consideration. The owners of Building I and Building II are exchanging views on the footbridge proposal. Lands D and the concerned departments will continue to follow up on the matter.

**Small house grants in the New Territories** (Paragraphs 23 and 24 of Part 4 of PAC Report No. 55)

13. The existing Small House Policy has been in operation for a long period of time. Any major policy change would entail complex legal, land use and planning issues which require our careful examination.

**The acquisition and clearance of shipyard sites** (Paragraphs 25 and 26 of Part 4 of PAC Report No. 55)

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

14. The Lands Tribunal hearing to determine the amount payable in respect of the former lessee's claim for compensation under the Foreshore and Sea-bed (Reclamations) Ordinance (Cap. 127) is scheduled for October 2012. The Government is in the process of compiling and submitting the necessary documents in preparation for the hearing.

**Emergency ambulance service** (Paragraphs 32 and 33 of Part 4 of PAC Report No. 55)

***Measures taken to facilitate and ensure optimal deployment of emergency ambulance resources and review of ambulance target response time and turnout time***

15. The Administration reported the results of the public consultation on the proposal of the Medical Priority Dispatch System (MPDS) to the Legislative Council Panel on Security (the Security Panel) in April 2010. We will take the views and opinions of the community and LegCo Members into careful consideration in determining the way forward and details of the long term plan. If the proposed MPDS is accepted for implementation, it will have implications on the principle of dispatch and the mode of operations of ambulance service, and the response time target and turnout time will also need to be adjusted accordingly. We would continue to follow up with the Security Panel on the recommended measures of the PAC, including the review of the target response time and turnout time for emergency ambulance service. We recommend deleting these items from the next progress report.

**Administration of the Sports Subvention Scheme** (Paragraphs 34 to 36 of Part 4 of PAC Report No. 55)

***Implementation of Improvement measures***

16. LCSD began implementing improvements to the Sports Subvention Scheme (the Scheme) in 2011-12. The latest progress is set out in the following paragraphs.

***(1) Allocation of Subvention***

***(a) Performance-based approach to determine allocation of subvention***

17. National Sports Associations (NSAs) have set more objective and quantitative performance targets in their annual plans, and LCSD has taken into account NSAs' achievements of these targets in 2011-12 in determining the allocation of subvention for 2012-13. As the NSAs are now familiar with the new measures, LCSD has incorporated the subvention adjustment system into the 2012-13 subvention agreement and may invoke the system in cases of serious non-compliance.

18. LCSD conducted a mid-year review in November 2011 to assess NSAs' achievements of performance targets and compliance with subvention requirements for the period from April 2010 to June 2011. An annual briefing for NSAs was conducted in February 2012 to share with them the findings of the mid-year review, drawing attention to areas requiring continuous improvements.

***(2) Monitoring the Use of Subvention and Internal Controls of NSAs***

*(a) Comprehensive guidelines and best practices*

19. The Independent Commission Against Corruption (ICAC) and LCSD jointly organised a briefing for NSAs in December 2011 to launch the "Best Practice Reference for Governance of National Sports Associations" produced by the ICAC. The ICAC will provide tailor-made advice and services to all NSAs to help them implement the best practices according to their individual needs.

*(b) Auditing standards and quality assurance inspections*

20. LCSD Quality Assurance Section (QAS) reported to the senior directorate of the Department on follow-up action on its quality assurance inspections in the mid-year review. LCSD has put in place a mechanism to monitor NSAs' implementation of the recommendations made by the QAS.

*(c) Briefings and IT support for NSAs*

21. LCSD will implement Phase I of the computerised system to improve monitoring capacity of NSAs' performance in April 2012. Phase II, which will improve NSAs' operational efficiency and online reporting capacity, is scheduled for completion in early 2013.

***Conclusion***

22. LCSD has put in place a range of measures in accordance with the PAC's recommendations on the Scheme. We have also updated the LegCo Panel on Home Affairs on the progress of implementing the improvement measures at its meeting on 13 January 2012. LCSD will continue to monitor NSAs' compliance with the measures. We recommend deleting this item from the next progress report.

**Administration of the Direct Subsidy Scheme and Governance and administration of Direct Subsidy Scheme schools (Chapter 1 of Part 8 of PAC Report No. 55)**

23. On 17 February 2012, the Secretary for Education accepted all the recommendations put forward by the Working Group on Direct Subsidy Scheme (Working Group) as detailed in its Report submitted in end 2011. On 20 April 2012,

the EDB briefed the Panel on Education of the Legislative Council on measures to improve the administration and governance of Direct Subsidy Scheme (DSS) schools recommended by the Working Group. EDB is working out the implementation details and time line for taking forward the Working Group's recommendations in consultation with the DSS sector. The recommendations will be put in place progressively starting from the 2012/13 school year. EDB anticipates that by the 2014/15 school year, there will be full implementation of all the recommendations.

### ***School fee remission/scholarship schemes***

#### *Enhancing transparency and access of information*

24. The Working Group considers that transparency (which refers to access to updated information on how the fee remission systems of DSS schools operate) is the prerequisite to ensuring a fair chance of admission to DSS schools for students from different socio-economic backgrounds. To this end, EDB, as reported in the last progress report to the PAC of the LegCo in October 2011, issued a circular in early July 2011 setting out new measures to enhance the accessibility of information of fee remission/scholarship schemes in individual DSS schools<sup>1</sup>. The Working Group has further recommended that EDB should keep in view the implementation of the improvement measures and, where appropriate, take necessary measures to ensure compliance by DSS schools.

#### *Uncertainties faced by schools with utilisation of fee remission/scholarship far exceeding the provisions set aside as required*

25. Quite a number of DSS schools admit a large number of needy students. It is noteworthy that in the 2009/10 school year, 30 DSS schools (or 42% of all DSS schools) have used more than 100% of the fee remission/scholarship provisions for providing fee remission/scholarship to students. The Working Group agrees that the rigid application of the requirement of DSS schools adopting eligibility criteria no less favourable than those of the government financial assistance schemes may pose difficulties to these schools. To avoid creating pressure for tuition fee increase on these schools and/or unduly affecting the quality of their education services, the Working Group has recommended that DSS schools meeting the following criteria be allowed to apply to EDB for exemption from the "no less favourable" requirement:

- (a) the utilisation rates of their fee remission/scholarship provisions are 100% or more in the past three consecutive years; and
- (b) two-thirds of their fee remission/scholarship provisions or more have been used for fee remission.

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<sup>1</sup> The new measures have been set out in Education Bureau Circular No. 2/2011 on *Fee Remission/Scholarship Schemes in DSS Schools*.

In addition, DSS schools given exemption should ensure that students receiving fee remission before the schools adopt the revised eligibility criteria will not be affected and sufficient notice will be given to prospective parents/students before implementing the new eligibility criteria. The Working Group believes that this arrangement can help DSS schools admitting a large number of needy students continue to take care of needy students on the one hand and maintain a viable mode of operation in the long run on the other.

*Better utilisation of fee remission/scholarship reserves in through-train secondary and primary schools*

26. There is a close connection between through-train primary and secondary schools. To facilitate better utilisation of fee remission/scholarship reserves in through-train secondary and primary schools, thereby enabling them to admit more needy students, the Working Group has recommended that through-train secondary and primary schools be allowed to transfer a maximum of 50% of the fee remission/scholarship reserves of the linked primary school to the linked secondary school or vice versa should they meet the following conditions and obtain prior approval from their School Management Committees (SMC)/Incorporate Management Committees (IMC):

- (a) the utilisation rates of the fee remission/scholarship provisions of the linked secondary/primary school receiving funds are 100% or more in the past three consecutive years; and
- (b) two-thirds of the fee remission/scholarship provisions or more of the linked secondary school/primary school receiving funds are used for fee remission purposes.

***Financial management***

*Clear delineation between the operating reserve and the designated reserves*

27. To facilitate DSS schools in managing their resources and helping their stakeholders understand clearly the financial situation of the schools, DSS schools' reserves will be classified into two categories, namely the operating reserve and the designated reserves. Accumulated surplus<sup>2</sup> arising from both government and non-government funds (except those in the designated reserves) of DSS schools will be classified as the operating reserve. The reserves that DSS schools are allowed to keep separately are classified as designated reserves which may include (i) fee remission/scholarship reserve, (ii) long service payment reserve, (iii) donations with specific purposes and (iv) a new reserve for constructing,

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<sup>2</sup> "Accumulated surplus" is the excess of income over expenditure over the years concerned which is retained in the form of assets net of liabilities. Assets include fixed assets, accounts receivable and cash, among others.

maintaining and upgrading above-standard facilities. Such delineation of reserves is necessary for the implementation of other improvement measures in respect of financial management as set out in paragraphs 28 to 31 below.

*Setting a ceiling for schools' operating reserve*

28. To follow the requirement as set out in the Financial Circular No. 9/2004 that a reserve ceiling should be set for subvented organisations, the Working Group has recommended that the ceiling on the operating reserve of DSS schools should be set at an amount equal to 100% of the annual total expenditure, i.e. 12 months' operating expenditure. In determining the appropriate level at which the ceiling should be set, due consideration has been given to the principle that the proposed ceiling should allow ample room for DSS schools to cater for teachers' promotion in the years to come, additional teachers' salary increase, as well as routine repairs and maintenance expenses for standard facilities.

29. For schools with operating reserve exceeding the ceiling, the Working Group has recommended that they should be allowed to rectify the situation through either reducing school fees, receiving less DSS subsidy, returning the excess surplus to the Government or transferring the excess surplus to the fee remission/scholarship reserve subject to the fee remission/scholarship reserve being exhausted and the utilisation rate of the fee remission/scholarship provisions in the past three years being 100% or more.

*Special one-off arrangement*

30. Given that DSS schools have all along been allowed to keep all the accumulated surpluses from both government and non-government funds, the Working Group considers that it may not be fair to apply the options listed in paragraph 29 above to the reserves of DSS schools which are in excess of the ceiling right after the new measure of reserve ceiling is introduced. The Working Group has therefore recommended that DSS schools be allowed to grandfather the reserve in excess of the reserve ceiling accumulated before the implementation of the recommendation concerning reserve ceiling subject to EDB's approval for schools' deployment plans of such reserves with detailed accounts of the reserves including their types, proposed usage and, where necessary, timeframe for deployment endorsed at SMC/IMC meetings.

*Setting aside school fee income for construction, maintenance and upgrading of above-standard facilities*

31. The Working Group acknowledges that maintaining DSS schools' flexibility in using non-government funds to finance above-standard capital works for developing their own characteristics is in the interest of both DSS schools and

the diversity of the school system. To this end, the Working Group has recommended that DSS schools with genuine needs for constructing, maintaining or upgrading above-standard facilities be allowed to set up a designated reserve for the purpose. To forestall abuse of this flexibility, DSS schools have to meet the following conditions for transferring funds to this reserve:

- (a) concrete plans have to be approved by the SMC/IMC;
- (b) Parent-Teacher Associations have to be consulted (all parents have to be consulted if the reserve is used for new above-standard capital works);
- (c) the amount to be transferred to the reserve for above-standard facilities should be no more than 10% of the school fee income of each school year;
- (d) there is no need to consult EDB beforehand if after the proposed transfer, there remains cash in the operating reserve equivalent in amount to at least six months' the school's expenses; and
- (e) EDB's prior approval should however be sought if the school intends to transfer an amount at more than 10% of the annual school fee income or if after the transfer, the cashflow in the operating reserve account falls below six months' expenses of the school. In any case, the cashflow in the operating reserve account should not fall below three months' expenses after the proposed transfer.

*Strengthening the prevailing guidelines on investment*

32. The Working Group members agree unanimously that DSS schools should concentrate their efforts and resources on learning and teaching instead of indulging in making investments. However, to address the needs of some DSS schools that find themselves fully justified to make certain investments by using their own funds, the Working Group has recommended that permissible investment products should be clearly specified with corresponding guidelines drawn up. To strike a sensible balance between perceived investment needs and the imperative of prudent management of school funds, the guidelines should include the following requirements:

- (a) the SMC/IMC's approval should be sought before investment decisions are made;
- (b) the only funds that may be used for investment are the long service payment reserve, donations with specific purposes and the reserve for construction, maintenance and upgrading of above-standard facilities; and

- (c) DSS schools should only be allowed to invest in (i) HK dollar bonds; and (ii) HK dollar certificates of deposits.

*Strengthening the prevailing guidelines on purchase of properties*

33. Currently, purchase of properties by DSS schools is disapproved. Nevertheless, DSS schools can still do so if they have strong justifications and have gone through due process including having sought approval from SMC/IMC and consulted parents. Given the liquidity constraints of and the high risk associated with properties, the Working Group has great reservations about allowing DSS schools to purchase properties as an investment product. Nevertheless, respecting the policy intention of DSS in promoting diversity, the Working Group has deliberately refrained from making prescriptive recommendations as far as possible. The Working Group has therefore recommended that the following two requirements be added to the existing requirements for the purchase of properties by DSS schools:

- (a) DSS schools should be required to keep at least an amount equivalent to six months' operating expenditure in cash after the purchase of properties; and
- (b) DSS schools should not be allowed to purchase properties through mortgages or any other borrowing arrangements.

*Enhancing the transparency of schools' financial management*

34. The Working Group notes the community expectation for appropriate disclosure of information about schools' financial management as far as possible and recommends that (a) DSS schools be required to disclose annually their major expenditures in terms of percentages of their annual overall expenditure; (b) DSS schools be required to disclose annually the accumulative operating reserve in terms of equivalent months of operating expenditure.

*Monitoring school performance*

35. The Working Group has recommended that the existing financial inspections conducted by EDB of DSS schools should be strengthened and replaced by a management and financial audit, which will cover management aspects as well to ensure prudent use of resources including not only funds but other forms of resources such as human resources by DSS schools. The Working Group has also recommended that the management and financial audit should commence starting from the 2014/15 school year.

36. In deliberating measures to enhance the existing mechanism to deal with malpractice or non-compliance, the Working Group finds it necessary to enhance deterrence against persistent malpractice or non-compliance. To this end, the Working Group has recommended that the following new measures be put in place:

- (a) escalation of advisory letters to supervisors at the earliest opportunity;
- (b) escalation of warning letters to SMC/IMC members at the earliest opportunity;
- (c) disclosure of the non-compliance or malpractice with the school concerned named on EDB's website after exhaustion of the steps in (a) and (b) above and if the non-compliance or malpractice remains to be rectified; and
- (d) suspension of part of the DSS subsidy if a school fails to comply with an important requirement or rectify serious malpractice after exhaustion of the steps mentioned in (a) and (b) above until rectification is made. In order to ensure that the interests of students are not unduly affected, EDB will assess the financial situation of the school before withholding the school's DSS subsidy. EDB may decide to take the measure in (c) prior to, or in addition to, withholding part of the DSS subsidy.

