

THE GOVERNMENT MINUTE

in response to the

**REPORT OF
THE PUBLIC ACCOUNTS COMMITTEE
No. 66**

of July 2016

19 October 2016

**THE GOVERNMENT MINUTE IN RESPONSE TO THE
PUBLIC ACCOUNTS COMMITTEE REPORT NO. 66
DATED JULY 2016**

**REPORT ON THE RESULTS OF VALUE FOR
MONEY AUDITS (Report No. 66)**

Chapter 1 – Efforts of the Rating and Valuation Department in safeguarding revenue on rates and government rent

Rates and government rent are important and stable sources of government revenue. The Rating and Valuation Department (RVD) has all along attached great importance to both the assessment and collection of rates and government rent so as to safeguard government revenue. The Government generally agrees with the recommendations made by the Audit Commission (Audit) and the Public Accounts Committee (PAC). RVD has taken follow-up actions on the recommendations in collaboration with the relevant departments.

Collection of rental information

2. Collecting rental information is vital for RVD to establish a comprehensive and reliable database so as to facilitate its annual general revaluation exercise. Since RVD at present collects rental information from various sources (not limited to requisition forms) and RVD's annual revaluation is based on the overall rental level of all properties, the overall impact of having inaccuracies in rental information provided on individual requisition forms is therefore limited. That said, RVD has, in the light of recommendations of the Audit and the PAC, explored various possible measures to ensure timely return of sufficient and accurate rental information from ratepayers. For example, it has enhanced the publicity through various channels to raise the public awareness of ratepayers' responsibilities to furnish accurate and full rental particulars in the requisition forms, and would touch base with ratepayers who have made minor technical errors in the submissions so as to remind them of the importance of furnishing accurate and full rental particulars. RVD will closely monitor the situation and step up enforcement actions as appropriate.

3. RVD and the Buildings Department (BD) have also agreed to put in place a cost-effective and paperless mechanism for transferring information on subdivided properties from BD to RVD on a quarterly basis, so that RVD can correspondingly reflect the nature of subdivided properties (which are difficult to detect merely by general external inspections) in their rating assessments during annual revaluation in order to safeguard government revenue.

Interim valuations of altered properties

4. Apart from subdivided properties, the above notification mechanism will also provide RVD with information on unauthorised building works (UBWs) with removal order issued but not yet demolished. This will enable RVD to conduct interim valuations of altered properties in a more timely manner.

5. Furthermore, RVD will continue to follow the well-established rating principles in dealing with the rating assessments of UBWs. In order to avoid the situation where individual unassessed UBWs could escape from rating assessment for a long period because the removal orders issued have not been complied with, RVD has set up a bring-up system to keep track of those existing UBWs with removal orders issued but not yet demolished, such that timely interim valuations would be made within the 24-month time-bar to fully recover rates.

Rates exemption for rural properties

6. RVD will conduct inspection of village houses within designated village areas (DVAs) in a phased manner, with a view to ensuring that only those in compliance with the prescribed statutory requirements are exempted from rates. For houses within DVAs where non-compliance has been detected and where rateable values have been assessed for government rent purposes, RVD has already issued rates demands by phases starting from June 2016. As regards other non-compliant houses within DVAs, RVD will work out a plan by the end of 2016, with a view to issuing rates demands by phases starting from the first quarter of 2017. To enhance information sharing amongst departments for coordinated efforts, BD and Lands Department (LandsD) have also agreed to share with RVD and the Home Affairs Department (HAD) all relevant information in a timely manner. This will help expedite RVD's and HAD's work in detecting cases, whether within DVAs (for RVD) or outside DVAs (for HAD), which can no longer meet the statutory building specifications required for rates exemption.

Collection of rates and government rent

7. In March 2016, RVD revised its internal instruction to remind their staff to refer outstanding arrears cases with charging orders, where warranted, to LandsD as early as possible for the latter's consideration of re-entry or vesting action. As regards bona vacantia cases, LandsD will continue to conduct investigation and take appropriate actions. It has reminded its staff to keep RVD informed, in a timely manner, of the possession and disposal of bona vacantia properties or relevant information, so as to facilitate RVD's updating of the rating assessment and account records.

Progress made in implementing the Audit's recommendation

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

Chapter 2 – Fresh food wholesale markets

9. The Government accepts all the recommendations from Director of Audit regarding the fresh food wholesale markets in his Report No. 66. The Food and Health Bureau (FHB) and the Agriculture, Fisheries and Conservation Department (AFCD) have taken follow-up actions to take forward Audit's recommendations.

Utilization of public fresh food wholesale markets

10. AFCD has been keeping in view the utilisation of facilities of its wholesale markets and has been making efforts in better utilising those facilities. For example, with regards to an under-utilised pier in Cheung Sha Wan Wholesale Food Market (CSWWFM), AFCD will let the Civil Engineering and Development Department (CEDD) use the pier for loading/unloading of construction materials from March 2017 onwards. For those market facilities not taken up by traders, AFCD will continue to give priority to letting out those facilities to the traders or government departments that can put such facilities to more gainful uses instead of storage.

Management of Agriculture, Fisheries and Conservation Department Markets

11. AFCD has stepped up inspections at its markets. From 1 January to 31 August 2016, AFCD has issued 39 verbal warnings, 32 advisory letters and 3 warning letters to tenants against their non-compliance with tenancy terms.

12. AFCD has also made several improvements with regards to tender exercises. For instance, AFCD has accepted the Audit's recommendation and revised the tender preparation procedures/guidelines accordingly so as to ensure that reasons for the small number of tenders received in tender exercises are ascertained and properly documented. AFCD will also seek to implement measures to address the Audit's recommendations on the contractors' performances, staff deployment plan and tender assessment methodology, as well as increasing competition in the coming tender exercise for the poultry market in 2017.

Reprovisioning of Private and Public Fresh Food Wholesale Markets

13. FHB and AFCD will continue to work closely with relevant bureaux and departments (B/Ds) in identifying suitable sites for possible reprovisioning of several wholesale markets, thus releasing those sites for other development purposes while maintaining the continuity of the services to the public. For instance, the Government is considering to conduct a study to explore the technical and engineering feasibility of using a site in Northwest Tsing Yi for reprovisioning wholesale markets including the Yau Ma Tei Fruit Market, CSW Wholesale Fish Market, Kwun Tong Wholesale Fish Market, CSW Wholesale Vegetable Market and CSWWFM. FHB and AFCD will keep in view the findings of the study.

Review the roles and functions of FMO and VMO with a view to helping them fulfill their responsibilities more efficiently and effectively

14. AFCD will continue to review the roles and functions of the Vegetable Marketing Organization (VMO) and Fish Marketing Organization (FMO). For VMO, AFCD will, in consultation with the Department of Justice (DoJ), update the legal framework to allow VMO to fulfill its responsibilities more effectively and efficiently where appropriate. For FMO, AFCD will consult DoJ on the legal issues surrounding the direct import of fresh marine fish and the need to update the legal framework of the Marine Fish (Marketing) Ordinance (Cap. 291).

Progress made in implementing Audit's recommendations

15. As at 19 October 2016, among the 30 Audit recommendations, actions have been duly completed for 7 of them, and the rest are being actively pursued. Details of the progress made are set out at Enclosure 2.

Encl. 2

Chapter 3 – Retrofitting of barrier-free access facilities for grade-separated walkways

16. The Government accepts the views and recommendations made by the Audit and the PAC of the Legislative Council (LegCo) regarding the retrofitting of barrier-free access (BFA) facilities for grade-separated (GS) walkways, and has taken appropriate follow-up actions. The progress is set out below.

Implementation of 2011 Retrofitting Programme

17. As of August 2016, out of the 184 walkways mentioned in the Audit Report as feasible for retrofitting works, 74 items have been completed (including 40 items completed under the “Original Programme” of the Universal Accessibility

Programme (UAP) as of August 2016). The Highways Department (HyD) is now implementing the retrofitting works for the remaining 110 items scattering in all districts under the “Original Programme”. Of these 110 items, the works of 80 items have commenced, while the retrofitting works for the remaining items will commence as soon as possible. The HyD will expedite actions to complete the remaining retrofitting works under the 2011 Retrofitting Programme, so as to achieve completing about 80% of the items under the UAP in phases by 2018 as stated in the 2016 Policy Address.

Time and Cost Overrun of Three Projects

18. Regarding the three projects (i.e. “Improvement to Pedestrian Subway System at Kwai Fuk Road Roundabout”, “Enhancement of Footbridges in Tsim Sha Tsui East”, “Provision of lifts to an existing footbridge across King’s Road at the junction of North View Street and North Point Road, North Point”) which were mentioned in the Audit Report as having been completed before 2011 with time and cost overrun, the HyD stressed that they are not items under the UAP. Nevertheless, the HyD has conducted reviews on the causes of time and cost overrun of these projects. Recommendations had been made based on review findings in order to remind relevant management and frontline staff to follow the recommendations to avoid recurrence of similar situations.

19. In addition, the Audit Report mentioned that two items under the UAP (i.e. the retrofitting works for Footbridge D and Subway C under Case 2) had been delayed due to utility diversion. In fact, the HyD has all along conducted public consultation and site investigation for each item at its planning and design stages. Since diversion of existing utilities would often be required, the HyD would maintain close liaison and co-ordination with the utility companies and the responsible parties of other works or development projects to ensure smooth implementation of each item. Nevertheless, there would inevitably be unforeseeable challenges and difficulties in implementing the works, such as longer-than-expected time needed to handle different public opinions at design stage. Moreover, the general condition of crowded underground utilities and the differences between the actual condition of underground utilities, often revealed during construction, and utility undertakers’ records would affect the progress of works and project costs. The HyD would endeavour to overcome these challenges and difficulties, and adopt appropriate measures to minimise the related impact.

20. In response to the Audit Recommendations, the HyD has reminded its staff and issued letters to remind its consultants for lift retrofitting works to endeavour to work out feasible solutions for diversion of existing utilities before commencement of the works. If the works subsequently entail utility diversion or there are other works sites in the vicinity, the HyD will continue to assess in detail the possible impact of these factors on the lift retrofitting works and the time

required for resolving these issues. The HyD will endeavour to look for the optimal solution for coordinating the retrofitting and utility diversion works, so as to make a more accurate estimate of the completion date.

21. Besides, the HyD has been exercising stringent control on project costs. For the 40 items completed as of August 2016 under the UAP, all were completed within their original approved project estimates without cost overrun.

GS walkways not equipped with BFA facilities

22. For the 11 GS walkways mentioned in the Audit Report, which were constructed between 1999 and 2005 but without BFA facilities, seven of them were not constructed by the HyD but were handed over to the HyD for repair and maintenance after construction. Out of these seven GS walkways, retrofitting works for three walkways have been included in the Original Programme under the UAP or other projects. For the remaining four walkways without retrofitting works, the HyD will conduct a review in response to the Audit Recommendations and consider whether to implement retrofitting works having regard to relevant information and the experience gained in the implementation of the programme (including technical feasibility and nearby environment, etc.).

23. For the other four walkways constructed by the HyD, one of them has been included in the Original Programme under the UAP for retrofitting works. For the remaining three walkways without retrofitting works, the HyD will conduct a review in response to the Audit Recommendations and consider whether to implement retrofitting works having regard to relevant information (including technical feasibility and nearby environment, etc.).

Determining feasibility of retrofitting works

24. Since there have all along been a large number of retrofitting works items, the HyD has been endeavouring to optimise the use of limited resources in implementing the works. In this regard, when reviewing the technical feasibility of these retrofitting works items in the past, the HyD would exclude items which were considered technically infeasible due to factors such as site constraints on a case-by-case basis, in order to concentrate the use of resources for implementing items that were technically feasible. Subsequently, the feasibility studies conducted by the CEDD under the 2012 Expanded Programme (i.e. the Expanded Programme under the UAP) considered that for three items out of the 95 items mentioned in the Audit Report, parts of the retrofitting works would be made technically feasible by adopting appropriate modifications to the project scheme after taking into consideration the actual site conditions and making reference to the experience gained in the implementation of the lift retrofitting works.

25. Over the years, the HyD has been installing BFA facilities at GS walkways in accordance with established policies and relevant guidelines, such as the Transport Planning and Design Manual of the Transport Department and the Structures Design Manual of the HyD. In response to the Audit Recommendations, the HyD has reviewed the existing guidelines and formulated additional guidelines to specify the conditions under which lift/ramp retrofitting works for a public GS walkway would be feasible. With developments that took place in recent years, the environment around public walkways facilities, such as the provision of at-grade crossings or BFA facilities nearby, might have changed. In view of this, the HyD will review the latest information on BFA facilities of existing GS walkways, and examine the feasibility of retrofitting such facilities for those GS walkways currently without BFA facilities where appropriate. The HyD would report the results to the LegCo and relevant District Councils (DCs) when appropriate.

Number of walkways for DCs' nomination and their corresponding pedestrian flow

26. When this Government launched the UAP in August 2012, it was made clear that the Government would retrofit lifts progressively for all walkways where necessary and technically feasible. The policy intent is that regardless of pedestrian flow, the Government will retrofit lifts for all GS walkways where technically feasible. Expected usage may be a factor taken into account by the DCs in selecting the priority items. The public reaction to the UAP was overwhelming. Between August and October 2012, there were suggestions for lift installations at about 250 public walkways. In light of the great demand, the Government adopted a model that was close to the views of the public by collaborating with the 18 DCs, and invited each DC to prioritise the new items proposed by the public in their districts in the first half of 2013, and select three public walkways for priority implementation (the Expanded Programme under UAP).

27. To assist the DCs in selecting the priority items, the HyD and CEDD provided DCs with pedestrian flow information for each of the public walkways and the number of suggestions received to facilitate their overall consideration of priorities. The HyD understands that when selecting items for priority implementation, the DCs would usually consider pedestrian flow, number of suggestions received, existence of existing facilities for the elderly/disabled nearby, the availability of alternative BFA facilities, development status of the community nearby, etc. Some DC members also suggested using benefits of the works, good use of public funds and effective use of resources, etc. as criteria for selecting priority items for implementation. As the DCs are well familiar with the situation of the respective district and local demands, most of them can select the priority items after thorough discussion based on the information provided and members' own knowledge of the district. The Government respects the decisions made by each DC after thorough discussion based on district circumstances for the implementation of retrofitting items.

28. The Chief Executive announced in the 2016 Policy Address that the implementation of the UAP will continue. From the fourth quarter of this year, the Government will invite the DCs to further nominate not more than three existing walkways in each district for the second phase of the programme. Currently, the HyD has started the relevant preparatory work, including carrying out preliminary assessment on the technical feasibility of the retrofitting works and rough estimation of the construction costs, estimating pedestrian flow, and collecting information of existing facilities for the elderly/disabled nearby, the availability of alternative BFA facilities and development status of the community nearby, etc. This would enable the provision of relevant information of walkways (including the current and estimated future pedestrian flow of the walkway concerned, estimated construction cost, facilities for the elderly nearby and site constraints, etc.) to the 18 DCs when inviting them to select walkways for implementation, so as to facilitate the DCs to determine the priority of implementation with due consideration of pertinent factors (including cost-effectiveness).

29. To ensure proper use of public funds, the HyD will take forward the items selected by the DCs in a cost-effective manner through an established project management system, designs that cater for the needs of all stakeholders, a fair tendering system and strict supervision on the quality of works.

Enhancement of data management system

30. In addition, the HyD is investigating the enhancement of the data management system related to public pedestrian walkways facilities for a more effective monitoring of implementation of the retrofitting works of BFA facilities. The HyD has completed the framework design of the database on the GS walkways and is now collecting and updating the relevant information. The updating work is expected to be completed in mid-2017 tentatively and the database will be integrated to HyD's Integrated Structures Information System to provide main information on GS walkways.

Progress made in implementing Audit's recommendations

31. A summary of the progress of implementing Audit's recommendations is at Enclosure 3.

Encl. 3

Chapter 4 – Admission Schemes for talent, investors and workers

32. The Immigration Department (ImmD) welcomes the observations and recommendations made by the Audit and the PAC on the admission schemes for talent, investors and workers. The ImmD has taken actions to address the recommendations as appropriate. The progress of the follow-up actions is set out below.

Admission Schemes for Talent, Professionals and Non-local Graduates

33. In the light of the observations and recommendations of the Audit regarding progress monitoring and case handling, the ImmD has implemented a series of measures with a view to strengthening the monitoring mechanism over the admission schemes. Apart from introducing case monitoring list and holding regular briefings and progress meetings among case officers and their supervisors, guidelines for handling specific applications have been issued. Measures have also been put in place to ensure compliance.

34. To further strengthen supervision and align relevant eligibility criteria across different admission schemes, the ImmD has reviewed the workflow, guidelines and guidebooks having regard to Audit's recommendations, and implemented enhanced measures accordingly.

Admission Schemes for Investors

35. The ImmD has updated the checklist in the relevant guidebook to detail the supporting documents generally required for entrepreneurs applying for entry under the General Employment Policy to facilitate their application process. Moreover, when processing the applications for extension of stay, measures have also been put in place to ensure the planned scale of operation as stated in the applicants' entry applications were delivered. Meanwhile, the ImmD has also started enhancing the computer system to capture information regarding the applicants' contributions to the local economy for future analysis.

36. To tighten control over breaches of Scheme Rules of the Capital Investment Entrant Scheme, the ImmD has issued guidelines to follow up such cases. An internal reporting mechanism has also been established for monitoring progress of breach cases.

Admission Scheme for Foreign Domestic Helpers (FDHs)

37. The ImmD has implemented measures to strengthen control against possible abuses from FDHs in performing driving duties and to combat "job-hopping". In vetting applications for special permission for FDHs performing driving duties, case officers have to require employers to provide full justifications. The FDHs concerned are also required to make a declaration on whether they have previous record of driving offence(s). To combat "job-hopping", the ImmD has also been working actively to expedite the processing of premature termination (PMT) notifications and has issued guidelines setting out clear procedures for case officers to process new visa applications with PMT records or adverse comments from ex-employers.

Other Administrative Issues

38. Regarding the enhancement of the existing computer system to assist in case processing and statistical analysis, the ImmD has conducted a review and started enhancing the computer system in the light of the Audit's recommendations.

39. Regarding the review on the cost recovery rate of visas/entry permits and extension of stay, it is the Government's prevailing policy that fees charged by the Government should in general be set at levels sufficient to recover the full cost of providing the services. The ImmD is now conducting a comprehensive review on all fee items.

Review on the Effectiveness of the Admission Schemes

40. The ImmD has all along been compiling relevant statistics in a timely manner for reference in reviewing the effectiveness of various admission schemes in attracting and retaining talent, professionals and entrepreneurs. The statistical reports have been generated through the computer system regularly since early 2016 to enhance efficiency.

41. In order to meet Hong Kong's social and economic needs, the ImmD reviews its visa policies and various admission schemes from time to time and, where necessary, makes adjustments or enhancements. The Security Bureau and the ImmD are closely monitoring the effectiveness of the pilot Admission Scheme for the Second Generation of Chinese Hong Kong Permanent Residents, as well as the enhancement measures to various admission schemes implemented in May 2015.

Progress made in implementing the Audit's recommendation

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

Encl. 4

Chapter 5 – Hong Kong Academy for Performing Arts

43. The Government and the Hong Kong Academy for Performing Arts (HKAPA) generally accept the recommendations of the Director of Audit regarding the HKAPA in his Report No. 66. The Home Affairs Bureau (HAB) and the HKAPA have taken appropriate follow-up actions to take forward Audit's recommendations, including setting up Task Forces to monitor and review the student enrolment and the relevant issues and issuing guidelines to strengthen the management of fixed assets and investment, etc.

44. As at 19 October 2016, among the 52 Audit's recommendations, actions have been taken for 36 of them, and the rest are being actively pursued. Details of the progress made are set out at Enclosure 5.

Encl. 5

Chapter 6 – Monitoring of safe operation of lifts and escalators

45. The Government attaches great importance to the safe operation of lifts and escalators, and is committed to strict enforcement of the Lifts and Escalators Ordinance (Cap. 618) (the Ordinance) to ensure the provision of safe and reliable lift and escalator services for the public. The Ordinance was put into full operation on 17 December 2012 to replace the repealed Lifts and Escalators (Safety) Ordinance (Cap. 327). The Ordinance introduces new and enhanced regulatory control measures on lift and escalator safety. The application of the Ordinance is extended to the Government and the Housing Authority in addition to the private sector. Besides lifts/escalators (L/Es) owners, management companies of buildings and management staff of an organization who have the management or control of L/Es are also regarded as responsible persons (RPs) who share the responsibilities of ensuring the safety of L/Es under their management or control.

46. The Government agrees to the recommendations of the Audit on monitoring of safe operation of L/Es. The Government has implemented Audit's recommendations so as to continuously enhance enforcement.

Monitoring work of registered persons

47. The Electrical and Mechanical Services Department (EMSD) has strengthened the monitoring of Registered Contractors (RCs). The EMSD has taken measures to carry out quarterly review of cases of convicted RCs and RCs which have received three or more warning letters within the past 12 months, in order to decide whether the related RCs should be referred to the Development Bureau for disciplinary hearing. EMSD will also review biannually the administrative system for monitoring the performance of RCs, i.e. Performance Assessment Scheme, with a view to according Performance Monitoring (PM) points on significant non-compliance acts.

48. Since November 2013, the EMSD has implemented a new administrative initiative of conducting surveillance audits on each RC in a targeted two-year cycle, aiming at promoting better RC performance on top of their statutory responsibilities. The EMSD has strengthened actions to closely monitor the implementation of RC surveillance audit to ensure completion of the audit cycle within a two-year period. Moreover, the EMSD has been closely monitoring RCs' progress on implementation of improvement measures arising from the surveillance audits.

49. Regarding Audit's recommendations on monitoring Registered Engineers' (REs') work, the EMSD has been monitoring the situation of changes in examination schedules by REs and will issue advisory letters to REs who repeatedly change their planned examination dates in the electronic submission platform without promptly notifying the EMSD. Furthermore, the EMSD has increased the proportion of surprise inspections carried out outside the EMSD office hours and will review the enforcement effectiveness to adjust the proportion from time to time.

50. The EMSD has issued guidelines on the maximum number of L/Es to be examined and certified by an RE on a single day and will take follow-up actions on REs not following the guidelines.

Site inspections and other regulatory actions

51. The EMSD has issued internal guidelines specifying the criteria for issuing improvement orders and advisory letters to RPs for unsatisfactory items found during an EMSD site inspection of L/Es. All items in improvement orders are closely followed up by the EMSD. Also, the EMSD has classified issues stated in advisory letters which might develop into situations affecting the safe operation of L/Es and will monitor the rectification of such situations by RCs.

52. The EMSD has enhanced the administrative computer system and issued internal guidelines to –

- (a) record the dates and details of EMSD's requests made to RPs/RCs on rectification of defects and submission of additional information before issuing use permits and resumption permits;
- (b) record written notifications on L/E suspensions;
- (c) keep the serving date and effective date of prohibition orders; and
- (d) record dates of occurrence and submission of incident reports of reportable incidents.

53. Regarding Audit's recommendations of monitoring of non-reportable incidents, the EMSD has kept records of those significant non-reportable incidents posing safety risk to passengers for close monitoring. Incident analysis is conducted quarterly to review if there is any type of non-reportable incidents posing safety risk to passengers that warrants being classified as reportable incidents taking into account factors such as the consequences and occurrence frequency of such incidents.

54. Regarding the monitoring of submission of incident reports for reportable incidents, the EMSD will review the monitoring result on submission status on a monthly basis and PM points will be accorded to RCs for late submission of incident reports. Further actions, such as issuing warning letters and/or prosecution action, would be considered if continued non-compliance is noted.

55. Audit has recommended that actions on completing major retrofitting works for government lifts should be expedited. In this connection, EMSD has coordinated with concerned government departments and RCs to expedite the retrofitting works for government lifts. In addition, the EMSD has been closely monitoring the project work progress regularly on a monthly basis. Besides, planning is underway to expedite the retrofitting of the remaining lifts. Furthermore, the EMSD has offered advice to concerned departments on all lifts requiring minor retrofitting. The EMSD will continue to monitor the progress and offer technical assistance as necessary.

