

THE GOVERNMENT MINUTE

in response to the

**REPORT OF
THE PUBLIC ACCOUNTS COMMITTEE
No. 62**

of July 2014

22 October 2014

**THE GOVERNMENT MINUTE IN RESPONSE TO THE
PUBLIC ACCOUNTS COMMITTEE REPORT NO. 62
DATED JULY 2014**

**REPORT ON THE RESULTS OF VALUE FOR
MONEY AUDITS (Report No. 62)**

Chapter 1 – Planning, construction and redevelopment of public rental housing flats

The Administration generally welcomes the views of and accepts the recommendations made by the Audit Commission (Audit) and the Public Accounts Committee (PAC) of the Legislative Council (LegCo) regarding the planning, construction and redevelopment of public rental housing (PRH) flats. The Housing Department (HD) has accordingly taken follow-up actions on them as appropriate. The progress made is reported below.

Planning for the provision of PRH flats

Assessment of public housing supply and demand

2. Audit and PAC consider that the Housing Authority (HA) should maintain the average waiting time (AWT)^{Note} at about three years for PRH general applicants and expects the HA to continue to do their utmost to ensure a steady supply of PRH flats so as to maintain the AWT for general PRH applicants at three years.

3. The Government and the HA's objective is to provide PRH to low-income families who cannot afford private rental accommodation, and the target is to maintain the AWT at around three years for general applicants (i.e. family and elderly one-person applicants).

4. The HA has been closely monitoring the number of PRH applications and the AWT. Admittedly, the surging number of PRH applicants and the tight supply of PRH flats have made it increasingly challenging for the HA to meet the AWT target of about three years. The HA will strive to meet the target, despite the possibility of occasional departure from it.

^{Note} Waiting time refers to the time taken between registration for PRH and first flat offer, excluding any frozen period during the application period (e.g. when the applicant has not yet fulfilled the residence requirement; the applicant has requested to put his/her application on hold pending arrival of family members for family reunion; the applicant is imprisoned, etc.). The average waiting time (AWT) for general applicants refers to the average of the waiting time of those general applicants who were housed to public rental housing (PRH) in the past 12 months.

5. We have adopted the housing supply target of a total of 470 000 units in the coming ten years, with public housing (including PRH and subsidized sale flats (mainly Home Ownership Scheme (HOS) flats) accounting for 60%. To meet the new housing supply target, we aim at an average annual production of about 20 000 PRH units and about 8 000 HOS units. This would mean that the supply of public housing will increase by 36% when compared to the Government's previous pledge. Furthermore, the new HOS units will be available starting from 2016-17. That will likely bring about more recovered PRH units from tenants who choose to purchase the new HOS units as they come on stream. We believe that the increased public housing production should help address the housing needs of low-income families.

6. The HA will continue to closely monitor the number of PRH applications and the AWT, and where possible, adjust the development programmes of PRH and HOS to uphold the target of maintaining the AWT for general applicants at around three years.

7. We noted PAC's concern on the HA's replacing the old model for determining the quantum of PRH production by the new methodology adopted by the Long Term Housing Strategy (LTHS) Steering Committee for projecting the long-term demand for both private and public housing without reference to the AWT and that the AWT does not reflect the average actual time spent by PRH applicants awaiting to be housed to the PRH.

8. The previous housing demand projection model included a long term projection of PRH demand. However, such projections on PRH demand were far from accurate since the model is subject to many limitations and with questionable reliability, which cannot form a solid basis for setting a production target. We therefore do not intend to continue conducting PRH demand projection based on the old model.

9. The LTHS Steering Committee suggested moving on to a new method of projecting long term housing demand which covers PRH demand. We are working on this new method in the course of formulating LTHS. The current thinking is that instead of trying to guess the AWT in the next ten years, we will keep in view the number of new general applications in a year (which can serve as a medium term reference for the number of flats required to satisfy the needs of these PRH applicants three years down the line) and the changes in the actual AWTs (which capture the latest changes in the past 12 months) and these references are more reliable. The HA will also maintain the inter-changeability of PRH and HOS flats so that the supply of PRH flats can be adjusted whenever necessary and feasible to meet the changing needs of the community in a timely manner. In addition, the HA/HD will continue the existing practice of publishing the actual AWTs on a quarterly basis for public's reference.

10. Turning to the definition and calculation of AWT, waiting time refers to the time taken between registration for PRH and first flat offer, excluding any frozen period during the application period (e.g. when the applicant has not yet fulfilled the residence requirement; the applicant has requested to put his/her application on hold pending arrival of family members for family reunion; the applicant is imprisoned, etc.). The AWT for general applicants refers to the average of the waiting time of those general applicants who were housed to PRH in the past 12 months. This definition has been in place for a long time, and the continued use of the same definition will ensure consistency and provide a better reference to keep track of the extent to which the HA is able to achieve the AWT target.

11. In calculating the AWT, we can only take into account factors which are within the HA/HD's control. The waiting time is counted up to the first offer because while eligible applicants are given three flat offers, the applicants are provided with a housing opportunity at the first offer. In other words, an applicant will be housed if he accepts the first offer. It is a matter of personal decision if the applicant declines the first flat offer and chooses to wait for the next. The decision as to whether or not to accept the first, second or third offer rests entirely with the applicant and the HA/HD has no control at all. There are also circumstances where the applications have to be frozen due to various reasons not within the HA/HD's control (e.g. applicants have to await fulfillment of the residence requirement; applicants request to put the application on hold pending arrival of family members, etc.). However, since the HA has allowed these general applications to remain on the waiting list notwithstanding the fact that their applications are actually being frozen, individual applicants may tend to count their waiting time starting from the date of registration and disregard the period whereby their applications are frozen. In the light of Audit and PAC's recommendations, the HA/HD have already made explicit and clear the definition and method of calculating the AWT in the "Information for Applicants" for PRH applicants. The information is also available on the HA/HD's website.

12. We noted PAC's concern on the projected shortfalls in PRH production as compared with demand forecasts in the four years from 2008-09 to 2011-12 and that the HD's PRH production forecast still falls short of the new production target of 200 000 PRH flats for the next ten years.

13. Since housing has become a top priority of the Government, the PRH production target has been changing in recent years. The 2010 Policy Address has set out the target for PRH production of 15 000 per year, and the 2011 Policy Address has set out the PRH production target of 75 000 for five years. In the 2013 Policy Address, the Chief Executive (CE) committed to build 75 000 PRH flats for the five-year period from 2012-13 to 2016-17, and that the production target should be at least 100 000 PRH flats for the five-year period from 2018 onwards. The HA/HD has since managed to advance the production of about

4 000 PRH flats to 2016-17, making the total PRH production for the first five-year period from 2012-13 to 79 000 flats. In his 2014 Policy Address, the CE announced that the housing supply target of a total of 470 000 units in the coming ten years would be adopted, with public housing accounting for 60%. To meet the target, the Government aims at an average annual production of about 20 000 PRH units and about 8 000 HOS units. This is a formidable challenge for the Government, the HA and indeed the community at large.

Supply of land for public housing

14. On Audit and PAC's recommendation that the Development Bureau (DEVB) should actively explore ways to ensure a steady supply of suitable land for public housing, the DEVB, together with Planning Department (PlanD) and other relevant departments, will continue to adopt a multi-pronged strategy to increase land supply, with a view to achieving the new housing supply target as announced in the 2014 Policy Address.

15. Over the past year, the Government has identified about 80 additional Green Belt and Government, Institution or Community sites, etc. in various districts, with a total area of over 150 hectares with the potential to be rezoned for residential use. These sites can be made available in the next five years to provide about 89 000 units to help meet the demand for housing land over the next decade.

16. In addition, some 150 housing sites had been identified and could be made available for residential development in from 2014-15 to 2018-19 providing over 210 000 public and private units, subject to approval from the Town Planning Board for amendments to their respective statutory plans, including land use rezoning and/or increasing development intensity of the residential sites and the carrying out of the necessary works (infrastructures, clearance of land, etc.).

17. The relevant bureaux/departments (B/Ds) would actively explore all feasible ways to increase land supply for public housing development. These included –

- (a) liaising closely with the concerned B/Ds, District Councils (DCs) and local communities to identify suitable sites for public housing development in different parts of the territory;
- (b) optimizing the development potentials of public housing sites having regard to the principles of cost effectiveness and sustainability. Where planning and infrastructure capacity permitted, PlanD and the HD would strive to achieve relaxation in plot ratios and height restrictions without compromising the environmental quality; and

- (c) examining the build-back potential of aged PRH estates so as to increase the supply of PRH flats.

18. It is a difficult challenge to provide sufficient land to meet the housing supply target. An integral part of this process is the support and understanding rendered by the DC, local districts and residents. The community as a whole has to make hard choices and accept trade-offs as well. In face of the urgent housing needs of the Hong Kong people, especially of the grassroots who are waiting to move into PRH with a strong need to improve their living environment, we will continue to impress upon the community to support the efforts to expedite and enhance housing land supply, so as to ensure the timely provision of land for public housing development.

19. We noted PAC's observation that whilst the Steering Committee on Land Supply (SCLS), chaired by the Financial Secretary, provides the overall steer on land supply-related matters, the task of driving and delivering individual potential sites currently involves different parties and mechanisms such as the Committee on Planning and Land Development (CPLD), the Committee on Housing Development (CHD) and the PlanD-HD Liaison Meeting.

20. Under the existing mechanism, the CHD chaired by the Permanent Secretary for Transport and Housing (Housing) cum Director of Housing, is responsible for assessing the housing demand, monitoring the timely supply of suitable land for public housing development to meet the anticipated demand, as well as the implementation of the public housing development programme to meet the housing supply targets set by the Government subject to timely availability of land.

21. The CPLD, chaired by the Secretary for Development, coordinates land use planning and land development matters, including planning and allocation of land for various uses including residential uses, and makes decisions on development proposals and development parameters of individual sites.

22. In 2010, on top of the CHD and the CPLD, the then Steering Committee on Housing Land Supply (SCHLS) was set up to coordinate the efforts of various B/Ds on increasing housing land supply. The SCHLS was reorganised into the SCLS since February 2013, with its scope of work expanded to coordinate the overall plans for development and supply of land for different types of land uses - housing, commercial and other uses.

23. With the announcement of the new housing supply target in 2014 Policy Address, the SCLS will continue to coordinate the efforts of the B/Ds concerned to increase land supply for housing with a view to meeting the target. With the involvement of relevant policy secretaries and heads of departments, the

SCLS provides a forum for resolving inter-bureau and inter-departmental issues which have a bearing on the availability of individual housing sites, such as infrastructure provision, and coordinates the overall land supply.

24. Regarding PAC's queries on the principles in identifying sites for PRH production and how to ensure that the development of PRH sites would not adversely affect their surrounding living environments, we would like to point out that in reserving sites for public housing, we would adopt a prudent approach to maintain a healthy balance between public and private housing, taking into account various considerations such as location, site area, local character, accessibility and housing mix. In general, sites which are considered suitable for PRH included –

- (a) those located within or in close proximity to the existing PRH or HOS estates as sites of these kinds were suitable for extension of the existing estates or for redevelopment purpose;
- (b) preferably sizable sites that would allow comprehensive planning of mass housing with supporting community facilities and achieve cost-effectiveness of housing projects;
- (c) those located in areas that are considered suitable for high-rise, high-density developments; and
- (d) sites that are/would be conveniently accessible and/or well-served by public transport. To build a balanced community, it is also necessary to maintain an appropriate mix of public and private housing in a district.

25. Before making the relevant proposals, PlanD and the relevant departments would assess all relevant aspects in accordance with an established mechanism and criteria, e.g. whether there are sufficient infrastructure and community facilities to meet the needs of the proposed developments and the local community nearby. Consultation has commenced with DCs on the proposed housing developments and we appreciate that some DC members and residents would be worried that the proposals might have adverse impact on the traffic, infrastructure, environment and view; or community facilities and open space would not be sufficient to cater for the population intake. Where necessary, the departments concerned would further conduct detailed technical assessments and propose appropriate mitigation measures. We wish to appeal to DCs and local communities and seek their understanding that mitigation measures would be introduced as appropriate in phases with a view to minimising the impacts brought about by proposed developments when converting the sites for housing development.

26. We noted PAC's concern on the shortage of land supply for public housing and the long time taken for planning and land development process and the recommendation that the HA should liaise closely with the relevant B/Ds to secure sufficient land for the long-term sustainable development of public housing.

27. Various land use reviews have been carrying out to identify more suitable sites for residential use and some 150 potential housing sites have been identified and assessed to have potential for rezoning and made available for housing development from 2014-15 to 2018-19 for providing over 210 000 housing units, with about 70% of them to be public housing (PRH and HOS). Consultation has already been commenced in order to proceed with the proposed rezoning as soon as practicable. The HA will continue to work closely with the relevant B/Ds for the timely delivery of public housing sites for public housing construction.

Public housing sites returned to the Government

28. With reference to Audit and PAC's concern on the return of 24 PRH redevelopment sites by the HA to the Government for other uses from 2001 to 2013, it is noteworthy that the ex-PRH sites have been made available by the Government for other appropriate uses in consultation with the relevant departments according to the established procedures and taking into account the relevant planning considerations to meet the development needs. One of the ex-PRH sites in Chai Wan, which is currently zoned as "Open Space", is considered to be assigned back to the HA for public housing development after a review by PlanD. The HA will follow up accordingly.

29. While certain PRH sites were returned to meet other development needs in the past, the Government has pledged to provide sufficient land to the HA for PRH production so as to meet the production target. The HA has no plan to return any new PRH redevelopment sites to the Government and would retain the cleared public housing sites for PRH development as far as possible. Moreover, the HA and the relevant government departments will continue to liaise closely to secure sufficient sites for the long-term sustainable development of public housing. For instance, a number of sites including those in Fanling Area 49, Tung Chung Area 39, Mok Cheong Street, Wah Fu North, San Hing Tsuen, Sau Mau Ping, and the Fanling North and Kwu Tung North New Development Areas have been identified as additional/replacement sites for PRH development in the years to come.

30. In the light of Audit and PAC's recommendations to maximize the rational utilization of public housing resources, the HA/HD have already taken measures to enhance the rational utilization of public housing resources. The measures taken were already reported in Subsidised Housing Committee (SHC) Paper No. SHC 9/2014 and in the Government Minute in response to PAC Report No. 61.

Financing the new production target

31. PAC urges the HA to expeditiously come up with a timetable for working out with the Government the financial arrangement for meeting the new PRH production target and consult the relevant Panel of the LegCo before implementation. To achieve the new housing production target as announced in the Policy Address 2014, the Government has to ensure that there will be sufficient funding in addition to the supply of additional sites to the HA. The HA will keep enhancing its cost-effectiveness and sustainability in the long run, and discuss with the Government the assessment of the financial impact of the increase in public housing production target on the HA.

Management of PRH construction projects

Monitoring progress of construction projects

32. The HA/HD noted Audit's recommendations on the need to improve the monitoring of construction projects, besides stepping up efforts to monitor progress of construction projects, the HA/HD will continue to conduct early consultation with the stakeholders and enlist support from the relevant B/Ds in dealing with objections to the PRH projects where appropriate.

33. The HA also regularly issues a five-year rolling Public Housing Construction Programme (PHCP) and keeps track of production in the second five years in parallel. Production beyond the first five years is subject to changes according to a wide range of factors such as the planning process, consultations, land matters, administrative procedures, infrastructures and site formation works, etc.. The future PRH production will be determined taking into account factors such as –

- (a) demand assessment for PRH;
- (b) availability of land, including whether the sites identified are suitable for PRH developments and whether they will be available in time;
- (c) competing uses of land, including land for private housing, other community uses, conservation, etc.; and
- (d) measures to manage PRH resources, such as well-off tenants policies.

34. In view of the delay of two to seven months in six PRH projects planned for completion in 2012-13, PAC urged the HD to closely monitor the progress of PRH construction projects and implement effective measures to ensure a steady supply of new PRH flats.

35. Most of the delay for the six projects was due to inclement weather and some legitimate or genuine grounds for extension of time. There were also reasons for delay which were not anticipated at the stage of Building Committee (BC), such as late possession of site or delay by other parties such as utility companies which were beyond the control of either the contractors or the HA.

36. The HA will continue to closely monitor the PRH construction projects and take early remedial actions on project delays, in order to ensure their timely completion in accordance with the PHCP. The HD regularly reports the progress on project programmes to BC, and informs the BC members of any delay and the effect on the annual flat production. Moreover, the HD has taken preventive actions to minimise delay in future projects, such as carrying out underground utilities survey ahead of construction contracts.

Monitoring costs of construction projects

37. With reference to the six PRH projects completed in 2012-13 that involved budget revisions as compared with the original budgets, Audit and PAC recommended that the HD should enhance its system of budgeting and monitoring of project costs with a view to further improving the accuracy of budgeting for PRH construction projects.