### ***An international school in the Direct Subsidy Scheme***

37. Having reviewed the justifications put forward by the then Education Department (ED) and Education Manpower Bureau (EMB) for allowing School I to remain in the DSS in 1999 and 2002, the Working Group fully concurs with the views of the then ED and EMB that School I is unique in nature and takes the view that most of the reasons put forward by the then ED and EMB are still valid.

38. The Working Group considers that School I, being one of the colleges/schools under School Sponsor A<sup>3</sup>, is unique in nature. First, it has been offering two-year pre-university education, making it not in direct competition with other international schools or local schools in Hong Kong. Second, students of School I come from different parts of the world and are supported by various scholarships. The school's culturally diversified environment enables local

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<sup>3</sup> As of today, School Sponsor A has 13 colleges and schools (including School I) across five continents, all with distinctive characters but sharing the same mission, ethos and values. At most schools and colleges, an average of 70 different nationalities are represented at any one time and embracing the many nationalities present is an important feature of their school life, which help students explore and develop an international appreciation. Academic achievements are put into perspective with a demanding mix of community engagement, international affairs, physical activities and creative pursuits.

students in Hong Kong to enjoy an invaluable opportunity to acquire an international perspective while still being physically in Hong Kong. Besides, School Sponsor A is running various colleges in the world with reciprocal arrangements in the admission of students and scholarship arrangements. Students in Hong Kong enjoy the benefits of attending various colleges in other education systems worldwide, which will undoubtedly help them broaden their horizons and develop an international perspective.

39. Compared with other colleges/schools under School Sponsor A, which normally admit 25% to 30% of local students and the rest from other countries, School I, since its admission to DSS, has consistently admitted over 40% of local students. This admission arrangement enables more local students in Hong Kong to enjoy the benefits brought by the school.

40. The Working Group concludes that School I is an education institute that Hong Kong should value in consideration of its culturally diversified school environment and membership in a world league of renowned school network, and should continue to receive funding support from the Government. Among the two basic funding modes for schools in Hong Kong, namely aided or DSS, the DSS is considered the most appropriate one for School I as it enables the Government to provide per capita subsidy only for local students of the school. With recurrent government subsidies, local students in Hong Kong can enjoy all the benefits brought about by School I at lower school fees. Any change in the existing funding mode for School I, in the view of the Working Group, will not be in the interests of local students in Hong Kong. The Working Group has therefore recommended the continuation of the status quo, i.e. School I be allowed to continue to remain in the DSS.

### ***Human resources management***

41. The Working Group has proposed a framework comprising three inter-related aspects to help DSS schools strengthen their internal governance including human resources management. The first aspect of the framework is a self-evaluation checklist for completion by DSS schools regularly. The second aspect is to set up a governance review sub-committee under an SMC/IMC for conducting system review of various key management and financial control systems and processes including whether the various checks and balances are working as intended. And the third aspect is to devise a list of essential items to be discussed at SMC/IMC meetings. In addition, the Working Group has recommended that training programmes be provided for school personnel to familiarise them with the various requirements of EDB in human resources management and the knowledge and skills necessary for taking forward the improvement measures.

### ***General administration***

42. The framework to help DSS schools strengthen their internal governance as mentioned in paragraph 41 above will also cover general administration issues such as trading operations and fund raising, which can help schools comply with various requirements of EDB.

### ***Other governance issues***

43. To enhance the transparency of school governance bodies, the Working Group has recommended that (a) consent of managers of DSS schools governed by an SMC be sought on EDB's disclosure of their information including the name, tenure of office/date of registration and category of school manager; and (b) for schools with managers who refuse to give consent to the proposed disclosure, a remark indicating the number and categories, if applicable, of managers who have not given such consent be posted on the relevant part of EDB's homepage.

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

Encl. 2 44. A summary of the progress of implementing the Audit's recommendations is at Enclosure 2.

45. As the Working Group has completed its work in formulating the improvement measures to strengthen the administration and governance of DSS schools and the recommendations of the Working Group will be implemented on an on-going basis, we recommend that the entire subject be deleted from the next progress report.

### **Residential treatment and rehabilitation services for drugs abusers (Chapter 2 of Part 8 of PAC Report No. 55)**

#### ***Policy formulation and coordination***

46. The 6th Three-year Plan on Drug Treatment and Rehabilitation Services in Hong Kong (2012-14) (the Plan) is scheduled for release in June 2012. The Plan maps out the strategic direction on treatment and rehabilitation for reference by relevant government bureaux and departments (B/Ds) as well as stakeholders from various fields for these three years. The recommendations of the PAC and the Director of Audit have been suitably incorporated and reflected in the Plan. The Narcotics Division (ND) will monitor the overall implementation of the Plan and present periodic progress reports to the Action Committee Against Narcotics. We recommend deleting this part from the next progress report.

***Allocation of Resources to the Society for the Aid and Rehabilitation of Drug Abusers (SARDA)***

*Service re-engineering of Centre 1 and support to SARDA*

47. SARDA continues to develop Project SARDA in Centre 1, a service re-engineering initiative launched in August 2010 to serve young male adult psychotropic substance abusers aged 21 to 35, in addition to the traditional clientele of heroin abusers. Response has been satisfactory. Up to 31 March 2012, the total number of admissions under Project SARDA reached 100. The Project also helps improve the occupancy of the Centre. The average occupancy rate of Centre 1 in 2011-12 was 76%, thus meeting the target of 70% of its service capacity of 260 places. SARDA will continue to promote the project and enhance the overall occupancy of Centre 1, with the assistance and support of the Department of Health (DH), ND and other related government departments.

*Management and governance issues of SARDA*

48. To provide SARDA with greater flexibility in managing resources in responding to changing demand, DH has proposed to SARDA for changing the mode of subvention to lump sum grant (LSG). DH and ND have provided assistance to facilitate the process including arranging a briefing on LSG details and experience sharing for SARDA's senior management. Taking into account the time required for staff consultation and for working out the resource requirement after migration to the new funding mode, DH will continue to work with SARDA to map out the plan for taking forward the exercise. ND will continue to provide assistance as appropriate. We will keep PAC informed of progress.

49. To further improve SARDA's corporate governance pursuant to a recommendation of the Efficiency Unit, SARDA's Executive Committee (EC) elected three non-official members nominated by ND and DH as EC members at its Annual General Meeting held in December 2011. As follow-up action has been taken, we recommend deleting this part from the next progress report.

*Usage of treatment centres*

50. ND has completed the review on the Pilot Scheme of the "Drug Treatment and Rehabilitation Service Information System" (the System). Based on feedback received on the pilot scheme, ND is upgrading the System, with a view to progressively extending the System to all other subvented drug treatment and rehabilitation centres (DTRCs) starting from end 2012. ND will also encourage the voluntary adoption of the System by non-subvented DTRCs to promote continuous service improvement.

51. In April 2012, the Social Welfare Department (SWD) conducted the third round of sharing with the EDB on information collected during licensing inspections on the number of drug abusers aged under 18 residing in DTRCs. The information provides a general overview covering also DTRCs not receiving any education subvention.

52. Separately, SWD continues to disseminate updated information to probation officers on the occupancy rates of DTRCs and closely monitor the waiting time and use of DTRCs by probationers. From December 2010 to end December 2011, over 76% of 400 probationers (i.e. 306) waited for only two weeks or less for admission to a DTRC. This was more satisfactory than the corresponding figure of 70% as reported in PAC Report No. 55.

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

#### ***Treatment centres on government sites/premises***

54. Regarding the DTRCs situated on government site/premises, SWD has strengthened the monitoring of the existing non-subvented DTRCs through on-site inspections and concern visits, as appropriate, to keep in view the latest operation of these centres. SWD will continue its effort to promote collaboration between non-subvented DTRCs and the anti-drug service sector to better promote utilisation of the existing services.

55. Lands D has completed inspection of the concerned DTRCs and issued internal guidelines to staff on processing of new applications for land grant or tenancy for DTRC purposes and for monitoring after execution of the land grant or tenancy. The guidelines have been implemented effectively and smoothly. Lands D will continue to monitor the use of the land according to the land grants or tenancy agreements in conjunction with SWD, DH and ND, as the case may be, which support the continued use by the existing grantees or tenants for DTRC purposes.

56. On Case 3, as at end March 2012, the site remains available for application for short term uses. An interested party has indicated interest in developing a new DTRC on the site, but initial assessment reveals that its remote location and access difficulties render any improvement works to overcome site constraints extremely costly.

57. As to Case 4, SWD has taken appropriate measures to enforce the land grant conditions. Upon advice from SWD, NGO 2 submitted an operation report in December 2011 and took steps to ensure the independence of its auditor. SWD has also written to NGO 2 to request for a separate audited annual statement of Centre 21 for the purpose of meeting the conditions of land grant. SWD will continue its efforts in enforcing the land conditions of the Centre.

58. As Centre 21 is intended not only to be a DTRC but also a training and rehabilitation centre for displaced persons in general, SWD continues to actively liaise with NGO 2 to facilitate its formulation of a service plan to meet changing service demand. NGO 2 is continuing with efforts to enrich its residential programmes and day training for the displaced persons and drug dependent persons and to finalise its service plan and licensed capacity.

59. Centre 37 has recently secured funding from charity funds for carrying out works to improve the conditions of the Centre. SWD is satisfied with the Centre's continuous measures to improve the living conditions as well as operation and management. SWD will continue to monitor the Centre closely and render assistance as appropriate.

**The Community Investment and Inclusion Fund** (Chapter 3 of Part 8 of PAC Report No. 55)

### *Development of Social Capital*

60. On the concern over the sustainability of Community Investment and Inclusion Fund (CIIF) projects, the need of conducting reviews of these projects on a more regular basis and validating the information concerned, actions have been taken as set out in the following paragraphs.

61. The CIIF Committee reviewed the Fund's definition of sustainability and endorsed a regular review mechanism in November 2011. Subsequently a series of revised measures have been implemented, including (a) requiring grantees to report on a quarterly basis the sustainability development plan and progress within at least one year before completion of projects; (b) requiring grantees to set out measures to ensure sustainability and provide relevant analyses in final reports of the projects; and (c) based on the assessment tools recommended by the independent consultants of the second evaluation study (see para. 64 below), the CIIF Secretariat would issue annual questionnaires on project sustainability to grantees within two years upon expiry of the funding period.

62. Since March 2011, the CIIF Secretariat has been conducting random checks on the data and information of reports submitted by grantees on a quarterly basis to ensure their accuracy.

63. As the Administration has already taken steps to address the above concerns, we propose to remove them from the next progress report.

64. Regarding the inclusion of information on the projects' performance in sustainability, relevant data is being collected as part of the second evaluation study commissioned by the Labour and Welfare Bureau (LWB). The information is expected to be collated and released in the second half of 2012 and will be updated annually. We shall keep the PAC informed of the progress.

65. As for the overall achievement of CIIF objectives and its way forward, the two independent consultants engaged for conducting the second evaluation study have submitted draft final reports in January and February respectively this year. Taking into account the initial findings that confirm CIIF's positive outcome in promoting social capital development, the Financial Secretary proposed in the 2012-13 Budget an injection of \$200 million into CIIF. We expect that the consultants will finalise their reports in June this year. LWB will then work with the CIIF Committee to actively follow up on the recommendations of the reports. We shall keep the PAC informed of the progress.

***Assessment and Monitoring of Projects***

66. Regarding Audit's recommendation that the CIIF Secretariat should consider taking regulatory action (e.g. deferring quarterly reimbursements) on those grantees who repeatedly failed to submit audited accounts on time, the Condition of Grant had provisions to safeguard against failure to submit timely audited accounts. In July 2011, the CIIF Secretariat introduced a mechanism whereby a written notice would be issued specifying a grace period, after which the Secretariat would consider deferring the payment of grant. Since the implementation of the new mechanism, one grantee failed to submit the audited account despite the written notice and the quarterly payment of grant was withheld accordingly. With the implementation of the regulatory mechanism, we recommend deleting this item from the next progress report.

## **REPORT ON THE RESULTS OF VALUE FOR MONEY AUDITS (Report No. 57)**

### **Chapter 1 – Food labelling and nutrition labelling of infant and special dietary foods**

67. In general, the Administration accepts the recommendations made by the Audit Commission (Audit) and PAC of LegCo on food labelling and nutrition labelling of infant and special dietary foods.

68. Following the publication of the Audit and PAC reports, the Food and Health Bureau, DH, and the Food and Environmental Hygiene Department (FEHD) have implemented a number of measures to address the concerns raised. The progress made is set out in paragraphs 71 to 82 below.

69. Pursuant to the PAC's recommendation, starting from the latest round of audit reviews (i.e. Director of Audit's Report No. 58), the Financial Services and the Treasury Bureau (FSTB) has written to the relevant government B/Ds reminding them to inform the Audit should they have different views from Audit on any contents of an Audit Report when giving comments on the draft of the report before it is finalised. We will continue to issue such a reminder in the future exercises and suggest deleting this part from the next progress report.

70. As regards the recommendation on promoting the adoption of a risk-based approach among government B/Ds, FSTB will take the opportunity of issuing regular circulars and instructions to Directors of Bureaux and/or Controlling Officers on financial management issues to remind them to consider adopting a risk-based approach in the performance of their functions where appropriate.

### ***Development of the Hong Kong Code of Marketing of Breast-milk Substitutes***

71. The Government encourages manufacturers and distributors of infant formulae to exercise self-discipline in complying with the International Code of Marketing of Breast-milk Substitutes published by the World Health Organization (WHO Code) in 1981 and the resolutions made in subsequent sessions of the World Health Assembly (WHA). To this end, the Taskforce on the Hong Kong Code of Marketing of Breast-milk Substitutes (Taskforce) set up under DH is drafting the Code of Marketing of Breast-milk Substitutes applicable to Hong Kong (Hong Kong Code). The draft Hong Kong Code is expected to be ready for consultation with the trade and stakeholders in mid-2012. The objective of the Hong Kong Code is to provide guidelines to manufacturers and distributors of

breast-milk substitutes and related products to prevent malpractices in advertising and marketing breast-milk substitutes and related products. When formulating the Hong Kong Code, the Taskforce makes reference to the WHO Code and the subsequent WHA resolutions, and takes into account the local advertising and marketing practices of manufacturers and distributors of the relevant products. The Hong Kong Code will also cover other requirements on breast-milk substitutes and related products, such as nutrition labelling, claims and nutritional composition. The Administration has reported the progress of the development of the Hong Kong Code to the LegCo Panel on Health Services at its meeting on 16 April 2012.