Management information system

56. The EMSD has taken measures to enhance the system to generate management reports on: (i) RCs having been issued with a large number of warning letters and (ii) L/Es having no RCs responsible for maintenance work for prolonged periods. The EMSD will continue to enhance the system to generate adequate management reports to alert the EMSD management of significant issues having impact on the safe operation of L/Es. The EMSD has also implemented measures to ensure all inspection records are kept in the system and has been continuously inputting the model number and manufacturer names of L/Es into the system.

Way forward

57. The EMSD has promulgated guidelines on retrofitting new safety devices for escalators after consultation with the trade.

58. Regarding Audit's recommendation on the impartiality of REs in examining and certifying the safe operation of L/Es, the EMSD has implemented various measures to promote the independence of REs, such as engaging independent REs to inspect government lifts, promoting the sample contract for engagement of independent REs for lift maintenance audit, etc. The EMSD will continue to take measures to enhance and promote REs' impartiality.

Progress made in implementing Audit's recommendations

Encl. 6 59. A summary of the progress in implementing Audit's recommendations is at Enclosure 6. As all the recommended measures have been completed or will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.

Chapter 7 – Dedicated Fund on Branding, Upgrading and Domestic Sales

60. The Government generally accepts the recommendations made by the Director of Audit regarding the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) in his Report No. 66. The Commerce and Economic Development Bureau (CEDB) and the Trade and Industry Department (TID), with the support of the Hong Kong Productivity Council (HKPC), have been taking appropriate follow-up actions to implement the recommendations. The progress is set out below.

Overall Management

61. CEDB, TID and HKPC as the Secretariat for implementing the Enterprise Support Programme (ESP) have been closely monitoring the number of applications received under the BUD Fund and have undertaken a wide range of robust promotion efforts and support measures with a view to encouraging more applications.

62. On the ESP, HKPC launched the "ESP Easy-Simplified Application Track" (ESP Easy) in August 2015 in order to attract more applications. The feedback from the trade has been positive. As at June 2016, a total of 294 ESP Easy applications have been received in four batches. The ESP Secretariat has also continued its efforts in assisting applicants in submitting applications with a view to improving the quality of applications.

63. On the Organisation Support Programme (OSP), TID has stepped up promotion efforts by sending promotional letters more frequently, outreaching to industrial and trade organisations (ITOs) which have not applied before, and adopting a more targeted approach to discuss with applicants with rejected applications in order that proposals can be revised and resubmitted quickly. In this regard, TID sent promotional letters in January 2016 to over 480 ITOs to promote the OSP, and made follow-up calls to them to explain further details about the OSP and propose arranging promotion seminars for individual ITOs.

64. As at June 2016, a total of 629 applications from enterprises and 51 applications from non-profit-distributing organisations have been approved. We will continue to closely monitor the use of the BUD Fund and provide assistance to applicants.

65. On the expenditure of the ESP Secretariat, the latest estimate is that a shortfall in government funding would not arise in 2016-17. CEDB and TID will continue to closely monitor the expenditure and manpower deployment of the ESP Secretariat to improve economy in administration. We will inform the Finance Committee of the LegCo if additional government funding for the ESP Secretariat is required from the approved commitment of \$1,000 million.

66. As CEDB and TID, with the support of the HKPC, have taken forward the Audit's recommendations and the follow-up actions will be implemented on an on-going basis, we recommend deleting this part from the next progress report.

Management of OSP projects

67. TID completed an internal review on the vetting and monitoring procedures of the OSP in October 2015 and updated the Operation Manual in January 2016 to include improvement measures relating to the monitoring of consultancy fees of implementation agents, in-kind contribution for projects, checking of books and records, submission of reports by grantees, and dissemination of project results and deliverables.

68. To ensure that the staff of the OSP Secretariat are fully acquainted with and comply with the requirements on monitoring OSP applications and projects, a briefing session on the enhancement measures to the Operation Manual was conducted in February 2016. Regular meetings would be held to refresh staff of the operation procedures and brief them of any new and enhancement measures.

69. As CEDB and TID have taken forward the Audit's recommendations and the follow-up actions will be implemented on an on-going basis, we recommend deleting this part from the next progress report.

Management of ESP projects

70. CEDB, TID and HKPC have continued to monitor the operation of the ESP. The ESP Secretariat has continued to work with grantees to expedite approval and commencement of projects, and has taken various measures to facilitate the implementation of projects, as well as the quality and speedy submission of progress and final reports.

71. For a more comprehensive evaluation of the effectiveness of the ESP, the Secretariat has been conducting completion surveys and tracking surveys with grantees. We acknowledge that the completion survey and tracking survey are useful for assessing the effectiveness of the ESP and the feedback received so far is encouraging. Grantees generally considered the ESP effective in assisting in the business development of enterprises and had helped them in various ways, including enhancing the overall competitiveness of enterprises, enhancing corporate image, enhancing the awareness of the brand/product/service, and increasing domestic sales turnover, etc. We will enhance communication with grantees and continue to encourage them to respond to the surveys.

72. As CEDB and TID, with the support of the HKPC, have taken forward the Audit's recommendations and the follow-up actions will be implemented on an on-going basis, we recommend deleting this part from the next progress report.

Way Forward

73. CEDB and TID, with the support of the HKPC, have been reviewing the operation and implementation of the BUD Fund on an on-going basis, with a view to enhancing its operation and maximizing its usefulness. They will continue to do so with the benefit of the findings in the Audit Report. They will as appropriate report any implementation progress including the effectiveness of the BUD Fund projects to the relevant Panel of the LegCo.

74. As CEDB and TID, with the support of the HKPC, have taken forward the Audit's recommendations and the follow-up actions will be implemented on an on-going basis, we recommend deleting this part from the next progress report.

Progress made in implementing Audit's recommendations

75. As at 19 October 2016, actions have been duly taken for implementing all the 13 Audit recommendations. A summary of the details of progress made are set out at Enclosure 7.

Chapter 8 – Procurement and inventory management of ICT products and services

76. The Government accepts all the recommendations from Director of Audit regarding the procurement and inventory management of information and communications technology (ICT) products and services in his Report No. 66. The Office of the Government Chief Information Officer (OGCIO) and other concerned B/Ds have taken appropriate follow-up actions to take forward Audit's recommendations. The progress of follow-up actions by concerned B/Ds is set out below.

Procurement of ICT products and services

77. The OGCIO conducted a survey in June 2016 on B/Ds' plans to implement e-Procurement or the reasons for non-implementation. 24 B/Ds expressed intention to implement the full function by March 2018. Including the existing 12 B/Ds, there will be 36 B/Ds using the full function of e-Procurement by March 2018, which will meet the target of 30 B/Ds as committed to the LegCo.

78. The OGCIO, in collaboration with the Government Logistics Department (GLD), issued a circular memo to B/Ds and sent out letters to Standing Offer Agreement (SOA) contractors in August 2016 to remind them of the need to comply with the SOA requirements. A refresher briefing on SOA requirements will also be conducted for B/Ds in January 2017.

79. In the light of the observations and recommendations of the Audit, the Customs and Excise Department (C&ED) has reviewed the work on the procurement of ICT products and services and will consolidate procurement requests of ICT products and services of similar nature. All relevant personnel have been reminded to observe the requirements of the SOA. Staff at a higher level will also conduct a second-tier checking on all procurement requests to ensure compliance.

80. The Environmental Protection Department (EPD) has reminded its staff to observe the requirements of the respective SOAs in the procurement of ICT products.

81. The OGCIO will standardise the compilation method of ICT expenditure among B/Ds. The refined expenditure figures, together with the performance information, will be provided on the OGCIO's website by December 2016.

82. B/Ds, as the owners of their ICT systems, are required to keep inventory records and manage their ICT systems, including the obsolescence, timely update and timely disposal of the systems. To facilitate B/Ds in drawing up replacement strategies for ICT systems, the OGCI0 has developed a set of *Information Technology Life Cycle Management Guidelines* and issued it for B/Ds' reference in August 2016.

83. As relevant B/Ds have taken forward the Audit's recommendations, we recommend deleting this part from the next progress report.

Control of ICT inventories

84. Relevant B/Ds have taken follow-up actions to deal with the missing ICT inventory items in accordance with the procedures stipulated in the Stores and Procurement Regulations (SPRs) and Security Regulations. The few missing items, which do not contain classified data, have been written off. ICT inventory items embedded with data storage devices were confirmed to have been properly handled or kept. B/Ds have also reminded their staff to observe the requirements of the SPRs in the safe custody of the inventories and the timely update of the inventory records.

85. GLD issued a memo to the Departmental Stores Managers in B/Ds in August 2016 on the need to properly account for the movements (including receipt, transfer and trade-in/disposal) of inventory items and to adopt the "Good Practices" of maintaining accurate inventory records. The set of "Good Practices" has also been uploaded to the government intranet for reference by B/Ds. In addition, the importance of and ways to maintain accurate inventory records will be covered in GLD's regular training sessions for B/Ds.

86. GLD has established guidelines in August 2016 to assist B/Ds in considering the need for setting up a computerised inventory control system for the management of inventory. In conducting the periodic surveys on the supplies function in B/Ds, GLD will recommend B/Ds to implement a computerised inventory control system as appropriate.

87. To enhance inventory control, the OGCI0 has strengthened the procedures on the department-wide annual inventory verification exercise in May 2016 to ensure the accuracy and completeness of inventory records and identify deficiencies in inventories, if any, for taking necessary follow-up actions. The OGCI0 will also re-develop its computerised inventory control system to provide better support in inventory control.

88. C&ED plans to consult the relevant departments and examine the feasibility of developing a computerised inventory control system to replace the manual inventory system within 2017 - 2018.

89. Apart from introducing enhancements on inventory handling, HyD is also planning to adopt a Computerised Inventory Control System (CICS), so as to enhance the efficiency and effectiveness in managing the large inventory of the department. The CICS project is proposed to commence in 2017 for system launching in 2019 tentatively.

90. We will report to the PAC the progress of the development of computerised inventory control system in respect of the OGCIO, C&ED and HyD.

Disposal of ICT products

91. The OGCIO has conducted a review and reminded all inventory holders to dispose of any unwanted inventory item in accordance with the prescribed procedures in a timely manner.

92. The OGCIO has reviewed the existing information technology security guidelines to require B/Ds to keep proper records on sample checks of erased storage media for compliance audit. To facilitate B/Ds to better understand the technical and procedural requirements, the OGCIO has compiled *Practice Guide for Destruction and Disposal of Storage Media* with some examples of data erasure certificates, and has disseminated the guide for B/Ds' reference in June 2016.

93. GLD will also issue guidelines by end 2016 to facilitate B/Ds to formulate their respective disposal strategies for ICT products and advise B/Ds to follow OGCIO's IT security guidelines and the above Practical Guide in arranging data erasure before disposal of computers and other ICT products with embedded storage devices. The relevant information will also be uploaded to the government intranet for reference by B/Ds. B/Ds will also be reminded in relevant briefing sessions and meetings.

94. Relevant B/Ds including C&ED and EPD have taken measures to ensure timely disposal of the obsolete inventory items in accordance with the SPRs and proper performance of independent sample checks of erased storage media in accordance with the OGCIO's IT security guidelines.

95. For the donation of ICT products to non-Governmental organisations (NGOs), EPD will continue to explore whether there are other NGOs in need of the donations of ICT products. EPD will also develop guidelines in consultation with relevant government departments for proper disposal of ICT products and their recycling in preparation of the producer responsibility scheme on waste electrical and electronic equipment.

96. GLD is also exploring with the Financial Services and the Treasury Bureau on the possibility of aligning the procedures set out in the SPRs for the disposal of unserviceable stores and surplus stores, including ICT products.

97. As relevant B/Ds have taken forward the Audit's recommendations, we recommend deleting this part from the next progress report.

Provision of apps

98. To facilitate B/Ds to develop apps for the public, the OGCIO has since 2011 issued several guidelines, including a practice guide for developing mobile apps. The latest version of the practice guide was issued in June 2016. The OGCIO will continue to update the guidelines with due regard to technological developments, and will take measures to ensure the completeness of government apps listed on “GovHK Apps” and the GovHK website as far as possible.

99. B/Ds concerned including Fire Services Department, Leisure and Cultural Services Department, Department of Health and Water Supplies Department have reviewed their apps and will take on-going measures to enhance the content and improve download rates of their apps.

100. As relevant B/Ds have taken forward the Audit's recommendations, we recommend deleting this part from the next progress report.

Progress made in implementing Audit's recommendations

101. As at 19 October 2016, among the 26 Audit recommendations, actions have been duly taken for 23 of them, and the rest are being actively pursued. Details of the progress made are set out at Enclosure 8.

Encl. 8

**Efforts of the Rating and Valuation Department
in safeguarding revenue on rates and government rent
Progress of Implementing Audit Commission
and Public Accounts Committee's (PAC) Recommendations**