38. The major variances from the original budgets for the three highlighted completed projects were mainly due to the change in the global market conditions in 2009. The original budgets of these three projects with major variances were prepared in 2008. Due to the financial tsunami in late 2008, the HA made downward adjustments to the project budgets of the three projects in 2009 to reflect the dramatic market downturn to strengthen cost control. As a result, the variances between the estimated final costs and revised budgets of these three projects had already been substantially reduced.

39. The estimated final costs of the six projects completed in 2012-13 were all within the respective original budgets and approved revised budgets. In particular, the variance between the revised project budgets upon the award of the building contract and the estimated final cost for each of the six projects was less than 10%.

40. For monitoring the costs of construction projects, the HA/HD already have in place a proper budget preparation and approval process, and an effective budgetary control and monitoring system. Project teams are required to follow the established mechanism in preparing the original budgets in accordance with the latest designs and prevailing construction cost yardsticks which have taken into account the prevailing market conditions, keep close monitoring of the project budgets and seek relevant approvals to update project budgets promptly as

appropriate. The HA/HD will closely monitor the effectiveness of the budgeting and cost control system for construction projects for continuous improvements.

Redevelopment of PRH estates

Comprehensive structural investigation programme

41. Taking into account that the HD currently conducts Comprehensive Structural Investigation (CSI) for three to four estates per year whilst there are 42 estates included in the CSI programme and that more estates would likely be included in the next CSI programme beyond 2018, Audit and PAC consider that the HD should critically assess the resource requirements for CSI programme and plan for the implementation of the next CSI Programme which is expected to start in 2018.

42. The HA/HD will conduct a review in 2015 to prepare an implementation plan and assess the resource requirements for the CSI ahead of the next CSI Programme to be commenced in 2018.

43. PAC considered that the HD should carry out repair and maintenance works to maintain those PRH blocks/estates identified for redevelopment in the next few years in satisfactory conditions until their clearance, instead of maintenance works required to sustain those blocks/ estates for at least another 15 years.

44. For those blocks/estates identified for redevelopment in the next few years, repair and maintenance works including those concerning statutory compliance, safety and hygiene will be carried out to maintain them in satisfactory conditions until their clearance, instead of works required to sustain those blocks/estates for at least another 15 years.

Refined policy on redevelopment

45. Against the background that 22 estates with the CSI completed had not been assessed in details for their build-back potential, Audit and PAC recommend that the HD should expedite the detailed assessment of all aged PRH estates with the CSI completed in order to facilitate the future planning for redevelopment of PRH estates.

46. The HA will consider redevelopment on an estate-by-estate basis. The review time frame will be subject to established policies and considerations in deciding how many estates the HA can redevelop at one time, and all the factors that determine whether an individual estate should be redeveloped. The determining factors such as availability of rehousing resources, development

constraints and opportunities, etc. may change over time. The HA can only decide whether and when to redevelop estate by estate, taking into account the changing circumstances.

47. On Audit and PAC's recommendation that the HD should take measures to enhance coordination within the department in order to avoid possible wastage of resources due to launching of redevelopment plan shortly after the completion of major improvement works in aged estates, a mechanism has been established to enhance coordination within the HA/HD regarding the redevelopment priority of the aged estates and various maintenance and improvement programmes.

48. PAC has expressed concern that some PRH redevelopment sites (e.g. Phases 3, 6 and 7 of Shek Kip Mei Estate) had been cleared a number of years ago, but were still left undeveloped. Although the demolition work of Shek Kip Mei Estate Phases 7 and 3 were completed in 2000 and 2008 respectively, building work has yet to start. Phases 3 and 7 were adjacent sites and subject to a number of constraints. They were small in size, subject to a stringent height limit under the Outline Zoning Plan (OZP) (maximum of only five to six storeys could be built), and were earmarked for cultural and heritage development. It was therefore considered that development as PRH should only proceed if these two sites were allowed to combine together and with the height limit restriction being relaxed. The HA/HD then liaised with PlanD to review the possibility of increasing the height limit and arrived at a proposal of relaxing the height limit. The HA/HD also liaised with other concerned government departments and local concerned groups trying to resolve all potential problems. In 2013, the HA/HD put forward the public housing proposal of Phases 3 and 7 to the Sham Shui Po DC and obtained their general agreement. The draft amended OZP incorporating the relaxed building height was gazetted on 18 July 2014.

49. As for Shek Kip Mei Estate Phase 6, the demolition works were completed in 2008. In 2009, HA/HD put forward a proposal for PRH development to the Sham Shui Po DC. DC members objected to the proposal and counter-proposed the HA/HD to liaise with the Food and Health Bureau (FHB) to include the adjacent old existing Shek Kip Mei clinic building together with the PRH development. The HA/HD then liaised with the FHB about this counter-proposal and co-ordinated the redevelopment plan of the clinic such that the PRH development could cope with the clinic redevelopment. Both parties worked together closely to resolve interface issues. In 2013, the HA/HD put forward the proposal of Phase 6 to the Sham Shui Po DC and obtained their general agreement. Planning application will be submitted to the Town Planning Board for minor relaxation of building height to allow the development proposal to proceed, once details on the clinic are resolved with the relevant parties about the clinic

development. The HD will work closely with the relevant department to avoid that the relaxation in height restriction will compromise the surrounding living environment.

50. In assessing the redevelopment potential of the PRH estates, apart from making reference to the Hong Kong Planning Standards and Guidelines, the HA/HD will conduct a series of technical studies and consultations with the government departments to determine the development potential, including the development restrictions such as the maximum plot ratio/gross floor area, building height and site coverage, development constraints, local context, environmental, traffic, air ventilation and visual impacts of the redevelopment on the surrounding area, infrastructure capacity, etc..

51. Apart from the physical planning of the estate itself, the HA/HD have to take into account the concerns from the locals, provision of government/community facilities required by relevant departments/DC, etc. in determining ancillary facilities such as community, welfare, transport and educational facilities with regard to the wider context of the districts concerned.

52. PAC expresses concern on the time required before the supply of new PRH flats from the redevelopment can be realized. Apart from timely availability of suitable and adequate rehousing resources, the HA/HD have to review the development constraints and opportunities pertaining to individual aged estate, conduct a series of detailed technical studies and liaise with relevant B/Ds on the provision of infrastructure and ancillary facilities in order to confirm the flat gain and redevelopment potential, and then come up with an implementation plan. The HA/HD will also need to consult the relevant DC and local communities and take their concerns into account during the redevelopment process.

Exploring future redevelopment potential

53. In view of the vacancy rate of 60%, 40% and 8% respectively for the HA's three Interim Housing (IH) estates, Audit and PAC consider that whilst there is a need to maintain sufficient vacant IH units for accommodating persons affected by disasters and emergencies, the HD should closely monitor the vacancy rates of IH blocks and explore effective measures to make better use of the vacant units.

54. The HA/HD must at any time have sufficient vacant IH and transit centre (TC) units to go along with the Government policy that no one will be rendered homeless as a result of disaster or clearance operations. The HA/HD will continue to closely monitor the demand and supply of IH flats and TC units, regularly review their usage and explore the feasibility of putting them into other beneficial uses.

Way Forward

55. In meeting the challenges in planning, construction and redevelopment of PRH estates for meeting the new production target at 200 000 units and the three-year AWT target. The HA will keep in view the number of PRH application and, where possible, adjust the development programmes of PRH and HOS to uphold the target by maintaining the AWT for general applicants at around three years.

56. The HA/HD will work closely with relevant B/Ds and enlist support of interested parties such as the DCs to ensure the timely delivery of the public housing projects. The HA/HD will also continue to discuss with the relevant B/Ds on how best to streamline the planning and land processes to fast-track the programme of sites to meet the demand for public housing.

Progress Made in Implementing the Audit's Recommendations

Encl. 1 57. A summary of progress in implementing the Audit's recommendations is at Enclosure 1.

Chapter 2 – Mega Events Fund

Overall

58. The Administration attaches great importance to the proper use of public money. The Tourism Commission (TC) has taken its supervisory responsibility over the Mega Events Fund (MEF) seriously and has been diligently performing its monitoring role. The TC has also continuously sought to enhance the operation and the evaluation mechanism of the MEF as it gained experience since the Fund's inception in 2009.

59. Since 2009, the MEF has earmarked around \$100 million to support 24 mega events organized by local non-profit organizations. These events have enriched the travel experience of visitors to Hong Kong. Some of them have attracted tens of thousands of local residents and visitors and received positive feedback. A number of events were broadcast or widely reported by the international media, which increased the overseas exposure of Hong Kong. In all fairness, the MEF-supported events have contributed to reinforcing Hong Kong's status as a world-class travel destination and the events capital of Asia. Nevertheless, the Administration concurs that there is room for further improvement in the operation of the MEF, in particular those areas as identified by the Audit in its Report. We also appreciate the effort of the PAC in examining the operation of the MEF. The Administration will strive to improve the operation of the MEF in the light of the Audit Report and the PAC Hearings but, on certain issues which came up during the Hearings, the Administration would like to put on record its position.

60. Firstly, the PAC Report stated that the Administration did not mention a letter issued by the Corruption Prevention Department (CPD) of the Independent Commission Against Corruption (ICAC) to the TC in November 2010 which conveyed the views of some members of the Corruption Prevention Advisory Committee (CPAC) in the Administration's submission to the LegCo Finance Committee (FC) to extend the operation of the MEF in 2012. The PAC was of the view that this might have hindered the FC from making an informed decision on whether or not to support the funding proposal. The Administration would like to refer to the CPD of the ICAC's letter dated 20 May 2014 to the Clerk of the PAC (Appendix 22 to the PAC Report) which stated that when the CPD submitted its report to the CPAC for endorsement in 2010, a member mentioned that the MEF was a one-off funding scheme set up during the time of financial difficulties and doubted the need for its continuation as the economic situation had changed. Echoing this member's view, another member added that the TC's staff might try to dish out funds loosely in order to use up the MEF before it expired. The member suggested that the TC should consider returning the unused funds to the Government.

61. This letter of the CPD confirmed the view of the Administration at the time that the view of members of the CPAC set out in the CPD's letter to the TC back in 2010 was not directly related to corruption prevention but was more a policy question. The TC subsequently took the relevant policy view into account when reviewing the way forward for the MEF in 2011. The conclusion of the review was that Hong Kong's economic situation had indeed changed, but Hong Kong was facing fierce competition from neighbouring cities in seeking to host mega events. In view of this, the TC considered that the operation of the MEF should be extended, and that the scheme should be enhanced to help bring internationally acclaimed mega events to Hong Kong. The Administration explained the conclusion of the relevant review in its submission to the FC. Our judgment at that time was that there was no need to mention the CPD's report or its letter in the paper submitted to the FC. The Administration could not agree with the description of the CPD's letter as contained in paragraph 1.11 of the Audit Report concerned, nor the views of PAC members.

62. Secondly, the PAC was of the view that the Administration failed to draw sufficient lessons from the experience from the Hong Kong Harbour Fest. The Administration would like to point out that it had duly taken note of the experience gained from the Harbour Fest at the time when it established the MEF. Specific measures adopted include specifying the use of MEF funding as well as the relevant terms and conditions governing the use of such funding in funding agreements; requiring the organizer of an MEF-supported event to keep the project accounts and relevant books and records relating to the event for inspection by the MEF Assessment Committee (MEFAC) Secretariat; as well as requiring the organizer to submit a post-event report, including the final audited accounts prepared by an

independent registered Certified Public Accountant in accordance with the prevailing Hong Kong Accounting Standards, upon the completion of the event. The final audited accounts should include the independent auditor's opinion on whether it is reasonably believed that the organizer has fully complied with the terms and conditions of the funding agreement, and an assurance that the MEF funding was spent in accordance with such terms and conditions. In addition, the MEFAC and its Secretariat also perform a supervisory role. The MEFAC Secretariat would cross-check the post-event evaluation report and the final audited accounts, and the organizer would be required to make clarifications and provide relevant supporting documents should discrepancies be spotted. The MEFAC Secretariat would also conduct random checks on individual income and expenditure items. To date, financial sanctions have been imposed on 11 events for failing to achieve the predetermined targets.

63. Notwithstanding our comments stated in paragraphs 60 to 62 above, the Administration has taken on board the recommendations in the Audit Report, and a series of follow-up actions has been set in train. The major measures taken/to be taken are set out below.

Assessment of applications

64. Bearing in mind that the continuity of the MEFAC is important in ensuring the consistency of assessment, a point also recognized by the Audit, the Administration has appointed a new member from the accounting profession and with rich knowledge of the tourism sector to the MEFAC in June 2014 for a new term of two years alongside the re-appointment of the incumbent Chairman and members. This will uphold the continuity of the MEFAC while further enhancing its effectiveness in assessing applications and evaluating the performance of MEF-supported events. In the meantime, the MEFAC Secretariat has started arranging to use tele-conference facilities to enable MEFAC members who are out of town during MEFAC meetings to take part in the meetings, as well as inviting members who are not able to take part in the meetings to provide written comments to facilitate the MEFAC's discussion as deemed applicable.

65. In addition, the TC has conducted a review on the modus operandi for the MEF Tier-2 scheme. The Guide to Application and Application Form for Tier-2 applications are being revised to require clearer description of the targets and deliverables of applications for easier assessment and more effective cross-checking. To address the concern of the Audit and the PAC on conflict of interest, the revised documents request applicants to declare any potential conflict of interest, in particular those involving monetary transactions in writing, and to disclose in writing their management teams and any associates who will be actively involved in organizing the proposed events. Furthermore, the applicants must also disclose any intention to stage events of similar content or nature in close proximity of the event under application for MEF support.

66. To facilitate the vetting of applications by the MEFAC Secretariat, a set of internal guidelines has been drawn up. The MEFAC Secretariat has also developed a set of scoring guidelines for use by the MEFAC members when assessing applications. To address the PAC and the Audit's concern about the appropriateness of using the number of additional paid jobs created as one of the key criteria to measure the performance of Tier-2 events, the weighting accorded to job creation will be adjusted downwards, while the standard MEF funding agreement will be revised such that job creation will no longer be a key performance indicator.

67. As follow-up actions have been taken and the concerns of the Audit have been addressed, we recommend deleting this part from the next progress report.

Monitoring and evaluation of events

68. To assist event organizers and monitoring of events, the MEFAC Secretariat has regularized the practice of holding "kick-off meetings" with the organizers of MEF-supported events to inform them of their obligations and the expectation of the Government and the MEFAC. "Wash-up meetings" with the organizers will also be held after the events' completion to assess their outcome.

69. In response to the Audit's recommendations, a more robust mechanism to validate whether the deliverables and targets of MEF-supported events have been achieved as reported by the organizers has been put in place. The standard funding agreement and the Evaluation Report Form for Tier-2 events are being revised to reflect the new requirements stipulated in the revised Guide to Application and Application Form for Tier-2 applications as mentioned in paragraph 65 above. The standard MEF funding agreement will also state explicitly that charges relating to other sponsors should not be covered by MEF funding and that the organizers must notify the Government in writing and seek the Government's consent should there be any special arrangement for returning cash sponsorship to sponsors.

70. To address the PAC and the Audit's concern over the declaration of potential conflict of interest in relation to procurement and staff recruitment, the revised Evaluation Report Form for Tier-2 events will require organizers of MEF-supported events to report their procurement and staff recruitment mechanisms with supporting documents (e.g. tendering documents, quotations) to facilitate the MEFAC Secretariat's random document inspection. To strengthen the effectiveness of the Secretariat's monitoring work, organizers are requested to ensure that all event expenditure items are supported by official invoices or receipts, which are also subject to random checks. Any explanation and clarification made by the organizers during the inspection process will be properly documented.

71. The TC has started redeploying staff member with accounting background to assist with the verification and cross checking of post-event evaluation reports and final audit accounts. The TC is identifying resources to deploy on a longer-term basis adequate staff members with accounting/audit knowledge to assist in supervising the operation of the MEF.

72. As follow-up actions have been taken and the concerns of the Audit have been addressed, we recommend deleting this part from the next progress report.

Achievement of the MEF's Objectives

73. Apart from the review on the modus operandi for the Tier-2 scheme mentioned above, the TC is actively coordinating the effort of relevant Government departments with a view to bringing a novel event to Hong Kong under the MEF Tier-1 scheme. The TC is also working closely with the ICAC and Department of Justice (DoJ) to finalize the Tier-1 assessment and monitoring regime, having regard to the experience learnt from the operation of the Tier-2 scheme. We will keep the PAC informed of the progress in due course.

Way forward

74. The Administration will conduct a comprehensive review on the way forward for the MEF before its expiry in March 2017. We will take into account, inter alia, the comments made by the Audit and the PAC and keep the PAC informed of the progress in due course.

Progress made in implementing the Audit's recommendations

75. Follow-up actions have been taken in the past few months in response to the Audit's recommendations. A summary of the progress made is at Enclosure 2.