72. It is expected that the drafting of the Hong Kong Code will be completed in mid-2012 and will be implemented after consultation with the trade and stakeholders. The Hong Kong Code will be implemented in the form of voluntary guidelines in tandem with an appropriate monitoring mechanism. DH and the Centre for Food Safety (CFS) of FEHD will work closely to monitor the trade's adherence to the Hong Kong Code. CFS will also conduct testing on the nutritional composition of infant formulae available in the market in 2012 and in 2013.

73. Depending on the response of the trade to the Hong Kong Code, the Administration will consider the need for stepping up regulation by way of enacting specific legislation governing nutritional composition, nutrition labelling and claims of infant foods and report our views to the relevant LegCo Panel and PAC.

74. It should be noted that while certain countries such as Mainland China, the Philippines, Botswana, India and Yemen have made compliance with the WHO Code a statutory requirement, the implementation of the WHO Code is voluntary in countries like Australia, New Zealand, the United Kingdom, the United States, Singapore and Malaysia.

75. As regards special dietary foods, CFS will study the current situation regarding labelling of these foods and make recommendations on whether such products need regulation and, if so, the priority to be accorded to them.

### ***Food labelling***

76. CFS will continue to adopt a risk-based enforcement approach to target at high-risk retail outlets and will assist small and medium retail outlets to comply with the Nutrition Labelling Scheme. Products with unsatisfactory compliance testing results and the applicable tolerance limits are announced on a regular basis in a monthly Report on Nutrition Labelling Testing Results to be uploaded to CFS' website with effect from March 2012. To improve the trade's compliance with the legibility requirements on food labels, CFS issued a set of draft "Trade Guidelines on Preparation of Legible Food Label" in December 2011 for trade consultation and will finalise the guidelines in May 2012.

### ***Nutrition claims and health claims***

77. The Undesirable Medical Advertisements (Amendment) Ordinance will be brought into operation on 1 June 2012. It provides that health food products carrying medical claims but not registered under the Pharmacy and Poisons Ordinance (Cap. 138) or the Chinese Medicine Ordinance (Cap. 549) must carry an additional disclaimer indicating so. As for CFS' surveillance on nutrition claims, CFS has enhanced its record keeping, internal guidelines, and investigations on cases and complaints involving misleading or deceptive nutrition labels, advertisements and claims. Complaints related to nutrition and health claims of food will be followed up and prosecution under section 61 of the Public Health and Municipal Services Ordinance (Cap. 132) will be considered if there is sufficient evidence that a claim is calculated to mislead as to the nature, substance or quality of the food.

### ***Exemptions from nutrition labelling***

78. The review of the Small Volume Exemption (SVE) Scheme is in progress. The Administration aims to complete the review in the second half of 2012 and has reported the progress of the review to the LegCo Panel on Food Safety and Environmental Hygiene at its meeting on 8 May 2012. To address Audit's concern, CFS will only issue the exemption number to the SVE grantees who have already paid the exemption fees. After implementation of the new arrangement in November 2011, there has been a significant reduction in the number of withdrawal cases. CFS has enhanced its computer system to ensure that SVE grantees report their sales records in a timely manner. Random checks and site inspections are also conducted so that irregularities can be identified and rectified.

### ***Surveillance and enforcement work***

79. The recommendations agreed with the Independent Commission Against Corruption in its study have been fully implemented since April 2011 and good progress has been made in building up a database of over 2 700 retail outlets (as at March 2012) to facilitate inspection, surveillance, enforcement, risk management and public education work. CFS' enforcement efforts will continue to be risk-based and the strategy will be adjusted from time to time in the light of operational experience. Of the 500 food products to be selected for laboratory testing each year, about half of the samples will be tested for all '1+7' nutrients and the rest tested for one of the grouped nutrients. The justification for the food products selected for chemical analysis is recorded. CFS has updated its internal guidelines for blitz operations to set out details of follow-up actions if non-compliance cases are detected to ensure that any breaches identified are rectified and would not persist. Starting from January 2012, public alerts will be issued to notify the public of serious food safety problems caused by products identified to contain undeclared allergens.

### ***Publicity and education***

80. CFS will continue with its publicity and public education efforts to reach out to various segments within the community in promoting the use of nutrition information on labels to select food suitable for them. Different activities and promotion programmes will be carried out in collaboration with the education sector and community organisations to target different age groups in the population.

81. To promote the wider application of the nutrition information by consumers, CFS has developed a free mobile application Nutrition Calculator (NuCal). With NuCal, one can set up a personal database for recording nutrition information of their favourite prepackaged food items and work out the amount to consume without exceeding the upper limit for the daily intake of the nutrients. There are more than 38 900 NuCal downloads since its launch in October 2011.

### ***Follow-up actions on cases***

Encl. 3

82. Progress of follow-up actions on cases identified by Audit is set out at Enclosure 3.

## **Chapter 2 – Records management work of the Government Records Service**

### ***Overall***

83. The Administration welcomes the observations and recommendations made by the Audit and the LegCo PAC (PAC) on the records management work of the Government Records Service<sup>4</sup> (GRS). Records are valuable resources of the Government to support evidence-based decision-making, meet operational and regulatory requirements and are essential for an open and accountable government. Good records management enhances operational efficiency and effectiveness. The Government is committed to identifying and preserving government records having archival value so as to enhance public awareness of Hong Kong's documentary heritage.

### ***Overseeing of records management programmes***

84. Under the existing arrangements, responsibilities for proper management of government records are shared between B/Ds that create and collect records, and GRS which is tasked to oversee the management of archival records and government records on a government-wide basis. The Administration has issued the Records Management Manual (RMM) to prescribe, among other

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<sup>4</sup> GRS is a division under the Administration Wing.

things, that B/Ds should institute and implement a comprehensive records management programme throughout their organisations. The RMM together with other guidelines and circulars on records management set out the stages/processes of records management as well as details of actions and procedures involved to assist B/Ds in managing their records properly.

85. In particular, we will continue to monitor B/Ds' compliance with the mandatory records management requirements introduced through General Circular No. 2/2009 entitled "Mandatory Records Management Requirements", including requiring B/Ds to re-circulate the relevant circular at regular interval, conducting service-wide surveys on records management practices of B/Ds, and conducting comprehensive records management reviews/audits of individual B/Ds.

### ***Records appraisal and accessioning of archival records***

86. Based on the experience of other countries, GRS has developed and adopted a set of appraisal guidelines with a view to providing a general framework to assist in the selection of archival records in a coherent and consistent manner. GRS will continue to keep the appraisal guidelines under review to meet changing circumstances.

87. Regarding the backlog of records pending appraisal of archival value and backlog of archival records pending accessioning, GRS will actively implement measures to clear the backlogs in three years' time. Since April 2012, an additional Archivist grade staff has been deployed to clear the records appraisal backlog, in addition to handling new appraisal requests. GRS will further strengthen the Archivist grade manpower support to assist in clearing the backlog.

### ***Destruction of records before appraisal by the Public Records Office***

88. The Administration has investigated the two cases mentioned in the Audit Report concerning inadvertent destruction by the records centre of 2 815 time-expired records in 2006 and 2007. As a result, GRS has reminded the staff concerned to strictly follow the procedures for handling records disposal. In addition, to prevent recurrence of similar cases, the disposal process of the records centre has been streamlined to ensure accurate disposal of records. Since implementation of the improvement measures, there has been no recurrence of inadvertent destruction of records by the records centre. GRS will keep the enhanced internal controls under review to prevent destruction of records before their archival value has been appraised.

### ***Condition survey***

89. GRS has embarked on another condition survey of its collection since October 2011 and is making satisfactory progress. GRS will revisit the preservation strategies having regard to the result of the current survey which should be available in a year's time.

***Manpower of GRS***

90. GRS is supported by officers from the Archivist grade, Curator grade and Executive Officer grade which respectively assist in the selection and management of archival records; conservation and preservation of archival records; and records management in general. The Administration keeps under review the manpower situation of GRS so as to ensure work quality and provision of good service to the public. In this regard, GRS plans to create in 2012-13 a total of 21 additional posts for –

- (a) pursuing the improvements on records appraisal and accessioning;
- (b) strengthening Public Records Office's service;
- (c) enhancing the identification, transfer and preservation of and public access to archival records;
- (d) supporting service-wide implementation of electronic information management and electronic records management;
- (e) monitoring the compliance of B/Ds with the mandatory records management requirements; and
- (f) enhancing records disposal and related services for B/Ds.

91. Action has been taken to create and fill the additional posts as early as possible. The Administration will continue to closely monitor and review the establishment of GRS to ensure sufficient manpower to cope with the different types of records management work and to meet changing circumstances.

***Progress made in implementing the Audit's recommendations***

92. A summary of progress on implementing the Audit's recommendations is at Enclosure 4.

### **Chapter 3 – Water losses from unauthorised consumption and inaccurate metering**

#### ***Overall***

93. The Administration accepts the recommendations made by the Audit and the PAC on the management of the apparent water losses from unauthorised consumption and inaccurate metering. In general, the recommendations are in line with the new initiatives being pursued by the Water Supplies Department (WSD) to enhance its management of the relevant issues.

94. To deal with unauthorised consumption, WSD adopts a two-pronged approach: (i) detection and prosecution and (ii) promotion and education. WSD started to use a risk-based approach in 2011 for detecting unlawful taking of water and will explore the use of data mining techniques for identifying unauthorised uses. WSD is also collaborating with different sectors of the community to widen the detection webs for unlawful taking of water.

95. For meter accuracy, WSD has all along placed great emphasis on water meter management, adopting the international best practice of regular meter replacement to enhance the accuracy of its meter fleet. The Department started a catch-up replacement programme for the 15-mm meters in 2006 and so far, nearly 1.5 million aged meters have been replaced. The Department will continue to arrange for the replacement of aged water meters.

#### ***Enforcement action against unlawful water taking***

96. WSD has liaised with various government departments<sup>5</sup> to solicit their assistance in preventing and deterring unauthorised water uses by reporting promptly any suspected unlawful water taking activities within their premises and works sites. WSD will provide training to the staff of these departments on detecting and reporting unlawful water taking activities. In addition, WSD has now adopted the practice of informing the government departments concerned on conviction cases of unlawful water taking within their premises and works sites for them to take appropriate actions with a view to deterring such unlawful act.

97. As a further preventive step against unlawful taking of water at works sites, WSD has reminded all government works departments to submit advance applications for temporary water supply for their works sites prior to works

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<sup>5</sup> These government departments include Agriculture, Fisheries and Conservation Department, Architectural Services Department, Buildings Department, Civil Engineering and Development Department, Drainage Services Department, Electrical and Mechanical Services Department, Environmental Protection Department, Fire Services Department, Food and Environmental Hygiene Department, Highways Department, Home Affairs Department, Housing Department, Leisure and Cultural Services Department and Transport Department.

commencement. WSD staff will continue to take timely action to process applications for temporary water supply for works sites. WSD is seeking legal advice on how to impute to the concerned contractor the unlawful water taking activity alleged to be undertaken by his employee at the contractor's work site. WSD has also solicited the assistance of the Development Bureau (DEVB) to highlight in the contractor administration procedures that the occurrence of any unauthorised water use in the contractor's works site shall be reflected in the contractor's performance report with appropriate sanction.

Encl. 5

98. Besides the government departments, WSD aims to collaborate with different sectors of the community for tapping their supporting resources to widen the detection webs for unlawful taking of water. WSD has issued letters to all property management companies to advise them of the dire consequences of unlawful taking of water. WSD has also secured the cooperation of plumbing associations, institutions and trade unions; consultants and contractors associations; and resident site staff association in preventing unlawful taking of water. In this connection, the nine participating organisations listed at Enclosure 5 have signed a charter in March 2012 pledging their support. WSD will also step up the publicity and education programme on prevention of unlawful water taking by riding on its extensive water conservation promotion activities.

99. The maximum fine imposed on offenders convicted of unlawful water taking was last increased from \$5,000 to \$25,000 on 1 December 2006. The 2011 case records showed that the fine imposed by the Magistrates on convicted cases ranged from \$1,000 to \$10,000 (with an average of about \$3,317), which is well below the maximum. WSD will consult the Department of Justice (DoJ) to review subsequent cases to see whether there is a case requiring the strengthening of prosecution work or legislative amendment for increase of the penalty level.

100. As for the extension of sea water flushing supply, WSD will continue its ongoing initiative of extending the sea water flushing supply system wherever it is cost-effective to do so. In this connection, WSD is constructing sea water flushing supply systems for Pok Fu Lam, Tuen Mun, Yuen Long and Tin Shui Wai and upgrading the system in Wan Chai.

101. Badly maintained internal sea water flushing systems in private buildings are prone to failures, which may be a cause for unlawful taking of water as a temporary quick-fix. WSD, in consultation with the "Working Group on Water Quality in Buildings" under the "Advisory Committee on Water Resources and Quality of Water Supplies", is planning to formulate a new scheme for sea water flushing system inside private buildings under the umbrella of the "Quality Water Recognition Scheme for Buildings" to promote proper maintenance of such internal services by the private property owners and occupants. Publicity and promotional activities will be launched in conjunction with the implementation of the new scheme. Specific topics relating to the proper maintenance of internal sea water flushing systems will also be included in the annual Water Supplies Seminars for estate management offices/agents.

### ***Inspection of unauthorised water consumption***

102. Upon the adoption of a risk-based approach in 2011, WSD has documented the strategy for identification of the target premises for surprise inspections for detecting unlawful taking of water. It is planning to implement the strategy by phases. WSD will also explore the use of data mining techniques for detecting target premises for surprise inspections.

103. WSD has reviewed and improved the workflow and the work instructions of the Prosecution Units (PU) in respect of investigating suspected unauthorised water consumption cases; setting out the target time for conducting investigations, submission of investigation reports and notification of relevant sections/divisions for taking necessary follow up actions.

104. On staff training, WSD will continue to arrange all officers of the PU to attend relevant training courses organised by the Hong Kong Police Force and DoJ, to equip them in performing investigation or prosecution duties.

105. With trained PU staff as trainers, WSD will continue to provide trainings on unlawful taking of water to all newly recruited Consumer Services Inspectors (CSIs) of the Department. WSD will also arrange for the frontline CSIs involved in handling of suspected unlawful water taking cases annual refresher training courses and regular experience sharing sessions. In addition, the training materials including case studies have been uploaded onto WSD intranet to facilitate continuous web-based learning. WSD will keep in view the training needs and modes, and conduct a review in December 2012 for further enhancement if necessary.