Para. No.	Audit's/PAC's Recommendations	Progress to date
Part 2: General Revaluations		
<p>Para. 2.16 (a) and (b) of the Audit Report</p> <p>Page 37 of the PAC Report (points (a) to (d))</p>	<p>Audit has recommended that the Commissioner of Rating and Valuation should:</p> <p>(a) take measures to improve the accuracy of rental information furnished in Form R1As for general revaluations (GRs) and closely monitor the situation; and</p> <p>(b) consider using stratified sampling for different ratepayer groups for conducting the rental verification exercises to improve monitoring of the reported rental information.</p> <p>PAC urges RVD to:</p> <p>(a) give consideration to requiring ratepayers to submit supporting documents such as copies of tenancy agreements and rent receipts together with their Form R1As with a view to improving the accuracy of the rental information in Form R1As and streamlining the rental verification process;</p> <p>(b) encourage ratepayers to submit their Form R1As and supporting documents through electronic means;</p> <p>(c) educate the public of the need for compliance with Form R1A submission requirement through</p>	<p>Rating and Valuation Department (RVD) has taken the following measures:</p> <p>(i) enhancing publicity through different channels (such as press releases, radio announcements of public interest, and RVD's website) to raise the public awareness of ratepayers' responsibility to furnish accurate and full rental particulars in R1A Forms, with a view to improving the return rate of the forms and the accuracy of the information received;</p> <p>(ii) encouraging electronic submission of Form R1As through RVD's website; and reminding eRVD Bill subscribers of the submission deadline through e-notifications;</p> <p>(iii) reviewing and enhancing the templates of the Requisition Forms and bulk rental submission forms to make it clear to ratepayers the scope of information that they should furnish (e.g. rental level for different periods, if there is any rental adjustment provision in the tenancy agreement);</p> <p>(iv) encouraging the ratepayers to use the templates for the bulk</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
	<p>Government-led promotion effort; and</p> <p>(d) for rental verification exercises in the future, use stratified sampling and include ratepayers of single-property so as to improve the accuracy of reported rental information.</p>	<p>rental submission forms provided by RVD in reporting the rental information in order to avoid omission;</p> <p>(v) touching base with ratepayers who have made minor technical errors in the submissions and reminding them of the importance of furnishing accurate and full rental particulars; and</p> <p>(vi) enhancing the sample selection criteria by including requisition forms submitted by single-property payers starting from the 2016 rent verification exercise.</p> <p>RVD will continue to monitor the situation and explore if any further improvement measures are required (such as requesting each payer to submit supporting documents) having regard to the effectiveness of the above improvement measures.</p> <p>As the above measures will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
<p>Para. 2.16 (c) of the Audit Report</p>	<p>Audit has recommended that Commissioner of Rating and Valuation should:</p> <p>(c) step up follow-up actions on repeated cases of non-compliance with Form R1A submission requirements, such as taking prosecution actions in warranted cases and issuing advisory letters in non-prosecuted cases;</p>	<p>RVD will continue to closely monitor the return rate of Form R1As having regard to the improvement measures introduced. RVD will consider taking more stringent actions to enhance the deterrent effect for not returning the Forms (such as issuing advisory letters or taking prosecution action in cases of repeated non-compliance). In case the situation notably deteriorates, RVD will consider requesting the</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
Page 37 of the PAC Report (point (e))	<p>PAC urges RVD to:</p> <p>(e) take more stringent enforcement actions against cases of repeated non-compliance with Form R1A submission requirement.</p>	<p>Department of Justice (DoJ) to reflect the situation to the court so that the court may take the latest trend into account when sentencing so as to attain a stronger deterrent effect.</p>
Para. 2.16 (d) of the Audit Report	<p>Audit has recommended that Commissioner of Rating and Valuation should:</p> <p>(d) explore, in consultation with the Government Chief Information Officer (GCIO), the feasibility of developing paperless solutions for capturing rental information for stamped tenancy agreements for GR purposes.</p>	<p>Having sought the advice of the GCIO in May 2016, RVD is now actively pursuing the feasibility of installing scanners at the Stamp Office for capturing rental information for stamped tenancy agreements.</p>
Para. 2.16 (e) and (f) of the Audit Report	<p>Audit has recommended that Commissioner of Rating and Valuation should:</p> <p>(e) seek the assistance of the Buildings Department (BD) to improve the cost-effectiveness of obtaining rental information on subdivided properties for GR purposes by targeting those identified by BD; and</p> <p>(f) make use of the information obtained from BD mentioned in (e) above to identify ratepayers of subdivided properties who have under-reported subdivided property information in their Form R1As (such as those mentioned in para. 2.15) for taking necessary follow-up actions.</p>	<p>BD has agreed to provide RVD on a quarterly basis with information on the subdivided properties retrieved from BD's computer system starting from August 2016. RVD will target these subdivided properties for collecting rental information in order to review the rateable values of these properties upon annual revaluations.</p> <p>RVD issued a new departmental instruction in August 2016 to clearly set out the work procedures in handling information obtained from BD.</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
Part 3: Interim Valuations		
<p>Para. 3.40 (a) to (c) of the Audit Report</p> <p>Page 34 of the PAC Report (points (a) to (c))</p>	<p>Audit has recommended that Commissioner of Rating and Valuation should:</p> <p>(a) review the 2005 departmental instruction on rating assessment of unauthorized building works (UBWs) with a view to strengthening the procedures for using UBWs information obtained from BD for rating assessment purposes to prevent loss of rates revenue;</p> <p>(b) seek the assistance of BD in extending the scope of the notification arrangements of assessable UBWs to cover those without removal orders issued; and</p> <p>(c) conduct a review of un-assessed UBWs cases due to the 2005 departmental instruction (such as the two cases of illegal rooftop structures mentioned in Table 5 in para. 3.15(b)(ii)) and make interim valuations where appropriate.</p> <p>PAC urges RVD to:</p> <p>(a) expedite the implementation of the new bring-up system to keep track of those existing UBWs with removal orders issued but not yet demolished, and make timely assessments on UBWs that are not removed within three months;</p> <p>(b) conduct a review of un-assessed UBWs cases due to the</p>	<p>RVD has agreed with BD on setting up a regular and paperless notification mechanism, through which BD will provide lists of the following UBWs retrieved from BD's computer system at quarterly interval:</p> <p>(i) UBWs with removal orders issued but not yet demolished (such UBWs may be assessable to rates);</p> <p>(ii) UBWs previously covered under Item (i) above but already demolished; and</p> <p>(iii) UBWs which are not issued with removal orders but with high rental value and difficult to detect by general external inspection (e.g. subdivided properties and basements).</p> <p>The above notification mechanism has commenced operation since August 2016.</p> <p>With the implementation of the notification mechanism of UBWs, RVD has issued a new departmental instruction in August 2016 (which replaced the 2005 departmental instruction) and has set up a bring-up system to keep track of rateable UBWs after 12 months from the issuance dates of the removal orders so that timely interim valuations would be made within the two-year time-bar in recovering rates.</p> <p>Structures in existence for less than 12 months are considered too transient to satisfy the rateability</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
<p>Page 37 of the PAC Report (point (f))</p>	<p>departmental instruction of not taking action on un-assessed UBWs with removal orders issued by BD, and make interim valuations where appropriate; and</p> <p>(c) consider the feasibility/practicality of assessing all UBWs which would be subject to rates assessment and adjust the rates assessment only upon removal of the relevant UBWs.</p> <p>PAC urges RVD to:</p> <p>(f) review the departmental instructions of not taking actions on un-assessed UBWs with removal orders issued by BD to ensure that rates are collected from existing UBWs subject to BD's removal orders but not yet assessed to rates.</p>	<p>requirement under the established rating principles. Keeping track of the UBW still in existence after 12 months from the issuance dates of the removal orders through the bring-up system is the most cost effective way to ensure timely rating assessment of those rateable UBWs.</p> <p>For the two cases of illegal rooftop structures mentioned in Table 5 in para. 3.15(b)(ii) of the Audit Report, RVD found that one of them was non-rateable upon investigation, and made rating assessment on the other in May 2016.</p> <p>As measures have been taken or will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
<p>Para. 3.40 (d) and (e) of the Audit Report</p>	<p>Audit has recommended that Commissioner of Rating and Valuation should:</p> <p>(d) step up efforts in identifying un-assessed advertising signs for interim valuations; and</p> <p>(e) consider conducting a special exercise covering both the urban areas and the New Territories to speed up the identification of un-assessed advertising signs.</p>	<p>RVD completed special surveys which have identified about 3 600 un-assessed advertising signs in targeted areas in both the urban districts and the New Territories in September 2016. While these advertising signs will be assessed to rates and/or government rent, priority will be given to signs of higher rateable values.</p>
<p>Para. 3.40 (f) to (h) of the Audit Report</p>	<p>Audit has recommended that Commissioner of Rating and Valuation should:</p> <p>(f) for the late notifications of the 32 interim valuations as</p>	<p>In order to shorten the time required in raising assessment on any rateable occupations, Lands Department (LandsD) has agreed to provide RVD with monthly summary returns on village houses issued with Certificate</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
	<p>mentioned in para. 3.36, take measures to prevent recurrence of similar problems;</p> <p>(g) enhance the monitoring of outstanding interim valuation cases by highlighting all cases which have not met the 24-month time-bar requirement; and</p> <p>(h) put in place control measures to ensure that all relevant information/documents of properties requiring interim valuations are input into the RVD's computer system for monitoring the progress of follow-up actions.</p>	<p>of Compliance.</p> <p>RVD will continue to check Town Planning Board's website regularly on planning permissions granted by the Board and ensuring interim valuation to be timely taken on any rateable occupation.</p> <p>To improve the monitoring system of interim actions, RVD has required the registration of all relevant documents relating to properties requiring interim valuations in the computer system. Since April 2016, RVD has started generating detailed monthly management reports listing out all cases outstanding over 18 months to ensure timely completion of interim valuation cases within the 24-month time-bar.</p> <p>As the above measures will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
<p>Para. 3.40 (i) of the Audit Report</p>	<p>Audit has recommended that Commissioner of Rating and Valuation should:</p> <p>(i) regularly provide the Financial Services and Treasury Bureau (FSTB) with information on:</p> <p>(i) interim valuation cases at risk of not meeting the 24-month time-bar; and</p> <p>(ii) revenue loss for all interim valuation cases which have not met the 24-month time-bar.</p>	<p>RVD has been working with FSTB to put in place a mechanism for reporting relevant interim valuation cases which have not met the 24-month time-bar on a regular basis. In addition to providing newly built properties which are at risk of not meeting the 24-month time bar, RVD will also report cases concerning existing buildings/structures which will likely fail to or fail to meet the 24-month time bar when RVD becomes aware of such cases upon receiving notifications of rateable occupation from payers or through relevant land documents.</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
<p>Para. 3.41 of the Audit Report</p> <p>Page 41 of the PAC Report (point (a))</p>	<p>Audit has recommended that the Director of Buildings should share with RVD all UBWs information required for rating assessment purposes.</p> <p>PAC urges BD to:</p> <p>(a) take measures to improve the sharing of information with RVD on UBWs and subdivided properties required for rates assessment purposes, including details of those UBWs without removal orders issued, so that RVD could take timely actions to reassess the rateable values of properties.</p>	<p>BD has undertaken to provide RVD with lists of the following UBWs retrieved from BD's computer system at quarterly interval:</p> <ul style="list-style-type: none"> (i) UBWs with removal orders issued but not yet demolished (such UBWs may be assessable to rates); (ii) UBWs previously covered under Item (i) above but already demolished; and (iii) UBWs which are not issued with removal orders but difficult to detect by general external inspection (e.g. subdivided properties and basements). <p>As this measure will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
<p>Page 34 of the PAC Report</p>	<p>PAC urges Secretary of Financial Services and the Treasury to re-examine the validity of the 2000-2001 policy decision having regard to the delay in demolition of illegal rooftop structures and other assessable UBWs, and the apparent unfairness issue arising from the 2000-2001 policy decision, in order to curb the loss of government revenue and to deliver a clear message to the public that UBWs are not exempted from rates.</p>	<p>The decision of not collecting rates from new or re-erected illegal rooftop structures is part of the package of measures drawn up by the Government in 2000-01 to tackle UBWs. Since the Government expected at that time that new or re-erected illegal rooftop structures would be stopped promptly, the decision concerned was in line with the principles adopted by RVD all along, i.e. properties of transient nature would not be assessed to rates.</p> <p>Having examined the matter again, FSTB considers that the policy intention of that decision remains appropriate although there is room for improvement in its implementation. In order to enhance the</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
		<p>implementation, for new or re-erected illegal rooftop structures, RVD would no longer hold up the rating assessment across the board. Under a new bring-up system, RVD would make timely interim valuations of any structures with removal orders issued but not yet demolished in 24 months.</p> <p>As the recommendation has been implemented, we recommend that this part should be deleted from the next progress report.</p>
Part 4: Rates Exemption for Rural Properties		
<p>Para. 4.22 (a) to (e) of the Audit Report</p>	<p>Audit has recommended that Commissioner of Rating and Valuation should:</p> <p>(a) put in place compliance checking of rates exemption eligibility of the village houses in Designated Village Areas (DVAs) and seek the assistance of BD and LandsD to provide information on ineligible cases detected in the course of their enforcement work;</p> <p>(b) revoke the rates exemption of village houses that no longer meet the prescribed eligibility criteria laid down in the Rating Ordinance (including the 58 village houses mentioned in para. 4.6);</p> <p>(c) review the government rent records of the village houses within DVAs to see if there are ineligible cases of rates exemption (similar to the 18 village houses mentioned in para. 4.9) and take prompt actions to revoke their rates exemption;</p>	<p>RVD has obtained from BD information on UBWs found in village houses in the course of BD's enforcement work for detecting cases which no longer meet the eligibility criteria for rates exemption. The information will be provided by BD to RVD on a quarterly basis through the paperless notification mechanism.</p> <p>For houses within DVAs where non-compliance has been detected and where rateable values have been assessed for government rent purposes, RVD has already issued rates demands (1 100 in total) by phases beginning from June 2016.</p> <p>As regards other non-compliant houses within DVAs, RVD will work out a plan by the end of 2016, with a view to issuing rates demands by phases beginning from the first quarter of 2017.</p> <p>As agreed between RVD and LandsD, the New Territories District Lands Offices (DLOs) have started sending copies of warning letters to RVD</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
<p>Page 37 of the PAC Report (points (g))</p> <p>Page 38 of the PAC Report (point (h))</p>	<p>(d) put in place control mechanism to ensure that follow-up actions on ineligible rates-exempted cases found in the course of government rent assessments are promptly taken; and</p> <p>(e) seek the assistance of LandsD in providing information (such as advisory and warning letters issued) on unauthorised change of use of agricultural land and buildings identified in the course of its enforcement work for taking timely actions on ineligible rates-exempted cases.</p> <p>PAC urges RVD to:</p> <p>(g) put in place a control mechanism to ensure that follow-up actions on ineligible rates-exempted cases found in the course of government rent assessments are promptly taken; and</p> <p>(h) review the government rent records of the village houses within DVAs and take prompt actions to revoke the rates exemption of ineligible cases.</p>	<p>since May 2016 when taking enforcement actions against unauthorized structures on agricultural land. The rates exemption status of the lots concerned will be reviewed as appropriate based on the information obtained.</p>
<p>Para. 4.23 (a) of the Audit Report</p>	<p>Audit has recommended that the Director of Home Affairs should:</p> <p>(a) conduct a review of the justifications of setting the effective date of revocation of rates exemption based on the date of notification by the DLOs and seek legal advice where necessary;</p>	<p>Home Affairs Department (HAD) will review the existing arrangement in conjunction with LandsD. In considering whether the effective date of revocation of rates exemption should be based on the date of DLOs' detection of UBWs instead of the date of notification by DLOs under matching checks, one of the key considerations is whether DLOs can notify HAD swiftly of the detection of UBWs and in turn the concerned applicants. In case of a significant time gap between the date of DLOs'</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
		<p>detection of UBWs and the date of DLOs' notification to HAD, HAD also needs to consider whether it is reasonable to shift the burden to the applicant who might have not been informed of DLOs' detection results. HAD is also seeking advice from the DoJ on the reasonableness of setting the effective date of revocation of rates exemption status based on the date of DLOs' detection of UBWs under the existing arrangement.</p> <p>Separately, HAD has been exploring with LandsD on possible measures to improve compatibility of data between the two departments, so that automated checking could be introduced as early as practicable. LandsD is now in the process of revamping its Lease Enforcement Information System (the System) and will take the opportunity to synchronise data formats of LandsD and HAD. Upon receipt of the data format to be followed for data synchronisation from LandsD, HAD will follow up on reformatting its own data accordingly. In the meantime, HAD will continue to liaise with LandsD on possible ways for DLOs to notify HAD more speedily of UBWs detected.</p>
<p>Para. 4.23 (b) of the Audit Report</p> <p>Page 41 of the PAC Report</p>	<p>Audit has recommended that Director of Home Affairs should:</p> <p>(b) in consultation with the Director of Lands, consider stepping up the field inspections of rates-exempted village houses; and</p> <p>PAC urges HAD to take measures to step up the field inspections of rates-exempted village houses outside DVAs.</p>	<p>HAD has secured LandsD's agreement to enhance the arrangement for field inspections. In the past, the number of inspection cases of rates-exempted village houses was evenly distributed amongst the nine New Territories districts. The new arrangement, which has been put in place since July 2016, is to distribute the number of inspection cases proportionately in accordance with the number of rates-exempted village houses in each</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
		<p>district. It will help better utilise existing resources and improve prioritisation of inspections.</p> <p>As follow-up actions have been taken, we recommend deleting this part from the next progress report.</p>
<p>Para. 4.23 (c) of the Audit Report</p> <p>Page 41 of the PAC Report</p>	<p>Audit has recommended that the Director of Home Affairs should:</p> <p>(c) consider seeking the assistance of the BD in providing information on village houses with UBWs detected in the course of its enforcement work.</p> <p>PAC urges HAD to obtain information from BD on village houses with UBWs detected outside DVAs, with a view to taking timely actions on ineligible rates-exempted cases.</p>	<p>BD has agreed with HAD on setting up a regular and paperless notification mechanism, through which BD will provide lists of outstanding removal orders in respect of village houses to HAD at six-month intervals.</p> <p>The above notification mechanism has commenced operation since August 2016.</p> <p>As this will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
<p>Page 41 of the PAC Report (point (b))</p>	<p>PAC urges BD to:</p> <p>(b) take measures to improve the sharing of information with HAD on village houses with UBWs detected outside DVAs, so that HAD could take timely actions on ineligible rates-exempted cases.</p>	
<p>Para. 4.24 (a) of the Audit Report</p>	<p>Audit has recommended that the Director of Lands should remind the eight DLOs to:</p> <p>(i) complete the document checks and field inspections of rates-exempted village houses requested by HAD in a timely manner; and</p> <p>(ii) provide HAD with sufficient details of their document check</p>	<p>LandsD gave a directive to all concerned DLOs in April 2016, reminding them to: (i) complete the periodic document checks and field inspections in a timely manner and provide the result to HAD as soon as possible; (ii) provide sufficient information of the matched cases to HAD including the date of detection of UBWs and the tenement of the properties on which UBWs were erected/detected; and (iii) provide</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
Page 41 of the PAC Report	<p>results for taking prompt follow-up actions on the ineligible rates-exempted cases; and</p> <p>PAC urges LandsD to take measures to ensure the completion of document checks and field inspections of rates-exempted village houses outside DVAs requested by HAD in a timely manner.</p>	<p>RVD with copies of relevant document in connection with enforcement action, including warning letters on unauthorized structures on agricultural land, documents in relation to re-entry/vesting cases, and cancellation of re-entry/vesting cases.</p> <p>As the recommendation has been implemented, we recommend deleting this part from the next progress report.</p>
Para. 4.24 (b) of the Audit Report	<p>Audit has recommended that Director of Lands should:</p> <p>(b) ascertain the reasons for the late notification of the HAD concerning two village houses found with UBWs (mentioned in para. 4.16) and take appropriate improvement measures.</p>	<p>Having looked into the case, Director of Lands found that the delay was due to misunderstanding by the relevant DLO that only those cases with warning letters registered in the Land Registry should be included in the notification to HAD. To avoid such misunderstanding, LandsD gave a directive to all concerned DLOs in April 2016, reminding them that all matched cases should be reported to HAD as and when UBWs are detected, without waiting for registration of the warning letter in the Land Registry.</p> <p>As the recommendation has been implemented, we recommend deleting this part from the next progress report.</p>
Part 5: Collection of rates and Government rent		
Para. 5.8 (a) and (b) of the Audit Report	<p>Audit has recommended that Commissioner of Rating and Valuation should:</p> <p>(a) remind staff concerned to refer the long outstanding arrears cases with charging orders registered to the LandsD for consideration of taking re-entry or vesting actions in a timely manner; and</p> <p>(b) in conjunction with the Director</p>	<p>In March 2016, RVD issued a revised instruction to remind its staff to refer outstanding arrears cases with charging orders, where warranted, to LandsD as early as possible, for the latter's consideration of re-entry/vesting action.</p> <p>For bona vacantia properties of dissolved companies, if RVD cannot recover the arrears from the occupiers, RVD will request LandsD to inform</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
	<p>of Lands, take prompt actions on bona vacantia cases</p>	<p>RVD upon taking possession if applicable of the relevant property, so that RVD can delete the rating assessment and update the account records to complete the accounting procedure. RVD will send the request to LandsD once the company is found to have dissolved, and will issue to LandsD a reminder listing all such outstanding cases on a half-yearly basis to keep track of these cases.</p> <p>Among the 14 bona vacantia cases as mentioned in para. 5.7 of the Audit Report, LandsD has taken possession of properties in 13 cases. RVD has accordingly deleted the rating assessments of 11 cases as informed by LandsD and is following up the remaining two cases. For the last case, since the dissolved company has been restored, the property has been re-vested to that company. Based on the information provided by LandsD, RVD has recovered the arrears from the restored company.</p> <p>LandsD will continue to conduct investigation and take appropriate actions in relation to bona vacantia properties. LandsD has reminded its staff to keep RVD informed, in a timely manner, of the possession and disposal of such properties or other relevant information, including where the dissolved companies have applied for restoration. This will facilitate RVD's updating of the rating assessment and account records.</p> <p>As the recommendation has 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>Rental information collection, interim valuations and rates exemption</i>		
Page 37 of the PAC Report	PAC urges FSTB to consider reviewing the manpower and financial resources of RVD so that RVD could have the required resources in collecting rental information, making interim valuations and conducting compliance checking of rates-exempted village houses in DVAs in the most efficient, effective and timely manner, given that rates and government rent are stable sources of government revenue.	<p>Being the policy bureau of RVD, FSTB has been reviewing the operation of the Department from time to time. FSTB always supports RVD in delivering its statutory functions and carrying out its core business in a cost effective manner. FSTB will consider allocating additional resources to RVD for carrying out its existing or new duties in accordance with the established mechanism as and when necessary.</p> <p>As this will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.</p>
<i>Coordination among relevant government departments</i>		
Page 40 of the PAC Report	<p>PAC urges FSTB to:</p> <p>(a) strengthen the coordinating efforts among RVD, BD, HAD and LandsD for sharing of information for the purposes of rates and government rent assessment.</p>	<p>There were discussions among FSTB, BD, HAD, LandsD and RVD. All departments agreed to strengthen and improve communications for the purposes of rates and government rent assessment. The departments concerned will further contact on the improvement measures, and individual departments would also meet to have further discussion. Where necessary, FSTB would consider holding inter-departmental meetings to further discuss the matters involved.</p> <p>As the recommendation will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>

Para. No.	Audit's/PAC's Recommendations	Progress to date
Page 40 of the PAC Report	PAC urges FSTB to: (b) give consideration to using big data technology by the Administration to capture information on UBWs to facilitate the sharing of information among relevant departments for the purposes of rates and government rent assessment.	<p>As mentioned above, RVD and BD agreed to set up a regular and paperless notification mechanism, through which BD would quarterly retrieve information from its computer system, and forward the information to RVD. Improvement in information sharing between the two departments has been made. Moreover, we are mindful that not all UBWs in BD's records are rateable items, and this calls into question the cost-effectiveness of adopting the big data technology in the collection of property information for the purpose of assessment of rates and government rent. We do not consider there is an imminent need to implement the suggestion for the time being, but will bear the idea in mind in case there is a justifiable case to revisit the matter in future.</p> <p>As the recommended action has been completed, we recommend deleting this part from the next progress report.</p>

Fresh Food Wholesale Markets
Updated Progress of Implementing Audit's Recommendations
(as at 19 October 2016)

Para. No.	Audit's Recommendations	Progress to date
PART 2: Utilisation of Public Fresh Food Wholesale Markets		
2.19	<p>Audit has recommended that the Director of Agriculture, Fisheries and Conservation (DAFC) should:</p> <p>(a) continue to monitor the unutilised pier at the Cheung Sha Wan Food Market that has not been committed for other uses and consider whether it should be demolished to save maintenance costs;</p> <p>(b) explore the conversion of any market facilities not used for a long period into other gainful uses;</p>	<p>To make good use of the pier at the Cheung Sha Wan Wholesale Food Market (CSWWFM), the Agriculture, Fisheries and Conservation Department (AFCD) has agreed to let Civil Engineering Development Department (CEDD) use the under-utilized pier for loading/unloading of construction materials from March 2017.</p> <p>CEDD is now seeking approval from the LandsD in accordance with the provisions of the relevant Short Term Tenancy.</p> <p>AFCD has identified two temporary working areas at CSWWFM and a battery charging area at Western Wholesale Food Market (WWFM), which have not been used for a long period of time.</p> <p>AFCD has consulted market users of CSWWFM. They indicate that there is no further demand for the two temporary working areas as vehicle repair workshop. AFCD is now exploring other possible uses of these areas with Architectural Services Department (ArchSD).</p> <p>As regards the vacant battery charging area at WWFM, AFCD has converted it into an area for temporary storage of tools and equipment (as opposed to more long-term purpose) in order to avoid causing hindrance to maintenance of underground cables.</p>

Para. No.	Audit's Recommendations	Progress to date
	<p>(c) for market facilities currently allocated to government departments (including those allocated to the AFCD), ensure that they are periodically advertised for letting to traders; and</p> <p>(d) for market facilities not taken up by traders, consider allocating them to government departments for gainful uses other than storage (e.g. for use as offices) where appropriate.</p>	<p>AFCD will continue to explore long-term gainful use of other relevant market facilities.</p> <p>AFCD has already amended the relevant guidelines and has included such facilities in the advertisement exercise conducted in June 2016. The exercise reveals that traders are currently not interested in renting these market facilities. AFCD will continue advertising such facilities for letting in future quarterly advertisement exercises. Priority would be given to traders seeking extra space for wholesale and related activities. Meanwhile, these facilities are continuously leased to government departments for short term use.</p> <p>As the follow-up action will be carried out on an on-going basis, we recommend deleting this part from the next progress report.</p> <p>AFCD would continue to give priority to letting out those facilities not taken up by traders to the traders or government departments that can put such facilities to more gainful uses instead of storage.</p> <p>As the follow-up action will be carried out on an on-going basis, we recommend deleting this part from the next progress report.</p>

Para. No.	Audit's Recommendations	Progress to date
2.39	<p>Audit has recommended that DAFC should:</p> <p>(a) conduct a review of the market areas of individual Fish Market Organisation (FMO) markets to find out the areas which are surplus to operational needs, having regard to their throughput and changes in the mode of operation;</p> <p>(b) take measures to redeploy surplus market areas to gainful uses;</p> <p>(c) address the two issues mentioned in paragraph 2.35 relating to the trading of live marine fishes in FMO markets in the context of the review of the roles and functions, and updating the legal framework, of FMO markets (see para. 5.11(a) and (b)(i)); and</p>	<p>To take forward Audit's recommendations, AFCD and FMO have implemented the following measures :</p> <p>(i) FMO have held a series of meetings with the traders or their associations to exchange views on the operation of market and their needs;</p> <p>(ii) AFCD and FMO have conducted an initial review of the utilisation of individual FMO fish markets, including their trading and ancillary areas;</p> <p>(iii) Market managers would continue to review and report on a monthly basis if there is any surplus area in the markets; and</p> <p>(iv) for Shau Kei Wan Fish Market, three car-park spaces have been redeployed to increase the trading areas for wholesale of fisheries products or related purposes. FMO will continue to convert more car-park spaces into trading areas in the market as appropriate.</p> <p>AFCD considers that as long as there is still fresh marine fish trading in a FMO Market, its name and location would need to be retained in the notification. Besides, since the proportion of fresh marine fish and live marine fish varies over time, and operations relating to fresh marine fish and live marine fish are intermingled within traders' stalls, it is impracticable to demarcate a "live marine fish area" in an FMO Market for exclusion from the notification relating to that FMO Market. That said, the issues will be addressed when we</p>

Para. No.	Audit's Recommendations	Progress to date
	<p>(d) ensure that the various initiatives for improving the utilisation of the Tai Po Fish Market are followed through.</p>	<p>review the roles and functions of FMO markets, and update the legal framework of the FMO markets set out in the Marine Fish (Marketing) Ordinance (Cap. 291).</p> <p>AFCD will consult the DoJ with a view to addressing the need to update the legal framework under the Marine Fish (Marketing) Ordinance.</p> <p>In the light of a successful pilot trial of weekend fishermen bazaar in Sai Kung Wholesale Fish Market introduced in 2015, FMO has been considering pursuing similar initiative for promoting local fisheries products in the Tai Po Fish Market (TPFM). To this end, FMO has reviewed and reassigned the areas within the trading areas of the market for different uses, including wholesale and promotion of fisheries products.</p> <p>Tender invitation for live fish wholesaling purpose at TPFM involving a total area of about 800 m² was closed at the end of July 2016. One tender was received but it did not meet the tender requirement. A re-tendering exercise is being scheduled.</p>
PART 3: Management of Agriculture, Fisheries and Conservation Department Markets		
3.13	<p>Audit has recommended that DAFC should:</p> <p>(a) consider measures to better detect and deter non-compliance with terms of tenancy agreements at AFCF markets;</p>	<p>AFCF has issued notices reminding market users of the importance of compliance with the tenancy terms and market administrative rules.</p> <p>AFCF has also stepped up inspections of its markets. These include –</p> <p>(i) intensifying supervisory inspections at markets;</p>

Para. No.	Audit's Recommendations	Progress to date
	<p>(b) Conduct assessment of and continue to monitor the threats of wild birds to food safety and health at individual AFCD markets; and</p> <p>(c) Ensure that effective measures, commensurate with the assessed threats of wild birds, are taken to control wild birds at individual AFCD markets.</p>	<p>(ii) conducting ad hoc operations and stepping up enforcement action with the Police to detect non-compliance; and</p> <p>(iii) terminating tenancy for serious/repeated non-compliance.</p> <p>During the period from 1 January 2016 to 31 August 2016, AFCD has issued 39 verbal warnings, 32 advisory letters and 3 warning letters to tenants against non-compliance with tenancy terms.</p> <p>As the follow-up action will be carried out on an on-going basis, we recommend deleting this part from the next progress report.</p> <p>On the advice of the Electrical and Mechanical Services Department (EMSD), ArchSD considers the installation of light-weight metal framework at the entrance (as a measure to prevent birds from entering market blocks) not technically feasible because it would involve large scale alteration or relocation of existing electrical and mechanical apparatus and building services facilities. AFCD now plans to install bird netting to embrace the outer side of the whole market blocks to physically block birds from entering market blocks.</p> <p>The tender exercise is in progress and the installation of bird netting to embrace the outer side of the whole market blocks at the mixed food market is planned to commence in the first quarter of 2017.</p>

Para. No.	Audit's Recommendations	Progress to date
3.26	<p>Audit has recommended that DAFC should:</p> <p>(a) Ensure that reasons for the small number of tenders received in tender exercises are ascertained and properly documented;</p> <p>(b) Review the adequacy of the tender assessment methodology in inducing contractors to improve performance and in encouraging quality services; and</p> <p>(c) Take necessary measures to enhance tender competition in contracting out supporting services for AFCD markets.</p>	<p>The tender preparation procedures/guidelines have been revised accordingly so as to ensure that reasons for the small number of tenders received in tender exercises are ascertained and properly documented.</p> <p>As the follow-up action will be carried out on an on-going basis, we recommend deleting this part from the next progress report.</p> <p>AFCD would consider if any measure could be taken to address those Audit's recommendations on contractors' performance, staff deployment plan, tender assessment methodology and enhancement of tender competition in the upcoming tender exercise for the Poultry Market in 2017 onwards.</p>
PART 4: Reprovisioning of Private and Public Fresh Food Wholesale Markets		
4.16	<p>Audit has recommended that the Secretary for Food and Health (SFH) and DAFC should:</p> <p>(a) keep in view the progress made by the relevant bureau and departments in exploring a possible site in Tsing Yi for reprovisioning the Yau Ma Tei Fruit Market;</p> <p>(b) upon receipt of the reply from the relevant bureau and departments, having regard to their initial assessment on technical feasibility, proceed with seeking a steer within the Government on the way forward;</p>	<p>The Government is considering to conduct a study to explore the technical and engineering feasibility of using the area around Northwest Tsing Yi for reprovisioning Yau Ma Tei Fruit Market (YMTFM). The Food and Health Bureau (FHB) and AFCD would continue to keep in view the progress of the study.</p> <p>Upon receipt of the outcome on the feasibility study of the replacement site from relevant bureaux and departments (B/Ds), FHB and AFCD would seek a steer from the Steering Committee on Land Supply on the way forward.</p>

Para. No.	Audit's Recommendations	Progress to date
	<p>(c) after the Government has decided to proceed with the relocation exercise, consider how to engage fruit traders and other stakeholders with a view to soliciting their support;</p> <p>(d) in the interim, continue to monitor the effectiveness of the measures for mitigating nuisances caused by the market operation; and</p> <p>(e) keep Legislative Council (LegCo) posted on the relocation of the Market as appropriate.</p>	<p>Pending the Government's decision to proceed with the relocation exercise, AFCD would draw up an action plan and a timetable to consult the fruit trade and other stakeholders on the relocation project.</p> <p>AFCD would liaise with the trade on the practical requirements of the re-provisioned market in terms of size, facilities and other needs.</p> <p>The Government has plans to enlarge the aggregate area of the two existing short term tenancy (STT) sites and provide one more STT site, thus making available a total area of about 8,940 m² (subject to survey, i.e. an increase of about 4,470 m²) earmarked for meeting the operational needs of the trade and mitigating the environmental nuisances caused by YMTFM to the neighbouring community. Tendering exercise for the enlarged STT site for the YMTFM in this regard is in progress.</p> <p>FHB and AFCD would continue to monitor closely the effectiveness of the enhanced measures that have been brought in to mitigate environmental nuisances and keep in view the need for further enhancement.</p> <p>FHB would keep the relevant LegCo Panel posted on the relocation of the Market as appropriate.</p> <p>As the follow-up action will be carried out on an on-going basis, we recommend deleting this part from the next progress report.</p>