Encl. 2

Chapter 3 – CreateSmart Initiative

76. The Administration accepts the recommendations made by the Audit on the CreateSmart Initiative (CSI). Create Hong Kong (CreateHK) has taken follow-up actions to address the recommendations as appropriate and the majority of them have already been implemented. Major measures taken are reported below.

Vetting and assessing project applications

77. CreateHK has issued internal guidelines to require its staff to ensure the integrity of the mechanism on declaration of interests and proper handling of instances of conflicts of interest that may arise in respect of the members of the CSI Vetting Committee.

78. CreateHK has also taken measures to ensure that project applicants provide information on the applicants' project teams and/or the sub-grantees' project teams wherever applicable to facilitate assessment of project applications. Except for working on the criteria for identification of repeated projects as part of the review on the CSI, CreateHK has taken action to address all concerns of Audit under this part.

Control of use of funds

79. CreateHK has extended the required retention period of books and records from two to seven years for projects approved since June 2014. For those projects where designated bank accounts had not been maintained, CreateHK has already engaged an independent auditor to conduct a second audit on the books and records of two projects to follow up on the anomalies identified by Audit and will engage an independent auditor to conduct test checks on the books and records of some of the other projects as appropriate with a view to ascertaining whether there are anomalies relating to expenditure items, accounts payable, maintenance of designated bank accounts, procurement procedures, etc.. Subject to the outcome of the second audit and the test checks, CreateHK will take follow-up actions as appropriate.

80. In relation to the settlement of accounts payable, grantees of the ongoing projects are required to report to CreateHK upon project completion the status of subsequent settlement of accounts payable until all accounts payable are fully settled. For the completed projects, CreateHK has asked the grantees to declare if there is any unspent balance in relation to their projects and will conduct random checks. CreateHK will take follow-up actions where necessary.

81. To enhance grantees' understanding of their obligations as set out in the project agreement, CreateHK has introduced a Quick Reference Guide since June 2014 to highlight important areas for grantees' action and attention. These include the need to maintain designated bank accounts solely for handling project funds, keep proper books and records, comply with procurement requirements and report the settlement status of accounts payable to CreateHK, etc.. CreateHK will engage an independent auditor to conduct test checks to ensure compliance.

82. CreateHK will, in consultation with the DoJ, revise the project agreement to spell out the requirement for grantees to refund unspent balance and the responsibility of grantees to ensure proper use of project funds by subsidised parties. Other than this and the ongoing review on the CSI which covers the alternative funding approach and the need to impose penalties on grantees who fail to maintain designated bank accounts, CreateHK has addressed all concerns of Audit under this part.

Monitoring and evaluating projects

83. CreateHK has stepped up efforts to monitor the progress of CSI projects. CreateHK will provide an update to the CSI Vetting Committee on the progress of the approved projects at the Assessment Panel meetings by highlighting the events and programmes which take place in between the meetings. In addition, CreateHK has required those projects with duration of more than one year and approved since November 2013 to submit mid-term progress reports to the CSI Vetting Committee.

84. To facilitate monitoring of the approved projects, CreateHK is reviewing the factors in determining the mode of project funding and devising a more structured approach for planning and conducting site visits as part of the ongoing review of the CSI. CreateHK has also issued internal guidelines on follow-up actions for the site visits made.

85. On evaluation of completed projects, CreateHK has introduced a new performance pledge to ensure that completed projects are evaluated in a timely manner. CreateHK is also developing a set of guidelines to set out a systematic approach for project evaluation. Other than those issues in paragraph 84 above as well as the guidelines for project evaluation, which are to be covered by the review on the CSI, CreateHK has addressed all concerns of Audit under this part.

Meeting the objectives of CSI and the way forward

86. CreateHK is conducting a review on the CSI, which covers the future direction of the funding scheme, development of a strategic plan for the CSI, funding approaches for CSI projects, etc. CreateHK expects to complete the review in the second half of 2015 and will report the outcome of the review to the LegCo Panel on Information Technology and Broadcasting thereafter.

87. CreateHK will also conduct a review to consider enhancement and improvement for the CSI's website so as to provide more performance information on the CSI projects and to enhance transparency.

Progress made in implementing the Audit's recommendations

88. Except for those outstanding items relating to the review of the CSI and its website as well as the revision of the project agreement, we recommend deleting from the next progress report other parts in respect of vetting and assessing project applications, control of use of funds as well as monitoring and evaluating projects. A summary of the progress of implementing the Audit's recommendations is set out at Enclosure 3.

Encl. 3

Chapter 4 – Promoting the development of social enterprises

Overall

89. It is the Government's policy to support the development of social enterprises (SEs). We share with the PAC of the LegCo the importance of supporting SEs as businesses that achieve social objectives and bring about benefits to the community. We generally accept the recommendations made by the Audit and PAC, and would continue to enhance our efforts in promoting the development of SEs.

Enhancing Employment of People with Disabilities Through Small Enterprise Project (3E Project)

Processing of applications

90. The Social Welfare Department (SWD) has since April 2012 implemented improvement measures to expedite the processing of applications for the 3E Project, including holding of assessment panel meeting within five weeks upon receiving a complete application and notifying the applicant of the result within three weeks after the assessment panel meeting.

91. Since the implementation of the improvement measures, a total of 18 applications have been approved by SWD and the pledged two-month timeframe of providing a written notification of assessment results to the applicants has been strictly adhered to. SWD had also revised the Guide to 3E Project (3E Guide) in July 2014, and provided in the Guide a checklist for the information required for applicants in preparing their applications. Furthermore, SWD has enhanced the internal monitoring mechanism to ensure timely signing of agreements with the applicants. SWD will continue to make effort to expedite the processing of application with a view to shortening the processing time required.

Determination of capital and operating grants

92. SWD has elaborated in the revised 3E Guide that in principle capital grant for trading stock as well as funding for refundable deposit will not be supported. If funding is provided for refundable deposit due to some special considerations, a provision will be included in the agreement for return of the concerned funding to SWD. With regard to the criteria for determining the operating and capital grants, SWD has elaborated clearly in the revised 3E Guide the scope of funding support, basis of calculation of the operating grant (i.e. gross deficit basis), etc..

Effectiveness of the 3E Project

93. SWD has already paid extra effort to promote the 3E Project to non-governmental organisations (NGOs) not operating vocational rehabilitation services so as to encourage more NGOs to apply for funding for setting up SEs and employing persons with disabilities (PWDs).

94. SWD has extended the contract period of businesses funded under the 3E Project from four to five years with effect from July 2014 with a view to further strengthening the support and monitoring of the businesses in creating job opportunities for PWDs. SWD has since July 2014 prepared information on the latest three years of average grant per job for PWDs of different nature of businesses for facilitating the assessment panel in assessing the grant per job to be created by individual applications. SWD has since April 2014 requested the grantees to provide more detailed statistical information including reasons for leaving the jobs and their future plans of the PWDs concerned to facilitate more effective evaluation of the 3E Project.

Monitoring of projects

95. SWD has since July 2014 further enhanced the internal monitoring mechanism to ensure that issues such as submission of progress reports and annual audited accounts, advice of SWD to NGOs and return of unspent operating grant etc. will be followed up closely and checked by a senior officer. SWD has already sent notifications to all NGOs concerned advising them to return the unspent operating grants. SWD will continue to follow up the matter in accordance with Audit's recommendation.

Enhancing Self-reliance Through District Partnership Programme

96. The Home Affairs Department (HAD) has been, in consultation with the Enhancing Self-reliance Through District Partnership Advisory Committee (ESRAC), implementing various measures to address the areas of concern

identified in the Audit Report regarding the administration of the Enhancing Self-reliance Through District Partnership (ESR) Programme. These measures include revising the application guidelines to spell out more clearly the socially disadvantaged groups to be supported by the ESR Programme, and adopting net deficits as the basis in determining the unspent grants to be recovered. HAD has also revised the application guidelines such that as a matter of accounting principle, refundable deposits paid under the ESR Programme SEs at the time of their start-up should be returned to the Government before the monitoring period expires. HAD has also adopted measures to reduce the time for processing applications under the ESR Programme and would continue to explore measures to further shorten the processing time, including taking the steps involved simultaneously instead of sequentially where possible. At the same time, HAD and ESRAC will continue to ensure that sufficient time would be given to the grantees to prepare for the establishment of ESR SEs.

97. HAD and SWD would work closely with each other to achieve better synergies for the ESR Programme and the 3E Project. For example, HAD would forward all applications for grant under the ESR Programme to SWD for comments and vice versa. To further enhance the current system, the two departments have agreed to work with each other to prevent repeated provision of grants under the 3E Project and the ESR Programme for setting up SEs in the same venue.

Publicity and Promotional Work

98. HAB and HAD will continue to make good use of the various means available to enhance publicity and promotional efforts. By working with its partners, HAB has implemented new initiatives to enhance promotion of successful SEs through the SE Award Scheme and related publicity. HAD has also enhanced the operation of the Social Enterprise Mentorship Scheme by, for example, shortening the processing time and widening the pool for identifying potential mentors. It would keep in view the possibility of extending mentorship support to non-ESR SEs. HAD has also reviewed the Matching Forum and will in future focus on promoting cross-sector partnership to enhance the effectiveness of network support for SEs, as recommended by Audit. We will work with SE support organisations and other stakeholders to disseminate updated information on SEs.

Way Forward

99. Our detailed responses to Audit's recommendations have been included in Part 5 of the relevant Audit Report. The Social Enterprise Advisory Committee will continue to advise the Government on the strategies, programmes and activities for promoting the development of SEs. It has deliberated the initial findings of the research study commissioned on the latest developments of SEs and made recommendations on the strategy and programmes for supporting SEs in future. The research study will be made public before end 2014.

100. We have explained in the Audit Report that there is no duplication of resources among the various funding schemes identified by Audit as they all have their own policy objectives and SEs are no different from other applicants eligible for applications. HAB will continue to stocktake the government initiatives that could benefit SEs and make available such information on the SE website periodically. We will update the LegCo Panel on Welfare Services on various issues including the findings of the research study.

101. SWD has taken appropriate follow-up actions on Audit's recommendations and implemented the improvement measures as appropriate. A summary of progress in implementing the Audit and PAC's recommendations is set out at the Enclosure 4.

Encl. 4

Chapter 5 – Recruitment of staff

102. The Administration accepts the recommendations made by the Audit. B/Ds under the audit study have taken appropriate follow-up actions.

Monitoring the time taken to complete recruitment exercises

103. Since 2007, the Civil Service Bureau (CSB), in collaboration with the Public Service Commission (PSC), has introduced measures to streamline the recruitment process. B/Ds should conduct recruitment exercises in accordance with the guidelines promulgated by CSB. While CSB has not specifically analysed the time taken by B/Ds in completing recruitment exercises on a routine basis, CSB has monitored the civil service vacancy position to assess whether vacancies are filled in a timely manner. It is noted that the overall vacancy position of the Civil Service has generally remained at a low level of 4% or below of the establishment since 2008.

104. In light of the recommendations made by Audit, CSB has stepped up monitoring by requiring B/Ds to report regularly the relevant statistics of recruitment exercises. For recruitment exercises that have taken a relatively long time to complete, CSB will work with the B/Ds concerned to identify room for shortening the recruitment process. On the other hand, for those exercises that can be completed in a short time, CSB will identify good practices for streamlining the recruitment process and share with B/Ds as appropriate.

105. CSB would, on top of its ongoing efforts, work with B/Ds to further refine the arrangements for monitoring and streamlining the recruitment process as appropriate.

Improvement for the recruitment process

106. Having regard to the recommendations made by Audit to improve the recruitment process, CSB has promulgated updated guidelines to B/Ds, including vetting applications, using emails to communicate with candidates, shortlisting candidates and holding skill tests/examinations. With regard to vetting of applications in particular, CSB has implemented improvement measures since 2013 by revising the standard application form for civil service jobs and enhancing the online job application system to add built-in reminders for applicants to confirm that they meet the entry requirements of the jobs selected with a view to reducing the number of unqualified applications.

107. The Education Bureau (EDB), Correctional Services Department (CSD), Food and Environmental Hygiene Department and Leisure and Cultural Services Department have taken appropriate actions to follow up on the recommendations made by Audit. Specifically, CSD has commenced a comprehensive review of the overall recruitment process in February 2014. The review is expected to be completed by end 2014.

108. Regarding controlled grades, CSB is conducting a review on the recruitment mechanism for these grades, including the set of criteria for control and the arrangements of in-service recruitment. CSB will take into account the recommendations made by Audit in the review.

109. CSB will continue to monitor the situation and work with B/Ds on further measures to improve the recruitment process as appropriate.

Progress made in implementing Audit's recommendations

110. A summary of the progress of implementing Audit's recommendations is set out at Enclosure 5.

Encl. 5

**Planning, Construction and Redevelopment of Public Rental Housing Flats
Updated Progress of Implementing Audit's and PAC's Recommendations
(as at 8 October 2014)**

Para. No.	Audit's/PAC's Recommendations	Progress to Date
Part 2: Planning for the Provision of Public Rental Housing Flats		
Para. 2.22 of Audit Report	<p>Audit has recommended that the Director of Housing should continue to perform the assessment of long-term public rental housing (PRH) demand annually and report the results for –</p> <p>(a) endorsement by the Committee on Housing Development (CHD); and</p> <p>(b) updating of the total housing demands of the Long Term Housing Strategy (LTHS).</p>	<p>(a) and (b)</p> <p>The Housing Department (HD) will continue to use the assessment methodology adopted by LTHS Steering Committee, in which PRH demand has been fully accounted for, to assess long term housing demand. We will update the housing demand projection on an annual basis. The results will be presented to CHD for reference and will also be published.</p> <p>As this recommendation will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.</p>
Para. 2.31 of Audit Report	<p>Audit has recommended that the Director of Housing should –</p> <p>(a) continue to closely monitor the projected shortfalls in the PRH production against the pledged 10-year production targets; and</p> <p>(b) step up efforts to increase PRH production with a view to meeting the pledged 10-year production targets, taking into account the need to maintain the average waiting time (AWT) at about three years for general applicants.</p>	<p>(a) and (b)</p> <p>The Housing Authority (HA) will keep in view the number of PRH applications and, where possible, adjust the development programmes of PRH and Home Ownership Scheme (HOS) to uphold the target of maintaining the AWT for general applicants (i.e. family and elderly one-person applicants) at around three years. The continued upsurge in the number of PRH applicants has resulted in increasing challenge for the HA to</p>

Para. No.	Audit's/PAC's Recommendations	Progress to Date
		<p>maintain the AWT for general applicants at around three years. We will strive to meet the AWT target despite the possibility of occasional departure from the target.</p> <p>As this recommendation will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.</p>
<p>Para. 2.56 of Audit Report</p>	<p>Audit has recommended that the Director of Housing should step up efforts to –</p> <p>(a) liaise closely with the Development Bureau (DEVB) and Planning Department (PlanD) to secure sufficient number of suitable sites and discuss how best to make use of the identified sites to meet the new PRH production target; and</p> <p>(b) work closely with relevant Bureaux/Departments (B/Ds), in particular, to –</p> <p>(i) streamline the planning and land administrative procedures so as to secure the flat production in a timely manner;</p> <p>(ii) consider ways to shorten the clearance process so as to ensure the timely delivery of PRH flats;</p> <p>(iii) implement proposals of plot ratios increase for PRH in the Public Housing Development Forecast period and submit planning application to the Town Planning Board (TPB) if necessary; and</p>	<p>(a) The HA/HD will continue to liaise closely with the DEVB and PlanD to secure sufficient suitable sites and discuss the best uses of the identified sites to meet the new PRH production target.</p> <p>(b)(i) and (ii) The HA/HD will work closely with the DEVB/PlanD/Lands Department to streamline the planning and land procedures and to shorten land resumption/clearance process as far as practicable.</p> <p>(iii) Where planning and infrastructure permit without compromising environmental quality, the HD will seek to optimize the development potential of each site and increase public housing flat production, and if necessary, through planning</p>

Para. No.	Audit's/PAC's Recommendations	Progress to Date
	<p>(iv) ensure the timely establishment of the Land Supply Tracking Subcommittee (LSTS) under the Committee on Planning and Land Development (CPLD) and development of the Land Supply Information System, so that it could track the overall land supply and to ensure the timely availability of sites for public housing developments.</p>	<p>application to the TPB for relaxation of the plot ratios and building height restrictions for the public housing sites.</p> <p>(iv) To enhance the capability in land supply and development, the DEVB has strengthened the support to the LSTS newly set up under the CPLD, and co-ordinate the improvement of the information systems, so as to further enhance inter-bureau and inter-departmental co-ordination in site tracking and land production at all levels.</p> <p>(a) and (b) As the recommendations will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.</p>
<p>Para. 2.69 of Audit Report</p>	<p>Audit has recommended that the Director of Housing should, in collaboration with the relevant B/Ds, consolidate experiences from the previous cases of return of PRH sites to the Government for other uses, with a view to assessing and fully recognizing the possible adverse impacts on PRH production in future. In particular, there is a need to –</p> <p>(a) take into due consideration the projected long-term PRH demand and the production targets under LTHS in his discussions with the relevant B/Ds about the return of public housing sites to the Government for other uses; and</p> <p>(b) take measures to expedite the planning and consultation procedures to ensure early completion of PRH development</p>	<p>(a) and (b) The HA will take into due consideration the projected long-term PRH demand and the production targets under LTHS. Currently, the HA has no plan to return other PRH sites to the Government and will retain cleared public housing sites for PRH development as far as possible.</p> <p>The HA/HD will conduct consultations as early as possible to address any</p>