106. Regarding performance management in respect of actions against unlawful taking of water, WSD has specified target timeframe for the various procedural steps relating to termination of unauthorised connections, including the timeframe for application for an entry warrant from a Magistrate if the alleged offender obstructs WSD staff from conducting an inspection or carrying out a disconnection.

### ***Management of water meter accuracy***

107. Regular meter replacement programme has proved to be highly effective in rejuvenating a meter fleet and cutting down the apparent water losses due to meter inaccuracies to a level on par with developed countries. Since 2006, WSD started a catch-up replacement programme for 15-mm diameter meters. Through the programme, WSD has rejuvenated its fleet of 15-mm diameter meters to about 95% within their optimal service life in 2011. To sustain the improvement effort, WSD will reinforce the current meter replacement programme and place more emphasis on expediting the replacement of larger diameter water meters (i.e. those larger than 15-mm diameter).

108. Following completion of the review for 15-mm diameter meters, WSD has embarked on a review of the optimal replacement cycle for larger water meters. Moreover, WSD is attempting to establish the cumulative flow volume-driven replacement criteria for its meter fleet. WSD has also engaged an international expert on water meter management to draw on overseas experience and the latest best practices to sustain the continuous improvement of the management of its meter fleet.

109. Noting the higher cost for rejuvenating larger diameter water meters and possible use of expensive electro-magnetic meters for improving accuracy and reliability, WSD will in collaboration with DEVB examine the appropriateness and feasibility of requiring large consumption non-domestic customers to bear the meter replacement costs.

110. Replacement of meters has occasionally been held up by having to await the customers' cooperation to clear blockage of access or repair the dilapidated inside services within his premises. WSD is considering the viability of applying for a warrant from the Magistrate for entry into the premises to carry out the required works including the clearance of obstruction to access, repair to inside services and building fabrics for meter replacement with all costs so incurred to be recovered from the parties concerned.

***Performance Reporting***

111. WSD has included large water meters in selecting samples for accuracy testing. It will publish the annual target on meter accuracy in its performance pledge 2012-13 booklet and the annual report 2011-12, both to be published by end 2012, as well as on the Departmental website. WSD will also publish the performance target and extent of achievement on the percentage of water meters beyond the optimal service lives in the above publications.

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

112. A summary of progress in implementing the Audit's recommendations is set out in Enclosure 6.

Encl. 6

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## Construction of pedestrian crossing facilities

### 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 October 2010	Progress To Date (as at mid May 2012)
<b>Implementation of the improvement works and follow-up actions proposed in the 2010 Review Report</b>				
2.14 (a)	➤ Take early action to implement the proposed improvement works and follow-up actions proposed in the 2010 Review Report.	Transport Department (TD)	<p>➤ Progress on implementing improvement works for the facilities identified in the 2010 Review Report is set out below:</p> <p style="text-align: center;"><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>➤ Progress on implementing improvement works for the facilities identified in the 2010 Review Report is set out below:</p> <p style="text-align: center;"><u>Subway across Tsuen King Circuit</u></p> <p>As the option of making available the subway for alternative uses was eventually found to be not suitable after consultation with the Lands Department (Lands D), TD will arrange for the closure of the subway and is working with HyD on the details of the engineering work for the closure.</p>

<b>Audit Report Para. No.</b>	<b>Audit Recommendations</b>	<b>Departments</b>	<b>Departments' Response in October 2010</b>	<b>Progress To Date (as at mid May 2012)</b>
			<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 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>	<p><u>Footbridge across Tong Ming Street at Sheung Tak Shopping Centre</u></p> <p>The design of the proposed elevated walkway project, including the demolition of the ramps of the footbridge has been completed. HyD will commence the next stage of preparatory work for the construction, in accordance with the established procedures.</p> <p><u>Further monitoring of the 19 identified pedestrian crossing facilities</u></p> <p>Improvement measures previously identified (e.g. providing additional signage) have been completed. TD will continue to monitor the utilisation of the footbridges and subways in light of residential and community developments in the vicinity with a view to identifying further improvement measures to enhance utilisation as necessary.</p>

Audit Report Para. No.	Audit Recommendations	Departments	Departments' Response in October 2010	Progress To Date (as at mid May 2012)
<b>A footbridge alongside Hung Hom Bypass</b>				
3.19 (a)	<ul style="list-style-type: none"> <li>➤ Monitor the utilisation of Footbridge J with a view to identifying ways to promote its uses.</li> </ul>	TD	<ul style="list-style-type: none"> <li>➤ TD will continue to monitor the utilisation of the footbridge.</li> </ul>	<ul style="list-style-type: none"> <li>➤ As observed on site, the utilisation of the footbridge has roughly doubled between 2010 and 2011, upon the opening of the Hung Hom Bay Promenade in September 2011. TD will continue to monitor the utilisation.</li> </ul>
3.19 (b)	<ul style="list-style-type: none"> <li>➤ In consultation with other relevant government departments, explore alternative uses of Footbridge J, taking into account the planned development of the nearby areas.</li> </ul>		<ul style="list-style-type: none"> <li>➤ 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.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Five pedestrian direction signs will be erected along the route by end 2012 to guide pedestrians to use the footbridge for travelling between Tsim Sha Tsui and Hung Hom.</li> </ul>

Audit Report Para. No.	Audit Recommendations	Departments	Departments' Response in October 2010	Progress To Date (as at mid May 2012)
<b>A closed subway in Sham Shui Po</b>				
4.20	<ul style="list-style-type: none"> <li>➤ The Commissioner for Transport 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.</li> </ul>	TD	<ul style="list-style-type: none"> <li>➤ TD is exploring with LCSD, HD, HyD, Lands D and the Police on the possibility of reopening the subway for public use.</li> </ul>	<ul style="list-style-type: none"> <li>➤ TD will continue the discussion with the relevant departments on ways to implement the proposal for re-opening Subway W for use by pedestrians, particularly on how to address the issue of possible attraction of the subway to street sleepers.</li> <li>➤ In the meantime, TD is working with relevant departments including HyD and HD on the engineering details for the proposed re-opening. The programme for re-opening will tie-in with the population intake of the adjacent public housing development (target population intake in mid-2013). If relevant departments agree to the re-opening of the subway, TD will consult the Sham Shui Po District Council on the proposal, tentatively in the 2<sup>nd</sup> half of 2012.</li> </ul>

<b>Audit Report Para. No.</b>	<b>Audit Recommendations</b>	<b>Departments</b>	<b>Departments' Response in October 2010</b>	<b>Progress To Date (as at mid May 2012)</b>
				➤ The feasibility of utilising the subway for alternative uses (e.g. storage) has been explored with relevant departments but was eventually found technically not desirable.

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### Administration of the Direct Subsidy Scheme

AC' Recommendations	Progress to date
<b>Admission process</b>	
<p>2.15 Audit had <i>recommended</i> that the Secretary for Education should:</p> <p>(a) take further action to facilitate the five schools to complete their procedures to acquire the non-profit-making status as soon as practicable; and</p> <p>(b) take proactive action to facilitate Direct Subsidy Scheme (DSS) schools to secure self-owned school premises within the specified period.</p>	<p>(a) The Inland Revenue Department and Companies Registry had accepted and approved the amendments of the Memorandum and Articles of Associations (MAA) of the new school sponsoring bodies, i.e. companies with non-profit-making status set up to take over the operation right from the existing school operators. The schools sent the MAAs to the Education Bureau (EDB) on 14 July 2011. Actions are being taken by EDB to process the transfer of sponsorship in accordance with the existing rulings and guidelines. With regard to EDB's advice on the legal documents including the Assignment and Deed of Novations, the schools have further revised the draft copies and submitted them to EDB on 23 December 2011. EDB is seeking legal advice on the revised documents. Upon receipt of legal advice, the Assignment and Deed of Novations will be concluded at the earliest opportunity. Since follow-up actions as set out above will become part of the routine, we recommend deleting this part from the next progress report; and</p> <p>(b) The two schools concerned had indicated that they would apply for vacant school premises through the School Allocation Exercise to be conducted by EDB. EDB would keep in view the availability of suitable vacant school premises and alert the schools as appropriate. In the meantime, EDB would closely liaise with the two schools with a view to ensuring that they would secure tenure for the school premises to avoid disruption to education services. Since follow-up actions as set out in above will be taken on an on-going basis, we recommend deleting this part from the next progress report.</p>

AC' Recommendations	Progress to date
<b>Service agreement with school sponsoring body</b>	
<p>3.13 Audit had <i>recommended</i> that the Secretary for Education should:</p> <p>(a) take effective measures to expedite the entering into a school sponsoring body (SSB) Service Agreement with each of the SSBs of the five DSS schools that were required to enter into such an agreement.</p>	<p>(a) All the five DSS schools had signed the SSB Service Agreements. Since follow-up actions in respect of the recommendation have been completed, we recommend deleting this part from the next progress report.</p>
<p>3.29 Audit had <i>recommended</i> that the Secretary for Education should ensure that all the requirements stipulated in the SSB Service Agreement were complied with by the DSS schools. Such requirements included:</p> <p>(e) the SSB should enter into a service agreement with the SMC/Incorporated Management Committee (IMC) within a reasonable time after school operation had commenced; and</p> <p>(h) the SSB should obtain prior approval from the EDB for any additions, alterations or improvement works to be carried out at the school premises.</p>	<p>(e) A letter was issued to all DSS schools on 22 February 2011 with outstanding Service Agreements (i.e. the agreements between the SSBs and the SMCs/IMCs) requesting them to take expeditious actions to sign the agreements. It was expected that all outstanding cases would be concluded by mid-2012. EDB would closely monitor the progress. EDB would also make it clear in its approval letters for all schools that joined the DSS that the SSBs were required to enter into a service agreement with the SMCs/IMCs within a reasonable time after the schools had commenced operation under the DSS. Since follow-up actions as set out above will be taken on an on-going basis, we recommend deleting this part from the next progress report; and</p> <p>(h) The Working Group on Direct Subsidy Scheme (the Working Group) has recommended a framework comprising three inter-related aspects to help DSS schools strengthen their internal governance, i.e. (i) a self-evaluation checklist for completion by DSS schools regularly, (ii) setting up a governance review sub-committee under an SMC/IMC for conducting system review of various key management and financial control systems and processes, and (iii) devising a list of essential items to be discussed at SMC/IMC meetings, for better administration (e.g. observing the procedural propriety of</p>

AC' Recommendations	Progress to date
	<p>additions, alterations or improvement works to be carried out at the school premises), personnel management and financial management. As the recommendation of the Working Group as set out above will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
<p><b>Service agreement with incorporated school governing body</b></p>	
<p>4.7 Audit had <i>recommended</i> that the Secretary for Education should take effective action to:</p> <p>(a) expedite the entering into an SMC/IMC Service Agreement with each of the school governing bodies of the ten DSS schools that were required to enter into such an agreement.</p>	<p>(a) All the ten DSS schools had signed the SMC/IMC Service Agreements. Since follow-up actions in respect of the recommendation have been completed, we recommend deleting this part from the next progress report.</p>
<p>4.22 Audit had <i>recommended</i> that the Secretary for Education should:</p> <p>(b) take effective measures to expedite the signing of the outstanding tenancy agreements; and</p> <p>(c) ensure that the schools complied with the terms of the tenancy agreements and obtained prior approval from the EDB before carrying out, or permitting anyone to carry out, activity other than school operation in the school premises.</p>	<p>(b) EDB had continued to maintain close liaison with the schools through regular dialogue and letter of exchanges to conclude the outstanding tenancy agreement cases. As at May 2012, seven out of eight schools which did not execute any tenancy agreements had already signed the tenancy agreements with the Government, and amongst the seven schools which had signed the SSB tenancy agreements but not yet the SMC/IMC tenancy agreements, six schools had already signed the tenancy agreements with the Government. For the remaining two cases, EDB would continue to actively discuss with the schools and resolve the difficulties to expedite the execution of all tenancy agreements. Since follow-up actions as set out above will become part of the routine, we recommend deleting this part from the next progress report; and</p> <p>(c) The Working Group has recommended a framework comprising three inter-related aspects to help DSS schools strengthen their</p>

AC' Recommendations	Progress to date
	<p>internal governance, i.e. (i) a self-evaluation checklist for completion by DSS schools regularly, (ii) setting up a governance review sub-committee under an SMC/IMC for conducting system review of various key management and financial control systems and processes, and (iii) devising a list of essential items to be discussed at SMC/IMC meetings, for better administration, personnel management and financial management. As the recommendation of the Working Group as set out above will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
<p><b>Monitoring school performance</b></p>	
<p>5.23 Audit had <i>recommended</i> that the Secretary for Education should:</p> <p>(a) request DSS schools to establish a mechanism to:</p> <p>(i) monitor their compliance on uploading school documents to the schools' websites in a timely manner; and</p> <p>(ii) ensure that school documents uploaded to their websites were easily accessible and contained all the information that was required under the School Development and Accountability framework.</p>	<p>(a) The Working Group has recommended a framework comprising three inter-related aspects to help DSS schools strengthen their internal governance, i.e. (i) a self-evaluation checklist for completion by DSS schools regularly, (ii) setting up a governance review sub-committee under an SMC/IMC for conducting system review of various key management and financial control systems and processes, and (iii) devising a list of essential items to be discussed at SMC/IMC meetings, for better administration, personnel management and financial management. As the recommendation of the Working Group as set out above will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
<p><b>International schools in Direct Subsidy Scheme</b></p>	
<p>7.16 Audit had <i>recommended</i> that the Secretary for Education should:</p> <p>(c) critically review the justifications for continuing to allow School I to remain in the DSS and take action to address the matter, if necessary.</p>	<p>(c) Having reviewed the justifications put forward by the then Education Department and Education and Manpower Bureau for allowing School I to remain in the DSS in 1999 and 2002, and taking into account the uniqueness of School I, the benefits it brings to students in Hong Kong and the downside of changing the funding mode of School I, the Working Group</p>

<b>AC' Recommendations</b>	<b>Progress to date</b>
	<p>has recommended the continuation of the status quo, i.e. that School I be allowed to continue remaining in the DSS. Since follow-up actions in respect of the recommendation have been completed, we recommend deleting this part from the next progress report.</p>