Para. No.	Audit's Recommendations	Progress to date
4.47	<i>Reviews of public fresh food wholesale markets</i>	
	<p>Audit has recommended that DAFC should:</p> <p>(a) ensure that timely reviews of the provision and efficiency of public wholesale markets are conducted, taking account of changes in social-economic circumstances and the need for using public resources in a more efficient and effective manner;</p>	<p>FHB/AFCD will continue to work closely with relevant B/Ds in identifying suitable sites for possible reprovisioning concerned fresh food wholesale markets, provided that the continuity of the relevant wholesale services to the public is not prejudiced.</p> <p>FHB/AFCD will also work closely with relevant B/Ds in making further efforts to put market facilities to gainful uses and enhance the management of fresh food wholesale markets.</p> <p>FHB/AFCD would conduct the above reviews on a regular basis. As the follow-up action will be carried out on an on-going basis, we recommend deleting this part from the next progress report.</p>
	<i>Kwun Tong Fish Market</i>	
	<p>(b) keep in view the progress made by the relevant bureau and departments in exploring the options for reprovisioning the Kwun Tong Fish Market, with a view to taking forward the relocation of the Market in a timely manner;</p>	<p>FHB and AFCD have accepted that the relocation of Kwun Tong Fish Market (KTFM) to a possible site on Tsing Yi should be further explored.</p> <p>AFCD has duly provided to the relevant bureaux/departments inputs required for taking forward the relocation of the KTFM.</p>
	<i>Cheung Sha Wan Vegetable Market</i>	
<p>(c) critically review the site requirements for the reprovisioning of the Cheung Sha Wan Vegetable Market, taking account of the need for optimising the use of land</p>	<p>The proposed relocation of Cheung Sha Wan Wholesale Vegetable Market (CSWWVM) to Tat Yeung Road requires, amongst other things, relocation of an existing Liquefied</p>	

Para. No.	Audit's Recommendations	Progress to date
	<p>resources, the decreasing throughput of the Market, and the intended future roles and functions of the Vegetable Market Organisation (VMO) in wholesale marketing of vegetables (see para. 5.11(a));</p> <p>(d) work closely with the Planning Department and other relevant works departments to expedite the reprovisioning of the Cheung Sha Wan Vegetable Market and the release of the sites for housing developments;</p> <p>(e) formulate an action plan to take forward the reprovisioning of the Cheung Sha Wan Vegetable Market, and closely monitor the progress;</p>	<p>Petroleum Gas facility and a car park for dangerous goods vehicles. Having consulted the Steering Committee on Land Supply, we will follow up and address the related issues including feasibility of the site accordingly.</p> <p>Depending on progress on following up the proposed relocation of CSWWVM to Tat Yeung Road, the Government is considering to conduct a study to explore the technical and engineering feasibility of using the area around Northwest Tsing Yi as a possible relocation site for CSWWVM. FHB and AFCD would keep in view the progress of the study.</p> <p>A work plan is being worked out to tackle the identified obstacles to the relocation proposal and to deal with the technical challenges of Tat Yeung Road site.</p> <p>FHB/AFCD would closely monitor the progress of the relocation project.</p>
<i>Public fresh food wholesale markets on temporary sites</i>		
	<p>(f) in consultation with the relevant departments, examine how to optimise the use of the site currently occupied by the North District Temporary Agricultural Products Market (NDTWM);</p>	<p>The improvement works for the re-provisioned NDTWM, including provision of power supply and a protective steel roof top covering the trading area of NDTWM, are scheduled to commence in mid-2017, subject to the progress of taking forward the proposed Fanling Bypass Project. The improvement works would pave the way for better utilization of NDTWM in future.</p>

Para. No.	Audit's Recommendations	Progress to date
	<p>(g) keep in view the development of the Government's policy on the live poultry trade, with a view to reprovisioning the Cheung Sha Wan Temporary Poultry Market and/or releasing its site at the earliest possible time;</p> <p>(h) in the interim, closely monitor the impact of the Cheung Sha Wan Temporary Poultry Market on the environment and public health, and where appropriate take measures to mitigate the impact; and</p> <p>(i) formulate action plans on the North District Temporary Agricultural Products Market and the Cheung Sha Wan Temporary Poultry Market, and closely monitor the progress after deciding the way forward.</p>	<p>AFCD has prepared the preliminary design and FHB/AFCD will take the project further as and when a decision to proceed is made.</p> <p>A consultancy study on the future of the live poultry trade in Hong Kong is expected to be completed in the fourth quarter of 2016 and public consultation will then proceed. Should there be no selling of live poultry in Hong Kong eventually, the existing market could be released for other developments without the need for reprovisioning.</p> <p>AFCD will continue to implement effective cleansing measures to ensure that the hygiene conditions in the market are up to the required standard. It will also conduct scheduled maintenance and timely renovation works to keep market structures and facilities in good operating condition.</p> <p>As the follow-up action will be carried out on an on-going basis, we recommend deleting this part from the next progress report.</p> <p>AFCD has formulated action plans on the relocation of North District Temporary Wholesale Market for Agricultural Products and the Cheung Sha Wan Temporary Wholesale Poultry Market. AFCD would continue to liaise with the trade on the practical requirements of the re-provisioned market in terms of size, facilities and other needs.</p> <p>Pending the Government's decision to proceed with the relocation, AFCD will hold further consultation meetings with the trade as appropriate.</p>

Para. No.	Audit's Recommendations	Progress to date
PART 5: Way Forward		
5.11	<p>Audit has recommended that SFH and DAFC should:</p> <p>(a) critically review the roles and functions of the FMO and the VMO in relation to those of the AFCD in operating public fresh food wholesale markets, having regard to:</p> <p>(i) the roles and functions of the FMO and the VMO originally intended;</p> <p>(ii) their strengths, weaknesses, opportunities and threats; and</p> <p>(iii) the need for enhancing their roles and functions to attain synergy and eliminate any duplication of resources in the operation of public fresh food wholesale markets; and</p> <p>(b) take measures to help the FMO, the VMO and the AFCD perform their roles and functions effectively and efficiently, including:</p> <p>(i) updating the legal framework under which the FMO and the VMO operate and taking effective law enforcement actions; and</p> <p>(ii) regularising, where necessary, new activities required to be performed by the FMO and the VMO.</p>	<p>AFCD will constantly review the roles and functions of VMO under the prevailing agricultural policy, and will in consultation with DoJ update the legal framework to allow VMO to fulfil its responsibilities more efficiently and effectively when necessary.</p> <p>FHB and AFCD will in conjunction with FMO follow up the recommendations by stages. FHB and AFCD will review the roles and functions of FMO, conduct an Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis of FMO, and consult the DoJ on the legal issue surrounding the direct import of fresh marine fish as well as the need, as mentioned in 2.39(c) above, to update the legal framework of the Marine Fish (Marketing) Ordinance.</p>

**Retrofitting of barrier-free access facilities for grade-separated walkways
Implementation of Audit's recommendations**

Para. No.	Audit's Recommendations	Progress to date
Part 2: Implementation of 2001 Retrofitting Initiative		
<i>Walkways considered feasible for retrofitting works</i>		
2.15	Audit has recommended that the Director of Highways should:	
(a)	expedite actions to complete the outstanding retrofitting works under the 2011 Retrofitting Programme;	The Highways Department (HyD) has reminded its staff and issued letters to remind its consultants for lift retrofitting works that they should follow the guidelines in the Project Administration Handbook for Civil Engineering Works (PAH) to enhance management of consultants and contractors in order to monitor works progress effectively; and to expedite actions to complete the outstanding retrofitting works under the 2011 Retrofitting Programme so as to meet the commitment made in the 2016 Policy Address.
(b)	take measures to avoid carrying out a works project concurrently with another works project at the same location in future;	The HyD has reminded its staff and issued letters to remind its consultants for lift retrofitting works that they should follow the guidelines in the PAH to coordinate early at the planning stage of the project with relevant Government departments or utility companies that will carry out works in the vicinity of the works site, as well as to take measures to avoid carrying out works concurrently with another works project at the same location thereby facilitating the completion of relevant works, and to endeavour to arrange with utility companies for the completion of utility diversion works before commencement of works. If the works subsequently entail utility diversion or there are other works sites in the vicinity, the HyD will continue to assess in detail the possible impact of these factors on the lift
(c)	for works requiring utility diversions in implementing a works project in future, endeavour to find solutions before letting related works contracts;	

Para. No.	Audit's Recommendations	Progress to date
		retrofitting works and the time required for resolving these issues. The HyD will endeavour to look for the optimal solution for coordinating the retrofitting and utility diversion works, so as to make a more accurate estimate of the completion date.
(d)	in implementing a works project in future, take measures to avoid unnecessary contract variations after contract award;	The HyD has reminded its staff and issued letters to remind its consultants for lift retrofitting works that they should follow the guidelines in the PAH to specify the scope and works requirements clearly under the contract documents as far as practicable to avoid unnecessary contract variations after contract award.
(e)	in implementing works for a footbridge in future where another works project is being carried out in close proximity, take measures to prevent excessive footbridge settlement due to the cumulative effect of vibration caused by works of the two projects; and	The HyD has reminded its staff and issued letters to remind its consultants for lift retrofitting works that they should follow the guidelines in the General Specification for Civil Engineering Works to take measures to minimise the settlement of ground, adjacent structures and utilities resulted from piling works. In addition, HyD has reminded its staff and consultants that in implementing works for a footbridge in future where another works project is being carried out in close proximity, measures should be taken to prevent excessive footbridge settlement due to the cumulative effect of vibration caused by works of the projects.
(f)	conduct reviews of completed grade-separated (GS) walkway retrofitting works items involving significant cost overrun or works slippages with a view to drawing lessons for improvement.	Regarding the three projects (i.e. "Improvement to Pedestrian Subway System at Kwai Fuk Road Roundabout", "Enhancement of Footbridges in Tsim Sha Tsui East", "Provision of lifts to an existing footbridge across King's Road at the junction of North View Street and

Para. No.	Audit's Recommendations	Progress to date
		<p>North Point Road, North Point”) which were mentioned in the Audit Report as having been completed before 2011 with time and cost overrun, the HyD stressed that they are not items under the UAP. Nevertheless, the HyD has conducted reviews on the causes of time and cost overrun of these projects. Recommendations were made based on review findings for compliance by the relevant management and frontline staff with a view to avoiding any recurrence of similar situations.</p>
<i>Determining feasibility of retrofitting works</i>		
2.30	Audit has recommended that the Director of Highways should:	
(a)	take measures to ensure that findings of technical feasibility studies for walkway retrofitting works are properly documented;	The HyD has formulated additional guidelines to ensure that findings of technical feasibility studies for each walkway retrofitting works are properly documented.
(b)	take measures to implement retrofitting works under the 2001 Retrofitting Initiative (if technically feasible to do so) for all GS walkways not being provided with barrier-free access facilities;	The HyD is reviewing the latest information on retrofitting barrier-free access (BFA) facilities of existing GS walkways, including re-examining whether the justifications of not carrying out retrofitting works for items which were considered technically infeasible due to circumstances at that time are still applicable in light of the present circumstances and in view of the experience gained in the implementation of the programme. The HyD will consider whether to implement retrofitting works having regard to relevant information (including technical feasibility and nearby environment, etc.). The HyD would report the results to the LegCo and relevant district councils (DCs) when appropriate.

Para. No.	Audit's Recommendations	Progress to date
(c)	in consultation with the Director of Civil Engineering and Development, investigate why the HyD's feasibility study in 2009 found it infeasible to retrofit a lift at Exit D of Footbridge G;	After consulting the Director of Civil Engineering and Development, the HyD has reviewed this case. The HyD, at that time, considered the lift retrofitting works at Exit D were infeasible because the proposed lift location overlapped with two underground sewers and there was insufficient space to divert the sewers. It was also considered infeasible as reprovisioning a staircase after retrofitting a lift at the same location would extend the length of staircase at Exit D, making the adjacent footpath too narrow. Under the 2012 Expanded Programme, the Civil Engineering and Development Department (CEDD) reviewed the scheme of retrofitting of lift and reprovisioning of staircase at the same location after demolishing the existing staircase at Exit D. Based on the experience gained in implementing various retrofitting works over the past few years, CEDD made appropriate modifications to the scheme of retrofitting of lift and reprovisioning of staircase. CEDD then considered the retrofitting works feasible and obtained agreement from the relevant DC.
(d)	inform the Wan Chai DC of the decision of not carrying out modification works for the four staircase steps at Subway F;	In conjunction with CEDD, the HyD will inform the Wan Chai DC of the decision of not carrying out modification works for the four staircase steps at Subway F due to the provision of lift in the vicinity of the staircase steps when appropriate.
(e)	re-examine the justifications for not carrying out retrofitting works for walkways found under the 2001 Retrofitting Initiative to be infeasible for such works, and inform LegCo and the related DCs of the examination findings;	The HyD is reviewing the latest information on retrofitting BFA facilities of existing GS walkways, including re-examining whether the justifications of not carrying out retrofitting works for items which were considered technically infeasible due to

Para. No.	Audit's Recommendations	Progress to date
		<p>circumstances at that time are still applicable in light of the present circumstances and in view of the experience gained in the implementation of the programme. The HyD will consider whether to implement retrofitting works having regard to relevant information (including technical feasibility and nearby environment, etc.). The HyD would report the results to the LegCo and relevant DCs when appropriate.</p>
(f)	<p>issue guidelines on determining whether a public GS walkway is feasible for carrying out lift/ramp retrofitting works; and</p>	<p>Over the years, the HyD has been installing BFA facilities at GS walkways in accordance with established policies and relevant guidelines, such as the Transport Planning and Design Manual of the Transport Department (TD) and the Structures Design Manual of the HyD. In response to the Audit Recommendations, the HyD has reviewed the existing guidelines and formulated additional guidelines to specify the conditions under which lift/ramp retrofitting works for a public GS walkway would be feasible.</p>
(g)	<p>in consultation with the Commissioner for Transport, erect directional signs providing information on nearby barrier-free access facilities near GS walkways not being provided with such facilities.</p>	<p>The HyD is currently consulting the TD regarding the recommendation to erect directional signs providing information on nearby barrier-free access facilities near GS walkways not being provided with such facilities.</p>
<p>Part 3: Implementation of 2012 Expanded Programme</p>		
<p><i>Public proposals on retrofitting lifts for GS walkways</i></p>		
3.22	<p>Audit has recommended that, in implementing works items under the 2012 Expanded Programme, the Director of Highways and the Director of Civil Engineering and Development</p>	<p>The Chief Executive announced in the 2016 Policy Address that the implementation of the UAP will continue. From the fourth quarter of this year, the Government will invite the</p>

Para. No.	Audit's Recommendations	Progress to date
	<p>should provide DCs with useful information (such as that mentioned in paragraphs 3.17 and 3.19) for making informed decisions in nominating GS walkways for implementation of lift retrofitting works.</p>	<p>DCs to further nominate not more than three existing walkways in each district for the second phase of the programme. Currently, the HyD has started the relevant preparatory work, including carrying out preliminary assessment on the technical feasibility of the retrofitting works and rough estimation of the construction costs, estimating pedestrian flow, and collecting information of existing facilities for the elderly/disabled nearby, the availability of alternative BFA facilities and development status of the community nearby, etc. This would enable the provision of relevant information of walkways (including the current and estimated future pedestrian flow of the walkway concerned, estimated construction cost, facilities for the elderly nearby and site constraints, etc.) to the 18 DCs when inviting them to select walkways for implementation, so as to facilitate the DCs to determine the priority of implementation with due consideration of pertinent factors (including cost-effectiveness).</p>
Part 4: Management Information System and Way Forward		
<i>Integrated Structures Information System</i>		
4.12	Audit has recommended that the Director of Highways should:	
(a)	<p>make enhancements to the Integrated Structures Information System (ISI System) for generating management reports on important information of GS walkways under the HyD's purview;</p>	<p>The HyD is investigating the enhancement of the data management system related to the public pedestrian walkways facilities for a more effective monitoring of implementation of the retrofitting works of BFA facilities. The HyD has completed the framework design of the database on the GS walkways and is now collecting and updating the relevant information. The updating work is expected to be completed in mid-2017 tentatively and</p>

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		the database will be integrated to the ISI System to provide key information on the GS walkways.
(b)	maintain records (such as minutes of meeting) showing the monitoring of the works progress and expenditures of the retrofitting works items at the construction and planning meetings;	To monitor the progress of the BFA facilities retrofitting works, the HyD holds monthly meetings with the consultants responsible for the works items to monitor the works progress, with meeting minutes and relevant progress reports. In addition, HyD's internal monthly construction and planning meetings also monitor and review the works progress and expenditure with progress reports, financial reports and meeting minutes prepared. The HyD will continue to maintain the records of the above documents.
(c)	conduct a review of GS walkways constructed after the effective date of the Disability Discrimination Ordinance in 1996 which were not provided with barrier-free access facilities to ascertain whether such facilities should have been provided at the time of walkway construction, and take necessary remedial measures; and	<p>The HyD has all along been retrofitting BFA facilities at existing GS walkways (i.e. public footbridges, elevated walkways and subways maintained by the HyD) where technically feasible and resources permit. Most of the walkways constructed after 1996 and maintained by the HyD have been retrofitted with BFA facilities in accordance with requirements stipulated in the Disability Discrimination Ordinance.</p> <p>For the 11 walkways constructed between 1999 and 2005 mentioned in the Audit Report without BFA facilities, seven of them were not constructed by the HyD but were handed over to the HyD for repair and maintenance after construction. The remaining four walkways were constructed by the HyD but the HyD could not retrieve from the relevant records the reasons of not providing BFA facilities when these walkways</p>

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		<p>were being constructed.</p> <p>Out of the above-mentioned seven walkways not constructed by the HyD but were handed over to the HyD for repair and maintenance, three have been included in the “Original Programme” under the UAP or other projects for retrofitting works. For the remaining four walkways without retrofitting works, the HyD will conduct a review in response to the Audit Recommendations and consider whether to implement retrofitting works having regard to relevant information (including technical feasibility and nearby environment, etc.), and consult the concerned DCs for the retrofitting works.</p> <p>For the other four walkways constructed by the HyD, one of them has been included in the “Original Programme” under the UAP for retrofitting works. For the remaining three walkways without retrofitting works, the HyD will conduct a review in response to the Audit Recommendations and consider whether to implement retrofitting works having regard to relevant information (including technical feasibility and nearby environment, etc.), and consult the concerned DCs for the retrofitting works.</p>
(d)	ascertain the reasons for the omission of 33 walkways in reporting to LegCo in April 2011 the number of walkways not having been provided with barrier-free access facilities, and endeavour to provide correct information to LegCo in future.	Regarding the 33 walkways which did not have BFA facilities but had not been reported to the LegCo as mentioned in the Audit Report, the HyD is reviewing the latest information on retrofitting BFA facilities of existing GS walkways, including re-examining whether the justifications of not carrying out retrofitting works for items

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		<p>which were considered technically infeasible due to circumstances at that time are still applicable in light of the present circumstances and in view of the experience gained in the implementation of the programme. The HyD will consider whether to implement retrofitting works having regard to relevant information (including technical feasibility and nearby environment, etc.). The HyD would report the results to the LegCo and relevant DCs when appropriate.</p>
Way Forward		
4.22	<p>Audit has recommended that the Secretary for Transport and Housing, the Director of Highways and the Director of Civil Engineering and Development should take into account observations contained in this Audit Report in implementing lift retrofitting works for GS walkways in future.</p>	<p>The Transport and Housing Bureau, HyD and CEDD agree to consider the audit recommendations in the implementation of lift retrofitting works. The HyD will continue to use its best endeavours to take forward the retrofitting works in accordance with established policies and relevant guidelines.</p>
4.23	<p>Audit has also recommended that the Director of Highways should conduct a review to ascertain whether the implementation of a large quantity of lift retrofitting works within a few years has created pressure on the related trade and driven up the cost of works, and take necessary improvement measures.</p>	<p>The rise in the construction prices of the lift retrofitting works is attributed to a number of factors, such as increase in construction cost in recent years and inflation. The works under UAP are mainly lift retrofitting works, which are relatively small in scale comparing with mega projects, and are able to attract more medium-sized contractors to submit tenders. Therefore, the construction risk is relatively manageable. The HyD will continue to closely monitor the market situation and award tenders when appropriate.</p>

Admission schemes for talent, investors and workers
Updated Progress of Implementing Audit's Recommendations

Para. No.	Audit's Recommendations	Progress to date
Part 2: Admission Schemes for Talent, Professionals and Non-local Graduates		
<i>Administration of General Employment Policy (GEP) Employment Stream and Admission Scheme for Mainland Talents and Professionals (ASMTP)</i>		
2.18(a)	The Immigration Department (ImmD) should, in administering the GEP and the ASMTP, monitor GEP and ASMTP applications with long processing time to ensure that case officers take prompt actions on requesting and following up additional information from applicants.	ImmD has reviewed the mechanism for monitoring the case processing time and implemented measures to strengthen the monitoring of case progress. Among the new measures, case officers are now required to submit a list of outstanding cases with indications of case progress to their supervisors on a monthly basis. Besides, regular progress meetings among case officers, their supervisors and the Section Head are also held during which applications with long processing time will be discussed so as to work out appropriate solutions. Since the measures have been implemented on an on-going basis, we recommend deleting this part from the next progress report.
2.18(b)	ImmD should, in administering the GEP and the ASMTP, issue guidelines to set out clearly the required procedures for: (i) considering availability of local employees in processing GEP applications in line with those for ASMTP applications; (ii) considering market level of remuneration in processing both GEP and ASMTP applications; and (iii) documenting the justifications in cases where the laid-down	ImmD has issued guidelines for handling GEP and ASMTP applications. In processing the applications, the sponsors, i.e. the employing companies, are required to provide a written declaration to confirm that genuine efforts were made to recruit suitable local candidates (though unsuccessful). In this connection, a new declaration form to be completed by the employing company has been put into use since July 2016. In addition, case officers are required to make reference to a designated database on the latest market level of remuneration. (Please refer to the progress under para. 2.40(c))

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	<p>guidelines cannot be followed, and take measures to ensure relevant staff's compliance with the laid down guidelines.</p>	<p>for details.)</p> <p>Case officers have also been reminded to strictly comply with the laid-down guidelines and properly record the actions taken, the factors considered and the justifications in the determination of applications. Regular briefings and spot checks are conducted by supervisors to ensure compliance.</p> <p>Since follow-up actions have been completed, we recommend deleting this part from the next progress report.</p>
2.18(c)	<p>ImmD should, in administering the GEP and the ASMTP, improve the random check arrangements in verifying applicants' qualification documents for GEP and ASMTP applications.</p>	<p>Case officers have been briefed to request the applicants to provide originals/certified true copies of qualification documents for verification in doubtful cases. Briefings are conducted regularly and supervisors are also required to conduct random checks to ensure compliance.</p> <p>Since the measures have been implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
2.18(d)	<p>ImmD should, in administering the GEP and the ASMTP, remind case officers to:</p> <ul style="list-style-type: none"> (i) ensure that the returnability requirement is met in approving the limit of stay; (ii) strictly follow the laid-down guidelines in approving limit of stay in accordance with duration of the employment contracts where applicable; 	<p>Regular briefings are conducted to remind case officers in this regard. Moreover, the procedures for preparing the visa labels in respect of foreign cooks have been enhanced to ensure that the special conditions of stay for foreign cooks were imposed in accordance with the prevailing policy.</p> <p>Regular spot checks by supervisors are conducted before issuance of visa/extension labels to ensure compliance.</p>