Para. No.	Audit's/PAC's Recommendations	Progress to Date
	<p>on the replacement sites provided by the Government.</p>	<p>possible objections from the local communities or other stakeholders so as to ensure early completion of PRH development on the replacement sites provided by the Government. Also, the HA/HD will take proactive action to liaise with all stakeholders and to address their concerns.</p> <p>As the recommendations will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.</p>
Part 3: Management of Public Rental Housing Construction Projects		
<p>Para. 3.14 of Audit Report and Para. 80 of PAC Report</p>	<p>Audit has recommended that the Director of Housing should step up efforts to –</p> <p>(a) conduct early consultation work to deal with any possible objections from the local communities or other stakeholders; in order to ensure that the PRH production is delivered in a timely manner; and</p> <p>(b) closely monitor the PRH construction projects and take early remedial actions on project delays, in order to ensure their timely completion in accordance with the Public Housing Construction Programme.</p>	<p>(a) and (b)</p> <p>The HA/HD will continue to conduct early consultation with the local communities, including concern groups, district councillors and other stakeholders. Community engagement activities or workshops will be organized whenever necessary to enhance communications and mutual understanding. Support from relevant B/Ds will be sought in dealing with objections to the PRH projects where appropriate.</p> <p>The HA/HD will continue to closely monitor the progress of the PRH construction projects in order to avoid or minimize slippage. The HA/HD will regularly report progress of the projects to HA's Building Committee, and the effect on the annual flat production in case of any delay. The HA/HD has also taken preventive actions to avoid delay in future projects, such as carrying out underground utilities survey ahead of construction contracts.</p>

Para. No.	Audit's/PAC's Recommendations	Progress to Date
		As the recommendations will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.
<p>Para. 3.22 of Audit Report</p> <p>and</p> <p>Para. 80 of PAC Report</p>	<p>Audit has recommended that the Director of Housing should continue enhancing its system of budgeting and monitoring of project costs with a view to further improving the accuracy of budgeting for PRH construction projects.</p>	<p>The HA/HD will continue to enhance the following with a view to further improving the accuracy of budgeting for PRH construction projects –</p> <ul style="list-style-type: none"> (i) closer monitoring of construction market cost trend in particular the cost movements of construction labour and materials; (ii) closer monitoring of construction cost at detailed design and tender stages against approved budget; and (iii) closer monitoring of design variations at construction stage against approved budget. <p>As the recommendation will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.</p>
<p>Para. 80 of PAC Report</p>	<p>PAC considers that the DEVB should actively explore ways to ensure a steady supply of suitable land for public housing.</p>	<p>The Government will continue to adopt a multi-pronged approach to increase land supply in the short, medium and long term, through the continued and systematic implementation of a series of measures, including the optimal use of developed land as far as practicable and identification of new land for development. To expedite and increase the housing land supply in the short to medium term, the Government has been carrying out various land use reviews to identify more suitable sites for residential use. In this connection, the DEVB/PlanD have identified some 150 potential housing sites which could be made available for housing</p>

Para. No.	Audit's/PAC's Recommendations	Progress to Date
		<p>development in the coming five years for providing over 210 000 housing units, of which over 70% are public housing (both PRH and HOS), subject to timely completion of statutory planning procedures to convert their land use and/or increase the development intensity, as well as completion of such works as infrastructure, land resumption/clearance, reprovisioning of existing/planning facilities, etc..</p> <p>As the recommendation will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.</p>
<p>Para. 80 of PAC Report</p>	<p>PAC urges the Government not to repeat its wavering housing policy by taking away 24 sites reserved for PRH development for other uses during the period from 2001 to 2013.</p>	<p>The HA will endeavor to implement the Government's housing policy. Currently, the HA has no plan to return any new PRH development sites to the Government.</p> <p>As the recommendation will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.</p>
<p>Para. 80 of PAC Report</p>	<p><i>Financing the new production target</i></p> <p>PAC urges HA to expeditiously come up with a timetable for working out with the Government the financial arrangement for meeting the new PRH production target and consult the relevant Panel of the Legislative Council before implementation.</p>	<p>To achieve the new public housing production target, the Financial Secretary stated in his 2014 Budget Speech that we have to ensure that there will be sufficient funding for the HA, and he expects the HA to consolidate revenue increases and cost savings and embark on a discussion with the Government on the long term financial arrangement. The HA will discuss with the Government the long-term financial arrangement after the assessment has been concluded.</p>

Para. No.	Audit's/PAC's Recommendations	Progress to Date
Part 4: Redevelopment of Public Rental Housing Estates		
Para. 4.12 of Audit Report and Para. 80 of PAC Report	Audit has recommended that the Director of Housing should critically assess the resource requirements for the Comprehensive Structural Investigation (CSI) and plan ahead for the implementation of the next CSI Programme which is expected to start from 2018.	The HA/HD will conduct a review in 2015 to prepare an implementation plan and assess the resource requirements for the CSI ahead of the next CSI Programme expected to start in 2018.
Para. 4.25 of Audit Report and Para. 80 of PAC Report	Audit has recommended that the Director of Housing should – (a) take measures to enhance coordination within HD in order to avoid the possible wastage of resources due to the launching of redevelopment plan shortly after the completion of major improvement works (e.g. lift addition) in aged PRH estates; (b) expedite the detailed assessment of the build-back potential for all the aged PRH estates with CSI completed in order to facilitate the future planning for redevelopment of PRH estates; and (c) critically review the redevelopment projects, having due regard to the requirement of the Refined Policy on Redevelopment on the maximization of build-back flat gain as far as possible.	(a) - (c) The HA has adopted the Refined Redevelopment Policy in 2011, and the HA/HD will strictly follow the established mechanism to enhance coordination within the HA/HD regarding the redevelopment programme of the aged PRH estates and various maintenance and improvement programmes. With reference to the preliminary review on the redevelopment potential of the 22 aged estates, detailed study will be conducted on an estate-by-estate basis, taking into account the established policies and factors such as maximisation of build-back flat gain, availability of rehousing resources and development constraints and opportunities, etc.. It is prudent to contain the scale and pace of redevelopment taking into account the demand from the general waiting list applicants and other relevant factors. As the recommendations will be implemented on an on-going basis, we recommend that they should be deleted from the next progress report.

Para. No.	Audit's/PAC's Recommendations	Progress to Date
<p>Para. 80 of PAC Report</p>	<p>PAC strongly urges the PlanD and the HD to ensure that relaxation in plot ratio and height restriction of individual PRH sites will not compromise the surrounding living environment.</p>	<p>Where planning and infrastructure permit without compromising environmental quality, the HD will seek to optimize the development potential of each site and increase public housing flat production, and if necessary, through planning application to the TPB for relaxation of the plot ratios and building height restrictions for the public housing sites.</p> <p>As the recommendation will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.</p>
<p>Para. 4.32 of Audit Report</p>	<p>Audit has recommended that the Director of Housing should –</p> <ul style="list-style-type: none"> (a) continue to closely monitor the demand and supply of Interim Housing (IH) flats and their vacancy rates and explore the feasibility for their redevelopment; (b) explore the feasibility of putting the vacant HA sites into beneficial uses; and (c) duly take into account experiences from the previous PRH redevelopment projects in planning for future redevelopment, with a view to optimizing the use of land and resources. 	<ul style="list-style-type: none"> (a) and (b) The HA/HD will continue to closely monitor the demand and supply of IH flats, and review regularly on better use of the IH blocks and explore the feasibility of putting the vacant HA sites into other beneficial uses. (c) Apart from making reference to the experience of the previous Comprehensive Redevelopment Programme, we will also refer to our recent experience gained in the latest redevelopment projects such as Pak Tin as and when appropriate in order to optimize the use of land and resources. <p>As the recommendations will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.</p>

Para. No.	Audit's/PAC's Recommendations	Progress to Date
Part 5: Way Forward		
Para. 5.7 of Audit Report	Audit has recommended that the Secretary for Transport and Housing should take on board the audit observations and recommendations when formulating and implementing the LTHS.	Audit and Public Accounts Committee's observations and recommendations will be taken into account as appropriate when formulating the LTHS. As the recommendation will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.

**Mega Events Fund
Progress in Implementing Audit's and PAC's Recommendations
(Position as at 8 October 2014)**

Para. No.	Audit's Recommendations	Progress to date
Part 2: Achievement of the MEF objectives		
Para. 5.16 of Audit Report	<p>Audit has recommended that the Administration should:</p> <p>(a) conduct an overall review of the Mega Event Fund (MEF), taking on board the audit findings identified in its Report and the challenges Audit identified in paragraph 5.11 therein; and exert more vigorous efforts to identify worthwhile Tier 1 events, and explore opportunities for appealing new Tier 2 events for implementation;</p> <p>(b) ascertain the underlying reasons, and explore improvement measures, for the great percentage of rejected applications and the frequent cases of MEF events which had been subject to financial sanctions, taking into account the various measures Audit suggested in paragraph 2.11 of its Report;</p>	<p>The Tourism Commission (TC) has conducted a review over the prevailing modus operandi for the Tier-2 scheme. The Independent Commission Against Corruption (ICAC) and Department of Justice (DoJ) have been consulted as appropriate. The revised documents, including the Guide to Application, Application Form, Standard Funding Agreement and Evaluation Report Form as endorsed by the Mega Events Fund Assessment Committee (MEFAC) will be put to use for future rounds of Tier-2 applications.</p> <p>For the Tier-1 scheme, the TC is working closely with the ICAC and DoJ to finalize the assessment and monitoring regime, having regard to the experience learnt from the operation of the Tier-2 scheme.</p> <p>The TC is actively coordinating the effort of the relevant Government departments with a view to bringing a novel event to Hong Kong under the Tier-1 scheme.</p> <p>Action completed.</p> <p>The TC will proactively provide reasons for failure for unsuccessful applications. If an application is considered to be a marginal case (i.e. it has attained an overall passing mark but failed in one or two assessment criteria), the applicant will be invited by</p>

Para. No.	Audit's Recommendations	Progress to date
	<p>(c) take follow-up action on the findings in paragraphs 2.16 to 2.29 of the Report, and develop a robust validation mechanism to validate the deliverables and targets as reported by the organizers to have been achieved by the MEF events; and</p>	<p>the MEFAC to submit a revised application for reassessment.</p> <p>Upon announcing the result of the next round of Tier-2 applications, the date for receiving applications in the following round will also be announced in order to enhance the transparency of the MEF application schedule.</p> <p>The TC has regularized the practice of holding “kick-off meetings” with the organizers of MEF-supported events upon approval of their MEF applications and receipt of their acceptance of the conditional offers to inform them of the expectation of the Government and the MEFAC, as well as the obligation of organizers to facilitate the Secretariat’s subsequent monitoring work.</p> <p>On the Audit’s recommendation, the TC will explore with the Hong Kong Tourism Board (HKTB) on the best way to promote MEF-supported events on a case-by-case basis. A hyperlink of the HKTB’s promotion on MEF-supported events has also been added to the TC’s dedicated MEF website to further step up the promotion of the MEF.</p> <p>Action completed.</p> <p>A more robust mechanism to validate whether the deliverables and targets of MEF-supported events have been achieved as reported by the organizers has been put in place. The TC has stepped up efforts in verifying the deliverables and targets as reported by organizers of two MEF-supported events in their post-event evaluation reports. Organizers will be required to ensure that all expenditure items are</p>

Para. No.	Audit's Recommendations	Progress to date
		<p>supported by official invoices or receipts. The TC will check whether the organizers have fulfilled the requirements when conducting random document checks.</p> <p>Random verification on staff deployment by the organizer has been conducted during an MEF-supported event held in June 2014. The organizer was requested to assist staff of the MEFAC Secretariat in counting event employees. Clarifications made by organizers during the verification and cross-checking of post-event evaluation reports and final audited accounts have been properly documented. This practice will continue.</p> <p>Organizers of MEF-supported events will be asked to specify clearly the number of local/non-local participants, employees, etc. and to develop more scientific methods in counting participants.</p> <p>To avoid counting children as employees of events, the TC has consulted the Labour Department and the DoJ for defining "paid jobs". Such definition is set out in the revised funding agreement.</p> <p>From the next round of Tier-2 applications onwards, the TC will step up discussion with successful applicants and relevant parties (e.g. the Information Services Department (ISD), the HKTB, the Travel Industry Council of Hong Kong if applicable) on the promotion of MEF-supported events in the light of the merits of each event.</p>

Para. No.	Audit's Recommendations	Progress to date
	(d) explore how the TC can work in closer collaboration with other B/Ds to avoid duplication of Government efforts in monitoring the same event.	Action completed. The TC will coordinate with relevant B/Ds in monitoring MEF-supported events which also receive other Government funding to avoid duplication of effort.
Part 3: Assessment of applications		
Para. 5.18 of Audit Report	<p>Audit has recommended that the Administration should:</p> <p>(a) address the various inadequacies identified in paragraph 3.5 of the Report to improve the governance of the Assessment Committee;</p> <p>(b) follow up on the reported findings in paragraph 3.10 of the Report relating to the titling of the two associated service providers in the</p>	<p>Action completed.</p> <p>Bearing in mind that the continuity of the MEFAC is important in ensuring the consistency of assessment, a new member from the accounting profession with rich knowledge of the tourism sector has been appointed to the MEFAC in June 2014 for two years alongside the re-appointment of the incumbent Chairman and members.</p> <p>The TC has started arranging to use tele-conference facilities to enable MEFAC members who are out of town during MEFAC meetings to take part in the meetings, and inviting members who are not able to attend the meeting to consider providing written comments, if any.</p> <p>From the next round of Tier-2 applications onwards, the scores awarded under individual assessment criteria will be recorded alongside the total average scores for each MEF application in the minutes of the MEFAC meetings concerned.</p> <p>Action completed.</p> <p>Organizers of MEF-supported events will be required to declare any potential</p>

Para. No.	Audit's Recommendations	Progress to date
	<p>three events as “Event Co-organizers” in the publicity documents;</p> <p>(c) ensure that the TC would require applicants to disclose their management team and any associates who will be actively involved in organising the proposed events, and that the TC would also develop more specific guidelines to facilitate its staff in the conduct of assessments more effectively; and</p> <p>(d) ensure that the TC would take improvement measures in communicating to applicants that activities organised by the organizers in close proximity to the MEF event should be reported or disclosed, and that the TC would take more proactive action in following up B/Ds’ comments.</p>	<p>conflict of interest, in particular those involving monetary transactions in writing.</p> <p>Action completed.</p> <p>Organizers of MEF-supported events will be required to duly disclose their management teams and any associates who will be actively involved in organizing the proposed events. Such disclosure and the Government’s agreement thereto must be done in writing.</p> <p>The TC, in consultation with the ICAC, has developed a set of internal guidelines to facilitate staff members of the MEFAC Secretariat in vetting future applications.</p> <p>Action completed.</p> <p>Organizers of MEF-supported events will be required to disclose any intention on their part to organize in Hong Kong or overseas activities/events of similar content and nature to the MEF-supported events. The MEFAC Secretariat will highlight for MEFAC Members’ attention any such intention.</p> <p>Separately, the TC will actively follow up with the relevant B/Ds’ comments on the MEF-supported events with the organizers as deemed appropriate.</p>
Part 4: Monitoring and evaluation of events		
<p>Para. 5.20 of Audit Report</p>	<p>Audit has recommended that the Administration should:</p> <p>(a) endeavour to have the funding agreements executed in a timely manner so that the TC can</p>	<p>Action completed.</p> <p>The TC will urge future successful</p>

Para. No.	Audit's Recommendations	Progress to date
	<p>effectively enforce the control measures set out in the agreements;</p> <p>(b) strictly enforce the funding requirement for the organizer and its agents/staff to declare any conflicts of interest in relation to procurement and staff recruitment, and ensure that the organizer has set up a mechanism to mitigate any such declared conflicts;</p> <p>(c) follow up the suspected irregularities highlighted in paragraph 4.14 of the Report and draw lessons to be learned from the findings reported in PART 4 therein;</p>	<p>applicants to furnish all relevant documents (e.g. finalized operation plan and event budget) and fulfill all conditions laid down by the MEFAC in a timely manner, so that the TC will be in a position to sign the funding agreement with the organizer at an earlier time.</p> <p>Action completed.</p> <p>Applicants will be required to disclose their procurement and staff recruitment mechanisms during the application stage. Organizers of MEF-supported events will be required to report the operation of such mechanisms in the post-event evaluation reports with supporting documents (e.g. tendering documents, quotations) to facilitate the Secretariat's random document inspection checks.</p> <p>Action completed.</p> <p>Organizers of MEF-supported events will be required to set out clearly the incremental costs on advertising, promotion or costumes arising solely from the staging of MEF-supported events.</p> <p>The requirement that charges relating to commercial sponsors should not be covered by MEF funding will be introduced. Organizers will be further required to state clearly incremental charges under respective expenditure items arising from commercial sponsorships. Organizers must notify the Government in writing and seek its prior consent should there be any special arrangement for returning sponsorships to commercial sponsors.</p>