## Governance and Administration of Direct Subsidy Scheme Schools

AC' Recommendations	Progress to date
<b>Governance of Direct Subsidy Scheme schools</b>	
<p>2.8 Audit had <i>recommended</i> that the Secretary for Education should urge all DSS schools to:</p> <p>(a) include representatives of key stakeholders in their school governing bodies; and</p> <p>(b) disclose to the public information of their governing bodies, including the name, tenure of office and category of each school manager.</p>	<p>(a) &amp; (b)</p> <p>To enhance the transparency of school governance bodies, the Working Group has recommended that (a) consent of managers of DSS schools governed by an SMC be sought for EDB's disclosure of their information including the name, tenure of office/date of registration and category of school manager; and (b) for schools with managers who refuse to give consent to the proposed disclosure, a remark indicating the number and categories, if applicable, of managers who have not given such consent be posted on the relevant part of EDB's homepage. As the recommendations of the Working Group as set out above will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
<p>2.15 Audit had <i>recommended</i> that the Secretary for Education should remind DSS schools to:</p> <p>(a) ensure that parent school managers of the IMC were elected through a secret-ballot election conducted by the parent-teacher association of the school, in which all parents could participate, and keep proper records of the election;</p> <p>(b) ensure that all school managers were registered; and</p> <p>(c) inform the EDB within a month after a person ceased to be a school manager.</p>	<p>(a) to (c)</p> <p>The Working Group has recommended a framework comprising three inter-related aspects to help DSS schools strengthen their internal governance, i.e. (i) a self-evaluation checklist for completion by DSS schools regularly, (ii) setting up a governance review sub-committee under an SMC/IMC for conducting system review of various key management and financial control systems and processes, and (iii) devising a list of essential items to be discussed at SMC/IMC meetings, for better administration (including general administration of IMCs/SMCs), personnel management and financial management. As the recommendation of the Working Group as set out above will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>

AC' Recommendations	Progress to date
<p>2.23 Audit had <i>recommended</i> that the Secretary for Education should remind DSS schools to:</p> <ul style="list-style-type: none"> <li>(a) monitor the attendance of school managers at school governing body meetings and take action, where necessary, to improve the attendance rate;</li> <li>(b) rectify the decisions made at their school governing body meetings where a quorum was not present;</li> <li>(c) take necessary measures to ensure that, in future, a quorum was present at every school governing body meeting; and</li> <li>(d) issue draft minutes of school governing body meetings in a timely manner and to properly record the deliberations and decisions made at these meetings.</li> </ul>	<p>(a) to (d)  The Working Group has recommended a framework comprising three inter-related aspects to help DSS schools strengthen their internal governance, i.e. (i) a self-evaluation checklist for completion by DSS schools regularly, (ii) setting up a governance review sub-committee under an SMC/IMC for conducting system review of various key management and financial control systems and processes, and (iii) devising a list of essential items to be discussed at SMC/IMC meetings, for better administration (including general administration of IMCs/SMCs), personnel management and financial management. As the recommendation of the Working Group as set out above will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
<p>2.28 Audit had <i>recommended</i> that the Secretary for Education should remind DSS schools to ensure that:</p> <ul style="list-style-type: none"> <li>(a) a proper system was put in place for managing potential conflict of interest of school managers; and</li> <li>(b) the procedures for managing conflict of interest of school managers were complied with.</li> </ul>	<p>(a) &amp; (b)  The Working Group has recommended a framework comprising three inter-related aspects to help DSS schools strengthen their internal governance, i.e. (i) a self-evaluation checklist for completion by DSS schools regularly, (ii) setting up a governance review sub-committee under an SMC/IMC for conducting system review of various key management and financial control systems and processes, and (iii) devising a list of essential items to be discussed at SMC/IMC meetings, for better administration, personnel management and financial management. As the recommendation of the Working Group as set out above will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>

AC' Recommendations	Progress to date
<b>School fee remission/scholarship schemes</b>	
<p>3.9 Audit has <i>recommended</i> that the Secretary for Education should:</p> <p>(a) take action to ensure that DSS schools set aside the required amounts of school fee income according to the levels of their school fees for the fee remission/scholarship schemes;</p>	<p>(a) DSS schools have been required to follow some new requirements in their submission of the audited accounts of the 2009/10 school year to EDB. The new requirements, which will apply in future years, include reporting comprehensive information on the fee remission/scholarship provision in the audited accounts. They will enable EDB to detect possible irregularities early and take timely follow-up action.</p> <p>The Working Group has discussed how to improve the implementation of the fee remission/scholarship schemes. The Working Group considers that enhancing the transparency of the school fee remission/scholarship schemes could help parents understand the schemes, facilitate an informed assessment of their children's eligibility for remission/scholarship, and help them make an informed choice of schools for their children. These measures should be put in place at the earliest opportunity. To this effect, we issued a circular to all DSS schools on 5 July 2011 setting out the new measures to enhance the transparency of the school fee remission/scholarship schemes. As follow-up action has been taken, we recommend deleting this part from the next progress report.</p>
<p>3.17 Audit had <i>recommended</i> that the Secretary for Education should:</p> <p>(a) monitor the DSS schools' implementation and publicity of their fee remission/scholarship schemes; and</p> <p>(b) remind DSS schools to:</p> <p>(i) establish a mechanism for monitoring the proper implementation of their fee remission/scholarship</p>	<p>(a) &amp; (b)</p> <p>Upon the Working Group's recommendation, EDB issued a circular to schools on 5 July 2011 setting out new measures to enhance the accessibility of information of fee remission/scholarship schemes in individual DSS schools. The Working Group has also recommended that EDB should keep in view the implementation of the improvement measures and, where appropriate, take necessary measures to ensure compliance by DSS schools.</p> <p>To avoid creating pressure for tuition fee increase on schools which have admitted a large number of needy students and have used more than 100% of</p>

AC' Recommendations	Progress to date
<p>schemes;</p> <p>(ii) provide full details (e.g. the eligibility criteria and the maximum percentage of fee remission) of their fee remission/scholarship schemes in their school prospectuses;</p> <p>(iii) upload details of their fee remission/scholarship schemes to their websites; and</p> <p>(iv) ensure that the eligibility criteria of their fee remission/scholarship schemes were not less favourable than the government financial assistance schemes to students.</p>	<p>the fee remission/scholarship provisions and/or unduly affecting the quality of their education services, the Working Group has recommended that DSS schools meeting the specified criteria be allowed to apply to EDB for exemption from the requirement of adopting eligibility criteria no less favourable than the government financial assistance schemes to students.</p> <p>As the recommendations of the Working Group as set out above will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
<p><b>Financial management</b></p>	
<p>5.8 Audit had <i>recommended</i> that the Secretary for Education should:</p> <p>(a) in consultation with the Financial Services and the Treasury Bureau, consider the need for setting a reserve ceiling for the accumulated operating reserves of DSS schools, and requiring the schools to return any surplus in excess of the ceiling to the Government according to Financial Circular No. 9/2004;</p> <p>(c) take necessary action to ensure that sufficient information is provided in the development plans submitted by the schools to facilitate EDB's monitoring of the implementation of the development plans.</p>	<p>(a) The Working Group has recommended that the ceiling on the operating reserve for DSS schools should be set at an amount equal to 100% of the annual total expenditure, i.e. 12 months' operating expenditure. For schools with accumulated operating reserve exceeding the ceiling, the Working Group has recommended that they should be allowed to rectify the situation through either reducing school fees, receiving less DSS subsidy, returning the excess surplus to the Government or transferring the excess surplus to the fee remission/scholarship reserve subject to meeting specified criteria. As the recommendations of the Working Group as set out above will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p> <p>(c) A template has been issued to schools for reporting detailed information including the timeframe and resources required for the services/projects/activities in the development plans for proper monitoring by EDB. Since</p>

AC' Recommendations	Progress to date
	follow-up action has been taken, we recommend deleting this part from the next progress report.
<p>5.17 Audit had <i>recommended</i> that the Secretary for Education should:</p> <p>(a) remind DSS schools of the requirements relating to self-financing activities stipulated in Financial Circular No. 9/2004.</p>	<p>(a) The Working Group has recommended a framework comprising three inter-related aspects to help DSS schools strengthen their internal governance, i.e. (i) a self-evaluation checklist for completion by DSS schools regularly, (ii) setting up a governance review sub-committee under an SMC/IMC for conducting system review of various key management and financial control systems and processes, and (iii) devising a list of essential items to be discussed at SMC/IMC meetings, for better administration, personnel management and financial management. As the recommendation of the Working Group as set out above will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
<p>5.22 Audit had <i>recommended</i> that the Secretary for Education should consider requiring DSS schools to ensure that their non-local students were not cross-subsidised by the government subsidy for local students. For example, the EDB might require those schools which admitted non-local students to collect from the non-local students an amount of school fees not less than the DSS unit subsidy plus the approved school fees for local students.</p>	<p>DSS schools had been reminded to set different school fee levels for non-local students to ensure no cross-subsidization of government funds to these students. Since follow-up action as set out above has been taken, we recommend deleting this part from the next progress report.</p>
<p>5.44 Audit had <i>recommended</i> that the Secretary for Education should:</p> <p>(a) require DSS schools to formulate guidelines on the use of non-government funds.</p>	<p>(a) The Working Group has recommended a framework comprising three inter-related aspects to help DSS schools strengthen their internal governance, i.e. (i) a self-evaluation checklist for completion by DSS schools regularly, (ii) setting up a governance review sub-committee under an SMC/IMC for conducting system review of various key management and financial control systems and processes, and (iii) devising a list of essential items to be discussed at SMC/IMC meetings,</p>

AC' Recommendations	Progress to date
	<p>for better administration, personnel management and financial management. As the recommendation of the Working Group as set out above will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
<p>5.52 Audit had <i>recommended</i> that the Secretary for Education should remind DSS schools to:</p> <p>(a) correctly record the fixed assets under their control in a fixed asset register; and</p> <p>(b) conduct physical stocktake at least once a year and investigate any discrepancies found, and report the results of stocktake to the school governing bodies.</p>	<p>(a) &amp; (b)</p> <p>The Working Group has recommended a framework comprising three inter-related aspects to help DSS schools strengthen their internal governance, i.e. (i) a self-evaluation checklist for completion by DSS schools regularly, (ii) setting up a governance review sub-committee under an SMC/IMC for conducting system review of various key management and financial control systems and processes, and (iii) devising a list of essential items to be discussed at SMC/IMC meetings, for better administration, personnel management and financial management. As the recommendation of the Working Group as set out above will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
<p>5.60 Audit had <i>recommended</i> that the Secretary for Education should remind DSS schools to:</p> <p>(a) prepare a financial statement for each fund raising activity and display the statement for a reasonable period of time on the schools' notice boards for the information of teachers, parents and students;</p> <p>(b) retain the financial statements for fund raising activities for audit purposes;</p> <p>(c) seek written permission from the EDB for the fund raising activities held for other organisations which were not approved charitable institutions, or not specifically</p>	<p>(a) to (d)</p> <p>The Working Group has recommended a framework comprising three inter-related aspects to help DSS schools strengthen their internal governance, i.e. (i) a self-evaluation checklist for completion by DSS schools regularly, (ii) setting up a governance review sub-committee under an SMC/IMC for conducting system review of various key management and financial control systems and processes, and (iii) devising a list of essential items to be discussed at SMC/IMC meetings, for better administration, personnel management and financial management. As the recommendation of the Working Group as set out above will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>

AC' Recommendations	Progress to date
<p>approved by the EDB; and</p> <p>(d) formulate guidelines on fund raising activities and require their staff to comply with the guidelines.</p>	
<p><b>Human resource management</b></p>	
<p>6.12 Audit had <i>recommended</i> that the Secretary for Education should remind DSS schools to:</p> <p>(a) formulate a proper staff recruitment policy and keep all the recruitment records which were consistent with the best practices promulgated by the EDB;</p> <p>(b) carry out recruitment of staff in an open and fair manner;</p> <p>(c) ensure that applicants were interviewed by selection panels appointed by the school governing bodies;</p> <p>(d) report to their school governing bodies the results of staff recruitment;</p> <p>(e) ensure that approval from school governing bodies was obtained before a teacher was appointed for a term of not less than six months; and</p> <p>(f) provide accurate information to the school governing bodies in seeking their approval for appointing new teachers.</p>	<p>(a) to (f)</p> <p>The Working Group has recommended a framework comprising three inter-related aspects to help DSS schools strengthen their internal governance, i.e. (i) a self-evaluation checklist for completion by DSS schools regularly, (ii) setting up a governance review sub-committee under an SMC/IMC for conducting system review of various key management and financial control systems and processes, and (iii) devising a list of essential items to be discussed at SMC/IMC meetings, for better administration, personnel management and financial management. As the recommendation of the Working Group as set out above will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>

AC' Recommendations	Progress to date
<p>6.17 Audit had <i>recommended</i> that the Secretary for Education should remind DSS schools to:</p> <p>(a) put in place a proper mechanism for determining the remuneration packages for their staff to ensure that the packages were fair and justifiable;</p> <p>(b) clearly set out the criteria (e.g. qualifications, experience, performance and expertise) and approval authority for determining the remuneration package of an appointee and any subsequent salary adjustment; and</p> <p>(c) ensure that all policies and measures on staff remuneration and administration were properly endorsed, documented and implemented.</p>	<p>(a) to (c)</p> <p>The Working Group has recommended a framework comprising three inter-related aspects to help DSS schools strengthen their internal governance, i.e. (i) a self-evaluation checklist for completion by DSS schools regularly, (ii) setting up a governance review sub-committee under an SMC/IMC for conducting system review of various key management and financial control systems and processes, and (iii) devising a list of essential items to be discussed at SMC/IMC meetings, for better administration, personnel management and financial management. As the recommendation of the Working Group as set out above will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
<p>6.21 Audit had <i>recommended</i> that the Secretary for Education should remind DSS schools to:</p> <p>(a) establish and implement an effective performance management system for their staff; and</p> <p>(b) review the operation of the performance management system periodically by making reference to the guidelines issued by the EDB.</p>	<p>(a) &amp; (b)</p> <p>The Working Group has recommended a framework comprising three inter-related aspects to help DSS schools strengthen their internal governance, i.e. (i) a self-evaluation checklist for completion by DSS schools regularly, (ii) setting up a governance review sub-committee under an SMC/IMC for conducting system review of various key management and financial control systems and processes, and (iii) devising a list of essential items to be discussed at SMC/IMC meetings, for better administration, personnel management and financial management. As the recommendation of the Working Group as set out above will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
<p>6.25 Audit had <i>recommended</i> that the Secretary for Education should remind DSS schools to:</p>	<p>(a) &amp; (b)</p> <p>The Working Group has recommended a framework comprising three inter-related aspects to help DSS schools strengthen their internal</p>