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	<p>(iii) strictly follow the laid-down guidelines in checking applications for intra-company transfer; and</p> <p>(iv) ensure that special conditions of stay for foreign cooks under the GEP are imposed in accordance with the ImmD's policy.</p>	<p>Since the measures have been implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
2.18(e)	<p>ImmD should, in administering the GEP and the ASMTP, take measures to ensure that the data maintained in the computer system for processing GEP/ASMTP applications are accurate and up-to-date.</p>	<p>ImmD has started enhancing the computer system in this regard.</p>
2.18(f)	<p>ImmD should, in administering the GEP and the ASMTP, review the consistency of the practices of imposing special conditions of stay on cooks and professionals in the catering industry.</p>	<p>ImmD is conducting a review on the imposition of special conditions of stay on foreign cooks so as to align the conditions of stay of cooks with other professionals under the GEP and ASMTP.</p>
<i>Administration of Quality Migrant Admission Scheme (QMAS)</i>		
2.29(a)	<p>ImmD should remind the Panels of the QMAS to record their justifications for recommending or rejecting an application in the General Points Test (GPT) selection exercise.</p>	<p>ImmD has reminded the Panels of the QMAS to record their justifications for recommending or rejecting applications in the GPT selection exercise.</p> <p>Since the follow-up action has been completed, we recommend deleting this part from the next progress report.</p>
2.29(b)	<p>ImmD should closely liaise with the Labour and Welfare Bureau (LWB) to incorporate the talent list into the QMAS once it is available so that prospective applicants are better informed before deciding whether they should submit an application.</p>	<p>ImmD is closely liaising with the LWB to follow up the Audit's recommendation.</p>

Para. No.	Audit's Recommendations	Progress to date
<i>Administration of Immigration Arrangements for Non-local Graduates (IANG)</i>		
2.40(a)	ImmD should tighten control over the verification of the authenticity of supporting documents submitted by IANG applicants/entrants.	<p>ImmD has stepped up the verification of the authenticity of supporting documents submitted by IANG applicants/entrants.</p> <p>For applications from fresh graduates, applicants are required to submit original proof of graduation.</p> <p>For applications from returning graduates where copy of graduation proof has been submitted, applicants will be randomly selected to produce originals/certified true copies of academic records/graduation certificates. Moreover, ImmD will also confirm with the concerned educational institutions on applicants' qualification on a random basis.</p> <p>Since the measures have been implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
2.40(b)	ImmD should remind case officers to document all the factors considered in assessing IANG applicants' job qualification requirements.	<p>ImmD has reminded case officers to make proper records on minutes, including the actions taken, the factors considered and the justifications in the determination of applications. Regular briefings and spot checks are also conducted to ensure strict compliance.</p> <p>Since the measures have been implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
2.40(c)	ImmD should consider establishing a database of current market remuneration package of young graduates employed in various industries to facilitate case officers'	ImmD has set up a database on the latest market level of remuneration for internal reference. Case officers have been reminded to properly record any reference made to the database when

Para. No.	Audit's Recommendations	Progress to date
	assessment of IANG applications.	<p>determining whether the remuneration package is broadly commensurate with the market level. Regular briefings and spot checks are also conducted to ensure strict compliance.</p> <p>Since follow-up action has been completed, we recommend deleting this part from the next progress report.</p>
Part 3: Admission Schemes for Investors		
<i>Administration of GEP Investment Stream</i>		
3.13(a)	ImmD should include the types of supporting documents required for processing GEP entrepreneur applications in the checklist of submission of documents in the relevant guidebook for applicants.	<p>ImmD has updated the checklist in the relevant guidebook detailing the supporting documents generally required for GEP entrepreneur applications in June 2016.</p> <p>Since follow-up action has been completed, we recommend deleting this part from the next progress report.</p>
3.13(b)	ImmD should step up monitoring of the processing time of GEP entrepreneur applications to ensure that prompt actions are taken in obtaining/following up any additional supporting documents from applicants.	<p>ImmD has reviewed the mechanism for monitoring the case processing time and implemented various measures to strengthen the monitoring mechanism. (Please refer to the progress under para. 2.18(a) for details.)</p> <p>Since the measure has been implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
3.13(c)	ImmD should remind case officers to ascertain that the GEP entrepreneur entrants have delivered the planned scale of operation as stated in their entry applications (including obtaining reliable proof in warranted cases) before approving their extension-of-stay applications. For doubtful cases, the approval should be	<p>ImmD has reminded case officers in this regard.</p> <p>In processing extension of stay applications, case officers are required to critically review whether the planned scale of operation as stated in applicants' entry applications had been fully delivered. Review of the</p>

Para. No.	Audit's Recommendations	Progress to date
	<p>granted subject to further business reviews.</p>	<p>applicant's latest business plan will be conducted as appropriate. Such applications, even if approved, will be subject to further business review if warranted.</p> <p>Since the measures have been implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
3.13(d)	<p>ImmD should take measures to ensure that the stipulated supporting letters with all the required information are always obtained for processing extension of stay applications.</p>	<p>ImmD has reminded case officers in this regard. Case officers are also required to properly record the applicant's claimed contributions to the economy of Hong Kong in the supporting letter (i.e. amount of capital having been invested and to be invested in the coming three years; number of local employees having been employed and to be employed in the coming three years) upon assessment. The supervisors have also strengthened spot checks to ensure compliance.</p> <p>Since the measures have been implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
3.13(e)	<p>ImmD should obtain proof on the GEP entrepreneur applicants' claimed contributions to Hong Kong in warranted extension of stay cases.</p>	<p>ImmD has reminded case officers to secure further proof of the applicants' claimed contributions to Hong Kong for doubtful cases to facilitate in-depth assessment and the assessment will be properly recorded on minutes. The supervisors have also strengthened spot checks to ensure compliance.</p> <p>Since the measures have been 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
3.13(f)	ImmD should maintain computerised information on the GEP entrepreneur entrants' sustained contributions to the local economy.	ImmD has started enhancing the computer system so that relevant information can be captured by the computer system for future analysis.
<i>Administration of Capital Investment Entrant Scheme (CIES)</i>		
3.24(a)	ImmD should step up monitoring of the processing of CIES applications to ensure that prompt follow-up actions are taken in obtaining additional information or ascertaining whether the investment requirements have been met.	<p>ImmD has reviewed the mechanism and taken measures to step up monitoring of the processing time of CIES applications. (Please refer to the progress under para. 2.18(a) for details.)</p> <p>Since the measures have been implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
3.24(b)	<p>ImmD should tighten control over breaches of Scheme Rules of the CIES, including:</p> <p>(i) timely issue of warning letters to the entrants concerned; and</p> <p>(ii) taking more stringent actions against cases of repeated breaches after issue of warning letters.</p>	<p>ImmD has issued guidelines to remind case officers to issue warning letters to the applicants concerned timeously after the finalisation of the case, and to report on the progress of breach cases monthly for monitoring.</p> <p>Mechanism for handling cases of repeated or deliberate breaches has also been put in place, which includes requiring applicants to account for the breaches in detail upon annual review of investment transactions, refusing subsequent extension of stay applications from those failing to provide a reasonable explanation for the breaches; and requiring the applicants concerned to leave Hong Kong upon expiry of their limit of stay, etc.</p> <p>Since the measures have been 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
Part 4: Admission Scheme for Foreign Domestic Helpers (FDHs)		
<i>Administration of Admission Scheme for FDHs</i>		
4.17(a)	ImmD should liaise with the Labour Department (LD) to conduct a review on the household income and the asset thresholds for employing FDHs, taking into consideration the need to ensure sponsors' financial capability and other socio-economic factors.	<p>The income and asset thresholds form part and parcel of the FDH policy, which is under the purview of the LD, so as to better ensure that employers have the economic means to pay their FDHs for the whole contractual period of 24 months.</p> <p>In considering any proposal to increase the income and asset thresholds for FDH-employing families, the Government carefully and holistically takes into consideration a basket of socio-economic factors (particularly the need of such an adjustment and its potential impact) and strikes a reasonable balance between the need for protecting FDHs (i.e. ensuring that employers have the means to pay) as well as the needs of our community, particularly those families which are in need for the service of FDHs.</p> <p>The LD conducted a review in September 2016. Having regard to the above considerations and the very low number of complaints on payment of wages to FDHs over the years, it is considered that the existing income and asset thresholds should be maintained.</p> <p>Since follow-up action has been completed, we recommend deleting this part from the next progress report.</p>

Para. No.	Audit's Recommendations	Progress to date
4.17(b)	ImmD should issue guidelines setting out the key follow-up procedures for all case officers in the FDH Section to ensure consistency in processing new visa applications with pre-mature termination (PMT) records.	<p>ImmD has issued instructions setting out the procedures in processing new visa applications with PMT records to ensure consistency. Regular briefings and spot checks are in place to ensure compliance.</p> <p>Since the follow-up action has been completed, we recommend deleting this part from the next progress report.</p>
4.17(c)	ImmD should remind case officers in the Special Duty Team and all other units in the FDH Section to make greater efforts to contact the ex-employers of PMT cases, especially those who have made adverse comments on the performance of the applicant FDHs, for clarification before making decisions on their new visa applications.	<p>ImmD has implemented a series of measures since April 2016, which include improving the workflow, deploying more manpower to handle cases and issuing operational guidelines setting out specific instructions on, among others, contacting ex-employers or FDHs and checking their relevant records to further combat "job-hopping".</p> <p>Since the measures have been implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
4.17(d)	ImmD should continue to expedite the processing of PMT notifications and updating the computer records.	<p>ImmD has deployed resources to expedite the processing of PMT notifications and the backlog of PMT notification pending processing as at end of July 2016 has dropped by 37% when compared with the figure in July 2015.</p> <p>Since the measures have been 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
4.17(e)	<p>ImmD should consider tightening the vetting of applications (including renewals) for FDHs performing driving duties by requiring:</p> <ul style="list-style-type: none"> (i) employers to provide full justifications for employing FDHs to perform driving duties; and (ii) FDHs to make a declaration to indicate whether they have any driving-related convictions in and outside Hong Kong. 	<p>ImmD has reminded case officers to ensure that employers have provided full justifications for employing FDHs to perform driving duties before putting up the case to supervisors for decisions. Besides, operational guidelines have been issued such that FDH applicants applying for special permission to perform driving duties are required to provide declaration on whether they have previous record of driving offence(s).</p> <p>Measures have also been put in place for conducting spot checks to ensure compliance.</p> <p>Since the follow-up actions have been completed, we recommend deleting this part from the next progress report.</p>
Part 5: Other Administrative Issues		
<i>Information System</i>		
5.9(a)	ImmD should take measures to ensure the proper maintenance of computer records for the various Admission Schemes, taking into account the audit findings mentioned in paragraph 5.3.	ImmD has reminded case officers the importance of data accuracy and the need to maintain computer records properly. Besides, ImmD has deployed additional resources and procured high-speed scanners to expedite the scanning of documents into the computer system. Meanwhile, ImmD has also started enhancing the computer system in the light of the Audit's recommendations.
5.9(b)	ImmD should explore the feasibility of enhancing the functions of the Application and Investigation Easy System to address the inadequacies mentioned in paragraphs 5.4 and 5.5.	ImmD has started working out the enhancement on the computer system in the light of the Audit's recommendations.

Para. No.	Audit's Recommendations	Progress to date
<i>Supervisory Checks</i>		
5.9(c)	ImmD should enhance the supervisory-check arrangements to provide sufficient monitoring and evaluation of the quality of decisions made by case officers in processing visa/permit applications under various Admission Schemes.	ImmD has reviewed the mechanism of regular supervisory checks. The mechanism has been enhanced in that, the checking will be properly recorded and the check registers will be inspected regularly by Section Heads. Since the enhancement has been implemented on an on-going basis, we recommend deleting this part from the next progress report.
<i>Cost Recovery of Visas/Entry Permits and Extension of Stay</i>		
5.9(d)	ImmD should review the need for improving the cost-recovery rate of visas/entry permits and extension of stay and consider setting a target cost recovery rate in the long run.	A comprehensive review on all fee items is being conducted in this regard. ImmD will continue to review fee items regularly with a view to achieving full cost recovery over time. Since the review will be conducted regularly on an ongoing basis, we recommend deleting this part from the next progress report.
Part 6: Way Forward		
<i>Proactive and Targeted Approach to Attract Talent</i>		
6.10(a)	ImmD should enhance the computer system to periodically generate statistics for monitoring the effectiveness of the GEP, the ASMTP, the QMAS and the IANG in attracting and retaining talent, professionals, entrepreneurs and non-local graduates for reference by the Steering Committee on Population Policy (SCPP).	ImmD has all along been compiling relevant statistics in a timely manner as a reference for reviewing the effectiveness of various admission schemes in attracting and retaining talent, professionals and entrepreneurs. Those statistical reports which could only be maintained by manual efforts previously are now generated electronically subsequent to the enhancements to the computer system early this year. ImmD will continue to compile relevant statistics regularly and provide the statistics for passing to the SCPP for reference.

Para. No.	Audit's Recommendations	Progress to date
		Since the follow-up action has been completed, we recommend deleting this part from the next progress report.
6.10(b)	<p>ImmD should in consultation with the Security Bureau (SB):</p> <ul style="list-style-type: none"><li data-bbox="309 539 858 734">(i) continue to monitor the implementation of the various enhancement measures under the Admission Schemes mentioned in paragraph 6.3; and<li data-bbox="309 779 858 1093">(ii) review the effectiveness of the Admission Schemes in attracting and retaining outside talent to stay and work in Hong Kong, taking on board the audit observations and recommendations in this Audit Report.	<p>SB and ImmD are closely monitoring the effectiveness of the pilot Admission Scheme for the Second Generation of Chinese Hong Kong Permanent Residents as well as other enhancement measures to various admission schemes.</p> <p>As the recommendations will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>

**Hong Kong Academy for Performing Arts (HKAPA)
Progress in Implementing the PAC's and Audit's Recommendations
(position as at 19.10.2016)**

Para. No.	Issues examined	Audit's Recommendations	Progress to date
PART 2	PROVISION OF ACADEMIC PROGRAMMES		
2.17	Student enrolment	<p>Audit has recommended that the HKAPA, in consultation with the Secretary for Home Affairs, should:</p> <p>(a) closely monitor the student enrolment situation and address the enrolment shortfall, particularly for the School of Chinese Opera;</p> <p>(b) plan strategically to meet the challenges presented by the decreasing population of secondary school graduates and the increasing competition from other higher education institutions; and</p> <p>(c) explore measures to attract more suitably qualified students to apply</p>	<p>The HKAPA is taking steps to address the key issues relating to enrolment numbers, including reviewing the relevant entry and articulation pathways.</p> <p>A Task Force on Student Enrolment, chaired by the Deputy Director (Academic)/HKAPA, was formed in September 2016 under the Academic Board for the purpose. It is expected the Task Force will submit the first batch of recommendations to the Academic Board by June 2017.</p> <p>In addition, the HKAPA will develop an online web-based platform for local and international students to submit their applications with a view to reaching out to a wider pool of suitably qualified candidates and facilitating their applications. The design, specifications and requirements of the on-line application system are being developed with a view to inviting tender in the third quarter of 2017.</p>

Para. No.	Issues examined	Audit's Recommendations	Progress to date
		<p>for its academic programmes, including ways to improve its admission procedures.</p>	
2.31	Admission of non-local students	<p>Audit has recommended that the Secretary for Home Affairs should:</p> <p>(a) in consultation with the Secretary for Education, draw up a policy on admission of non-local students for the HKAPA, making reference to the principles of the policy applicable to UGC-funded institutions; and</p> <p>(b) in consultation with the Secretary for Education, pursue further with the HKAPA on setting a tuition fee level for non-local students to recover all additional direct costs.</p>	<p>In response to Home Affairs Bureau (HAB)'s request, the HKAPA is conducting a thorough and extensive study on all associated cost components with a view to setting a suitable tuition fee level for non-local students to recover all additional direct costs. It plans to consult its Council on the proposed tuition fee revisions for non-local students in the fourth quarter of 2016.</p> <p>Pending the outcome of the above-mentioned study, HAB will follow up with HKAPA to draw up the policy on admission of non-local students, taking into account the academic needs of the HKAPA for a satisfactory international mix of student population, the overall quality of the learning environment and experience for HKAPA students, cost-effectiveness of the use of public funds as well as the rationale behind the policy applicable to UGC-funded institutions.</p>
2.38	Student unit cost	<p>Audit has recommended that the HKAPA and the Secretary for Home</p>	<p>As student enrolment will have a direct impact on student unit costs, the HKAPA has set up a Task Force on Student Enrolment as mentioned in para. 2.17 to explore ways to study the</p>

Para. No.	Issues examined	Audit's Recommendations	Progress to date
		<p>Affairs should closely monitor the student unit cost and take effective measures to contain the increasing trend, making reference to student unit costs of UGC-funded institutions.</p>	<p>optimum figure on student enrolment for its programmes, taking into account the academic requirements and the cost-effectiveness of its programmes. The HKAPA will continue to monitor the student unit cost and consider the suitability of benchmarking with similar courses provided by its local and overseas counterparts.</p>
2.51	Graduate number and employment survey	<p>Audit has recommended that the HKAPA and the Secretary for Home Affairs should review the effects of the reduction in number of graduates arising from the migration to a four-year undergraduate degree structure.</p>	<p>The Academic Curriculum Review Task Force, chaired by the Deputy Director (Academic) of HKAPA, has been set up in December 2015 to review the four-year degree programmes servicing the first cohort of graduates under the new DSE system (in June 2016). The review will include examining the impact of moving from a 2+3 (diploma + degree) structure to a 4-year Bachelor Degree's structure as well as the phasing out of diploma programmes (in Drama, Theatre and Entertainment Arts and Film & TV). It will also address the needs of the industry and students.</p> <p>The Task Force will make recommendations on the academic planning and development of the four-year degree programme by December 2017, taking into account the findings of the review and other relevant factors, such as the 1st cohort of 4-Year Bachelor's Degree Graduate Exit Survey findings.</p> <p>The HKAPA will continue to assess the implications of the Academy's strategic direction on the supply of appropriately trained graduates and keep close contact with the arts and cultural sector to gauge the views of the stakeholders.</p> <p>The HAB will continue to monitor the graduate number of the HKAPA taking into account the review being undertaken by HKAPA on its</p>

Para. No.	Issues examined	Audit's Recommendations	Progress to date
			<p>four-year degree programmes and the needs of the arts sector.</p> <p>As HAB/HKAPA have taken forward the Audit's recommendation and the improvement measures will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
2.52	Graduate number and employment survey	<p>Audit has recommended that the HKAPA should:</p> <p>(a) disclose more graduate employment information collected from graduate employment survey on its website; and</p> <p>(b) take measures to improve the response rate of graduate employment survey.</p>	<p>On (a), the HKAPA is exploring suitable arrangements for disclosure of more graduate employment information collected from graduate employment surveys. Reference will be made to the practice of other UGC-funded institutions. It targets to introduce enhanced disclosure arrangements in the first quarter of 2017.</p> <p>On (b), the HKAPA conducted a review in June 2016 to see if the survey process could be modified with a view to improving the response rate of future surveys. To this end, HKAPA will, in addition to making follow-up phone calls to remind the graduates to complete the on-line surveys, offer suitable incentives to boost response rate. The target date of completion for the 2016 Survey is January 2017.</p> <p>As HAB/HKAPA have taken forward the Audit's recommendations and the improvement measures will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
2.59	Non-government funded programmes	<p>Audit has recommended that the HKAPA should:</p> <p>(a) lay down formal arrangements for recovering costs</p>	<p>The HKAPA is making arrangements to keep a separate set of accounts for all self-financing activities and ensure that there is no cross-subsidisation of these activities by the subvented programmes in money or in kind.</p> <p>The HKAPA is conducting an overall review on</p>

Para. No.	Issues examined	Audit's Recommendations	Progress to date
		<p>from all non-government funded programmes on a consistent basis; and</p> <p>(b) examine the current bases for recovering costs from the EXCEL, Master's degree programmes and the Troupe, and make necessary revisions to ensure that there is no cross-subsidisation of programmes operated on a self-financing basis.</p>	<p>the prevailing cost recharge mechanism to ensure that there is no cross-subsidization of self-financing programmes. The review is expected to be completed in December 2016.</p>
PART 3	GOVERNANCE AND GOVERNMENT MONITORING		
3.18	Council and committee proceedings	<p>Audit has recommended that the HKAPA should:</p> <p>(a) take measures to improve the attendance rates at the Staff Retirement Benefit Schemes Management Committee meetings, particularly for Council members;</p>	<p>(a) The HKAPA has reviewed the composition of Staff Retirement Benefit Schemes Management Committee and the revised composition has taken effect from the start of the new academic year on 1 September 2016. Attendance at the future Committee meetings will be closely monitored.</p> <p>(b) The HKAPA has uploaded the attendance record for the Council/committee meetings onto the website of the HKAPA since February 2016 as a means to encourage higher attendance. The HKAPA has also stepped up efforts in facilitating Members' attendance at these meetings.</p>

Para. No.	Issues examined	Audit's Recommendations	Progress to date
		<p>(b) take appropriate actions (e.g. making enquiries and issuing reminders) to improve the attendance rates at Council/committee meetings of individual members with low attendance rates;</p> <p>(c) fill the vacancies of committees in a timely manner;</p> <p>(d) on its website or annual reports, disclose the terms of reference, the key work carried out and the number of meetings held of the Council and its committees, and the attendance rates of individual members;</p> <p>(e) circulate the agenda, meeting papers and draft minutes of Council/committee meetings in a timely manner;</p> <p>(f) make efforts to obtain annual declarations of</p>	<p>(c) The HKAPA has reviewed the composition of each Committee. As at mid-June 2016, all the vacancies have already been filled.</p> <p>(d) The HKAPA has uploaded the dates and number of Council meetings and attendance rates onto its website since February 2016.</p> <p>(e) The HKAPA has incorporated guidelines on good practice on meeting proceedings into the Academy Internal Committee Handbook to ensure that the agenda, meeting papers and draft minutes of Council/committee meetings are circulated on a timely manner.</p> <p>(f) Annual declarations of interests for year 2016 from all Council members have been obtained. The HKAPA will continue to obtain duly completed declaration forms from the Council members annually in the future.</p> <p>(g) The HKAPA has reviewed the Council Committee Handbook and duly incorporated the duties and responsibilities of Council/committee members, confidentiality requirements, and management of conflicts of interest into the Handbook. The revised handbook will be submitted for Council's endorsement in the fourth quarter of 2016.</p> <p>As the HKAPA has taken forward the Audit's recommendations and the improvement measures will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>

Para. No.	Issues examined	Audit's Recommendations	Progress to date
		<p>interests from all Council members; and</p> <p>(g) supplement the Academy Committee Handbook with guidelines on such matters as duties and responsibilities of Council/committee members, confidentiality requirements, and management of conflicts of interest.</p>	
3.19	Council and committee proceedings (cont'd)	<p>Audit has recommended that the Secretary for Home Affairs should take into account the meeting attendance rates of individual members in nominating them for re-appointment to the Council.</p>	<p>When appointing or re-appointing a member to serve on the HKAPA Council, Members' attendance record in a specific term is one of the factors considered by HAB. In addition, HAB takes into consideration the candidate's ability, expertise, experience, integrity and commitment to public service, so as to ensure that the Council has the right mix of members to enable it to carry out its functions effectively. HAB will continue to take into account the above-mentioned factors in considering appointment and re-appointment to the HKAPA Council.</p> <p>As HAB has taken forward the Audit's recommendation and the improvement measure will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>

Para. No.	Issues examined	Audit's Recommendations	Progress to date
3.39	Government monitoring	<p>Audit has recommended that the HKAPA should:</p> <p>(a) obtain the HAB's approval in a timely manner for making allocation from the reserve; and</p> <p>(b) return to the reserve the unspent balance of an allocation when the purpose of the allocation has been accomplished.</p>	<p>The HKAPA undertakes to seek HAB's prior written approval for using the reserve. It will also closely monitor the allocation from the reserve to ensure that any unspent balance will be returned to the reserve when the purpose of the allocation has been accomplished.</p> <p>As the HKAPA has taken forward the Audit's recommendations and the improvement measures will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
3.40	Government monitoring	<p>Audit has recommended that the Secretary for Home Affairs should:</p> <p>(a) update the Memorandum of Administrative Arrangements (MAA) with the Government's prevailing subvention guidelines;</p> <p>(b) monitor the movements in the reserve to ensure that an allocation is made only with the HAB's approval, and follow up unspent balance of an allocation made;</p>	<p>(a) HAB is in the process of reviewing the MAA, taking into account the Audit recommendations, Government's prevailing subvention guidelines and views from the HKAPA. Pending the completion of the review, HAB has advised the HKAPA in writing in August 2016 that it should include in its submission of the coming 2015/16 financial statement the reporting requirements as pointed out by the Audit in para. 3.24 (a) and (b) of the Audit's report.</p> <p>(b) and (c) HAB has critically examined the case mentioned in paragraph 3.28(b) of the Audit Report. It is found that HKAPA had made reference to the Council approval date instead of the HAB's approval date in determining whether the allocation should be made from the reserve for the year 2014-15. Hence, the HKAPA had reflected the allocation of fund from the reserve in its financial accounts for the year 2014-15. To avoid occurrence of similar case, HAB has</p>