Para. No.	Audit's Recommendations	Progress to date
	<p>(d) step up the TC's checking and controls over the operation of the MEF events;</p>	<p>Action completed.</p> <p>The TC has started reminding organizers to ensure that all expenditure items should be supported by official invoices or receipts. Should organizers be unable to submit official invoices or receipts during document inspection, they should provide written explanation to the satisfaction of the MEFAC.</p> <p>Applicants will be required to disclose their procurement and staff recruitment mechanisms in the application form and to report the operation of the mechanisms with supporting documents in the evaluation reports.</p> <p>The TC has improved its documentation system for recording the verification and cross-checking of post-event evaluation reports and final audited accounts submitted by organizers.</p> <p>In evaluating the completed events, the TC will continue to pay special attention to those expenditure items which exceed the original budget by 10% as well as those of concern to relevant B/Ds, and require detailed explanation with supporting documents from organizers.</p> <p>The TC has started redeploying staff with accounting background to assist with the verification and cross checking of post-event evaluation reports and final audit accounts.</p> <p>The TC is identifying resources to deploy on a longer-term basis adequate staff members with accounting/audit knowledge to assist with the monitoring and financial control over the operation of the MEF.</p>

Para. No.	Audit's Recommendations	Progress to date
	<p>(e) ensure that the TC would set funding conditions to govern the distribution of tickets in all future fee-charging MEF events;</p> <p>(f) draw lessons to be learned from the inadequacies in relation to the organisation of Event J;</p> <p>(g) ensure that the TC would require the organizers to use the MEF funding only for the specified purposes as stipulated in the funding agreement;</p> <p>(h) ensure that the TC would step up its enforcement of the acknowledgement requirement, including requiring the organizers to seek its approvals for information on advertising, publicity and sponsor displays at event venues;</p>	<p>Action completed.</p> <p>An additional funding condition on specifying the minimum number of tickets required to be made available for public sale for fee-charging events has been added.</p> <p>Action completed.</p> <p>The standard funding agreement has been revised to define clearly the key terms therein to avoid enforcement difficulty as appropriate.</p> <p>The TC will, depending on the nature of individual events, continue to request organizers to explore and develop a contingency plan as far as practicable, and where applicable, specify such requirements in the funding agreement.</p> <p>Action completed.</p> <p>More relevant and specified funding purposes have been developed.</p> <p>The organizers will be required to fully justify the relevance of expenditure items in relation to the specified purposes set out in the funding agreement.</p> <p>Action completed.</p> <p>Organizers will be required to copy to the TC their applications made to the ISD for seeking the latter's approval of all publicity materials on the acknowledgement of Government support, so that more coordinated comments may be provided in a timely manner.</p>

Para. No.	Audit's Recommendations	Progress to date
	<p>(i) explore the desirability of conducting a debriefing meeting with the organizer, within a short period after an MEF event has been held, to assess the success or otherwise of the event and to draw lessons for the future; and</p> <p>(j) work out guidelines on how MEF funding should be released for Tier 1 events in future.</p>	<p>Action completed.</p> <p>“Wash-up meetings” with organizers of the MEF-supported events will be held.</p> <p>The TC is working closely with the ICAC and DoJ to finalize the assessment and monitoring regime having regard to the experience learnt from the operation of the Tier-2 scheme.</p>
Part 5: Way forward		
<p>Para. 5.22 of Audit Report</p>	<p>Audit has recommended that the Administration should urge the TC to expedite its development of a more versatile mechanism for monitoring both Tier 1 and Tier 2 events, consult the ICAC on the monitoring of Tier 1 events, set suitably revised performance targets for the modified MEF and monitor and evaluate its effectiveness.</p>	<p>The TC has conducted a review over the prevailing modus operandi of the MEF Tier 2 scheme as detailed above (please see “progress to date” for paragraph 5.16).</p> <p>For the Tier-1 scheme, the TC is working closely with the ICAC and DoJ to finalize the assessment and monitoring regime, having regard to the experience learnt from the operation of the Tier-2 scheme.</p> <p>In the light of changed economic conditions, the emphasis on job creation in the assessment and evaluation of events has diminished considerably in recent years. A set of scoring guidelines for use by the MEFAC members when assessing the applications has been developed, and the weighting for the score on job creation will be revised downwards. Separately, the standard MEF funding agreement has been revised such that job creation will no longer be a key performance indicator for future MEF-supported events.</p>

CreateSmart Initiative
Follow-up Actions in response to the
Public Accounts Committee Report No. 62
(as at 12 September 2014)

Para. No.	Audit's Recommendations	Progress to date
2.8(a)	Head of Create Hong Kong (Head of CreateHK) should take measures to ensure that sufficient time is given to CreateSmart Initiative (CSI) Vetting Committee members to return their 1st tier declaration of interests on appointment.	<p>Action completed.</p> <p>Create Hong Kong (CreateHK) has issued internal guidelines to require its staff to allow sufficient time for members of the CSI Vetting Committee to return their 1st tier declaration of interests on appointment.</p>
2.8(b)	Head of CreateHK should implement procedures to ensure that only members who have duly submitted their 1st tier declaration of interests which indicate no conflict of interest are invited to serve in Assessment Panels.	<p>Action completed.</p> <p>CreateHK has issued internal guidelines to require its staff to check the 1st tier declaration of interests submitted by members before inviting those members who have no conflict of interest to serve in Assessment Panels.</p> <p>In the event that a member, who has conflict of interest with one or more projects, needs to be invited to serve in a particular Assessment Panel meeting owing to his expertise which is relevant to other projects or unavailability of other members, the member concerned will be asked to withdraw from the discussion on the project(s) with which he has conflict of interest.</p>
2.8(c)	Head of CreateHK should take measures to ensure that Assessment Panel members have submitted their 2nd tier declaration of interests before issuing documents relating to project applications to them and allowing them to participate in the Panels.	<p>Action completed.</p> <p>CreateHK has issued internal guidelines to require its staff to issue documents relating to project applications only to those Assessment Panel members who have submitted their 2nd tier declaration of interests.</p> <p>In the event that a member, who has conflict of interest with one or more</p>

Para. No.	Audit's Recommendations	Progress to date
		<p>projects, needs to be invited to serve in a particular Assessment Panel meeting owing to his expertise which is relevant to other projects or unavailability of other members, the member concerned will be asked to withdraw from the discussion on the project(s) with which he has conflict of interest.</p>
2.8(d)	<p>Head of CreateHK should take steps to ensure that adequate follow-up action is taken on cases of overdue declarations of interests.</p>	<p>Action completed. CreateHK has taken follow-up action on all outstanding declarations.</p>
2.14(a)	<p>Head of CreateHK should revise the project application form to require the provision of the information on applicants' project teams wherever applicable.</p>	<p>Action completed. CreateHK has revised the project application form to require applicants to provide information on their project teams if the team has been formed.</p>
2.14(b)	<p>Head of CreateHK should, for projects involving the engagement of major sub-grantees, require project applicants to provide information on the sub-grantees' project teams for the Assessment Panel's consideration wherever applicable.</p>	<p>Action completed. CreateHK has issued internal guidelines to require its staff to ensure that information is provided wherever applicable by project applicants on the sub-grantees' project teams for the Assessment Panel's consideration.</p>
2.14(c)	<p>Head of CreateHK should take measures to ensure that information is provided wherever applicable by the applicant on whether the project coordinator and/or any project team members will work concurrently on three or more projects within the same project period.</p>	<p>Action completed. CreateHK has revised the project application form to require project applicants to provide information wherever applicable on whether the project coordinator and/or any project team members will work concurrently on three or more projects within the same project period.</p>
2.25(a)	<p>Head of CreateHK should issue clear guidelines on the criteria for the identification of repeated projects and promulgate the same on the CSI's website to enhance transparency and</p>	<p>As part of the ongoing review on the CSI, CreateHK is working on the guidelines which will set out the criteria for the identification of repeated projects. Upon completion of the</p>

Para. No.	Audit's Recommendations	Progress to date
	public accountability.	review on the CSI, the guidelines will be promulgated on the CSI's website.
2.25(b)	Head of CreateHK should take measures to ensure that information published on the CSI's website is correct and accurate.	Action completed. CreateHK has corrected the inaccurate information on the CSI's website. CreateHK will make continuous efforts to ensure that information published on the CSI's website is correct and accurate.
3.6(a)	Head of CreateHK should lengthen the required retention period of the books and records of the projects.	Action completed. CreateHK has extended the required retention period of the books and records of the projects from two to seven years, and revised the project agreement accordingly. The extended required retention period applies to the projects approved since June 2014.
3.6(b)	Head of CreateHK should follow up with the grantees concerned on the anomalies identified by Audit relating to the expenditure items and accounts payable.	Action completed. CreateHK has engaged an independent auditor to conduct a second audit on Projects M and R to follow up on the anomalies identified by the Audit Commission (Audit) relating to the expenditure items and accounts payable. CreateHK has asked the grantee in respect of Projects H and T to declare if there are any unspent balances for the projects concerned.
3.6(c)	Head of CreateHK should take measures to ensure that grantees keep proper books and records for their projects.	Action completed. CreateHK introduced a Quick Reference Guide in June 2014 to highlight the important actions and attention required on the part of the grantees under the project agreement, including the need to keep proper books and records for their projects.

Para. No.	Audit's Recommendations	Progress to date
3.17(a)	Head of CreateHK should remind grantees the need to maintain designated bank accounts solely for handling project funds.	Action completed. CreateHK introduced a Quick Reference Guide in June 2014 to highlight important actions and attention required on the part of the grantees under the project agreement, including the need to maintain designated bank accounts solely for handling project funds.
3.17(b)	Head of CreateHK should consider penalising grantees who failed to maintain designated bank accounts.	As part of the ongoing review on the CSI, CreateHK is considering whether and how penalties would be imposed on grantees who failed to maintain designated bank accounts.
3.17(c)	Head of CreateHK should follow up those projects where designated bank accounts had not been maintained to ensure that there is no improper use of project funds and take remedial action where necessary (e.g. initiating recoupment of funds and/or penal action).	Action completed. CreateHK has engaged an independent auditor to conduct a second audit on Projects M and R. As for the rest of the projects identified by the Audit as not having kept designated bank accounts, CreateHK will engage an independent auditor to conduct test checks on the books and records of some of the grantees concerned as appropriate.
3.17(d)	Head of CreateHK should follow up those projects where the grantees have used project funds to cover unallowable costs (see paragraph 3.10) and seek repayments from them.	Action completed. CreateHK has issued letters to the grantees concerned to follow up the three projects as mentioned in paragraph 3.10 of the Director of Audit's Report. CreateHK will seek repayments from the grantees for the unallowable costs incurred.
3.17(e)	Head of CreateHK should, in future, test check the books and records of grantees to identify unallowable costs and demand repayments from them where warranted.	Action completed. CreateHK will engage an independent auditor to conduct test checks on the books and records of some of the grantees as appropriate to check whether there are irregularities, including use of project funds for

Para. No.	Audit's Recommendations	Progress to date
		unallowable costs. Subject to the outcomes of the test checks, CreateHK will take follow-up actions as appropriate.
3.17(f)	Head of CreateHK should conduct a review of the alternative funding approach.	CreateHK is reviewing the alternative funding approach as part of the ongoing review on the CSI.
3.17(g)	Head of CreateHK should remind grantees of the procurement requirements and conduct test-checks to ensure compliance.	<p>Action completed.</p> <p>CreateHK introduced a Quick Reference Guide in June 2014 to highlight important actions and attention required on the part of the grantees under the project agreement, including the procurement requirements.</p> <p>CreateHK will engage an independent auditor to conduct test checks on the books and records of some of the grantees as appropriate to ensure compliance with the procurement requirements.</p>
3.17(h)	Head of CreateHK should test check the subsequent settlement of accounts payable and take remedial measures (e.g. demand repayments from grantees if any payables have been settled with smaller amounts) where necessary.	<p>Action completed.</p> <p>With effect from June 2014, grantees of the ongoing projects have been required to report to CreateHK upon project completion the status of subsequent settlement of accounts payable until all accounts payable are fully settled. This allows CreateHK to keep track of the subsequent settlement of accounts payable and take remedial measures where necessary.</p> <p>For those projects which had already been completed, CreateHK has asked grantees to declare if there is any unspent balance in relation to their projects, and will conduct random checks. CreateHK will recoup unspent balances from the grantees where necessary.</p>

Para. No.	Audit's Recommendations	Progress to date
3.17(i)	Head of CreateHK should revise the Project Agreement to spell out the requirement that if the amount of project funds used to settle accounts payable is less than the account received by the grantee from the Government for such purpose, the grantee should refund the difference to the Government.	CreateHK will, in consultation with the DoJ, revise the project agreement to spell out the relevant requirement.
3.17(j)	Head of CreateHK should ensure that grantees' track records of handling project funds are taken into account in assessing their new applications for funding.	Action completed. CreateHK has issued internal guidelines to require its staff to include grantees' track records of handling project funds in the assessment of new funding applications.
3.21(a)	Head of CreateHK should require grantees to ensure that parties subsidised by them properly used the subsidies.	CreateHK will, in consultation with DoJ, revise the project agreement to spell out the relevant requirement.
3.21(b)	Head of CreateHK should provide in the Project Agreement that grantees are liable for inappropriate use of project funds by subsidised parties.	
3.21(c)	Head of CreateHK should recoup from grantees funds used for unallowable expenditure by subsidised parties.	Action completed. CreateHK has issued a letter to the grantee concerned to demand repayment of project funds that have been used by subsidised parties for unallowable costs. The grantee has agreed to return the funds.
3.24	Head of CreateHK should, on a risk basis, carry out sample inspections of the grantees' books and records.	Action completed. CreateHK will engage an independent auditor to conduct sample inspections of the grantees' books and records.
4.15(a)	Head of CreateHK should issue guidelines setting out the factors (such as the cash-flow pattern of projects)	As part of the ongoing review on the CSI, CreateHK is reviewing the factors which should be taken into account in

Para. No.	Audit's Recommendations	Progress to date
	that should be taken into account in determining the mode of funding of a project (i.e. number of instalments and amount of each instalment).	determining the mode of funding of a project.
4.15(b)	Head of CreateHK should take measures to ensure that the justifications for the mode of funding are documented.	Action completed. CreateHK has issued internal guidelines to require its staff to document the justifications for the mode of funding.
4.15(c)	Head of CreateHK should monitor the progress of all approved projects and document the action taken in monitoring the projects.	Action completed. CreateHK will provide an update to the CSI Vetting Committee on the progress of the approved projects at the Assessment Panel meetings by highlighting the events and programmes which take place in between the meetings. In addition, CreateHK has required those projects with duration of more than one year and approved since November 2013 to submit mid-term progress reports to the CSI Vetting Committee.
4.15(d)	Head of CreateHK should regularly provide the CSI Vetting Committee with information on the progress of the approved projects with a view to seeking its advice and facilitating its monitoring work.	Action completed. CreateHK will provide an update to the CSI Vetting Committee on the progress of the approved projects at the Assessment Panel meetings by highlighting the events and programmes which take place in between the meetings. In addition, CreateHK has required those projects with duration of more than one year and approved since November 2013 to submit mid-term progress reports to the CSI Vetting Committee.
4.15(e)	Head of CreateHK should adopt a structured approach for site visits and issue guidelines setting out the basis of selection, checks to be performed, frequency of visits and the reporting requirements, taking into account project risks involved (such as the funding amounts and nature of the projects).	As part of the ongoing review on the CSI, CreateHK is devising a structured approach for planning and conducting site visits.
4.15(f)	Head of CreateHK should ensure that observations made during site visits are followed up and the results of the follow-up action taken are documented.	Action completed. CreateHK has issued internal guidelines to require its staff to follow up on the observations made during site visits and to document the results of any follow-up actions taken.