AC' Recommendations	Progress to date
<p>(a) submit the staff performance appraisal results for the school governing bodies' consideration when seeking their decisions on matters of staff contract renewal; and</p> <p>(b) properly document the justifications for contract renewal decisions to prevent allegations of favouritism or unfairness.</p>	<p>governance, i.e. (i) a self-evaluation checklist for completion by DSS schools regularly, (ii) setting up a governance review sub-committee under an SMC/IMC for conducting system review of various key management and financial control systems and processes, and (iii) devising a list of essential items to be discussed at SMC/IMC meetings, for better administration, personnel management and financial management. As the recommendation of the Working Group as set out above will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
<p><b>General administration</b></p>	
<p>7.12 Audit had <i>recommended</i> that the Secretary for Education should remind DSS schools to follow the EDB's guidelines on procurement as far as possible to ensure that all procurements were carried out in a fair, open and transparent manner. In particular, the EDB should remind schools to:</p> <p>(a) obtain sufficient number of quotations or tenders and document the justification and approval for any departure from the procurement procedures;</p> <p>(b) include evaluation criteria in tender documents for information of the tenderers;</p> <p>(c) set up two separate committees for tender opening and vetting, and tender approval for all tender exercises;</p> <p>(d) maintain the history of the appointments of the tender opening and vetting committee; and</p>	<p>(a) to (e)</p> <p>The Working Group has recommended a framework comprising three inter-related aspects to help DSS schools strengthen their internal governance, i.e. (i) a self-evaluation checklist for completion by DSS schools regularly, (ii) setting up a governance review sub-committee under an SMC/IMC for conducting system review of various key management and financial control systems and processes, and (iii) devising a list of essential items to be discussed at SMC/IMC meetings, for better administration, personnel management and financial management. As the recommendation of the Working Group as set out above will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>

AC' Recommendations	Progress to date
<p>(e) require staff involved in purchasing and supplies duties to sign an undertaking that they would declare to the school governing body any current or future connections they or their immediate families had/would have with the suppliers, and bring the requirement to the notice of the relevant staff annually.</p>	
<p>7.23 Audit had <i>recommended</i> that the Secretary for Education should remind DSS schools that:</p> <p>(a) prior approval from the EDB or the IMC was needed for trading operations and that profits from trading operations should only be applied for the purposes of directly benefiting the students;</p> <p>(b) profit from sale of trading items (other than textbooks) should be limited to 15% of the cost of purchase;</p> <p>(c) trading operators/suppliers should be selected through competitive tender/quotation exercises at regular intervals, preferably not exceeding three years;</p> <p>(d) acceptance of donations or advantages from trading operators/suppliers should be considered only in very exceptional circumstances with justification of compelling reasons; and</p> <p>(e) details of donations received from trading operators/suppliers should be disclosed in the school reports.</p>	<p>(a) to (e)</p> <p>The Working Group has recommended a framework comprising three inter-related aspects to help DSS schools strengthen their internal governance, i.e. (i) a self-evaluation checklist for completion by DSS schools regularly, (ii) setting up a governance review sub-committee under an SMC/IMC for conducting system review of various key management and financial control systems and processes, and (iii) devising a list of essential items to be discussed at SMC/IMC meetings, for better administration, personnel management and financial management. As the recommendation of the Working Group as set out above will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>

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## **Food labelling and nutrition labelling of infant and special dietary food**

### **Progress of Follow-up Actions on Cases**

Centre for Food Safety (CFS) has taken follow-up actions on suspected non-compliant cases identified in Chapters 3 and 4 of the Audit Report No. 57. An update on the outcome of CFS' investigation is set out below:

- Paragraph 2.7 of Chapter 3 “Food labelling” of the Audit Report: Audit found more than 350 cases of suspected non-compliance and provided information on 59 cases for CFS to follow up. Of these 59 cases, seven products were found to be compliant and 45 products were not found for sale in the market. The remaining seven were confirmed to be non-compliant. Enforcement actions have been taken against the relevant retail outlets (four summonses issued for three products and warning letters issued covering four products). All irregularities identified were rectified. Since action has been completed, we suggest deleting this part from the next progress report.
- Paragraph 2.10 of Chapter 3 “Food labelling” of the Audit Report: Audit found 42 suspected non-compliant cases after laboratory testing. CFS collected 40 samples for follow up chemical analysis while two samples referred by the Audit were not available for sale. Results of 18 samples were found satisfactory and the results of 22 samples unsatisfactory. Among the 22 unsatisfactory samples, the labels of 15 products were revised after investigation, four products were not found for sale, the explanation from the trader on one product was accepted by CFS, one product was re-tested with another method upon request by trader and the result was found satisfactory, and one product is still under investigation. CFS also followed up the three cases identified by Audit with large discrepancies between their nutrient contents and declared values. The labels of two products were revised after investigation whereas the other one product was no longer available for sale.
- Paragraph 2.17 of Chapter 3 “Food labelling” of the Audit Report: CFS followed up the two food products suspected to have illegible labels. One of them was found to be compliant while the nutrition label of the other was revised upon receipt of a warning letter from CFS. Since action has been completed, we suggest deleting this part from the next progress report.
- Paragraph 3.12 of Chapter 3 “Food labelling” of the Audit Report: CFS followed up the 17 cases with suspected improper nutrition claim. Four were found to be compliant, labels in 10 products revised (three before and seven after investigation), two products were not found for sale and one product is still under investigation.

- Chapter 4 “Nutrition labelling of infant and special dietary foods” of the Audit Report: CFS requested information from 20 vendors and 12 importers/distributors concerning 12 cases identified by Audit, which involved 30 products. After reviewing the response and information provided, the labels of seven products are considered to be in order, five products are pending legal advice for prosecution under section 61 of the Public Health and Municipal Services Ordinance (Cap. 132), and the remaining 18 products are still under investigation.

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**Records management work of the  
Government Records Service**

**Updated Progress of Implementing Audit Recommendations**

<b>DoA's Report Para. No.</b>	<b>Audit Recommendations</b>	<b>Progress to date</b>
<b>Part 2: Overseeing of Records Management Programmes</b>		
2.13	<p><i>Requirements of records management programmes</i></p> <p>Audit has recommended that the Director of Administration should:</p> <p>(a) consider setting mandatory requirements on the creation of records, with a view to ensuring that the bureaux/departments (B/Ds) create adequate but not excessive records; and</p> <p>(b) in conjunction with the Commissioner, ICAC, take appropriate follow-up action to ensure that ICAC records are properly managed in accordance with applicable legal and regulatory provisions.</p>	<p>(a) The Government Records Service (GRS) has reviewed the existing guidelines on the creation of records and will issue further guidelines and examples to assist B/Ds in identifying information generated in business processes for capturing as records. GRS will monitor the effectiveness of these guidelines.</p> <p>(b) Action completed. Government's records management policies, including the mandatory records management requirements promulgated in the General Circular are being observed in the management of ICAC's records. We recommend deleting this part from the next progress report.</p>
2.20	<p><i>Records management studies</i></p> <p>Audit has recommended that the Director of Administration should:</p> <p>(a) consider expanding the scope of records management studies so as to fully achieve the objective of such studies;</p>	<p>(a) After concluding in the first half of 2012 the current round of departmental records management studies, GRS will conduct future studies with an expanded scope, i.e. in the form of comprehensive records management</p>

DoA's Report Para. No.	Audit Recommendations	Progress to date
	<p>(b) review the procedures for following up the B/Ds' implementation of the GRS' recommendations made in records management studies to identify whether there are inadequacies; and</p> <p>(c) based on the review results in (b) above, take appropriate measures to ensure that B/Ds promptly implement the GRS' recommendations in future to improve their records management.</p>	<p>audit/review, for B/Ds. As the recommendation will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p> <p>(b) and (c) In light of the audit review, we have revisited the procedures for following up B/Ds' implementation of GRS' recommendations made in records management studies. We have since August 2011 required B/Ds to submit quarterly reports on their progress of adopting the standard classification scheme for administrative records as a mandatory records management requirement. GRS has reminded those B/Ds whose implementation progress is not satisfactory and provided assistance to them as appropriate.</p>
2.32	<p><b><i>Records management surveys</i></b></p> <p>Audit has recommended that the Director of Administration should:</p> <p>(a) conduct service-wide surveys at appropriate times after promulgating major records management policies and practices so that any common implementation issues can be identified and addressed in a timely manner;</p> <p>(b) draw up an action plan to address the issues identified in the 2010 survey (including the non-compliance by some B/Ds with the mandatory records management requirements, the loss or unauthorised destruction of records by four departments and many B/Ds not adopting some best</p>	<p>(a) Further to the survey conducted in 2010, GRS plans to conduct the next service-wide survey in the second half of 2012 mainly to monitor B/Ds' compliance with the mandatory requirements.</p> <p>(b) Action completed. The Administration has drawn up an action plan to address the issues identified in the 2010 survey as set out in para. 2.33(b) of Chapter 10 of Audit Report No. 57. We recommend deleting this part from the next progress report.</p>

DoA's Report Para. No.	Audit Recommendations	Progress to date
	<p>practices);</p> <p>(c) conduct follow-up surveys to monitor B/Ds' compliance with the mandatory records management requirements set out in General Circular No. 2/2009 (particularly those concerning records disposal);</p> <p>(d) based on the results of the follow-up surveys in (c) above, consider taking more stringent measures (see paragraph 2.30) in warranted cases; and</p> <p>(e) consider requiring B/Ds to conduct regular self-assessments of their compliance with the mandatory records management requirements and submit compliance reports to GRS.</p>	<p>(c) and (d) GRS will conduct the next service-wide survey in the second half of 2012 to monitor B/Ds' compliance with the mandatory requirements, and will consider the improvements required based on the results of the survey.</p> <p>(e) Action completed. The service-wide surveys coordinated by GRS, with the first one conducted in 2010 and the next one to be conducted in the second half of 2012, already take the form of self-assessment by B/Ds. We recommend deleting this part from the next progress report.</p>
<p>2.41</p>	<p><b><i>Records management reviews</i></b></p> <p>Audit has recommended that the Director of Administration should:</p> <p>(a) conduct records management reviews of individual B/Ds to ensure their compliance with the mandatory records management requirements and provide them with specific advice, training and assistance as appropriate; and</p> <p>(b) in conducting such reviews in (a) above, pay particular attention to whether B/Ds have regularly disposed of their records in accordance with the disposal schedules, including transfers of records having archival value to GRS for permanent preservation.</p>	<p>(a) and (b) Starting from the second half of 2012, GRS will conduct records management studies in the form of comprehensive records management review/audit of individual B/Ds.</p> <p>As the recommendations will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>

<b>DoA's Report Para. No.</b>	<b>Audit Recommendations</b>	<b>Progress to date</b>
2.42	<p>Audit has recommended that the Director of Fire Services should:</p> <p>(a) step up efforts to ensure that the mandatory records management requirement mentioned in paragraph 2.36(a) is complied with, seeking advice and assistance from GRS where necessary;</p> <p>(b) regularly review files created for over 30 years to see whether they should be closed and then disposed of; and</p> <p>(c) ensure that records of personal data are properly disposed of in accordance with the GRS' guidelines and legislation.</p>	<p>(a) Action completed. At the end of September 2011, the Fire Services Department (FSD) completed classification of all the administrative records in accordance with GRS standard classification scheme.</p> <p>(b) Action completed. At the end of April 2012, FSD completed reviewing all its records created for over 30 years and established draft disposal schedules for such records. FSD will arrange for their timely disposal upon receipt of approval from GRS.</p> <p>(c) Action completed. FSD finished reviewing the 87 old and closed recruitment files mentioned in the Audit Report and obtained GRS's approval for the disposal of 86 files. These 86 files were physically destroyed on 20 February 2012. The remaining file is being examined by the Public Records Office (PRO) of GRS for proper disposal. FSD has reminded its staff to destroy any other records containing personal data in strict accordance with the time limits set by GRS for such records.</p> <p>We recommend deleting this part from the next progress report.</p>
2.43	<p>Audit has recommended that the Secretary for Commerce and Economic Development should:</p> <p>(a) step up efforts to ensure that the mandatory records management requirements mentioned in para.2.37(a) and (b) are complied with, seeking advice and assistance</p>	<p>(a) Action completed. Regarding the two mandatory requirements on classification of administrative records according to the standard classification scheme and establishment of draft</p>

<b>DoA's Report Para. No.</b>	<b>Audit Recommendations</b>	<b>Progress to date</b>
	<p>from GRS where necessary;</p> <p>(b) regularly review files created for over 30 years to see whether they should be closed and then disposed of;</p> <p>(c) ensure that records of personal data are properly disposed of in accordance with the GRS' guidelines and legislation; and</p> <p>(d) report any loss or unauthorised destruction of records to GRS immediately and investigate such cases in accordance with the mandatory records management requirements.</p>	<p>disposal schedules for all programme records, the Commerce and Economic Development Bureau (CEDB) has completed the whole exercise in April 2012 as required.</p> <p>(b) Action completed. All existing files created for over 30 years have been reviewed as to the follow-up action required. Regular review and disposal of records will be conducted thereafter.</p> <p>(c) CEDB has obtained approval from GRS to dispose of the personal files and/or staff report files of six former staff and completed reviewing the other cases. Relevant records will be disposed of in accordance with GRS' guidelines and relevant legislation.</p> <p>(d) Action completed. CEDB reported the seven missing files to GRS in end August 2011 and has implemented improvement measures to prevent recurrence.</p> <p>We recommend deleting this part from the next progress report.</p>
2.44	<p>Audit has recommended that the Secretary for Security should regularly review files created for over 30 years to see whether they should be closed and then disposed of.</p>	<p>As at 28 March 2012, the Security Bureau (SB) has submitted disposal schedule of 807 files out of the 1 040 files created over 30 years to GRS for approval and is working towards completing the draft disposal schedule for the remaining 233 files within April 2012. Upon GRS' approval of the disposal schedules, SB will conduct regular reviews accordingly.</p>