Para. No.	Issues examined	Audit's Recommendations	Progress to date
		<p>(c) examine whether the allocation made by the HKAPA as mentioned in paragraph 3.28(b) has been properly accounted for and take necessary follow-up action; and</p> <p>(d) in consultation with the Secretary for Education, draw up guidelines for the HKAPA on making reference to the UGC's policies/guidelines.</p>	<p>reminded the HKAPA management in writing in September 2016 to observe the relevant provisions in the MAA in respect of the use of reserve fund, including the need for obtaining HAB's approval before making allocation from the reserve and returning any unspent balance of an allocation to the reserve in a timely manner.</p> <p>(d) Given its unique role and function, the HKAPA's operation and funding arrangement is different from UGC-funded institutions. That said, HAB will advise the HKAPA to make reference to the UGC policies/guidelines, whenever appropriate and applicable.</p> <p>For items (b), (c) and (d), as HAB has taken forward the Audit's recommendations and the improvement measures will be implemented on an on-going basis, we recommend deleting these three items from the next progress report.</p>
3.41	Government monitoring	<p>Audit has recommended that the Secretary for Home Affairs should maintain dialogue with the HKAPA, the Secretary for Education and other stakeholders on the feasibility and desirability of transferring the responsibility of funding and overseeing the HKAPA from the HAB to the EDB/UGC.</p>	<p>HAB and the HKAPA consider the current funding arrangement best enables the Academy to fulfil its role as a tertiary training institution for performing arts practitioners. HAB and HKAPA will consult HKAPA Council, and other relevant bureau as necessary on the issue in due course.</p>

Para. No.	Issues examined	Audit's Recommendations	Progress to date
PART 4	ADMINISTRATIVE ISSUES		
4.10	Utilisation of teaching venues	<p>Audit has recommended that the HKAPA should:</p> <ul style="list-style-type: none"> (a) regularly compile statistics to monitor the utilisation rates of teaching venues to ensure that they are optimally utilised; (b) review the utilisation rates of teaching venues and examine how to improve the utilisation of those teaching venues with low utilisation rates ; and (c) put in place a system to detect and follow up cases of booked venues not utilised. 	<p>The HKAPA has formed a Task Force on Utilisation of Teaching and Performing Venues, co-chaired by Deputy Director (Administration) and Deputy Director (Academic), with a view to achieving optimal use of the teaching venues and the performance venues in the Academy.</p> <p>The tasks of the Task Force include (i) ensure up-to-date booking records of all teaching and performance venues are kept in a central system; (ii) review the process and guidelines of teaching and performance venues booking; and (iii) review the utilization rates of teaching and performance venues and make recommendations on improving the utilisation of venues identified with low utilisation rate.</p> <p>The Task Force will commence its work in the fourth quarter of 2016.</p>
4.17	Utilization of performance venues	<p>Audit has recommended that the HKAPA should:</p> <ul style="list-style-type: none"> (a) monitor the utilisation rates of performance venues; and (b) monitor the effectiveness of the 	<p>The HKAPA has introduced a new central booking system on a trial basis since September 2016. The new system will keep up-to-date booking records of all teaching and performance venues starting from the 2016/2017 academic year, i.e. September 2016. This would facilitate the management to take improvement measures on those venues with relatively low utilisation rate.</p> <p>The HKAPA will continue to monitor the</p>

Para. No.	Issues examined	Audit's Recommendations	Progress to date
		<p>measures taken to improve utilisation of performance venues and explore additional measures for further improvement.</p>	<p>utilisation rates of performance venues as well as the effectiveness of the central booking system newly introduced; and explore additional measures for further improvement.</p> <p>As the HKAPA has taken forward the Audit's recommendations and the improvement measures will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
4.24	Electricity charges and energy management	<p>Audit has recommended that the HKAPA should:</p> <p>(a) follow up with the electricity supply company for selecting the more economical tariff for the high-consumption electricity accounts, and using summation metering to achieve further savings in electricity charges; and</p> <p>(b) continue to implement the energy conservation measures with a view to reducing electricity consumption.</p>	<p>The HKAPA has been liaising with the electricity supply company since November 2015 on the electricity tariff. To explore further room for reducing electricity consumption, the HKAPA will -</p> <ul style="list-style-type: none"> - continue to follow up with the electricity supply company for opportunities to adopt the more economical tariff type and to use summation metering, and aim at identifying optimal solutions; - continue to implement appropriate energy conservation measures; and - adopt good housekeeping measures in order to further optimize energy consumption. <p>As the HKAPA has taken forward the Audit's recommendations and the improvement measures will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>

Para. No.	Issues examined	Audit's Recommendations	Progress to date
4.34	Management of fixed assets	<p>Audit has recommended that the HKAPA should:</p> <p>(a) conduct annual physical checks of fixed assets in accordance with laid-down procedures;</p> <p>(b) require the Supplies Office to fully document follow-up actions taken on the discrepancies found during the triennial physical check of all fixed assets, and compile a report to senior management;</p> <p>(c) strengthen the control on fixed assets to minimise loss;</p> <p>(d) reconcile the discrepancies between the two sets of fixed asset records kept by the Supplies Office and the Accounts Office respectively; and</p> <p>(e) lay down formal guidelines on loaning of assets to</p>	<p>For (a), (b), (c) and (e)</p> <p>The HKAPA has issued a set of guidelines and procedures on fixed assets management as well as loaned items in September 2016 to strengthen the control and documentation of fixed assets.</p> <p>For (d), the HKAPA has rectified all the discrepancies between the two set of fixed asset records kept by two different offices.</p> <p>The HKAPA will continue to closely monitor the implementation of the guidelines and procedures.</p> <p>As the HKAPA has taken forward the Audit's recommendations and the improvement measures will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>

Para. No.	Issues examined	Audit's Recommendations	Progress to date
		students and staff, and strengthen controls to ensure timely return of loaned items.	
4.39	Investment of surplus funds	<p>Audit has recommended that the HKAPA should:</p> <p>(a) expand its list of banks for obtaining interest rate quotations and placing time deposits;</p> <p>(b) explore the possibilities of increasing the amount of time deposits for earning more interest income; and</p> <p>(c) finalise its investment guidelines for investing surplus funds.</p>	<p>(a) and (b) The HKAPA plans to seek its Council's endorsement at its next meeting in November 2016 to expand its list of banks for obtaining interest rate quotations and placing time deposits, with a view to enhancing interest income while ensuring sufficient liquidity for operations.</p> <p>(c) The draft Investment Policies and Guidelines stipulated principles, objectives, policies and guidelines which governing the overall investment management of the Academy, was approved by the Council on 14 June 2016 and took immediate effect. The Academy should observe the policy and guidelines therein on investing surplus funds.</p> <p>For item (c), as the HKAPA has taken forward the Audit's recommendations and the improvement measure will be implemented on an on-going basis, we recommend deleting this part from the next progress report.</p>
PART 5	CAMPUS IMPROVEMENT AND EXPANSION		
5.16	Wanchai Campus expansion project	<p>Audit has recommended that the HKAPA should:</p> <p>(a) endeavour to complete the OCE project within</p>	<p>On <u>paras. 5.16 (a) and 5.17 (a)</u></p> <p>Construction of the new building block under the on-campus expansion (OCE) project has been progressing well and the project is targeted to be completed by end 2017.</p>

Para. No.	Issues examined	Audit's Recommendations	Progress to date
		<p>budget by December 2017;</p> <p>(b) for future government-subsidised capital works projects, implement the project in strict accordance with the scope of the project as approved by the Finance Committee (FC) of LegCo, and avoid making changes to the design and specifications of the project that would increase the approved project estimate (APE) after funding approval; and</p> <p>(c) make necessary arrangements to deal with the impact of the delay and reduction in scope of the OCE project on delivering its academic programmes and other services.</p>	<p>Enhanced measures, including conducting weekly technical meetings with contractor to identify and resolve critical issues which might adversely affect the project cost and programme; and enhancing coordination with the contractor for early submissions of materials (e.g. complicated works procedures) for early review and approval, have been implemented by the HKAPA thereby stepping up the monitoring of critical path and milestone dates of the contractor's programme to ensure timely completion of the project.</p> <p>HAB will continue to closely monitor the progress of the project through quarterly reports from HKAPA and close liaison with the project team to ensure that the OCE project be completed within budget by December 2017.</p> <p>HKAPA agrees to the recommendation in <u>para. 5.16(b)</u>.</p> <p>On <u>para. 5.16 (c)</u></p> <p>On the provision of service during the construction period, the HKAPA has worked out alternative space arrangements before the commissioning of new facilities so that the requisite hardware requirements for its delivery of academic programmes would not be compromised because of the project delay. Parts of the OCE project, including the conversion works of the existing fountain pump room and the redesign/reconfiguration of the existing library, have been completed and the new facilities (including office and storage space for the Internal Audit and Administration departments provided in the pump room project; and research consultation rooms, information commons, learning commons and seminar rooms</p>

Para. No.	Issues examined	Audit's Recommendations	Progress to date
			<p>in the reconfigured library) have already been put into use in February 2014 and November 2015 respectively. The six Schools of the HKAPA have strictly followed the space allocation principle that facilities for teaching and learning are given top priorities in space allocation.</p>
5.17	Wanchai Campus expansion project (cont'd)	<p>Audit has recommended that the Secretary for Home Affairs should:</p> <p>(a) monitor closely the progress of the OCE project to ensure that the HKAPA completes it within budget by December 2017;</p> <p>(b) in performing the role of vote controller of subvented capital works projects, provide timely guidance to subvented organisations to remind them to implement subvented projects in strict accordance with the approved scope of the projects, and complete the projects on time and within budget; and</p>	<p>HAB agrees to the recommendation in <u>para. 5.17(b)</u>.</p> <p>On <u>para. 5.17(c)</u></p> <p>The construction project is targeted to be completed by end 2017. HAB has issued an information note to the LegCo Panel on Home Affairs in March 2016 to keep members posted on the progress of the works project.</p> <p>On paras. 5.16 and 5.17, as follow up actions were completed and improvement measures will be implemented on an on-going basis, we recommend deleting these two parts from the next progress report.</p>

Para. No.	Issues examined	Audit's Recommendations	Progress to date
		(c) report the progress of the OCE project to LegCo with a detailed account of the delay and reduction in project scope.	
5.18	Wanchai Campus expansion project (cont'd)	Audit has recommended that the Secretary for Financial Services and the Treasury should consider developing suitable guidelines and procedures for approving changes in scope of capital works projects, with criteria for assessing whether a change in scope is significant and requires the approval of LegCo.	<p>The Treasury Branch of the Financial Services and the Treasury Bureau (FSTB) will consider developing suitable guidelines and procedures for approving changes in scope of capital works projects as part of its efforts to review the relevant financial circulars.</p> <p>We recommend deleting this part from the next progress report as updating of financial circular is an on-going measure.</p>
5.31	Planning for further campus expansion	<p>Audit has recommended that the HKAPA should:</p> <p>(a) re-examine its assessment of space requirements, using the up-to-date projection of student numbers, to provide a more accurate estimate;</p> <p>(b) compile a detailed SoA of its current</p>	<p>The HKAPA is in the process of updating its space shortfall for planning future development projects, taking into account the up-to-date space requirement and detailed schedule of accommodation (SoA) of its current space provision.</p> <p>The HKAPA will, in consultation with the HAB, determine the basis for assessing space requirement.</p> <p>The HKAPA is conducting a comprehensive review on the space inventory to produce an updated SoA, taking into account the new building or alternation, addition and improvement projects that have an impact on the space provision.</p>

Para. No.	Issues examined	Audit's Recommendations	Progress to date
		<p>space provision, taking account of the discrepancies between the 1999 SoA and the 2009 spreadsheet; and</p> <p>(c) update its space shortfall for planning future development projects, taking account of the results of (a) and (b) above.</p>	
5.32	Planning for further campus expansion (cont'd)	<p>Audit has recommended that the Secretary for Home Affairs should, in consultation with the Secretary for Education, examine the basis adopted by the HKAPA in its assessment of space requirement, including whether it should include the number of students of self-financing Master's degree programmes.</p>	<p>HAB will re-examine the basis on which space requirements for the HKAPA should be assessed having regard to all relevant factors including the nature of the programmes, performance/production requirements, and other teaching and learning needs. HAB will work closely with the HKAPA on the issue and will seek input from relevant parties, such as EDB or UGC if necessary.</p>

**Monitoring of Safe Operation of Lifts and Escalators
Progress of Implementing Audit's Recommendations
(as at 19 October 2016)**

Item No.	Para. No.	Audit's Recommendations	Progress to date
Part 2: Monitoring Work of Registered Persons			
1	2.34(a)	The EMSD should take measures to ensure that all convicted registered contractors (RCs) and RCs having been issued with three or more warning letters within a 12-month period are reviewed by the Disciplinary Action Review (DAR) Panel in a timely manner to decide whether the related RCs should be referred to the Development Bureau (DEVB) for disciplinary hearing.	<p>Since February 2016, the DAR Panel has been carrying out quarterly review of cases of convicted RCs and RCs which have received three or more warning letters within the past 12 months, in order to decide whether the related RCs should be referred to DEVB for disciplinary hearing.</p> <p>Since EMSD has taken follow-up action and will continue to do so on an on-going basis, we recommend deleting this item from the next progress report.</p>
2	2.34(b)	EMSD should periodically review the Performance Assessment (PA) Scheme with a view to including all significant RC non-compliance issues in the Scheme.	<p>EMSD will review the PA Scheme biannually with a view to according performance monitoring (PM) points on significant RC non-compliance acts to better reflect RCs' work performance which is updated and announced quarterly in EMSD's website for reference by the public. Upon completion of the last review, the revised PA Scheme has been implemented since February 2016. The next review of PA Scheme will be conducted by December 2017. In addition, the PA scheme will also be updated once critical and urgent need is identified.</p> <p>Since EMSD has taken follow-up action and will continue to do so on an on-going basis, we recommend deleting this item from the next progress report.</p>

Item No.	Para. No.	Audit's Recommendations	Progress to date
3	2.34(c)	EMSD should strengthen actions with a view to meeting EMSD target on conducting surveillance audits on all RCs within a two-year period as far as possible.	<p>EMSD has been closely monitoring the established surveillance audit timetable to ensure that the audit is completed within a two-year period. EMSD will continue to monitor the progress on a monthly basis.</p> <p>Since EMSD has taken follow-up action and will continue to do so on an on-going basis, we recommend deleting this item from the next progress report.</p>
4	2.34(d)	EMSD should keep in view implementation of improvement measures arising from EMSD surveillance audits and consider taking appropriate follow-up actions in warranted cases.	<p>EMSD has prepared a summary table to monitor RCs' progress on implementation of improvement measures arising from EMSD surveillance audits. EMSD will continue to monitor the progress on a monthly basis and will take appropriate follow-up actions in warranted cases.</p> <p>Since EMSD has taken follow-up action and will continue to do so on an on-going basis, we recommend deleting this item from the next progress report.</p>
5	2.34(e)	<p>EMSD should:</p> <p>(i) request RCs taking over lifts/escalators (L/Es) maintenance work to highlight safety-related defects and monitor rectification of such defects; and</p> <p>(ii) take enforcement actions on L/Es having safety-related defects.</p>	<p>A circular letter was issued to all RCs in September 2016 specifying requirements on L/E maintenance work changing-over, and notification of safety-related issues. EMSD will take enforcement actions on L/Es having safety-related defects where appropriate.</p> <p>Since EMSD has taken follow-up action and will continue to do so on an on-going basis, we recommend deleting this item from the next progress report.</p>

Item No.	Para. No.	Audit's Recommendations	Progress to date
6	2.49(a)	EMSD should monitor changes of registered engineer (RE) examination dates and consider issuing advisory letters to REs who repeatedly change their examination dates without promptly notifying EMSD.	<p>EMSD has been monitoring the changes of examination dates by REs and issuing advisory letters on a quarterly basis to REs repeatedly found not showing up during EMSD's surveillance inspections on site. The monitoring is further enhanced by issuing advisory letters to REs who repeatedly change their planned examination dates in the electronic submission platform without promptly notifying EMSD.</p> <p>Since EMSD has taken follow-up action and will continue to do so on an on-going basis, we recommend deleting this item from the next progress report.</p>
7	2.49(b)	EMSD should increase the proportion of EMSD surprise inspections of RE examinations outside EMSD office hours.	<p>EMSD has increased the proportion of surprise inspections carried out outside EMSD office hours to about 5% since late 2015. EMSD will review the enforcement effectiveness to adjust the proportion from time to time.</p> <p>Since EMSD has taken follow-up action and will continue to do so on an on-going basis, we recommend deleting this item from the next progress report.</p>
8	2.49(c)	EMSD should issue guidelines on the maximum number of L/Es to be examined and certified by an RE on a single day, and take follow-up actions on REs not following the guidelines without acceptable justifications.	<p>EMSD has issued guidelines on the maximum number of L/Es to be examined and certified by an RE on a single day. EMSD will follow up with those REs found not following the guidelines.</p> <p>Since EMSD has taken follow-up action and will continue to do so on an on-going basis, we recommend deleting this item from the next progress report.</p>

Item No.	Para. No.	Audit's Recommendations	Progress to date
Part 3: Site Inspections and Other Regulatory Actions			
9	3.12(a)	EMSD should consider taking measures to enhance the Lifts and Escalators Ordinance (LEO) System to keep records on dates and details of EMSD requests made to responsible persons (RPs)/RCs on rectification of defects and submission of additional information before issuing use permits and resumption permits.	<p>EMSD has enhanced the LEO System to keep records of requests made to RPs/RCs on outstanding issues or documents. Internal guidelines for keeping such records in handling use permits and resumption permits applications have also been issued.</p> <p>Since EMSD has taken follow-up action and will continue to do so on an on-going basis, we recommend deleting this item from the next progress report.</p>
10	3.12(b)	EMSD should issue guidelines on the criteria for issuing improvement orders and advisory letters, and to address unsatisfactory conditions which might develop into situations affecting the safe operation of L/Es.	<p>EMSD has issued internal guidelines specifying the criteria for issuing improvement orders and advisory letters. All items in improvement orders are closely followed up by EMSD. Also, EMSD has classified issues stated in advisory letters which might develop into situations affecting the safe operation of L/Es and will monitor the rectification of such situations by RCs.</p> <p>Since EMSD has taken follow-up action and will continue to do so on an on-going basis, we recommend deleting this item from the next progress report.</p>
11	3.31(a)	EMSD should take measures to ensure that written notifications on L/E suspensions are recorded in the LEO System.	<p>EMSD has enhanced the LEO System and issued internal guidelines for keeping written notification records and telephone response records on L/E suspensions in the System.</p> <p>Since EMSD has taken follow-up action and will continue to do so on an on-going basis, we recommend</p>

Item No.	Para. No.	Audit's Recommendations	Progress to date
			deleting this item from the next progress report.
12	3.31(b)	EMSD should take follow-up action to ascertain the reasons for not keeping records on the serving dates of four prohibition orders and on the effective dates of five prohibition orders.	<p>EMSD investigated and found that the missing records were due to omission of inputting information of prohibition orders into the LEO System, and the lack of a mechanism in the System to highlight omission of data.</p> <p>EMSD has enhanced the LEO System to check omission of inputting information on prohibition orders.</p> <p>Since EMSD has taken follow-up actions and will continue to do so on an on-going basis, we recommend deleting this item from the next progress report.</p>
13	3.41(a)	EMSD should consider keeping in view whether some significant non-reportable incidents posing safety risk to passengers warrant classifying them as reportable incidents, and taking necessary improvement measures.	<p>EMSD has kept records on and closely monitored those significant non-reportable incidents posing safety risk to passengers. Incident analysis is conducted quarterly to review if there is any type of non-reportable incidents posing safety risk to passengers that warrants being classified as reportable incidents taking into account factors such as consequences and occurrence frequency of such incidents.</p> <p>Since EMSD has taken follow-up action and will continue to do so on an on-going basis, we recommend deleting this item from the next progress report.</p>

Item No.	Para. No.	Audit's Recommendations	Progress to date
14	3.41(b)	EMSD should consider taking measures to make enhancements to the LEO System for provision of reports showing the dates of occurrence and dates of submission of incident reports of reportable incidents.	<p>EMSD has enhanced the LEO System to record the dates of occurrence and dates of submission of incident reports of reportable incidents. Reports showing such information can be generated from the LEO System.</p> <p>Since EMSD has taken follow-up action, we recommend deleting this item from the next progress report.</p>
15	3.41(c)	EMSD should consider conducting a review of incident reports to ascertain the extent of non-compliance with the seven-day incident reporting requirement.	<p>Submission status is reviewed on a monthly basis. EMSD has been taking appropriate actions for those warranted cases since February 2016. EMSD will continue to monitor the situation of non-compliance with the seven-day incident reporting requirement and will take appropriate actions if the situation warrants.</p> <p>Since EMSD has taken follow-up action and will continue to do so on an on-going basis, we recommend deleting this item from the next progress report.</p>
16	3.41(d)	EMSD should consider taking appropriate actions against RCs for not complying with the seven-day incident reporting requirement.	<p>Submission status is reviewed on a monthly basis. PM points are accorded to RCs for late submission of incident reports. Further actions, such as issuing warning letters and/or prosecution action would be considered if continual non-compliance is noted.</p> <p>Since EMSD has taken follow-up actions and will continue to do so on an on-going basis, we recommend deleting this item from the next progress report.</p>

Item No.	Para. No.	Audit's Recommendations	Progress to date
17	3.48(a)	EMSD should expedite actions on completing major retrofitting works for government lifts.	<p>EMSD has coordinated with the concerned government departments and RCs to expedite the retrofitting works for government lifts. In addition, the work progress is closely monitored on a monthly basis. Planning is underway to expedite the retrofitting of the remaining lifts.</p> <p>Since EMSD has taken follow-up action and will continue to do so on an on-going basis, we recommend deleting this item from the next progress report.</p>
18	3.48(b)	EMSD should coordinate with and provide necessary technical assistance to B/Ds to complete minor lift retrofitting works as soon as possible.	<p>EMSD has offered advice to concerned departments on all lifts requiring minor retrofitting. EMSD will continue to offer technical assistance to complete minor lift retrofitting works.</p> <p>Since EMSD has taken follow-up action and will continue to do so on an on-going basis, we recommend deleting this item from the next progress report.</p>
Part 4: Management Information System			
19	4.7(a)	EMSD should make enhancements to the LEO System with a view to periodically generating management reports to inform EMSD management of significant issues relating to the safe operation of L/Es.	EMSD has enhanced the LEO System to generate management reports on (i) RCs having been issued with a large number of warning letters and (ii) L/Es having no RCs responsible for maintenance work for prolonged periods. EMSD will continue to enhance the LEO System as appropriate to generate more management reports to alert EMSD of significant issues impacting on the safe operation of L/Es.