Para. No.	Audit's Recommendations	Progress to date
4.15(g)	Head of CreateHK should review the deadline for submitting Completion Reports and audited accounts and consider either tightening up follow-up action on late submission or revising the submission requirement by setting a more realistic and achievable submission deadline.	Action completed. Having reviewed the deadline for submitting Completion Reports and audited accounts, CreateHK considers that it would be more appropriate to extend the submission deadline from two to four months after the project completion date. CreateHK has revised the project agreement accordingly. The extension of the submission deadline applies to the projects approved since June 2014.
4.28(a)	Head of CreateHK should issue guidelines setting out a systematic approach in conducting project evaluation; e.g. the information to be collected, the mechanism of verifying the information as far as practicable, and the time frame for each stage of evaluation.	As part of the ongoing review on the CSI, CreateHK is developing guidelines to set out a systematic approach in conducting project evaluation.
4.28(b)	Head of CreateHK should take measures to ensure that evaluations of completed projects are finalised in a timely manner.	Action completed. CreateHK has issued internal guidelines to require its staff to complete evaluation of completed projects in a timely manner.
4.28(c)	Head of CreateHK should regularly review the Project Agreement to ensure that it is up-to-date and does not include unnecessary requirements.	Ongoing measure; already addressed Audit's concern. CreateHK is reviewing the project agreement and will make amendments as necessary. In future, CreateHK will review the project agreement on a periodic basis.
4.28(d)	Head of CreateHK should, if questionnaire is used in reviews of the CSI, balance the ratings around a neutral mid-point.	Action completed. CreateHK will implement the Audit's recommendation in the process of conducting the ongoing review of the CSI.

Para. No.	Audit's Recommendations	Progress to date
4.28(e)	Head of CreateHK should take measures to ensure that the performance of grantees in previous projects (e.g. failure to solicit the committed amount of sponsorship) is recorded in the Internal Assessment Reports of the grantees' subsequent applications.	Action completed. It has been the established practice of CreateHK to put up as far as practicable the completion report of an individual project and its subsequent application for discussion at the same CSI Assessment Panel meeting. This allows the CSI Assessment Panel to have a full picture of a project and its subsequent application.
4.28(f)	Head of CreateHK should ensure that the CSI Vetting Committee's comments on individual projects are followed up and incorporated in the Internal Assessment Reports of subsequent applications of repeated projects.	In case the pair-up is not possible, CreateHK will attach the Evaluation Report of the previous project and the notes of the relevant meeting of the CSI Assessment Panel to the Internal Assessment Report of the subsequent applications for reference.
5.10(a)	Head of CreateHK should ascertain the reasons for the few projects initiated from some creative sectors and where necessary, take measures to boost the project applications from these sectors.	As part of the ongoing review on the CSI, CreateHK will analyse the funding applications received with a view to identifying room for boosting the project applications from certain creative sectors.
5.10(b)	Head of CreateHK should publish on the CSI's website and in relevant public documents the creative sectors and industries funded by the CSI.	Action completed. A fact sheet showing the creative sectors covered by the CSI has been uploaded onto the CSI's website.
5.10(c)	Head of CreateHK should develop a formal strategic plan for the CSI and update the plan periodically to take into account changes in the CSI's strategic goals and challenges.	CreateHK is conducting a review on the CSI. CreateHK will develop a strategic plan for the CSI having regard to the outcome of the review, and periodically update it in future.
5.18(a)	Head of CreateHK should disclose more quantitative and qualitative performance information (including, where appropriate, the achievements of projects by each individual strategic directions) on the CSI's website.	In the interim, CreateHK has uploaded the performance information of CreateHK to the CSI's website. CreateHK will conduct a review to consider enhancement and improvement for the CSI's website so

Para. No.	Audit's Recommendations	Progress to date
		as to provide more performance information on the CSI projects and to enhance transparency.
5.18(b)	Head of CreateHK should in addition to disclosing statistics pertinent to all creative sectors, disclose also those statistics that are pertinent only to the creative sectors covered by the CSI.	Action completed. CreateHK has sought the assistance of the Census and Statistics Department which has agreed in principle that it would compile the relevant statistics pertinent to the creative sectors under the ambit of CreateHK. CreateHK will cover the relevant statistics in the annual update to the Legislative Council (LegCo) Panel on Information Technology and Broadcasting on the work of CreateHK.
5.18(c)	Head of CreateHK should establish more performance pledges and report the extent of achieving the pledges.	Action completed. In addition to the existing performance pledge on the maximum time required for processing project applications, CreateHK has established in September 2014 a new performance pledge on the timely evaluation of completed projects. CreateHK pledges that project applicants will be informed of the evaluation result within 50 working days after receipt of full information of the completion report. CreateHK will annually report to the LegCo Panel on Information Technology and Broadcasting the extent of achieving the performance pledges.
5.22	Head of CreateHK should establish a timetable for conducting a comprehensive review of the administration and the way forward of the CSI.	Action completed. CreateHK is conducting a comprehensive review on the administration and way forward of the CSI with a view to completing the review in the second half of 2015.

**Promoting the Development of Social Enterprises
Progress in implementing the Audit's and PAC's Recommendations**

Para. No.	Audit's/PAC's Recommendations	Progress to date
Part 2 - Enhancing Employment of People with Disabilities Through Small Enterprise Project (3E Project)		
<i>Processing of applications</i>		
Para. 2.14 of the Audit Report	<p>Audit has recommended that the Director of Social Welfare should:</p> <p>(a) take measures to expedite the processing of applications as far as possible. In particular, the Social Welfare Department (SWD) should:</p> <p>(i) render necessary assistance to applicants to timely submit all relevant information (e.g. providing a checklist in the Guide to 3E Project (3E Guide) for the required information);</p> <p>(ii) ensure that the target time of two months (between applicants' submission of all relevant information and notification of assessment results) is met; and</p> <p>(iii) ensure that the service agreements are promptly signed; and</p>	<p>(a)(i) SWD has revised the 3E Guide in July 2014 and provided in the Guide a checklist for the information required for applicants in preparing their applications to facilitate their submission of applications.</p> <p>(a)(ii) SWD has since April 2012 implemented improvement measures to expedite the processing of applications. A total of 18 applications have been approved by SWD since April 2012 and the pledged two-month timeframe of providing a written notification of assessment results to the applicants has been strictly adhered to.</p> <p>(a)(iii) SWD has enhanced the internal monitoring mechanism to ensure timely signing of agreements with the applicants. Since May 2014, all the approved projects have to be brought up to a senior officer for review of the progress in every two weeks to ensure the timely signing of agreements with the applicants.</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
	<p>(b) lay down clear guidelines on handling applications with business already commenced before funding approval is given so as to ensure consistent treatment to all applications.</p>	<p>(b) SWD has stated the requirement clearly in the revised 3E Guide that all the applicants must submit the applications before the business commences operation. If the business starts operation while waiting for funding approval, then the applicant has to bear the risk of obtaining a funding less than that applied for, or even not obtaining any funding support. SWD will ensure consistent treatment to all applications.</p> <p>As the recommendations have been implemented, we recommend that this part should be deleted from the next progress report.</p>
<i>Determination of capital and operating grants</i>		
<p>Para. 2.23 of the Audit Report</p>	<p>Audit has recommended that the Director of Social Welfare should:</p> <p>(a) examine whether refundable deposits are to be funded by the capital grant and, if so, whether a mechanism should be established to recover the amount when the deposit is refunded to the grantee;</p> <p>(b) take measures (e.g. revising the 3E Guide) to ensure that the cost of trading stock would not be counted twice for computing funding from the capital grant and the operating grant; and</p> <p>(c) state clearly in the 3E Guide the basis for determining capital and operating grants, and take measures to ensure consistency in applying the basis to all project applications.</p>	<p>(a) SWD has stated in the revised 3E Guide that in principle funding for refundable deposit will not be supported. If funding is provided for refundable deposit due to special considerations, a provision will be included in the agreement for return of the concerned funding to SWD.</p> <p>(b) SWD has stated in the revised 3E Guide that trading stock will not be counted for computing funding from capital grant.</p> <p>(c) SWD has stated clearly in the revised 3E Guide the scope of funding support, items eligible under capital and operating grant, basis of calculation of the operating</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
		<p>grant, etc. so as to ensure consistency in applying the basis to all project applications.</p> <p>As the recommendations have been implemented, we recommend that this part should be deleted from the next progress report.</p>
<i>Effectiveness of the 3E Project</i>		
<p>Para. 2.42 of the Audit Report</p>	<p>Audit has recommended that the Director of Social Welfare should:</p> <p><u><i>Progress of implementing the 3E Project</i></u></p> <p>(a) examine the reasons for the slow progress of the 3E Project in creating job opportunities for persons with disabilities (PWDs) through development of SEs, with a view to identifying improvement measures;</p> <p>(b) take measures to encourage more non-governmental organisations (NGOs) (including those not currently engaged in vocational rehabilitation services for PWDs) to participate in the 3E Project;</p>	<p>In respect of items (a) and (b), the major reason for the slow progress of the 3E Project in creating job opportunities is that most applications under the 3E Project are submitted by NGOs experienced in operating vocational rehabilitation services. SWD has since July 2014 introduced the 3E Project in different service co-ordinating committee meetings of District Social Welfare Offices so as to encourage more NGOs not operating vocational rehabilitation services to apply for funding of the 3E Project for setting up SEs and employing PWDs. Since NGOs not running vocational rehabilitation services may need more support for running a business under the 3E Project, SWD has further extended the contract period of businesses funded under the 3E Project from four to five years with effect from July 2014 with a view to further strengthening the support and monitoring of funded businesses in creating job opportunities for PWDs. SWD will continue to review the 3E Project regularly and make timely revisions to the implementation details.</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
	<p>(c) step up the SWD's publicity efforts in promoting the 3E Project;</p> <p><u>Sustainability of funded SEs</u></p> <p>(d) continue to monitor closely the financial performance of SEs after the funding period of the 3E Project for evaluating their sustainability, and provide necessary advice and support to help them achieve a self-financing status;</p> <p>(e) consider extending the length of the contract period so as to allow more time for monitoring the financial performance of SEs after the funding period of the 3E Project;</p> <p><u>Jobs created for PWDs</u></p> <p>(f) strengthen the monitoring of the creation of PWD jobs by funded SEs, and provide necessary advice and assistance to help them achieve the job creation target;</p> <p>(g) require the applicants to provide more detailed information about the PWD jobs to be created (e.g. breakdowns into full-time and part-time jobs, and breakdowns of part-time jobs into different bands according to the number of working hours of a job) in the applications and progress reports for the SWD's assessment and monitoring;</p>	<p>(c) SWD has since August 2014 introduced the 3E Project to all subvented NGOs through sending emails to them at every six-month interval with a view to encouraging participation. On-going efforts will be made to step up the publicity of the 3E Project.</p> <p>In respect of items (d) to (f), SWD has further extended the contract period of businesses funded under the 3E Project from four to five years with effect from July 2014 with a view to further strengthening the support and monitoring of funded businesses.</p> <p>Members of assessment panel will convene review meetings for businesses in need and provide them with professional consultation and advice for the purpose of business improvement and achievement of job creation target.</p> <p>For items (g) and (i), SWD has all along collected employment data of PWDs under the 3E Project. SWD has since April 2014 requested the grantees to provide more statistical information including reasons for leaving, future plan, breakdowns into full-time and part-time jobs, and breakdowns of salary range for both full-time and part-time jobs of the PWDs to facilitate more effective evaluation of the 3E Project.</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
	<p>(h) consider setting a selection criterion for assessing applications based on the average grant per PWD job to be created;</p> <p><i>Enhancing self-reliance</i></p> <p>(i) consider requiring grantees to provide information about why PWDs left their jobs in the funded SEs for evaluating the effectiveness of the 3E Project in enhancing self-reliance of PWDs; and</p> <p><i>Performance information provided to LegCo</i></p> <p>(j) provide more comprehensive information to LegCo on the number and details of PWD jobs created under the 3E Project in future.</p>	<p>For item (h), SWD has since July 2014 prepared the latest three years of average grant per job for PWDs of different nature of businesses for facilitating the assessment panel in assessing the grant per job to be created by individual applications.</p> <p>(j) With more employment information gathered as mentioned in paragraph 2.42(g), SWD could provide more comprehensive information to LegCo on the number and details of the jobs for persons with disabilities created under the 3E Project in future.</p> <p>As the recommendation have been implemented/will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.</p>
<p>Para. 2.43 of the Audit Report</p>	<p>Audit has recommended that the Director of Social Welfare and the Director of Home Affairs should jointly work out an effective arrangement to prevent the provision of repeated seed funding under the 3E Project or the Enhancing Self-reliance Through District Partnership (ESR) Programme to different NGOs for setting up an SE in the same venue.</p>	<p>There has been coordination in the processing and vetting of applications under the 3E Project and the ESR. Home Affairs Department (HAD) has been seeking the input of SWD for all ESR applications and vice versa to avoid provision of double funding to the same SE applicant.</p> <p>In the light of Audit's recommendation, the HAD and SWD will exchange information on the funding applications</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
		<p>for setting up SEs at venues under the management of public organisations to avoid provision of repeated grants to different applicants under the two schemes for setting up SEs at the same venue.</p> <p>As the recommendation will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.</p>
<i>Monitoring of projects</i>		
<p>Para. 2.53 of the Audit Report</p>	<p>Audit has recommended that the Director of Social Welfare should:</p> <ul style="list-style-type: none"> (a) take improvement measures to ensure that: <ul style="list-style-type: none"> (i) progress reports are submitted timely by grantees; and (ii) reminders are issued promptly for chasing up overdue progress reports; (b) ensure that the Project Secretariat takes necessary follow-up actions on the findings identified by the SWD's Finance Branch from the review of progress reports, and documents the actions taken; (c) for those cases in which the grantees are allowed to retain their unspent operating grants, ensure that sufficient justifications are provided by them and are documented on file for review by the SWD management; (d) for those cases in which sufficient justifications are not provided, take timely follow-up actions to recover 	<p>For items (a) to (e), SWD has implemented the following improvement measures since April 2012. A schedule for submission of progress report is provided at the agreement signed between SWD and the grantee. Based on the schedule, SWD will remind the grantee one week before the submission deadline. If the report is not received within one week after the deadline, an email reminder will be sent to the project coordinator of the funded business; if the report is not received within two weeks after the deadline, then the head of the NGO will be informed. After the implementation of the improvement measures, most of the progress reports were submitted on time, while the remaining reports were also received within two weeks after the deadlines.</p> <p>SWD has since July 2014 further enhanced the internal monitoring mechanism i.e. a summary of the outstanding issues for all the approved projects has to be brought up to a senior officer for review of the progress on a monthly basis to ensure that issues such</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
	<p>the unspent grants from the grantees; and</p> <p>(e) follow up on the case mentioned in paragraph 2.52(b) in which the unspent operating grant to be recovered had been understated.</p>	<p>as submission of progress reports and annual audited accounts, advice of SWD to NGOs and return of unspent operating grant, etc. will be followed up closely and checked by a senior officer.</p> <p>SWD has already sent notifications to all NGOs concerned, including the case mentioned by the Audit in paragraph 2.52(b), advising them to return the unspent operating grants. SWD will closely follow up the matter in accordance with Audit's recommendation.</p> <p>As the recommendations have been implemented, we recommend that this part should be deleted from the next progress report.</p>
Part 3 - ESR Programme		
<i>Funding Arrangements</i>		
<p>Para. 3.16 of the Audit Report</p>	<p>Audit has recommended that Director of Home Affairs should, for implementing projects similar to the ESR Programme in future:</p> <p>(a) consider creating a non-recurrent commitment as far as possible and seek the Finance Committee (FC)'s approval as appropriate; and</p> <p>(b) in the event that a non-recurrent commitment is not to be created, inform the relevant LegCo Panel of the details of the funding/accounting arrangement adopted.</p>	<p>For implementing similar projects in future, HAD would work with the Financial Services and the Treasury Bureau, where necessary, on the appropriate overall funding arrangement and would inform the relevant LegCo Panel of the arrangement as appropriate.</p> <p>As the recommendation will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.</p>
<p>Page 147 of the PAC</p>	<p>PAC urges the HAD to consider creating a non-recurrent commitment for similar projects in future as far as</p>	

Para. No.	Audit's/PAC's Recommendations	Progress to date
Report	possible and seek the FC's approval as appropriate.	
<i>Processing of Applications</i>		
Para. 3.24 of the Audit Report	<p>Audit has recommended that Director of Home Affairs should:</p> <p>(a) take measure to ensure that when the ESR Advisory Committee (ESRAC) members declare possible conflict of interest regarding an application, the Chairman's ruling as to whether they need to withdraw from the meeting is explicitly made and documented in the minutes; and</p> <p>(b) take measures to expedite the processing of applications as far as possible.</p>	<p>(a) HAD has properly documented the declarations of possible conflict of interest in the ESRAC regarding applications and the rulings of the Chairman in the minutes of meeting since February 2014.</p> <p>(b) HAD has shortened the processing time for funding applications through various measures, like setting deadlines (normally 14 days) for applicants to provide supplementary information etc.. The average processing time of the recent two phases of applications was further cut short to 105 days, as compared with an average of 126 days in previous phases. We would continue to explore measures to shorten the processing time.</p> <p>As the recommendations have been implemented, we recommend that this part should be deleted from the next progress report.</p>
Page 144 of the PAC Report	PAC urges the HAD to continue monitoring the processing of applications and take appropriate actions where necessary, to prevent the processing time from becoming unduly long.	HAD has taken action to shorten the processing time for funding applications through various measures including setting early deadlines for submission of supplementary information. HAD would continue to monitor the processing of applications and explore ways to further shorten the