DoA's Report Para. No.	Audit Recommendations	Progress to date
		As the recommendation will be implemented on an on-going basis, we recommend deleting this part from the next progress report.
<b>Part 3: Storage and Disposal Services for Inactive Records</b>		
3.22	<p><i>Storage and disposal of inactive records</i></p> <p>Audit has recommended that the Director of Administration should:</p> <p>(a) take additional measures to encourage B/Ds to take timely action on their records stored in the records centre in accordance with their disposal schedules;</p> <p>(b) remind GRS staff to follow up on records overdue for disposal in accordance with the laid-down procedures and promptly dispose of those for which B/Ds' consent has been obtained;</p> <p>(c) review whether there are cases of transfer of records without disposal schedules to the records centre (similar to those mentioned in paragraph 3.13) and, based on the</p>	<p>(a) Action completed. GRS has taken further measures to encourage B/Ds to take timely action on their records stored in the records centre, including bringing such cases to the attention of relevant Departmental Records Managers for their assistance and coordination of necessary actions by the B/Ds, and imposing a restriction wherein the records centre will not accept transfer of inactive records for storage in the records centre from a B/D which fails to take action on overdue records within a reasonable period of time.</p> <p>(b) Action completed. GRS staff have been reminded to follow up on records overdue for disposal. The records disposal check form, which was introduced in 2008 to streamline the disposal process, has proved to be a useful tool to facilitate timely and accurate disposal of records with B/Ds' consent submitted after that date.</p> <p>(c) Action completed. Upon review, GRS has identified seven further records deposits that were previously transferred to GRS without disposal schedules. GRS has already liaised</p>

<b>DoA's Report Para. No.</b>	<b>Audit Recommendations</b>	<b>Progress to date</b>
	<p>review results, consider the need for tightening control in this regard;</p> <p>(d) for the three identified cases of records without disposal schedules in paragraph 3.13, urge the departments concerned to finalise their disposal schedules;</p> <p>(e) implement procedures to ensure that vacated storage space is promptly put into use;</p> <p>(f) urge the Department of Justice (DoJ) to complete the review of the personal records mentioned in paragraph 3.17;</p> <p>(g) urge the Secretary for Education to take follow-up action on the teachers' records kept at the records centre which are not sorted by age groups;</p>	<p>with the B/Ds concerned to confirm the ownership and disposal of these records. To tighten the control in this regard, transfer of records without disposal schedules to the records centre has not been allowed since 2003. GRS is strictly enforcing this requirement.</p> <p>(d) Action completed. As mentioned in para. 3.23(d) in the Audit Report, one of the three B/Ds concerned has submitted the disposal schedule for its records. The other two B/Ds have advised that they will submit draft disposal schedules to cover all their programme records (including those stored in the records centre of GRS) by April 2012.</p> <p>(e) Action completed. A revised records retrieval form has been introduced in November 2011 requiring B/Ds to indicate clearly if they intend to retrieve the records stored in the records centre to their offices permanently so that vacated storage space can be promptly put into use. B/Ds are also reminded of a new procedure that if retrieved records are not returned to the records centre within one year, the storage space will be released to other users.</p> <p>(f) Among the 886 files involved, DoJ has already completed the review of 876 files and is reviewing the remaining 10 files.</p> <p>(g) Action completed. The Education Bureau (EDB) has completed in mid February 2012 the repacking of the teachers' records in question according to age groups and as a result each box of records of EDB stored in the records</p>

DoA's Report Para. No.	Audit Recommendations	Progress to date
	<p>(h) monitor, on an ongoing basis, B/Ds' compliance with the 2009 requirement that each deposit of records transferred to the records centre should only have one disposal date; and</p> <p>(i) keep the available capacity of the records centre under regular review to ensure that any demand for additional storage space can be provided in good time.</p>	<p>centre has now been assigned a disposal date.</p> <p>(h) Action completed. GRS is strictly enforcing the requirement that each deposit of records transferred to the records centre should only have one disposal date.</p> <p>(i) Action completed. A new repository was commissioned in October 2011 increasing the capacity of the records centre by 3 600 linear metres. GRS will continue to keep the available capacity of the records centre under regular review.</p> <p>We recommend deleting this part, except (f), from the next progress report.</p>
<p>3.27</p>	<p><b><i>Microfilming of inactive records</i></b></p> <p>Audit has recommended that the Director of Administration should:</p> <p>(a) review the overall demand for the GRS microfilming services of inactive records, archival records and library items; and</p> <p>(b) based on the review results in (a) above, determine the short-term and long-term measures in meeting the service demand.</p>	<p>(a) and (b)</p> <p>The demand for microfilming services of inactive records of B/D will be assessed in the next service-wide records management survey to be conducted in the second half of 2012. Regarding the demand for microfilming services of archival records and library items, GRS will assess the overall demand for such services having regard to the results of a comprehensive collection condition survey currently in progress.</p> <p>As the recommendations will be implemented on an on-going basis, we recommend deleting this part from the</p>

DoA's Report Para. No.	Audit Recommendations	Progress to date
		next progress report.
<b>Part 4: Management of Archival Records</b>		
4.12	<p><i>Appraisal of records for permanent retention</i></p> <p>Audit has recommended that the Director of Administration should:</p> <p>(a) take effective measures to clear the backlog of records appraisals;</p> <p>(b) urgently follow up with the B/Ds concerned at an appropriate senior level the cases of delay in transferring to GRS records requiring appraisals mentioned in paragraphs 4.6 and 4.7;</p> <p>(c) consider setting mandatory requirements for the prompt transfer by B/Ds of records to the GRS for its appraisal;</p>	<p>(a) GRS has redeployed existing resources and obtained additional resources with a view to clearing the backlog of records appraisals in three years' time.</p> <p>(b) Regarding appraisal of records proposed to be destroyed, GRS has followed up with the Civil Aviation Department (CAD) and Home Affairs Department (HAD) accordingly. As a result, CAD has transferred all records to GRS for appraisal, while HAD has transferred some of the records to GRS for appraisal and is looking into the loss of the remaining records.</p> <p>Regarding appraisal of time-expired records, GRS has followed up with the four B/Ds concerned, i.e. the Judiciary Administration (JA), Trade and Industry Department (TID), SB and EDB. Following their review, JA, TID and SB have either transferred their records to PRO of GRS for appraisal or obtained a directorate officer's endorsement as to the deferral of their transfer. GRS is liaising with EDB on the outstanding case.</p> <p>(c) and (d) The mandatory records management requirements promulgated in 2009 require B/Ds to, among other things, establish draft disposal schedules for</p>

<b>DoA's Report Para. No.</b>	<b>Audit Recommendations</b>	<b>Progress to date</b>
	<p>(d) monitor B/Ds' compliance with the requirements in (c) above and consider taking more stringent measures if warranted by circumstances;</p> <p>(e) monitor the progress of B/Ds in meeting the deadline for submitting draft disposal schedules, and remind those missing the deadline to forward records over 30 years old to GRS for appraisal;</p> <p>(f) ensure that GRS monitors, on an ongoing basis, the operation of the enhanced internal controls to prevent destruction of records before their archival value has been appraised; and</p> <p>(g) remind PRO to appraise the archival value of the microfilm records mentioned in paragraph 4.11.</p>	<p>all their programme records and dispose of time-expired records at least once every two years for all their administrative records, which are covered by the General Administrative Records Disposal Schedules developed by GRS, and for all their programme records with approved disposal schedules. Full compliance of these two requirements will facilitate the transfer of records by B/Ds to GRS for appraisal. GRS will keep the effectiveness of these requirements under review and, if necessary, consider the need for setting additional mandatory requirement for the transfer of records by B/Ds to GRS for appraisal.</p> <p>(e) To monitor B/Ds' progress in meeting the deadline for submitting draft disposal schedules, GRS has requested B/Ds to submit quarterly reports since August 2011. GRS will continue to monitor the situation and consider requiring B/Ds which cannot meet this requirement by the deadline to forward their records over 30 years for PRO's appraisal.</p> <p>(f) Action completed. GRS has introduced a records disposal check form since March 2008 to enhance internal controls on the disposal process for records kept in the records centre. The enhanced controls have been implemented satisfactorily and will be kept under regular review.</p> <p>(g) Action completed. PRO completed appraisal of the archival value of the microfilm records in question in October 2011. All microfilm records have subsequently been physically transferred to PRO for permanent</p>

<b>DoA's Report Para. No.</b>	<b>Audit Recommendations</b>	<b>Progress to date</b>
		<p>preservation.</p> <p>We recommend deleting this part from the next progress report.</p>
<p>4.18</p>	<p><b><i>Preservation of archival records</i></b></p> <p>Audit has recommended that the Director of Administration should take measures to ensure that the 2002 strategies for the preservation of archival and library holdings are properly implemented. In particular, she should urge GRS to:</p> <p>(a) issue guidelines to remind its staff to follow good practices in preservation work;</p> <p>(b) prepare a priority list for conducting conservation treatment of deteriorated items;</p> <p>(c) expedite the production of microfilm or digital images of the archival records and library items for public inspection;</p>	<p>(a) Action completed. GRS has issued a set of comprehensive guidelines to its staff in January 2012. The guidelines cover proper handling, transport and storage of archival records and library items.</p> <p>(b) This priority list for conducting conservation treatment of deteriorated items will be one of the outcomes from the comprehensive collection condition survey currently in progress. The result of the survey is expected to be available in 2013-14.</p> <p>(c) GRS is taking forward preservation microfilming and digitization projects with its available resources. GRS will continue to plan for microfilming and digitization of archival records and library items based on criteria commonly adopted by overseas archives/libraries, including physical condition of the items, users' demand or frequency of use of the items, copyright constraints involved and personal data privacy considerations.</p>

<b>DoA's Report Para. No.</b>	<b>Audit Recommendations</b>	<b>Progress to date</b>
	<p>(d) conduct condition survey on the archival and library holdings on a regular basis; and</p> <p>(e) carry out insect control (such as fumigation of new archival records and library items) on an ongoing basis.</p>	<p>(d) Action completed. GRS has embarked on a comprehensive collection condition survey since October 2011.</p> <p>(e) Action completed. Since 2002, GRS has been undertaking an integrated pest management programme, which is a holistic approach to pest management decision-making, to monitor the activity level of pest (including insects, fungal and rodents) in all archive repositories. As part of the programme, all incoming archival records will be inspected for signs of active pest infestation, with infested records and records with high risk of pest infestation treated by fumigation to eradicate the pest.</p> <p>As the recommendations will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
<p>4.24</p>	<p><b><i>Safe custody of archival record</i></b></p> <p>Audit has recommended that the Director of Administration should:</p> <p>(a) require GRS staff to conduct periodical stocktaking of archival and library holdings;</p> <p>(b) review the arrangements of lending archival records to B/Ds, including exploring the feasibility of providing microfilm or digital images of the archival records for B/Ds' reference; and</p>	<p>(a) GRS plans to conduct stocktaking of holdings of the Central Preservation Library for Government Publications in mid 2012.</p> <p>(b) GRS has reviewed again the arrangements of lending archival records to B/Ds recently and promulgated in October 2011 a revised procedure under which archival records may be requisitioned by B/Ds only if their physical condition permits and the loan period for overnight loan of archival records is restricted to a</p>

<b>DoA's Report Para. No.</b>	<b>Audit Recommendations</b>	<b>Progress to date</b>
	<p>(c) urge the B/Ds concerned to return the overdue archival records mentioned in paragraph 4.22 without further delay.</p>	<p>maximum of five months in a year.</p> <p>(c) GRS has urged the five B/Ds concerned to return the overdue archival records. They have now returned to GRS majority of the 438 overdue records with one B/D working on the remaining 12 records. GRS will continue to urge the B/D concerned in this regard.</p> <p>As the recommendations in (b) and (c) above will be implemented on an on-going basis, we recommend deleting them from the next progress report.</p>
<p>4.29</p>	<p><i>Provision of reference and research services for the public</i></p> <p>Audit has recommended that the Director of Administration should:</p> <p>(a) make greater efforts to clear the backlog of archival records pending accessioning; and</p> <p>(b) consider migrating archival records in obsolete storage formats to suitable ones to facilitate their retrieval.</p>	<p>(a) GRS has worked out an action plan to clear the backlog of archival records pending accessioning and has obtained additional resources in 2012-13 with the aim of clearing the backlog in three years' time.</p> <p>(b) GRS has already migrated some archival records in obsolete formats to accessible formats. The collection condition survey commenced in October 2011 will provide a basis for mapping out a strategy to digitise archival records.</p> <p>We recommend deleting this part from the next progress report.</p>

<b>DoA's Report Para. No.</b>	<b>Audit Recommendations</b>	<b>Progress to date</b>
<p>4.35</p>	<p><i>Access to archival records</i></p> <p>Audit has recommended that the Director of Administration should:</p> <p>(a) expedite action on ascertaining the current B/Ds responsible for confirming the access status of the 627 archival records created by some former B/Ds;</p> <p>(b) set mandatory requirements specifying that B/Ds should confirm the access status of classified archival records within a reasonable time after they reach 30 years old;</p> <p>(c) urgently follow up the long outstanding cases mentioned in paragraph 4.34 with the B/Ds concerned at an appropriate senior level; and</p> <p>(d) monitor B/Ds' compliance with the requirements in (b) above and consider taking more stringent measures where warranted by circumstances.</p>	<p>(a) Among the 627 archival records, GRS has identified the current B/Ds responsible for confirming the access status of 312 records and the B/Ds concerned have been invited to review the access status of these records accordingly. For the remaining 315 records, GRS is conducting further research and making enquiries with the transferring B/Ds with a view to ascertaining the responsible B/Ds as soon as possible.</p> <p>(b) and (d) GRS is monitoring the effectiveness of improvement measures implemented recently to facilitate review of the access status of classified records by B/Ds in a more coordinated and timely manner. GRS will consider the need for setting the proposed mandatory requirements if necessary.</p> <p>(c) GRS has followed up the outstanding cases with the 18 B/Ds concerned since September 2011. Of the 1 137 records mentioned in the Audit Report, the access status of over 540 records has been confirmed. GRS has requested the relevant B/Ds to complete the review of the remaining records as soon as possible.</p>

DoA's Report Para. No.	Audit Recommendations	Progress to date
<b>Part 5: Development of Electronic Recordkeeping System</b>		
5.11	<p>Audit has recommended that the Director of Administration should, in collaboration with the Government Chief Information Officer (OGCIO) and the Head, Efficiency Unit (EU):</p> <p>(a) step up efforts to address the issues relating to the implementation of an electronic recordkeeping system (ERKS) in B/Ds; and</p> <p>(b) provide adequate support to B/Ds to facilitate their early implementation of an ERKS.</p>	<p>(a) and (b)</p> <p>The Administration is actively pursuing the following measures to address the issues relating to the implementation of an ERKS in B/Ds and to provide adequate support to B/Ds to facilitate their early implementation of an ERKS –</p> <p>(i) <i>Development of electronic records management (ERM) standards and guidelines</i> – GRS will promulgate a recordkeeping metadata standard in May 2012 together with additional guidelines and practices to help B/Ds comply with the standard. GRS is also making preparations for the development of another standard on bulk import, export and transfer of records with consultancy support. On guidelines, GRS aims to develop a set of ERKS implementation guidelines and a set of guidelines to help B/Ds address records management issues in the context of developing their organisational EIM strategies;</p> <p>(ii) <i>Implementation of ERKS in B/Ds</i> – GRS continues to provide records management support and assistance to B/Ds to develop an ERKS. In this connection, the Electronic Information Management (EIM) Project Team of OGCIO is implementing a pilot EIM system, including an ERKS component, for</p>