Item No.	Para. No.	Audit's Recommendations	Progress to date
			<p>Since EMSD has taken follow-up action and will continue to do so on an on-going basis, we recommend deleting this item from the next progress report.</p>
20	4.7(b)	<p>EMSD should take measures to ensure that essential information is input into the LEO System.</p>	<p>EMSD has implemented measures to ensure all inspection records are kept in the LEO System, and to ensure that essential information, such as the model number and manufacturer names of L/Es, is input into the LEO system.</p> <p>Since EMSD has taken follow-up action and will continue to do so on an on-going basis, we recommend deleting this item from the next progress report.</p>
Part 5: Way Forward			
21	5.14(a)	<p>EMSD should take measures to implement audit recommendations in this Audit Report in a timely manner.</p>	<p>EMSD has taken measures to implement Audit's recommendations.</p> <p>Since EMSD has taken follow-up action, we recommend deleting this item from the next progress report.</p>
22	5.14(b)	<p>EMSD should consider promulgating guidelines for retrofitting new safety devices for escalators.</p>	<p>EMSD has promulgated guidelines on retrofitting new safety devices for escalators.</p> <p>Since EMSD has taken follow-up action, we recommend deleting this item from the next progress report.</p>
23	5.14(c)	<p>EMSD should, taking into account good overseas practices, consider taking measures to enhance the impartiality of REs in examining and certifying the safe operation of L/Es.</p>	<p>EMSD has implemented measures to promote the independence of REs. For example, independent REs were engaged to inspect government lifts and a sample contract for engagement of independent REs for lift maintenance audit was published</p>

Item No.	Para. No.	Audit's Recommendations	Progress to date
			<p>and uploaded onto EMSD website in January 2016 for RP's reference. In addition, EMSD has promulgated, in consultation with Independent Commission Against Corruption, probity guidelines for REs. EMSD will continue to implement measures to enhance the impartiality of REs, including making reference to good overseas practices.</p> <p>Since EMSD has taken follow-up actions and will continue to do so on an on-going basis, we recommend deleting this item from the next progress report.</p>

**Dedicated Fund on Branding, Upgrading and Domestic Sales
Updated Progress of Implementing Audit's Recommendations
(as at 19 October 2016)**

Para. No.	Audit's Recommendations	Progress to date
Part 2: Overall management		
<i>Performance of the BUD Fund</i>		
2.22	<p>Audit has recommended that the Secretary for Commerce and Economic Development and the Director-General of Trade and Industry should, in collaboration with the Executive Director, Hong Kong Productivity Council:</p> <p>(a) take measures to improve the utilisation of the BUD Fund, including:</p> <p style="margin-left: 20px;">(i) stepping up promotion efforts to attract more applications to the BUD Fund;</p> <p style="margin-left: 20px;">(ii) monitoring the applications of ESP Easy and assessing the effectiveness of the ESP Easy in increasing the number of applications for ESP; and</p> <p style="margin-left: 20px;">(iii) continuing to monitor the success rates of the applications and consider devising effective measures to help organisations/enterprises improve the success rates of their applications as far as possible; and</p> <p>(b) take measures to improve the performance reporting of the BUD Fund (particularly for the ESP), including:</p> <p style="margin-left: 20px;">(i) setting more performance</p>	<p>We have undertaken various promotion efforts and support measures with a view to encouraging more applications under the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund).</p> <p>(a)(i) On the Enterprise Support Programme (ESP), the Hong Kong Productivity Council (HKPC) as the ESP Secretariat has all along been mounting intensive promotions to encourage more applications, particularly since the launch of the "ESP Easy-Simplified Application Track" ("ESP Easy") in late August 2015, such as organising seminars, participating in exhibitions, conducting telephone and email marketing as well as conducting one-to-one consultation sessions with interested enterprises, etc. From June 2012 to June 2016, the HKPC organised and participated in 168 seminars and events in Hong Kong and the Mainland.</p> <p>On the Organisation Support Programme (OSP), the Trade and Industry Department (TID) has stepped up promotion efforts by sending promotional letters more frequently, outreaching to industrial and trade organisations (ITOs) which have not applied before, and adopting a more targeted approach to discuss with applicants with rejected applications in order that proposals can be revised and</p>

Para. No.	Audit's Recommendations	Progress to date
	<p>targets and indicators; and</p> <p>(ii) reporting the targets and indicators, for example, in the CORs of the CEDB/TID and the OSP and ESP websites.</p>	<p>resubmitted quickly. In this regard, we have sent promotional letters in January 2016 to over 480 ITOs to promote OSP, and made follow-up calls to them to explain further details about the OSP and propose arranging promotion seminars for individual ITOs.</p> <p>(a)(ii) Since the launch of the “ESP Easy”, feedback from the trade has been positive. As at June 2016, a total of 294 “ESP Easy” applications have been received under four batches. We will continue to closely monitor its operation and assess its effectiveness on increasing the number of ESP applications.</p> <p>(a)(iii) On the ESP, the HKPC has continued to assist applicants in submitting applications with a view to improving the quality of applications, such as providing even clearer guidelines on application form, organising seminars and symposia, and conducting one-to-one consultation sessions to advise interested enterprises on making applications.</p> <p>On the OSP, TID has continued to arrange one-to-one consultation to potential applicants to provide advice on applications. Detailed rejection reasons are also provided to unsuccessful applicants. We have also highlighted the one-to-one consultation in our promotion, and adopted a more targeted approach to discuss with applicants with rejected applications in order that proposals can be revised and resubmitted quickly.</p>

Para. No.	Audit's Recommendations	Progress to date
		<p>(b) Audit already noted and stated in its report that targets and indicators for OSP have been included in Controlling Officer's Report (COR) of TID, and statistics on OSP applications and details of approved project have been provided on the OSP website. As for ESP, the Commerce and Economic Development Bureau (CEDB) and TID are working closely with the ESP Secretariat with a view to setting more performance targets and indicators for the ESP, and reporting them in the 2017-18 COR of TID.</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>Engagement of the HKPC as implementation partner and Secretariat of the ESP</i>		
2.39	<p>Audit has recommended that the Secretary for Commerce and Economic Development and the Director-General of Trade and Industry should, for future engagements of non-government partners to administer projects:</p> <p>(a) ensure that records relating to the compliance with relevant Financial Circulars are properly kept and the pertinent approvals are properly documented;</p> <p>(b) ensure economy in administration cost and document the justifications for the basis used in the calculation of the administration cost involved; and</p> <p>(c) ensure that documentation of the negotiation process is properly kept.</p>	<p>(a) CEDB provided to the FSTB in April 2012 the relevant justifications to support that its engagement of HKPC to implement the ESP was not a procurement of service and hence not subject to the Store and Procurement Regulations. It was a partnership arrangement to implement the ESP in light of the HKPC's mission, and more importantly its expertise and experience in the Mainland market. The cost-sharing arrangement between the Government and the HKPC also did not match with the nature of procurement. The justifications for selection and engagement of HKPC as the implementation partner were set out in detail in the submission</p>

Para. No.	Audit's Recommendations	Progress to date
		<p>to the FC vide FCR(2012-13)22. The engagement of HKPC to administer the ESP is in line with the relevant guidelines set out in the Financial Circular No. 2/2015 (which superseded the then Financial Circular No. 8/2004) on the management of funding schemes and non-works projects funded by the Government.</p> <p>We will continue to ensure that proper records are kept and pertinent approvals are properly documented in future similar engagements.</p> <p>(b) and (c) HKPC worked out the resources requirement for the ESP in accordance with its internal pricing guideline. Discussions and negotiations with the HKPC on the overall level of the implementation cost did take place and we understood that the requirement was meant to enable HKPC to recover the full staff costs and overheads (except for the \$17 million contributed by HKPC as a partner). For future similar projects, we will continue to ensure economy in administration cost and ensure proper documentation.</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 Recommendations	Progress to date
<i>Financial management of the ESP</i>		
2.56	<p>Audit has recommended that the Secretary for Commerce and Economic Development and the Director-General of Trade and Industry should, in collaboration with the Executive Director, Hong Kong Productivity Council:</p> <p>(a) closely monitor the manpower deployment of the ESP Secretariat and take effective action to improve the economy in administering the ESP;</p> <p>(b) closely monitor the expenditure of the ESP Secretariat, and take measures to contain the expenditure within the FC approved amount as far as practicable;</p> <p>(c) inform the FC if the implementation fee exceeds the approved amount of \$60 million;</p> <p>(d) ensure that the ESP Secretariat makes accurate estimation on the project funding required in the AIPs; and</p> <p>(e) review the requirements and disbursement of project funding and consider ways to minimise the amount of surplus funds held in the ESP Secretariat's bank account for holding project funding.</p>	<p>(a) To ensure that the ESP Secretariat's manpower deployment is appropriate, the ESP Secretariat is required to submit an Annual Implementation Plan (AIP) to the Programme Management Committee (PMC), setting out, amongst others, the planned activities and proposed manpower arrangement taking into account the workload involved for each year. We will continue to scrutinise the AIP carefully and closely monitor the workload and manpower deployment of the ESP Secretariat.</p> <p>(b) and (c) The latest estimate is that a shortfall in government funding would not arise in 2016-17. CEDB and TID will continue to closely monitor the expenditure of the ESP Secretariat and inform the FC if additional Government funding for the ESP Secretariat is required from the approved commitment of \$1,000 million.</p> <p>(d) The ESP Secretariat has improved the methodology in estimating the project funding required in the AIP 2016-17, which has been endorsed by the PMC.</p> <p>(e) We agree that the amount of surplus funds held in the ESP Secretariat's bank account could be minimised. Starting from 2016-17, the Government will pay to the ESP Secretariat the project funding by two instalments, instead of in one go, during a financial year to minimise the amount of surplus</p>

Para. No.	Audit's Recommendations	Progress to date
		<p>funds held in the bank account of the ESP Secretariat for project funding.</p> <p>As the above recommendation will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.</p>
<p>Part 3: Management of OSP projects</p>		
<p><i>Use of implementation agents</i></p>		
<p>3.12</p>	<p>Audit has recommended that the Secretary for Commerce and Economic Development and the Director-General of Trade and Industry should step up control over the payment of fees to implementation agents, including:</p> <p>(a) ensuring that the staff of the OSP Secretariat are fully acquainted with and comply with the requirements on monitoring the consultancy fees of implementation agents;</p> <p>(b) ensuring that OSP applicants provide sufficient details on consultancy fees charged by implementation agents (e.g. cost breakdown and services provided) to facilitate the assessment of the reasonableness of the fees; and</p> <p>(c) requiring OSP grantees to provide detailed supporting documents to substantiate the payments of consultancy fees to implementation agents.</p>	<p>TID completed an internal review on the vetting and monitoring procedures of the OSP in October 2015 and the Operation Manual was updated in January 2016 to include the relevant improvement measures.</p> <p>(a) A briefing session on the enhancement measures to the Operation Manual was conducted in February 2016. Regular meetings would be held to refresh staff of the operation procedures (including those on the monitoring of consultancy fees of implementation agents) and brief them of any new and enhancement measures.</p> <p>(b) and (c) Since January 2014, TID has required that for proposed consultancy fees to be charged by implementation agents, applicants should provide breakdown by services/project deliverables in the applications. We had also updated the Operation Manual in January 2016 to clearly set out the current procedures for vetting budget.</p> <p>With the introduction of this requirement, for projects approved in or after January 2014, OSP grantees were</p>

Para. No.	Audit's Recommendations	Progress to date
		<p>also required to provide breakdown by services/project deliverables on the payment of fees to implementation agents as shown in the approved budget in the audited accounts or final reports.</p> <p>As the above recommendations will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.</p>
<i>In-kind contribution</i>		
3.19	<p>Audit has recommended that the Secretary for Commerce and Economic Development and the Director-General of Trade and Industry should tighten control on in-kind contribution, including:</p> <p>(a) ensuring that OSP applicants furnish sufficient and reliable documentary proof on the valuation of in-kind contribution;</p> <p>(b) ensuring that the staff of OSP Secretariat conduct verification and document the results of verification; and</p> <p>(c) requiring OSP grantees to submit documentary proof on the usage of in-kind contribution for projects.</p>	<p>The Operation Manual updated by TID in January 2016 has set out the procedures for verifying the value of the in-kind contribution before project commencement.</p> <p>(a) For in-kind contribution to be provided through sponsorship engaged by the grantee, the grantee has to ensure that the quoted value of the sponsorship is in line with the market price and not inflated. Supporting documents such as price list, quotations, etc. should be obtained by the grantee to support the value of the in-kind contribution. The above requirements apply to all OSP projects approved after January 2016.</p> <p>(b) A briefing session on the enhancement measures to the Operation Manual was conducted in February 2016. Regular meetings would be held to refresh staff of the operation procedures (including those on in-kind contribution) and brief them of any new and enhancement measures.</p>

Para. No.	Audit's Recommendations	Progress to date
		<p>(c) In the light of the Audit's recommendations, we have, since July 2016, requested grantees to submit documentary proof on the usage of in-kind contribution for the projects. The requirement has already been added to the Operation Manual.</p> <p>As the above recommendations will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.</p>
Monitoring of project progress		
3.29	<p>Audit has recommended that the Secretary for Commerce and Economic Development and the Director-General of Trade and Industry should strengthen the monitoring of OSP projects, particularly on the checking of books and records and grantees' compliance with project agreements and guidelines, including:</p> <p>(a) providing guidelines to the staff of OSP Secretariat on the timing for conducting checking and list of items to be checked;</p> <p>(b) reminding the staff of the OSP Secretariat to conduct the checking in a timely manner; and</p> <p>(c) reminding OSP grantees of their obligations to comply with project agreements and guidelines and maintain proper books and records to facilitate checking.</p>	<p>(a) The updated Operation Manual in January 2016 has included the principles of checking of books and records. In the light of the Audit's recommendations, the Operation Manual has been further updated to include all the checking procedures to be performed by TID staff. OSP projects will be selected for checking of books and records based on a risk assessment approach. TID has started to conduct site inspection for selected projects to check books and records within six months after receipt of all reports and audited accounts. As at July 2016, we have conducted site inspection for two OSP completed projects.</p> <p>(b) A briefing session on the enhancement measures to the Operation Manual was conducted in February 2016. Regular meetings would be held to refresh staff of the operation procedures (including those on checking of books and records) and brief them of any new and enhancement</p>

Para. No.	Audit's Recommendations	Progress to date
		<p>measures.</p> <p>(c) Since the commencement of the OSP, grantees are informed through a briefing before the commencement of the project to observe, among others, the requirement of keeping books and records in a proper manner and that the books and records are subject to inspection by TID staff and other government officers. In the light of the Audit's recommendations, TID has included in the briefing before project commencement, correspondences/notifications to grantees (such as the letters attaching the project agreements and reminders to be issued before project completion, etc.) a reminder of the requirement to keep proper books and records for seven years after project completion.</p> <p>As the above recommendations will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.</p>
<i>Submission of reports</i>		
3.35	<p>Audit has recommended that the Secretary for Commerce and Economic Development and the Director-General of Trade and Industry should continue monitoring the submission of reports by OSP grantees and where necessary, remind them of their obligations in this regard.</p>	<p>As stated in our response to the Audit's recommendation, which is set out in the Audit report, TID has put in place a mechanism for monitoring the submission of reports by grantees. Details of the mechanism are set out in the Operation Manual. Since the commencement of the OSP, TID has written to grantees before project completion to remind them of the need to submit reports. Follow up chasers will be issued in case of late submissions at designated intervals by</p>

Para. No.	Audit's Recommendations	Progress to date
		<p>staff pitched at different rankings depending on the magnitude of the delays. Payments to grantees will only be made upon the acceptance of reports with audited accounts by the Vetting Committee. TID has also taken into account the timing of submission of reports by grantees when giving the overall grading of projects for Vetting Committee's endorsement. The grading will be reflected to the Vetting Committee when the grantee's future OSP applications are considered. We will continue to closely monitor the submission of reports by grantees through the above mechanism.</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>Dissemination of project results and deliverables</i>		
3.39	<p>Audit has recommended that the Secretary for Commerce and Economic Development and the Director-General of Trade and Industry should ensure that all OSP project results and deliverables are posted onto the OSP website in a timely manner.</p>	<p>It is TID's existing practice to upload project information (including deliverables and final reports endorsed by the Vetting Committee) onto the OSP website quarterly. To ensure compliance, TID has reviewed and implemented enhancements to the mechanism, including cross-checking and computer generated reminders to prompt staff to take necessary action.</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>

Para. No.	Audit's Recommendations	Progress to date
Part 4: Management of ESP projects		
<i>Vetting of projects</i>		
4.9	<p>Audit has recommended that the Secretary for Commerce and Economic Development and the Director-General of Trade and Industry should, in collaboration with the Executive Director, Hong Kong Productivity Council:</p> <ul style="list-style-type: none"> (a) monitor the time taken for commencement of ESP projects; (b) provide assistance to ESP grantees with a view to expediting project commencement; and (c) consider whether it is feasible to adopt the practice of ESP Easy of funding expenditure of approved projects incurred after the application submission date, instead of the date of signing project agreement, for all ESP projects. 	<p>(a) and (b)</p> <p>In order to facilitate project commencement, the HKPC will continue to work with grantees such that any supplementary information or application requirement can be met as much as possible before consideration by the PMC to expedite approval of projects. For “ESP Easy” projects, the arrangement has already been streamlined such that projects could commence as early as after submission of applications, provided that the project is subsequently approved by the PMC. We will continue to monitor the time taken for commencement of ESP projects.</p> <p>(c) We have consulted the PMC on whether the arrangement of recognising expenditure incurred after the application date instead of the date of signing project agreement could be extended to all ESP projects. Considering that the scope of “normal track” projects can be very broad and projects measures very complex, and that grantees are required to open and maintain a separate project account for the purpose of processing receipts and payments relating to the project, the PMC decided to maintain the current practice of funding expenditure of approved projects incurred after the date of signing project agreement for “normal track” projects for the time being.</p>

Para. No.	Audit's Recommendations	Progress to date
		As the recommendation will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.
<i>Monitoring of project progress</i>		
4.20	<p>Audit has recommended that the Secretary for Commerce and Economic Development and the Director-General of Trade and Industry should, in collaboration with the Executive Director, Hong Kong Productivity Council:</p> <p>(a) take measures to facilitate ESP grantees in the submission of reports with a view to improving the monitoring process; and</p> <p>(b) provide to the staff of the ESP Secretariat more specific instructions for conducting on-site checking.</p>	<p>(a) The ESP Secretariat will continue to take various measures to facilitate implementation of approved projects, especially the quality and speedy submission of progress reports and final reports, including:</p> <p>(i) Briefing sessions for agreement signing: to provide one-to-one briefing on the funding agreement and to introduce report submission requirements as well as the progress and final report templates. As of June 2016, the ESP Secretariat has provided a total of 512 briefing sessions to the grantees. Grantees are also reminded of the key elements for compiling the reports at the briefing sessions. It is normally a 45-minute meeting held in the ESP Secretariat;</p> <p>(ii) Consultation sessions for report writing: to provide one-to-one consultation to address grantee's questions in compiling the progress/final report. It is normally a two-hour session held in the ESP Secretariat or the grantee's office. Since the introduction of this service in December 2013</p>

Para. No.	Audit's Recommendations	Progress to date
		<p>until June 2016, the ESP Secretariat has provided a total of 67 consultation sessions to the grantees;</p> <p>(iii) Sharing session: a seminar was organized in March 2015 and grantees of on-going projects were invited to participate. At the seminar, the ESP Secretariat introduced the report compilation requirements, shared reference samples, and answered questions from grantees. Similar seminar will be organized if needed;</p> <p>(iv) Mock-up report templates on the ESP website: mock-up templates have been posted on the ESP website since November 2015 with reference samples of progress and final report. The templates cover guidelines, reference examples and lists of supplementary information/supporting documents needed etc. For “ESP Easy” projects, a streamlined and simplified final report template was uploaded to BUD website in March 2016;</p> <p>(v) On-site checking by the ESP Secretariat: to check the progress and clarify the submitted progress/final report (if any), such as verification of the supplementary information and supporting documents, provision of consultation on</p>

Para. No.	Audit's Recommendations	Progress to date
		<p>the report revision (if needed) or preparation of the next report. It is normally a three-hour meeting held in grantee's office/factory; and</p> <p>(vi) Professional advice: The ESP Secretariat recruited an auditor in April 2015 to provide professional advice and address queries from grantees' auditor. Moreover, the auditor would provide professional consultation sessions during on-site checking with a view to facilitating the submission of audit reports. As of June 2016, a total of 62 professional consultation sessions had been provided by the auditor.</p> <p>In addition to the above, to further facilitate submission of reports, the ESP Secretariat would initiate discussion with the Government on ways to simplify the progress/final reports templates and reports assessment summary templates.</p> <p>(b) The ESP Secretariat has enhanced the on-site checking template such that more specific instructions are given to ESP Secretariat staff on the checking they are to perform. The enhancements included better standardisation in assessment and more detailed lists of items to be checked, 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>

Para. No.	Audit's Recommendations	Progress to date
<i>Termination of projects</i>		
4.25	<p>Audit has recommended that the Secretary for Commerce and Economic Development and the Director-General of Trade and Industry should, in collaboration with the Executive Director, Hong Kong Productivity Council:</p> <p>(a) closely monitor the termination rate of ESP projects; and</p> <p>(b) consider conducting a review on the terminated projects with a view to identifying ways to minimise the termination rate as far as possible.</p>	<p>For each and every terminated project, the ESP Secretariat would conduct a review for the Inter Departmental Committee's and PMC's consideration.</p> <p>As at end-June 2016, the overall termination rate stood at 8%, being lower than the 13% as at October 2015 as stated in the Audit Report. Out of the 54 terminated projects as at end-June 2016, 43 were terminated at the request of the grantees mainly due to change of external market situation or demand in the Mainland, the grantee's internal issue or restructuring, lack of resources or manpower to implement the project, change of the grantee's marketing strategy or corporate direction, increasing costs, labour shortage, and change of operating environment as a result of changes in regulations, etc. The other 11 cases were terminated on the ESP Secretariat's recommendation because the grantees were found not implementing most of the key measures/deliverables or had abandoned the project agreement.</p> <p>We will continue to monitor the termination rate and the ESP Secretariat will continue to take various measures to facilitate implementation of approved projects, such as arranging briefing sessions for agreement signing, consultation sessions for report writing and on-site checking, 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>

Para. No.	Audit's Recommendations	Progress to date
<i>Performance reporting</i>		
4.32	<p>Audit has recommended that the Secretary for Commerce and Economic Development and the Director-General of Trade and Industry should, in collaboration with the Executive Director, Hong Kong Productivity Council:</p> <p>(a) consider devising measures to encourage ESP grantees to respond to the completion survey and tracking survey of projects; and</p> <p>(b) report in the annual reports of the ESP all the statistics stated in the AIPs and consider publishing these statistics on the ESP website.</p>	<p>(a) We acknowledge that the completion survey and the tracking survey are useful tools for assessing the effectiveness of the ESP and the feedback received so far is encouraging. We will enhance communication with grantees through phone calls and emails and continue to encourage them to respond to the surveys by sending reminders.</p> <p>(b) The ESP Secretariat has reported all the statistics stated in the AIPs in the Annual Report 2015-16 which had been endorsed by PMC in June 2016. An extract of the statistics has also been published on the ESP website.</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>
Part 5: Way forward		
<i>Need to conduct a review on the effectiveness of the BUD Fund</i>		
5.6	<p>Audit has recommended that the Secretary for Commerce and Economic Development and the Director-General of Trade and Industry should consider conducting a review on the BUD Fund, taking on board the audit findings in this Audit Report.</p>	<p>The CEDB and TID, with the support of the HKPC, have been reviewing the operation and implementation of the BUD Fund on an on-going basis, with a view to enhancing its operation. With the benefits of the findings in the Audit Report, we will review the operation of the BUD Fund on an on-going basis and implement improvement measures, and will consider further review as appropriate. We have been reporting the operation of the Fund to the LegCo Panel on Commerce and Industry every year. We aim to provide an update to the Panel on the implementation</p>

Para. No.	Audit's Recommendations	Progress to date
		<p>progress, including the effectiveness of the funded projects, within the coming legislative year.</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>

Procurement and Inventory Management of ICT Products and Services
Updated Progress of Implementing Audit's Recommendations
(as at 19 October 2016)