Para. No.	Audit's/PAC's Recommendations	Progress to date
		<p>processing time.</p> <p>As the recommendation has been implemented, we recommend that this part should be deleted from the next progress report.</p>
<i>Determination of Capital and Operating Grants</i>		
<p>Para. 3.33 of the Audit Report</p>	<p>Audit has recommended that Director of Home Affairs should:</p> <p>(a) examine whether refundable deposits are to be funded by the capital grant and, if so, whether a mechanism should be established to recover the amount when the deposit is refunded to the grantee;</p> <p>(b) take measures to ensure that the cost of trading stock does not receive double funding from both the capital grant and the operating grant; and</p> <p>(c) for each approved project, state clearly the basis and the justifications for determining the operating grant.</p>	<p>(a) HAD has revised the application guidelines for ESR Programme such that grantees entering into agreements with the Government from August 2014 onwards should return the refundable deposits to the Government before the monitoring period of the SEs concerned expires. However, given that the purpose of the ESR Programme is to provide seed grants to eligible applicants for setting up SEs and taking into account the advice of the ESRAC, consideration would be given to allowing the grantees, upon application, to invest the refundable deposit in the operation of the SEs.</p> <p>(b) The HAD has revised the guidelines setting out that trading stocks will not be funded under capital grants from August 2014 onwards.</p> <p>(c) Since November 2013, the ESR Programme Secretariat has stated clearly in its submissions to the Assessment Panels of the ESRAC the basis of calculating the recommended operating grant.</p> <p>As the recommendations have been implemented, we recommend that this part should be deleted from the next progress report.</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
Page 146 of the PAC Report	PAC urges the HAD to expeditiously update the guidelines to ensure the proper funding of the capital and operating grants.	<p>HAD has revised the relevant guidelines to ensure proper funding of the capital and operating grants since August 2014.</p> <p>As the recommendation has been implemented, we recommend that this part should be deleted from the next progress report.</p>
<i>Effectiveness of the ESR Programme</i>		
Para. 3.51 of the Audit Report	<p>Audit has recommended that Director of Home Affairs should:</p> <p><u><i>Sustainability of funded SEs</i></u></p> <p>(a) continue to monitor the financial performance of SEs after the funding period for evaluating their sustainability, and provide necessary advice and support to help them achieve a self-financing status, where appropriate;</p> <p><u><i>Jobs created by funded SEs</i></u></p> <p>(b) strengthen the monitoring of the creation of jobs by funded SEs, and provide necessary advice and assistance to help them achieve the job creation target;</p> <p>(c) require the applicants/grantees to provide more detailed information about the jobs to be or actually created (e.g. breakdowns into full-time and part-time jobs, and breakdowns of part-time jobs into different bands according to the number of working hours of a job) in the applications and progress reports for the HAD's assessment and monitoring;</p>	<p>(a) While priority would be given to newly formed ESR SEs, HAD would provide advice to the funded SEs after the funding period, where appropriate.</p> <p>(b) HAD would render further assistance to the ESR SEs which could not meet the targets, where appropriate, with a view to improving their job creation situation, such as giving advice to the SEs concerned on their improvement plans.</p> <p>(c) HAD has been providing information on the full-time and part-time jobs to be created in the application/progress report. As for information on part-time job, HAD has revised the application and progress report forms since August 2014 to request applicants and grantees to provide the working hours of such jobs to be created/actually created.</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
	<p>(d) consider setting a selection criterion for assessing applications based on the average grant per job to be created;</p> <p><i><u>Jobs created for the socially disadvantaged</u></i></p> <p>(e) specify and define clearly the socially disadvantaged groups targeted for support under the ESR Programme;</p> <p>(f) strengthen the monitoring of the funded SEs in employing the socially disadvantaged;</p> <p><i><u>Enhancing self-reliance</u></i></p> <p>(g) analyse periodically the survey results of questionnaires completed by employees to evaluate the effectiveness of funded projects in enhancing employees' self-reliance;</p> <p>(h) consider requiring grantees to provide information about the number of employees who have moved on to open labour market after joining the funded SEs; and</p> <p><i><u>Performance information provided to LegCo</u></i></p> <p>(i) provide more comprehensive information to LegCo on the number and details of jobs created</p>	<p>(d) The ESR Secretariat would state the amount of funds applied, number of full-time and part-time jobs to be created and the working hours involved in the case of part-time jobs when presenting an application to the ESRAC and its Assessment Panels for consideration.</p> <p>(e) HAD has revised the application guidelines for the ESR Programme to define more clearly the target groups supported under the ESR Programme.</p> <p>(f) During its surprise visits to ESR SEs, HAD would check employment records kept by them with particular attention paid to the employment of the socially disadvantaged.</p> <p>(g) HAD would continue to conduct periodical analysis on self-reliance of the employees as indicated in questionnaires completed by employees of ESR SEs.</p> <p>(h) HAD has requested grantees to provide information on the number of employees who have moved on to the open labour market since its 2014 annual questionnaire survey on employment situation of ESR SEs.</p> <p>(i) HAD would provide more information to LegCo on job creation under the ESR Programme</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
	<p>under the ESR Programme in future.</p>	<p>as and when it submits progress reports on the work for supporting SEs.</p> <p>As the recommendations have been implemented/will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.</p>
<i>Monitoring of Projects</i>		
<p>Para. 3.62 of the Audit Report</p>	<p>Audit has recommended that the Director of Home Affairs should, in respect of the ESR Programme:</p> <p>(a) take measures to enhance the project monitoring system;</p> <p>(b) scrutinise the progress reports and audited accounts submitted by grantees to ensure compliance with the terms of the funding agreements;</p>	<p>(a) HAD has reviewed the monitoring mechanism since 2013 with a view to enhancing the effectiveness of keeping track of progress reports. For example, the reminders to grantees for outstanding reports have been revised to state clearly the importance of timely submission of report such that the disbursement of approved grant could be made in time; cases which fail to finalise the reports in two months after the deadline despite repeated reminders would be brought to the attention of the senior management of the parent organization of the funded SEs.</p> <p>(b) In October 2013, HAD revised the "Notes to Auditors of Grantees" to require the auditor of a project to clearly confirm in his/her auditor report the grantee's compliance with the requirement that all profits should be used solely and exclusively for the project. HAD would continue to remind auditors to examine grantees' compliance with the terms of the funding agreements in carrying out the audits of projects.</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
	<p>(c) use the net deficit basis for determining the unspent grants to be recovered and lay down such basis in the ESR Guide; and</p> <p>(d) remind grantees of the arrangement for them to put up proposals with justifications for utilising the unspent grants for sustaining or expanding the business.</p>	<p>For items (c) and (d), HAD has revised the application guidelines for the ESR Programme stating that with effect from August 2014, unspent grants would be determined on the basis of net deficit of the projects. Grantees are reminded of the need to apply to ESRAC should they wish to utilize the unspent grants for sustaining or expanding business.</p> <p>As the recommendations have been implemented, we recommend that this part should be deleted from the next progress report.</p>
Part 4 - Publicity and Promotional Work		
<i>Publicity Initiatives</i>		
<p>Para. 4.22 of the Audit Report</p>	<p>Audit has recommended that Secretary for Home Affairs should:</p> <p>(a) continue to showcase successful SEs by organising the SE Award Scheme, and to explore ways to further publicise the success stories of SEs;</p> <p>(b) Update the Home Affairs Bureau (HAB)'s booklets about SEs to take into account new developments; and</p> <p>(c) continue to make use of the SE website for more effective sharing of information useful to the SE sector.</p>	<p>HAB would continue to organize SE Award Scheme and pursue other publicity measures to publicise the success stories of SEs, update the HAB's booklets and website on SEs.</p> <p>As the recommendations will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.</p>
<p>Para. 4.23 of the Audit Report</p>	<p>Audit has recommended that Director of Home Affairs should:</p> <p>(a) improve the synergy between the Friends of SE Award Scheme and the Mentorship Scheme by encouraging awardees of the Award Scheme to become mentors of the Mentorship Scheme;</p>	<p>(a) HAD had invited awardees of the Friends of SE Award Scheme 2013 to serve as mentors in the SE Mentorship Scheme, and four awardees accepted the invitation up to July 2014.</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
	<p>(b) in arranging SEs to participate in market fairs, consider expanding the invitation lists to cover other SEs not funded under the ESR Programme, where appropriate and practicable;</p> <p>(c) in publishing advertorials on SEs in newspapers and magazines, consider also uploading them onto the SE website;</p> <p>(d) make better use of the SE website to disseminate updated information of promotional activities of SEs;</p> <p>(e) given the availability of a more comprehensive SE directory maintained by the SEBC, review whether the HAD's SE directory is still required and, if so, what enhancements can be made; and</p> <p>(f) remind District Offices to display, whenever appropriate, SE publicity materials during district activities.</p>	<p>(b) Non-ESR SEs have been invited to participate in the 2014 SE District Carnival to be held in December 2014. While priority would be given to ESR SEs, HAD would consider expanding the invitation list to non-ESR SEs, where appropriate and practicable in the future.</p> <p>(c) Since February 2014, HAD has uploaded advertorials on SE special offers published in newspapers and magazines onto the SE website during the special offer validity period.</p> <p>(d) HAD has made better use of the SE website such as pop-out windows to disseminate updated information on SE promotion activities. In this connection, a new "What's New" Section has been launched since June 2014. HAD would continue to disseminate updated information of the support measures to SEs through the website.</p> <p>(e) HAD has reviewed the need to keep the SE directory on the SE website and would make the directory more user-friendly, such as better categorization of the SEs.</p> <p>(f) HAD has reminded District Offices to display SE publicity materials in district venues and at district activities, wherever appropriate, since early 2014.</p> <p>As the recommendations have been implemented, we recommend that this part should be deleted from the next progress report.</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
<i>Partnership Programme</i>		
Para. 4.40 of the Audit Report	<p>Audit has recommended that Director of Home Affairs should:</p> <ul style="list-style-type: none"> (a) take measures to ensure that mentorships are arranged in a timely manner for registered mentees; (b) put in place a system to review questionnaires completed by participants of the Mentorship Scheme to examine their feedback and comments for compiling management information; (c) keep in view the need to have the Mentorship Scheme open to SEs other than projects under the ESR Programme; (d) take measures to encourage more projects under the ESR Programme to participate in the Mentorship Scheme as intended; (e) regularly update the particulars of recruited mentors; 	<ul style="list-style-type: none"> (a) HAD has reviewed the operation of the Mentorship Scheme and introduced various measures to enhance the efficiency and effectiveness of the Scheme, including shortening the processing time, inviting mentors in the pool of Friends of SE awardees and volunteers from different professions, etc.. (b) HAD would properly document analysis of the questionnaires completed by participants of the Mentorship Scheme and examine their feedback. Such information would be taken into due account in further refining the Mentorship Scheme. (c) While priority would be given to ESR SEs for the time being, HAD would keep in view the possibility of providing Mentorship support to the non-ESR SEs. (d) HAD has taken various measures to encourage ESR SEs to join the Mentorship Scheme such as briefing successful applicants of the details of the Mentorship Scheme, inviting mentees for new mentorship programme after the end of the existing mentorship period, etc.. (e) HAD launched an updating exercise of the particulars of mentors on the Mentorship Scheme in August 2014 and would conduct

Para. No.	Audit's/PAC's Recommendations	Progress to date
	<p>(f) review the effectiveness of the Matching Forum and identify measures to further promote the formation of partnerships between SEs and the business sector; and</p> <p>(g) enhance the publicity of the Matching Forum and provide a ready channel for putting up proposals on the SE website.</p>	<p>the updating exercise on regular basis.</p> <p>For items (f) and (g), HAD has reviewed the Matching Forum. In future, HAD would concentrate its efforts on promoting cross-sector collaboration by enhancing public awareness of SEs, giving due recognition to individuals or organisations supporting SEs in various forms, making the SE directory on the SE website more user-friendly to facilitate easy access to information on individual SEs by the public, etc..</p> <p>As the recommendations will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.</p>
Part 5 - Way Forward		
<i>Role of the Social Enterprise Advisory Committee</i>		
<p>Para. 5.9 of the Audit Report</p>	<p>Audit has recommended Secretary for Home Affairs should consider taking measures to facilitate Social Enterprise Advisory Committee (SEAC) to advise the Government on the necessary updates on the strategies, programmes and activities for promoting the development of SEs, taking into account the efforts made so far by the Government and SE support organisations, the results of the research study, and relevant overseas experience.</p>	<p>HAB will continue to facilitate SEAC's role in advising the Government on devising SE strategies, programmes and activities.</p> <p>As the recommendations will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.</p>
<i>Pilot scheme for priority bidding</i>		
<p>Para. 5.15 of the Audit Report</p>	<p>Audit has recommended Secretary for Home Affairs should:</p> <p>(a) consider reviewing the need and feasibility of providing other forms of support to SEs in bidding</p>	<p>To promote fair, competitive and open bidding is one of the principles in government procurement. The pilot</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
	<p>government service contracts, having regard to the Government's procurement principles of fairness and open competition; and</p> <p>(b) inform the LegCo Panel on Welfare Services the outcome of the review in (a) above and the cessation of the trial scheme for priority bidding of government service contracts by SEs.</p>	<p>scheme had been designed as a transitional measure and had achieved its mission of familiarizing B/Ds with SEs and gaining their confidence in SEs' general capability of fulfilling contract requirements. We plan to brief the LegCo Panel on Welfare Service on the outcomes of the scheme as part of the update of the overall SE development strategy upon completion of the SE research study commissioned by the SEAC in end 2014.</p>
<p>Page 151 of the PAC Report</p>	<p>The pilot scheme for priority bidding of selected government service contracts by SEs was discontinued in July 2012, but the LegCo Panel on Welfare Services had not yet been informed of the latest development.</p>	
<i>Funding Schemes of Different Bureaux and Departments</i>		
<p>Para. 5.27 of the Audit Report</p>	<p>Audit has recommended that the Secretary for Home Affairs and Director of Home Affairs should periodically take stock of the progress and outcome of the efforts made by relevant B/Ds that may contribute to the development of SEs, in particular their funding schemes for setting up SEs, with a view to promoting best practices, identifying service gaps as well as creating synergies.</p>	<p>HAB is the policy bureau for supporting development of SEs and has been stocktaking the various government initiatives that could benefit SEs and has already made available such information on the SE website. HAB would continue to engage SEs, stakeholders and B/Ds with a view to creating partnership and synergies and ensuring best utilization of public resources.</p> <p>As the recommendation will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.</p>
<p>Para. 5.28 of the Audit Report</p>	<p>Audit has recommended that Director of Home Affairs and the Director of Social Welfare should jointly review the ESR Programme and the 3E Project, covering their ambit, target groups, and terms and conditions, with a view to identifying any synergistic effects</p>	<p>HAD and SWD have jointly reviewed the ambits, target groups, and terms and conditions, etc. of the ESR Programme and the 3E Project with a view to enhancing the collaboration and synergistic effect of the two schemes. Subsequent to the review, SWD and</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
	<p>between the two funding schemes to improve their future operations.</p>	<p>HAD have enhanced the cross-checking mechanism between the two Programmes so as to avoid duplication in provision of grants to applicants under the 3E and ESR Programme for setting up SEs at the same venue; SWD has invited representative of HAD to serve as member of the Advisory Committee for 3E Projects of SWD so as to facilitate more efficient exchange of information and extended the contract period of the 3E project from four to five year with a view to further strengthening the support and monitoring of funded businesses; and HAD would encourage ESR applications with over 50% of employees with disabilities to apply for the 3E project, etc..</p> <p>As the recommendation will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.</p>
<i>Developing a definition and regulatory framework for SEs</i>		
<p>Para. 5.38 of the Audit Report</p>	<p>Audit has recommended that Secretary for Home Affairs should, in consultation with the SEAC, keep in view the need to formulate a more refined definition and an official list of SEs for promoting the long-term sustainable development of SEs, taking into account the findings of the research study to be completed in April 2014.</p>	<p>The mode of SE development in different places has evolved out of their own social and historical backgrounds. At present, we have not adopted the legislative approach because local SEs are in their incubation stage and it is better to encourage diversity in their developments. But we will keep in view the need to formulate a more refined definition, and we will keep the SE Directory updated to support the long-term development of SEs.</p> <p>As the recommendations will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
<i>Accountability and Performance Management</i>		
Para. 5.42 of the Audit Report	Audit has recommended that the Secretary for Home Affairs and Director of Home Affairs should develop more useful performance targets and indicators for measuring and reporting the progress made on promoting the development of SEs, and publish them in the Controlling Officer's Report (CORs).	HAB/HAD would devise appropriate performance indicators in consultation with relevant B/Ds and the SE sector so as to reflect the progress made on SE promotion for publication in the CORs.