<b>DoA's Report Para. No.</b>	<b>Audit Recommendations</b>	<b>Progress to date</b>
		<p>completion by mid 2013. OGCIO will pursue a wider roll out of the EIM/ERKS system for share use by more B/Ds in the first quarter of 2014;</p> <p>(iii) <i>ERM training and publicity</i> – Since October 2011, briefings have been provided for three B/Ds to assist them in developing organisational EIM strategy and implementing an ERKS. GRS also published in January 2012 an ERM newsletter promoting good records management practices and use of an ERKS. On training, records management (covering also ERM) has been included in the mandatory development programme for Executive Officers I since January 2012;</p> <p>(iv) <i>Organisational EIM strategies</i> – EU will assist four B/Ds to develop their organisational EIM strategies in 2012-13; and</p> <p>(v) <i>Long-term preservation of electronic records</i> – GRS has embarked on a preliminary study on long-term preservation of electronic records to prepare for a comprehensive study on the same subject to be conducted with the assistance of consultants in 2013.</p> <p>As the recommendations will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>

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**Water losses from unauthorised consumption and inaccurate metering****Participating Organisations of the Charter  
on Prevention of Unlawful Taking of Water**

1.	The Association of Consulting Engineers of Hong Kong
2.	Hong Kong Construction Association
3.	The Hong Kong Federation of Electrical and Mechanical Contractors
4.	Resident Site Staff Association
5.	Hong Kong Plumbing & Sanitary Ware Trade Association
6.	The Chartered Institute of Plumbing and Heating Engineering – Hong Kong Branch
7.	Hong Kong Licensed Plumbers Association
8.	The Hong Kong Institution of Plumbing and Drainage
9.	Hong Kong Water Works Professionals Association

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**Water losses from unauthorised consumption and inaccurate metering  
Updated Progress of Implementing Audit Recommendations**

<b>DoA's Report Para.</b>	<b>Audit Recommendations</b>	<b>Progress to date</b>
<b>Part 2 : Enforcement Action against Unlawful Water Taking</b>		
	<i><b>Enforcement action under the Waterworks Ordinance</b></i>	
2.12	Conduct a review of WSD strategy in addressing the unlawful water taking problem, with a view to identifying and implementing improvement measures.	WSD has reviewed the strategy in addressing the unlawful water taking problem in the aspects of collaboration with different parties, training, publicity, education, inspection and investigation with a view to identifying and implementing improvement measures. For the progress of implementing those identified improvement measures, please refer to the corresponding items below.
	<i><b>Unlawful water taking at markets</b></i>	
2.19(a)	Inform the Director of Food and Environmental Hygiene about substantiated unlawful water taking cases at FEHD markets.	Since October 2011, WSD has adopted the practice of informing the Director of Food and Environmental Hygiene of the conviction cases of unlawful water taking at FEHD markets.
2.19(b)	In collaboration with the Director of Food and Environmental Hygiene, provide training to FEHD officers on detecting unlawful water taking activities at FEHD markets.	WSD has conducted training courses in April 2012 for FEHD officers on detecting and reporting unlawful water taking activities at FEHD markets.

<b>DoA's Report Para.</b>	<b>Audit Recommendations</b>	<b>Progress to date</b>
2.29(a)	<p><i>Unlawful water taking for flushing at residential developments</i></p> <p>Conduct publicity campaigns on prevention of taking fresh water unlawfully for flushing, targeting at estate management agencies and management offices in residential developments, and highlight in the campaigns the legal liabilities of committing the offence.</p>	<p>WSD has issued letters to all estate management agencies and management offices in residential developments to promote prevention of unlawful taking of fresh water for flushing. The subject will be included in WSD annual Water Supplies Seminar to be held in October 2012 which will be attended by the estate management agencies and management offices. Legal liabilities of committing the offence are being highlighted in the publicity campaigns.</p>
2.29(b)	<p>Take measures to encourage residential developments to properly maintain their flushing systems.</p>	<p>WSD is planning to formulate a new scheme by end 2012 under the umbrella of the "Quality Water Recognition Scheme for Building" to promote proper maintenance of the internal sea water flushing system.</p>
2.29(c)	<p>Include in warning letters issued to offenders of unlawful water taking the legal provision of a further fine of \$1,000 for every day or part of a day during which the offence continues.</p>	<p>Since December 2011, WSD has included in the warning letters issued to offenders of unlawful water taking the legal provision of a further fine of \$1,000 for every day or part of a day during which the offence continues.</p>

<b>DoA's Report Para.</b>	<b>Audit Recommendations</b>	<b>Progress to date</b>
2.29(d)	Expedite action to install bulk meters for residential developments and villages.	WSD is reviewing the programme of installation of bulk meters for residential developments and villages with a view to expediting the installation of bulk meters.
2.38(a)	<p><i>Unlawful water taking at construction sites</i></p> <p>Remind works departments of the need to comply with the requirement under the Project Administration Handbook for Civil Engineering Works of submitting an advance application for temporary water supply.</p>	WSD has reminded works departments of the need to comply with the requirement under the Project Administration Handbook for Civil Engineering Works of submitting an advance application for temporary supply of water for their works sites prior to works commencement.
2.38(b)	Consider providing the responsible government departments with information of conviction cases of unlawful water taking at their works sites.	Since October 2011, WSD has adopted the practice of informing the responsible government departments of the conviction cases of unlawful water taking at their works sites.
<b>Part 3 : Inspection of Unauthorised Water Consumption</b>		
3.11(a)	<p><i>Inspections of referral and complaint cases</i></p> <p>Consider implementing a regular training programme for WSD officers on handling suspected unlawful water taking cases, particularly on evidence</p>	WSD will continue to provide trainings on unlawful taking of water to all newly recruited Consumer Services Inspectors (CSIs) of WSD. Starting from

<b>DoA's Report Para.</b>	<b>Audit Recommendations</b>	<b>Progress to date</b>
	collection and experience sharing of conviction cases.	May 2012, WSD will arrange for the frontline CSIs who are involved in handling of suspected unlawful water taking cases annual refresher training courses and regular experience sharing sessions on case handling particularly on evidence collection and conviction cases.
3.11(b)	Periodically seek assistance from target government departments (such as the FSD, the FEHD and the EPD) for reporting suspected unlawful water taking cases to the WSD for follow-up action.	WSD has liaised with various target government departments to solicit their assistance in preventing and deterring unauthorised water uses by reporting promptly any suspected unlawful water taking activities within their premises and works sites to WSD for follow-up action. WSD will remind the government departments annually.
3.11(c)	Provide training to the officers of target government departments to help detect unlawful water taking.	WSD will conduct training courses for officers of target government departments on detecting and reporting unlawful water taking activities in June 2012.
3.11(d)	Enhance the WSD's publicity efforts in the prevention of unlawful water taking.	WSD has enhanced its publicity efforts in the prevention of unlawful water taking by riding on the extensive water conservation promotion activities such as the school visits.

<b>DoA's Report Para.</b>	<b>Audit Recommendations</b>	<b>Progress to date</b>
3.19(a)	<p><i>Surprise inspections</i></p> <p>Formulate and document a risk-based strategy for conducting surprise inspections, taking into account good overseas practices.</p>	<p>WSD has formulated and documented a risk-based strategy for the identification of the target premises for surprise inspections. WSD will also explore the use of data mining techniques for detecting target premises for surprise inspection.</p>
3.19(b)	<p>Devise and implement a structured programme for conducting surprise inspections.</p>	<p>WSD will devise and implement programme for conducting surprise inspections of the target premises identified under the risk-based strategy in Para. No. 3.19(a) above by phases.</p>
3.29(a)	<p><i>Investigations of suspected cases</i></p> <p>Instruct investigation officers of the Prosecution Unit to submit investigation reports as early as practicable.</p>	<p>WSD has issued instruction to the investigation officers of the Prosecution Unit setting out the target time for submission of investigation reports.</p>
3.29(b)	<p>Instruct district officers of the Customer Services Branch to take prompt remedial action to cease unlawful water taking after receiving notifications from the Prosecution Unit.</p>	<p>WSD has issued instruction to district officers of the Customer Services Branch setting out the timeframe for the various procedural steps relating to termination of unauthorised connections after receiving notifications from the Prosecution Unit.</p>

<b>DoA's Report Para.</b>	<b>Audit Recommendations</b>	<b>Progress to date</b>
3.29(c)	Maintain records of investigations on all suspected cases in a centralised computer system, including the time of submission of investigation reports and the progress of follow-up action.	Since September 2011, WSD has maintained records of investigations on all suspected cases centrally in a computer system, including the time of submission of investigation reports and the progress of follow-up action.
<b>Part 4 : Management of Water Meter Accuracy</b>		
4.18(a)	<p><i>Replacement of 15-mm water meters</i></p> <p>Expedite action to replace 15-mm water meters aged over 12 years.</p>	WSD will reinforce the current meter replacement programme to expedite action to replace 15-mm water meters aged over 12 years.
4.18(b)	Estimate the potential under-registration of water consumption of 15-mm meters aged over 12 years.	WSD had estimated the quantity of apparent water losses and included the estimate in the final report on the study of 15-mm meter accuracy issued in November 2011.
4.18(c)	Accord high priority to replacing aged 15-mm meters long overdue for replacement.	WSD will reinforce the current meter replacement programme and accord high priority to replacing aged 15-mm meters long overdue for replacement.
4.18(d)	Consider issuing warning letters to and taking appropriate enforcement actions on management offices, occupiers and registered customers who do	WSD will issue warning letters to and take appropriate enforcement actions on management offices, occupiers and registered customers who do not render the

<b>DoA's Report Para.</b>	<b>Audit Recommendations</b>	<b>Progress to date</b>
	not render the necessary assistance for meter replacements.	necessary assistance for meter replacements. Standard warning letters are under preparation and will be promulgated by June 2012. WSD is considering the viability of applying for a warrant from the Magistrate as needed for entry into the premises to carry out the required works for meter replacement with all costs so incurred to be recovered from the parties concerned.
4.18(e)	Conduct publicity campaigns on meter replacements.	WSD has publicised the meter replacement programme via bill message in April 2012. WSD has also prepared promotion leaflet for dropping in letter box of customers after water meter replacement.
4.22(a)	<p><b><i>Replacement of large water meters</i></b></p> <p>Expedite action to replace aged large water meters which have exceeded their optimal service lives.</p>	WSD will reinforce the current meter replacement programme and place more emphasis on expediting the replacement of aged large water meters which have exceeded their optimal service lives.
4.22(b)	Accord high priority to replacing aged large meters long overdue for replacement.	WSD will reinforce the current meter replacement programme and accord high priority to replacing aged large meters long overdue for replacement.

<b>DoA's Report Para.</b>	<b>Audit Recommendations</b>	<b>Progress to date</b>
4.28	<p><i>Replacement of water meters for government establishments</i></p> <p>Expedite action to replace aged water meters exceeding their optimal service lives in government establishments.</p>	<p>WSD will reinforce the current meter replacement programme and expedite action to replace aged water meters exceeding their optimal service lives in government establishments.</p>
4.34(a)	<p><i>Water meter replacement strategy</i></p> <p>Conduct periodic reviews of the meter replacement strategies for 15-mm and large meters, with reference to good overseas practices.</p>	<p>WSD has completed the review for 15-mm meters in November 2011. WSD is conducting the review for 150-mm to 300-mm meters with target completion in September 2012. WSD is planning the review for 25-mm to 100-mm meters with target completion in August 2013. WSD is attempting to establish the cumulative flow volume-driven replacement criteria for its meter fleet by end 2012. WSD has engaged an international expert on water meter management in March 2012 to draw on the overseas experience and latest best practices to sustain the continuous improvement of the management of its meter fleet.</p>

<b>DoA's Report Para.</b>	<b>Audit Recommendations</b>	<b>Progress to date</b>
4.34(b)	Examine the feasibility of producing from the CCBS periodic ageing-analysis reports for large meters based on their service years after meter re-conditioning.	WSD has confirmed the feasibility of producing the required periodic ageing-analysis reports for large meters. Programme development has been completed and the programme has been deployed to production in January 2012.
<b>Part 5 : Performance Reporting</b>		
5.10(a)	<p><i>Performance targets for enforcement actions</i></p> <p>Set performance targets and indicators on the number of publicity campaigns, seminars, and training sessions for the promotion of combating unauthorised water consumption.</p>	WSD has set performance targets and indicators on the number of publicity campaigns, seminars, and training sessions for the promotion of combating unauthorised water consumption.
5.10(b)(i)	Publish in WSD publications and on WSD website the extent of achieving the performance targets on combating unauthorised water consumption.	WSD will publish the extent of achievement of the performance targets and indicators set under Para. No. 5.10(a) in its annual report and on the departmental website by end 2012.
5.10(b)(ii)	Publish in WSD publications and on WSD website the performance target and extent of achievement on the time for conducting an investigation after receiving a complaint on suspected unauthorised water consumption.	WSD will publish the performance target and extent of achievement on the time for conducting an investigation after receiving a complaint on suspected unauthorised water consumption in its annual report 2011-12 and on the departmental website by end 2012.

<b>DoA's Report Para.</b>	<b>Audit Recommendations</b>	<b>Progress to date</b>
5.10(c)	<p><i>Performance targets for meter accuracy and replacement</i></p> <p>Publish annual targets on water meter accuracy in WSD publications and on WSD website.</p>	<p>WSD will publish the annual targets on water meter accuracy in its performance pledge 2012-13 booklet, annual report 2011-12, as well as on the departmental website by end 2012.</p>
5.10(d)	<p>Include large water meters in selecting samples for accuracy testing.</p>	<p>WSD has included large water meters in selecting samples for accuracy testing since January 2012.</p>
5.10(e)	<p>Set performance targets on the percentages of 15-mm and large meters beyond their optimal service lives, and the percentages of such meters to be replaced annually.</p>	<p>WSD has set the performance targets on the percentages of 15-mm and large meters beyond their optimal service lives and the percentages of such meters to be replaced annually.</p>
5.10(f)	<p>Publish the extent of achieving the performance targets on water meters in WSD publications and on WSD website.</p>	<p>WSD will publish the extent of achieving the performance targets on water meters in its annual report and on the Departmental website by end 2012.</p>

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