Para. No.	Audit's Recommendations	Progress to date
Part 2: Procurement of ICT products and services		
2.15	<p>GCIO should –</p> <p>(a) identify the reasons why the majority of B/Ds had not implemented the full function of e-Procurement; and</p> <p>(b) based on the reasons identified, take measures to attract more B/Ds to implement the full function of e-Procurement.</p>	<p>(a) The Office of the Government Chief Information Officer (OGCIO) conducted a survey in June 2016 on B/Ds' plans to implement e-Procurement or the reasons for non-implementation. 24 B/Ds expressed intention to implement the full function by March 2018.</p> <p>Including the existing 12 B/Ds, there will be 36 B/Ds using the full function of e-Procurement by March 2018, which will meet the target of 30 B/Ds as committed to the LegCo.</p> <p>(b) For the B/Ds which opted not to implement the full function, their concerns include the need to bear recurrent costs and additional manpower resources required for supporting the rollout and handling both paper and electronic quotation records. The OGCIO will explore further measures to persuade more B/Ds to implement the full function of e-Procurement.</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>
2.22	<p>Commissioner of Customs and Excise (CCE) and Director of Environmental Protection (DEP) should take measures to ensure that in procuring ICT products and services, the Standing</p>	<p>(a) The Customs and Excise Department (C&ED) has reminded all relevant personnel to observe the SOA requirements and will consolidate procurement requests</p>

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	<p>Offer Agreement (SOA) requirements are observed.</p>	<p>of ICT products and services of similar nature. Staff at a higher level will also conduct a second-tier checking on all procurement requests to ensure compliance. This mechanism has been implemented on an on-going basis.</p> <p>(b) The Environmental Protection Department (EPD) has also reminded its staff to observe the requirements of the respective SOAs in the procurement of ICT products.</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>2.23</p>	<p>GCIO in collaboration with Director of Government Logistics (DGL) should –</p> <p>(a) remind B/Ds periodically the need to comply with the SOA requirements; and</p> <p>(b) conduct a review of the SOA requirements to ascertain whether certain requirements (e.g. the “product list requirement” and the “minimum trade-in value requirement”) need to be revised to provide more flexibility in conducting procurements.</p>	<p>(a) The OGCIO, in collaboration with the Government Logistics Department (GLD), issued a circular memo to B/Ds and sent out letters to SOA contractors in August 2016 to remind them of the need to comply with the SOA requirements. Such reminder memo and letters will be issued on a yearly basis.</p> <p>A refresher briefing on SOA requirements will be conducted for B/Ds in January 2017.</p> <p>(b) The OGCIO, in collaboration with GLD, completed a review of the SOA requirements to provide more flexibility in conducting procurements. The requirements on product list, minimum trade-in value and ceiling rate have been suitably revised in October 2016.</p>

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		As the recommendation will be implemented on an on-going basis, we recommend that this part should be deleted from the next progress report.
2.37	<p>GCIO should –</p> <p>(a) take measures to enhance the accuracy of the Government's ICT expenditure reported on the OGCI0's website;</p> <p>(b) enhance transparency and public accountability, develop and publish more performance information relating to the extent the Government has met the objectives on ICT; and</p> <p>(c) consider issuing guidelines to B/Ds to facilitate their drawing up of replacement strategies for ICT products.</p>	<p>(a) The OGCI0 will standardise the compilation method of ICT expenditure among B/Ds. The refined expenditure figures will be published on the OGCI0's website by December 2016.</p> <p>(b) Based on the refined Government ICT expenditure, the OGCI0 will publish by December 2016 more performance information relating to the extent of the Government meeting the objectives on ICT.</p> <p>(c) A set of <i>Information Technology Life Cycle Management Guidelines</i>, including a dedicated chapter on technology upgrade or replacement of commonly used Microsoft Windows and related desktop software, has been developed and issued for B/Ds' reference in August 2016.</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>
Part 3: Control of ICT inventories		
3.13	<p>CCE, DEP, Director of Highways (DHY) and GCIO should –</p> <p>(a) take efforts to locate the missing ICT inventory items;</p> <p>(b) for those ICT inventory items which could not be located, institute the procedures stipulated</p>	<p>(a) For C&ED, the two missing ICT inventory items (i.e. a video camera and a zip drive) could not be located. There was no data storage device embedded in the two missing items. C&ED has instituted the procedures stipulated in the Financial Circular No. 7/2003 and the SPRs to write</p>

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	<p>in the Financial Circular No. 7/2003 and the Stores and Procurement Regulations (SPRs) (e.g. carry out investigation into the cases and apply for write-off); and</p> <p>(c) for those lost ICT inventory items which have embedded data storage devices, take remedial measures as stipulated in the Security Regulations</p>	<p>off the two missing items accordingly.</p> <p>(b) EPD has located the four missing ICT inventory items. As they are no longer serviceable, EPD will arrange disposal according to relevant SPRs.</p> <p>(c) There were 94 ICT inventory items in Highways Department (HyD) which could not be immediately located during the stocktaking by the Audit Commission in June 2015. As at end July 2016, HyD has located all relevant ICT inventory items including those already traded in or disposed of during previous procurement and replacement exercises as well as the 24 ICT inventory items embedded with data storage devices which were confirmed to have been properly handled or kept.</p> <p>(d) The OGCIO has taken effort to locate the missing ICT inventory items but in vain, and has accordingly completed the write-off procedure in accordance with the SPRs. The said items do not contain classified data.</p> <p>As follow-up actions pursuant to the recommendations have been completed, we recommend that this part should be deleted from the next progress report.</p>
3.14	CCE, DEP and DHY should take measures to ensure that the inventory records are properly kept and updated in accordance with the requirements of the SPRs.	(a) C&ED has reminded all relevant personnel to ensure that the inventory records are properly kept and updated in accordance with the requirements of the SPRs.

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		<p>Supervisory checking has also been instituted. For those ICT inventory products deployed to other offices for operational use, detailed deployment lists have been appended to the corresponding inventory records.</p> <p>(b) EPD has also reminded its staff to observe the requirements of the SPRs in the safe custody of the inventories and the timely update of the inventory records.</p> <p>(c) Further to reminding all relevant staff of the relevant requirements of the SPRs to ensure that the inventory records are properly kept and updated, HyD will promulgate an internal accounting circular to serve the same purpose.</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>
3.15	CCE, DHY and GCIO should properly conduct annual stocktakes and keep stocktake records.	<p>(a) C&ED has reminded all relevant personnel to properly conduct annual stocktaking and keep stocktaking record. This mechanism has been implemented on an on-going basis.</p> <p>(b) HyD has already included a cross-office sample checking mechanism in the annual stocktaking processes since end 2015 to enhance the checking of the accuracy of the inventory records.</p> <p>(c) The OGCIIO has completed the annual inventory verification exercise for 2016. A task force was</p>

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		<p>formed in May 2016 to follow up on the write-off of lost inventory items and the disposal of surplus inventory items in accordance with the SPRs, as well as to improve the annual stocktaking process.</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>
3.16	DGL should take measures to regularly remind B/Ds of the need to maintain inventory records up-to-date.	<p>(a) GLD issued a memo to all B/Ds in August 2016 on the “Good Practices” for the management of general inventory items as well as the guidelines on the circumstances under which it would be worthwhile to set up a computerised inventory control system. The set of “Good Practices” has also been uploaded to the government intranet for reference by B/Ds.</p> <p>(b) In addition, the topic on inventory management will also be covered in the regular training courses conducted for both supplies and non-supplies grade staff.</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>
3.24	DHY should establish a computerised inventory control system to improve the management of the HyD's inventories.	While there is no mandatory requirement under the SPRs to computerise the inventory control system, HyD agrees that computerising the inventory control system could enhance the efficiency and effectiveness in managing the large inventory of the department. To that end, HyD is planning to replace its

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		<p>existing manual inventory system by a Computerised Inventory Control System (CICS) making reference to the various systems adopted by different departments. Subject to funding approval, the CICS project is proposed to commence in 2017 for system launching in 2019 tentatively.</p>
3.25	<p>DEP should make better use of the EPD's computerised inventory control system (e.g. conducting ageing analysis to facilitate disposal decisions).</p>	<p>EPD is modifying its departmental computerised inventory control system to generate the ageing analysis reports to facilitate disposal decisions.</p> <p>As follow-up action has been taken to implement the recommendation, we recommend that this part should be deleted from the next progress report.</p>
3.26	<p>CCE should –</p> <p>(a) reconcile the discrepancies between the inventory records in the C&ED's computerised inventory control system and the manual inventory records; and</p> <p>(b) enhance the C&ED's computerised inventory control system with a view to replacing the manual inventory system.</p>	<p>(a) C&ED has reconciled the discrepancies.</p> <p>(b) C&ED will consult the OGCIO and GLD on the feasibility of developing a full-fledged computerised inventory control system during the comprehensive Information Systems Strategy Study (ISSS) which is scheduled for 2017 to 2018. Meanwhile, C&ED has been enhancing the IT Asset System (ITAS) to better support the inventory control of six types of commonly used ICT products in both technical and business aspects. Two phases of ITAS enhancement are scheduled for completion by late 2016 and mid-2017 respectively. Follow-up action has been implemented on an on-going basis.</p>

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3.27	<p>GCIO should –</p> <p>(a) conduct a review of the OGCI0's computerised inventory control system; and</p> <p>(b) in the light of the results of the review, take measures to enhance the functions of the system with a view to providing better support on inventory control.</p>	<p>The OGCI0 plans to commence the re-development of the computerised inventory control system in October 2016 for rollout by December 2017.</p>
3.28	<p>DGL should –</p> <p>(a) establish guidelines on the circumstances under which it would be worthwhile to set up a computerised inventory control system by B/Ds (for example, it may be cost-effective for a B/D with significant number of inventory transactions to set up such a system); and</p> <p>(b) promote the use of computerised inventory control system by B/Ds for more timely recording and better control of inventories.</p>	<p>(a) As mentioned in paragraph 3.16 above, GLD issued relevant guidelines concerning the setting up of a computerised inventory control system to all B/Ds in August 2016.</p> <p>(b) In conducting the periodic surveys on the supplies function in B/Ds, GLD will recommend B/Ds to implement a computerised inventory control system 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>
Part 4: Disposal of ICT products		
4.7	<p>CCE, DEP, DHY and GCIO should –</p> <p>(a) conduct a review of their ICT inventories to identify inventory items that are due for disposal; and</p> <p>(b) in the light of the results of the review, dispose of the obsolete inventory items in accordance with the SPRs in a timely and systematic manner.</p>	<p>(a) C&ED has conducted a review of the ICT inventories and would arrange disposal of the obsolete inventory items in accordance with the SPRs. Follow-up action has been implemented on an on-going basis.</p> <p>(b) EPD is modifying its departmental computerised inventory control system to generate the ageing analysis reports to facilitate</p>

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		<p>disposal decisions. In the meantime, EPD has prepared the ad-hoc reports for the inventory holders to review their ICT inventories with a view to identifying inventory items that are due for disposal.</p> <p>(c) HyD has reminded its staff to set the timeframe for carrying out disposal actions or to review the status of surplus stores (e.g. within three months from the date of identifying the surplus inventory stores). HyD will continue to conduct refresher courses to its staff responsible for inventory management. Furthermore, HyD will promulgate an internal accounting circular in which guidelines would be given for inventory holders to follow.</p> <p>(d) The OGCIO has conducted a review and reminded all inventory holders to dispose of any unwanted inventory item in accordance with the prescribed procedures in a timely manner. The disposal of obsolete inventory items is an on-going activity.</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>
4.8	<p>DGL should –</p> <p>(a) promote the formulation of ICT disposal strategies by B/Ds (e.g. conducting periodic reviews of the condition and serviceability of the inventories with due regard to the service period of the items and the</p>	<p>(a) GLD will issue guidelines by end 2016 to facilitate B/Ds to formulate their respective disposal strategies for ICT products based on the guidelines issued by the OGCIO on the replacement of ICT products.</p>

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	<p>guidelines issued by the OGCIO on the products' optimal lifespan to facilitate timely disposal of obsolete ICT products); and</p> <p>(b) remind B/Ds to arrange timely disposal of obsolete ICT products.</p>	<p>(b) B/Ds will be reminded to arrange timely disposal of obsolete ICT products as soon as the approval for disposal has been obtained. Responsible officers will also be reminded of the requirements in briefing sessions and meetings.</p> <p>(c) Relevant information will also be uploaded to the government intranet for reference by B/Ds.</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>
4.16	<p>DEP should –</p> <p>(a) take measures to ensure compliance with the SPRs in future donations of ICT products; and</p> <p>(b) explore whether there are other Non-governmental organisations (NGOs) in need of donations of ICT products and consider donating ICT products to them in future donations.</p>	<p>EPD will continue to explore whether there are other NGOs in need of the donations of ICT products. EPD will also develop guidelines in consultation with relevant government departments for proper disposal of ICT products and their recycling in preparation of the producer responsibility scheme on waste electrical and electronic equipment.</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>
4.17	<p>DGL should, in consultation with the Secretary for Financial Services and the Treasury, explore the possibility of improving the procedures stipulated in the SPRs to facilitate the donation of ICT products (e.g. waiving, for donation purposes, the requirement that unserviceable ICT products should first be sold to GLD disposal term contractors).</p>	<p>GLD is exploring with the FSTB the possibility of aligning the different procedures in the SPRs for the disposal of unserviceable stores and surplus stores, including ICT products.</p> <p>As follow-up action has been taken to implement the recommendation, we recommend that this part should be deleted from the next progress report.</p>

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4.24	<p>CCE, DEP and DHY should –</p> <p>(a) ensure that independent sample checks of erased storage media are performed in accordance with the OGCIO's ICT security guidelines to ensure that all information is properly erased; and</p> <p>(b) keep proper documentation of sample checks conducted.</p>	<p>(a) C&ED has performed independent sample checks of erased storage media in accordance with the OGCIO's IT security guidelines. All relevant personnel have been maintaining proper record of the sample check. This mechanism has been implemented on an on-going basis.</p> <p>(b) EPD and HyD are both implementing the independent sample checks using a standard form to ensure that all information is properly erased with proper documentation.</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>
4.25	<p>GCIO should –</p> <p>(a) take measures to ensure that B/Ds fully understand the data destruction requirements and follow the OGCIO's guidelines in conducting data erasure exercises (e.g. conducting sample checks of erased storage media and documenting the sample checks); and</p> <p>(b) consider standardising the core information required for a data erasure certificate (e.g. requiring contractors to declare in the certificates that the OGCIO's policies and guidelines on ICT security have been complied with in performing the data erasure).</p>	<p>The OGCIO has developed a <i>Practice Guide for Destruction and Disposal of Storage Media</i> with some examples of data erasure certificates. The practice guide has been disseminated and uploaded to the government intranet for B/Ds' reference in June 2016.</p> <p>As follow-up action has been taken to implement the recommendation, we recommend that this part should be deleted from the next progress report.</p>

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4.26	DGL should promulgate the requirement that when a B/D disposes of computers as well as other ICT products with embedded storage devices and for trade-in of ICT products, a declaration is needed to confirm that the data erasure procedures as set out in the OGCIO's ICT security guidelines have been followed.	GLD will advise B/Ds to follow the OGCIO's IT security guidelines and the <i>Practice Guide for the Destruction and Disposal of Storage Media</i> on data erasure before disposal of computers and other ICT products and to make a declaration of completion of data erasure action before disposal. As follow-up action has been taken to implement the recommendation, we recommend that this part should be deleted from the next progress report.
Part 5: Provision of apps		
5.15	<p>Director of Fire Services, the Director of Health, the Director of Leisure and Cultural Services and the Director of Water Supplies should –</p> <p>(a) regularly review the contents of their apps to ascertain whether the contents could be enhanced to attract more people to use the apps;</p> <p>(b) for those apps with number of downloads on the low side, take measures to enhance the contents to improve the download rate;</p> <p>(c) step up the promotion of their apps to boost the number of downloads; and</p> <p>(d) consider decommissioning those apps that eventually could not meet the original objectives of developing them.</p>	<p>(a) For Fire Services Department (FSD), meetings have been held with the apps development agency to review apps and new elements (Catch time, save life) had been incorporated to enhance the apps. Further enhancement will be considered in future projects.</p> <p>(i) On improving the download rate, prevalent technologies such as i-beacon will be employed in Education Centre cum Museum of the Fire and Ambulance Services Academy to attract visitors for boosting the download rate. New elements to enhance the apps would be considered in future enhancement projects.</p> <p>Meanwhile, five mini-games (Catch time, save life) have been added to the main apps with an objective to educate the community on the provision of accurate and essential information when reporting emergency</p>

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		<p>incidents to the Fire Services Communications Centre.</p> <p>(ii) FSD has stepped up the promotion of the apps to boost the number of downloads through a series of measures as detailed in paragraph 5.17 below.</p> <p>(iii) Upon review, the apps of FSD are considered beneficial to the public and can meet the original objectives of developing them. Besides, they have yielded a steady download rate. Decommissioning them is considered not necessary.</p> <p>(b) Department of Health (DH) will continue to review regularly the contents of the apps for enhancement if needed and to find possible ways to step up promotion of the apps to boost the number of download and consider decommissioning the apps if they are found not to meet the original objectives. Latest position of individual apps are as follow.</p> <p>(i) <u>CookSmart:</u> <u>EatSmart Recipes App</u> The new issue of CookSmart magazine and its new EatSmart recipes were made accessible in the app in July 2016 with publicity conducted in the same month.</p> <p>(ii) <u>EatSmart Restaurant App</u> Promotion of the app was conducted to tie in with the e-coupon campaign in June 2016. Enhancement for the e-coupon function</p>

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		<p>was rolled out in early August 2016.</p> <p>(iii) <u>Framework@PC App</u> Enhancement to include a new module on 'falls in elderly' will be available in October 2016 tentatively. Publicity to target users has been conducted through various channels.</p> <p>(iv) <u>Hong Kong Chinese Materia Medica Standards Volume 1 App</u> The app was decommissioned on 26 July 2016.</p> <p>(v) <u>IMPACT App</u> The IMPACT Guidelines is being revised. An updated version of the app with enhanced mobile device features including push notifications and sharing function will be launched in 2017. DH will promote the enhanced app to the target users through various channels to encourage download.</p> <p>(vi) <u>Primary Care Directory App</u> Promotional activities have been enhanced through different channels.</p> <p>(vii) <u>Quit Smoking App</u> DH will continue reviewing the app and improve the features if necessary. DH will continue promoting this app to enhance public awareness of our app through various channels.</p>

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		<p>(viii) <u>Snack Nutritional Classification Wizard App</u> Re-development of the app to include new functions is being prepared and will be launched in 2017.</p> <p>(ix) <u>Student Body Weight for Height Check App</u> DH will continue to review and enhance regularly the contents to attract more people to use the app. DH will continue to promote this app through various channels.</p> <p>(c) Leisure and Cultural Services Department (LCSD) has decommissioned apps with low download rate such as the five apps related to King Yin Lei. In addition, measures have been taken to ensure proper co-ordination with the OGCIO so that all available apps by LCSD are listed and promoted on "GovHK Apps" and the GovHK website. LCSD will regularly review the download rate of its apps and make necessary enhancements in response to public feedback. Apps which fail to attract a satisfactory number of downloads will be decommissioned as soon as possible to save maintenance cost. Contents suitable to be retained will be disseminated to members of public through other channels. LCSD will make reference to the "Practice Guide for Developing Mobile Apps" issued by the OGCIO for the development of mobile apps in the future.</p> <p>(d) Water Supplies Department (WSD) will regularly review "WSD</p>

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		<p>Mobile App” and enhance its contents subject to availability of resources and consideration of cost effectiveness.</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>
5.16	<p>Director of Health should consider launching an English version of the “1069 試戴樂” app for the gay community.</p>	<p>DH has engaged a contractor since June 2016 to revamp the “1069 試戴樂” app with the addition of an English version. It is targeted to roll out in 2017.</p> <p>As follow-up action has been taken to implement the recommendation, we recommend that this part should be deleted from the next progress report.</p>
5.17	<p>Director of Fire Services should enhance the public awareness and the usefulness of the three FSD apps so as to improve their download rates.</p>	<p>While FSD considers that the three FSD apps are useful and can meet the original objectives in developing them, FSD has enhanced the public awareness to improve the download rates via the following measures –</p> <ul style="list-style-type: none"> (a) Five mini-games have been added to the main apps with an objective to educate the community on the provision of accurate and essential information when reporting emergency incidents to the Fire Services Communications Centre; (b) A new promotional video has been produced and uploaded onto the FSD YouTube Channel; (c) The apps would be scheduled for promotion in the radio programme “Happy Daily” broadcast on the Radio Television Hong Kong; (d) The apps have been promoted through the Fire Safety Education

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		<p>in Kindergarten programme, in which the apps have been introduced to kindergartens and apps promotional stickers have been distributed;</p> <p>(e) The interactive workshops on the use of the apps are continued to be promoted in the Life-wide Learning Activity Databank developed by the Education Bureau and open for primary and secondary schools to apply;</p> <p>(f) The use of the apps continues to be promoted to the public during the training courses of Fire Safety Ambassadors and Building Fire Safety Envoys. Tutors of the courses will continue to invite the trainees to download the apps and get familiar with the use of the apps;</p> <p>(g) FSD has planned to further introduce the apps and promote its use among committee members and attendees during the future meetings of the District Fire Safety Committees;</p> <p>(h) Kiosks have been set up to promote the apps to visitors when the Ambulance Service Publicity Vehicle, Mobile Publicity Unit and Fire Safety Education Bus conduct roving exhibitions. Such kiosks will also be set up at the Education Centre cum Museum of the Fire and Ambulance Services Academy to promote the apps;</p> <p>(i) The apps have been and will be promoted during fire safety outreaching educational events such as open days of fire</p>

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		<p>stations/ambulance depots, district fire prevention carnivals, etc. and members of the public have been and will be assisted in downloading the apps onsite;</p> <p>(j) Apps promoting stalls have been set up during the Open Days of the Fire and Ambulance Services Academy and promotional roving exhibitions will continue to be organized at prime locations such as Causeway Bay, Shatin and Mongkok in future;</p> <p>(k) Posters for the promotion of the apps have been and will be displayed at public housing estates to promote downloads of the apps to the residents;</p> <p>(l) Multi-purpose vans of FSD continue to carry apps promotional liveries to widen the effectiveness of the promotion drive; and</p> <p>(m) To facilitate members of the public to access and download the apps, a hyper-link and QR code have been created and will continue to be launched in the GovHK and HKFSD websites respectively.</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>
5.18	Director of Water Supplies should consider adding enhancement features to "WSD Mobile App".	On enhancement works, WSD has introduced a mobile device feature of QR code to facilitate customers to pay water charges at convenience stores with mobile phone since March 2016. Sub-dividing districts for water suspension notification will be launched in late 2016.

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		As follow-up action has been taken to implement the recommendation, we recommend that this part should be deleted from the next progress report.
5.19	<p>GCIO should –</p> <p>(a) take measures to ensure the completeness of government apps listed on “GovHK Apps” and the GovHK website as far as possible; and</p> <p>(b) promulgate the criteria for justifying the development of apps for one-off events in the good practice guide.</p>	<p>(a) The OGCIO has checked with B/Ds in June 2016 and confirmed that the list of government apps on “GovHK Apps” and the GovHK website is complete. The OGCIO will continue to carry out this exercise on a half-yearly basis.</p> <p>(b) The OGCIO has included in the good practice guide the criteria for justifying the development of mobile apps for one-off events for B/Ds’ reference in June 2016.</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>
5.27	<p>GCIO should –</p> <p>(a) in the light of the audit recommendations, promulgate guidelines in the OGCIO good practice guide on the provision of government apps; and</p> <p>(b) regularly review the guide to determine if revisions are needed due to technology changes.</p>	<p>(a) The OGCIO has promulgated the guidelines on the provision of government apps for B/Ds’ reference in June 2016.</p> <p>(b) The OGCIO has reviewed, updated and issued the good practice guide in June 2016 with due regard to technological developments. The review will be an on-going exercise to be carried out on a half-yearly basis.</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>