Recruitment of Staff
Updated Progress of Implementing Audit's Recommendations

Para. No.	Audit's Recommendations	Progress to date
Part 2: Open recruitment of civil servants		
2.17	<p>Audit has recommended that the Secretary for the Civil Service should:</p> <p>(a) amend the Civil Service Regulations (CSRs) to reflect all the streamlining measures implemented between 2007 and 2009 for shortening the recruitment process, and ensure that B/Ds implement them properly in conducting recruitment exercises;</p> <p>(b) remind B/Ds of the need to draw up a recruitment schedule to specify the timeframe for each stage of a recruitment exercise and follow the prevailing guidelines in monitoring the progress; and</p> <p>(c) monitor and conduct regular analyses of the time taken by B/Ds to complete open recruitment exercises, with a view to:</p> <p>(i) assessing the overall effectiveness of the streamlining measures in speeding up civil service recruitment and ascertaining the need for introducing further streamlining measures service-wide;</p> <p>(ii) identifying open recruitment exercises that have taken a very long time</p>	<p>(a) and (b) CSB has reviewed the relevant parts in the CSRs. The updating work is in progress and we expect to promulgate the updated CSRs to B/Ds by end 2014. CSB will also remind B/Ds to implement the recruitment arrangements in the CSRs properly, including the need to draw up a recruitment schedule and to monitor the recruitment progress.</p> <p>CSB has stepped up monitoring by requiring B/Ds to report statistics of recruitment exercises regularly. CSB expects the returns for the recruitment exercises launched in 2013-14 to be available by end 2014. For recruitment exercises that have taken a relatively long time to complete, CSB will work with the B/Ds concerned to identify room for shortening the recruitment process. For those exercises that can be completed in a short time, CSB will identify good practices for streamlining the recruitment process and share with B/Ds as appropriate. To sum up, CSB would continue to work with B/Ds in considering</p>

Para. No.	Audit's Recommendations	Progress to date
	<p>to complete so as to provide specific guidance to the B/Ds concerned to help them shorten their recruitment processes; and</p> <p>(iii) identifying open recruitment exercises that have been completed in a very short timeframe to see whether there are any good practices that can be shared with other B/Ds.</p>	<p>suitable refinements to the recruitment process.</p>
<p>2.18</p>	<p>Audit has recommended that the Secretary for the Civil Service, Secretary for Education, Commissioner of Correctional Services, Director of Food and Environmental Hygiene and Director of Leisure and Cultural Services should ensure that their staff draw up a recruitment schedule to specify the timeframe for each stage of a recruitment exercise and/or follow the prevailing guidelines in monitoring the progress.</p>	<p>CSB has taken appropriate follow-up actions in using recruitment schedules and monitoring the recruitment progress, such as through regular in-house meetings.</p> <p>The Education Bureau (EDB) has formalized the use of recruitment schedule in all recruitment exercises of civil servants. Progress of recruitment exercises is also monitored at monthly regular in-house meetings.</p> <p>The Correctional Services Department (CSD) has all along formulated recruitment schedules before the commencement of the large-scale recruitment exercises of Officers and Assistant Officer II. Since February 2014, CSD has also drawn up individual schedules for all small-scale recruitment exercises once the number of applications is ascertained. The progress of recruitment exercises is now closely monitored in a weekly management meeting chaired by an Assistant Commissioner.</p>

Para. No.	Audit's Recommendations	Progress to date
		<p>The Food and Environmental Hygiene Department (FEHD) has incorporated Audit's recommendation in the relevant action checklist/manual respectively. All staff responsible for appointments have been reminded to comply with the relevant action checklist/manual and prevailing guidelines issued by CSB.</p> <p>For the Leisure and Cultural Services Department (LCSD), recruitment schedules have now been drawn up for all recruitment exercises to facilitate monitoring of the progress of the exercises.</p> <p>As follow-up actions will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
2.19	<p>Audit has recommended that the Commissioner of Correctional Services should:</p> <p>(a) continue to work on streamlining the procedures for arranging skill tests/examinations; and</p> <p>(b) set a deadline for completing the comprehensive review of the overall recruitment processes.</p>	<p>CSD has taken a number of initiatives to streamline the procedures for arranging skill tests/examinations, such as engaging external examination bodies once the recruitment exercises have been launched or conducting skill test in-house whenever practicable.</p> <p>CSD commenced a comprehensive review of the overall recruitment processes in mid-February 2014. The review is expected to be completed by end 2014.</p>
2.20	<p>Audit has recommended that the Secretary for Education should review the long time taken to arrange recruitment formalities and make offers of appointment in the</p>	<p>EDB has reviewed the process of the three recruitment exercises and has taken the following improvement measures to ensure efficiency of recruitment work –</p>

Para. No.	Audit's Recommendations	Progress to date
	<p>three open recruitment exercises mentioned in paragraph 2.12 and take appropriate improvement measures.</p>	<p>(a) to arrange concurrent completion of steps whenever possible with a view to shortening the lead time for recruitment formalities; and</p> <p>(b) for recruitment ranks with streaming, to seek the advice of the Public Service Commission (PSC) as soon as the selection interview for a stream has been completed without waiting for the completion of the entire exercise.</p> <p>As follow-up actions will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
2.29	<p>Audit has recommended that the Secretary for the Civil Service should:</p> <p>(a) provide B/Ds with appropriate guidelines on the period allowed for submitting applications in open recruitment exercises and remind B/Ds that the period normally should not be lengthened without good reasons;</p> <p>(b) provide B/Ds with guidelines on using e-mail for communicating with candidates; and</p> <p>(c) remind B/Ds to verify candidates' local qualifications when they attend recruitment examinations/selection interviews, instead of requiring candidates to send copies of their local qualification documents at the application stage, unless it is operationally necessary to do so.</p>	<p>(a) – (c) CSB has updated the relevant guidelines and reminded B/Ds accordingly.</p> <p>As follow-up actions have been taken, we recommend deleting this part from the next progress report.</p>

Para. No.	Audit's Recommendations	Progress to date
2.30	<p>Audit has recommended that the Director of Leisure and Cultural Services should ensure that LCSD staff verify candidates' local qualifications when they attend recruitment examinations/selection interviews, instead of requiring candidates to send copies of their local qualification documents at the application stage, unless it is operationally necessary to do so.</p>	<p>LCSD no longer requires candidates to send copies of their local qualification documents at the application stage unless it is operationally necessary to do so and will verify their local qualifications when they attend recruitment examinations/selection interviews.</p> <p>As follow-up actions will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
2.36	<p>Audit has recommended that the Secretary for the Civil Service should:</p> <p>(a) review open recruitment exercises having a high percentage of unqualified candidates together with the B/Ds concerned and implement effective measures to address the issue;</p> <p>(b) monitor the effectiveness and adequacy of the enhancement of the online application system to address the issue of unqualified applications;</p> <p>(c) remind B/Ds to consider assessment tools such as recruitment examinations or preliminary interviews apart from shortlisting criteria to assist in identifying suitable candidates, and provide them with necessary assistance; and</p>	<p>(a) and (b) CSB has stepped up monitoring by requiring B/Ds to report statistics of recruitment exercises regularly. In addition, to reduce the number of unqualified applications, CSB has implemented improvement measures since 2013 by revising the standard application form for civil service jobs and enhancing the online job application system to add built-in reminders for applicants to confirm that they meet the entry requirements of the jobs selected. CSB will continue to monitor the situation and work with B/Ds on further improvement measures as appropriate.</p> <p>CSB has updated the relevant guidelines and reminded B/Ds accordingly.</p> <p>As follow-up actions have been taken, we recommend deleting this part from the next progress report.</p>

Para. No.	Audit's Recommendations	Progress to date
	(d) explore with the PSC as to whether the requirement to submit the shortlisting criteria and shortlisting result to the PSC for advice can be dispensed with if the criteria are the same as those adopted in the preceding recruitment exercise for the same rank.	PSC is agreeable to the recommendation. CSB has updated the relevant guidelines and reminded B/Ds accordingly. As follow-up actions have been taken, we recommend deleting this part from the next progress report.
2.41	<p>Audit has recommended that the Secretary for the Civil Service should:</p> <p>(a) remind B/Ds of the need to give sufficient and uniform advance notice of a skill test/examination to all candidates to facilitate their preparation;</p> <p>(b) review the requirements on the formation of recruitment board and provide B/Ds with clear guidelines; and</p> <p>(c) provide B/Ds with further guidelines on conducting group interviews in the recruitment process.</p>	<p>(a) – (c) CSB has updated the relevant guidelines and reminded B/Ds accordingly.</p> <p>As follow-up actions have been taken, we recommend deleting this part from the next progress report.</p>
2.42	<p>Audit has recommended that the Secretary for the Civil Service, Secretary for Education, Commissioner of Correctional Services and Director of Food and Environmental Hygiene should ensure that their staff give sufficient and uniform advance notice of a skill test/examination to all candidates to facilitate their preparation.</p>	<p>CSB, EDB, CSD and FEHD have taken appropriate follow-up actions to ensure that their staff give sufficient and uniform advance notice of a skill test/examination to all candidates.</p> <p>As follow-up actions will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
2.48	<p>Audit has recommended that the Secretary for the Civil Service should provide B/Ds with guidelines</p>	<p>CSB has updated the relevant guidelines and reminded B/Ds accordingly.</p>

Para. No.	Audit's Recommendations	Progress to date
	on making offers of appointment by batch.	As follow-up actions have been taken, we recommend deleting this part from the next progress report.
Part 3: In-service recruitment of civil servants		
3.24	<p>Audit has recommended that the Secretary for the Civil Service should:</p> <ul style="list-style-type: none"> (a) review the issues relating to the in-service recruitment of controlled grade staff identified by Audit in paragraphs 3.14 to 3.19; (b) based on the review results in (a) above, improve the recruitment arrangements for the controlled grades; (c) review and revise as appropriate the following selection criteria for controlled grades: <ul style="list-style-type: none"> (i) grades where the new intakes normally come from in-service recruitment; and (ii) grades requiring skill sets that are commonly available within the civil service or can easily be acquired through training; and (d) for all grades selected as controlled grades based on the surplus staff criterion, monitor their surplus staff situation to see whether the criterion remains applicable. 	<p>(a) – (d) CSB is conducting a review on the recruitment mechanism for controlled grades, including the set of criteria for control and the arrangements of in-service recruitment. CSB will take into account the recommendations made by Audit in the review.</p>
3.29	Audit has recommended that the Secretary for the Civil Service should regularly remind B/Ds that:	

Para. No.	Audit's Recommendations	Progress to date
	<p>(a) in-service recruitment should only be conducted under special justifiable circumstances in accordance with the CSB guidelines; and</p> <p>(b) the advice of the PSC or CSB should be sought before conducting in-service recruitment for the specified grades.</p>	<p>(a) and (b) CSB will regularly remind B/Ds to follow the prevailing guidelines on in-service recruitment and to seek the advice of PSC or CSB, as appropriate, before conducting in-service recruitment exercises.</p> <p>As follow-up actions will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
3.30	<p>Audit has recommended that the Commissioner of Correctional Services should:</p> <p>(a) recruit staff through open recruitment as a norm and conduct in-service recruitment only under special justifiable circumstances; and</p> <p>(b) seek the advice of the PSC or CSB, where required by the CSB guidelines, before conducting in-service recruitment.</p>	<p>(a) and (b) In the first six months of 2014, CSD launched 12 recruitment exercises, 11 of which were open recruitment exercises. The only in-service recruitment exercise conducted by CSD was the recruitment of Technical Instructor (Printing), as serving Instructors possessed the expertise unique to and required of the post concerned. CSD had sought CSB's advice before launching the in-service recruitment exercise.</p> <p>As follow-up actions will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
3.37	<p>Audit has recommended that the Secretary for the Civil Service should:</p> <p>(a) complete reviewing the concessionary in-service appointment requirements for the Administrative Officer, Executive Officer II and Assistant Clerical Officer ranks</p>	<p>CSB has completed the reviews of the concessionary in-service appointment requirements for the Administrative Officer, Executive Officer II and Assistant Clerical Officer ranks and considers that the</p>

Para. No.	Audit's Recommendations	Progress to date
	<p>as soon as possible; and</p> <p>(b) find out whether all B/Ds concerned have completed the reviews of the concessionary in-service appointment requirements set by them for the ranks concerned and take appropriate follow-up action.</p>	<p>concessionary in-service appointment arrangements should be retained.</p> <p>As follow-up actions have been taken, we recommend deleting this part from the next progress report.</p> <p>CSB has asked B/Ds concerned to advise whether they have conducted reviews of the concessionary in-service appointment requirements for the ranks concerned. It is noted that most ranks have completed the reviews. For the remaining ones, CSB has requested B/Ds concerned to complete the reviews by end 2014. CSB will continue to liaise with those B/Ds in this regard.</p>
Part 4: Recruitment of non-civil service staff		
4.13	<p>Audit has recommended that the Secretary for the Civil Service should:</p> <p>(a) find out why many B/Ds did not use the CSB's job application system in conducting recruitment exercises for non-civil service contract (NCSC) staff; and</p> <p>(b) take appropriate measures to facilitate B/Ds' use of the system to enhance efficiency.</p>	<p>(a) and (b)</p> <p>Having consulted relevant B/Ds, CSB notes that B/Ds do not use the system for reasons such as the recruitment exercises being of small scale, or when it is expected that the prospective applicants would be less prepared to apply online.</p> <p>CSB has encouraged B/Ds to make more use of the electronic application system in recruiting NCSC staff and will consider suitable measures to facilitate B/Ds in using the system where appropriate.</p> <p>As follow-up actions will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>

Para. No.	Audit's Recommendations	Progress to date
4.14	<p>Audit has recommended that the Commissioner of Correctional Services should:</p> <p>(a) draw up appropriate procedures for the recruitment of NCSC staff; and</p> <p>(b) ensure that CSD staff conduct recruitment exercises for NCSC staff properly in accordance with such procedures.</p>	<p>(a) and (b) CSD has been formulating the procedures for recruitment of NCSC staff.</p>
4.15	<p>Audit has recommended that the Director of Leisure and Cultural Services should:</p> <p>(a) closely monitor the staff turnover of the NCSC positions of Music Officers (MO), Stage Management Officers and Stage Technicians, and agree/finalise with the CSB on the way forward for the positions at an early date; and</p> <p>(b) remind LCSD staff of the need to authenticate candidates' non-local qualifications in conducting recruitment exercises for NCSC staff.</p>	<p>Since the restructuring of the NCSC positions of MO in early 2014, there has been no staff turnover so far. LCSD will continue to monitor the situation.</p> <p>LCSD has completed the reviews on the NCSC positions of MO, Stage Management Officers and Stage Technicians and is consulting the HAB on the staffing proposals. It will consult CSB in due course. For the NCSC positions with long-term needs, LCSD will seek to replace them with civil service posts in accordance with the established procedures.</p> <p>LCSD has reminded all recruiting offices of the need to authenticate candidates' non-local qualifications.</p> <p>As follow-up actions will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>

Para. No.	Audit's Recommendations	Progress to date
4.22	<p>Audit has recommended that the Director of Food and Environmental Hygiene should ensure that, in conducting restricted recruitment exercises for non-civil service staff under special justifiable circumstances, proper documentation on the recruitment process and decisions is maintained.</p>	<p>FEHD has incorporated Audit's recommendations in the relevant action checklist/manual respectively. All staff responsible for appointments have been reminded to comply with the relevant action checklist/manual and prevailing guidelines issued by CSB.</p> <p>As follow-up actions will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
Part 5: Way forward		
5.5	<p>To fill vacancies arising from wastage and creation of posts in a timely manner, Audit has recommended that the Secretary for the Civil Service should work with the PSC to:</p> <p>(a) keep a closer monitoring of the recruitment efforts among the B/Ds;</p> <p>(b) assist Controlling Officers to speed up recruitment exercises, analyse long period of vacancies and devise solutions, and enhance/improve the mechanism in gathering recruitment statistics; and</p>	<p>(a) and (b)</p> <p>CSB has stepped up monitoring by requiring B/Ds to report statistics of recruitment exercises regularly. CSB expects the returns for the recruitment exercises launched in 2013-14 to be available by end 2014. For recruitment exercises that have taken a relatively long time to complete, CSB will work with the B/Ds concerned to identify room for shortening the recruitment process. For those exercises that can be completed in a short time, CSB will identify good practices for streamlining the recruitment process and share with B/Ds as appropriate. To sum up, CSB would continue to work with B/Ds in considering suitable refinements to the recruitment process.</p>

Para. No.	Audit's Recommendations	Progress to date
	(c) review the controlled grade arrangements.	CSB is conducting a review on the recruitment mechanism for controlled grades, including the set of criteria for control and the arrangements of in-service recruitment. CSB will take into account the recommendations made by Audit in the review.
