

本署檔號 OUR REF. : L/M(8) in SWD LFPS/4-35/2
來函檔號 YOUR REF. : CB4/PAC/R68
電 話 TEL NO. : 2832 4323
圖文傳真 FAXLINE : 2151 0573

26 May 2017

Mr Anthony CHU
Clerk
Public Accounts Committee
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Dear Mr CHU,

Public Accounts Committee

**Consideration of Chapter 6 of the Director of Audit's Report No. 68
Management of projects financed by the Lotteries Fund**

Thank you for your letter of 18 May 2017. Our reply in respect of the various issues covered in your letter is appended below :

Question : According to paragraph 2.6, for Lotteries Fund (LF) grants processed and approved from April 2011 to September 2016, the time taken to process 236 (19% of the 1 251 major grant applications) and 245 (23% of the 1 087 minor grant applications) applications had respectively exceeded the Social Welfare Department (SWD)'s target time of nine months for major grants and four months for minor grants. According to paragraphs 2.15(f) and 2.16, Director of Social Welfare has agreed to strengthen measures with a view to processing grant applications within the target completion time. What measures will be taken in this regard?



According to paragraphs 2.15(g) and 2.16, Director of Social Welfare has agreed to consider promulgating performance pledges on the time of processing applications for LF grants. Furthermore, according to paragraph 2.16(c), SWD will examine the target processing time to take into account the complexity of a project, the need for revisions of the scope of a project, the need for consultation with different stakeholders and other government bureaux or departments (B/Ds), and the upsurge in the number of LF applications. Is there a timetable for taking forward these matters? What is the progress?

The target processing times of 9 months for major grant applications and 4 months for minor grant applications in respect of the LF, as referred to in paragraph 2.6 of Chapter 6 of the Director of Audit's Report No. 68 (Audit Report) making reference to another Director of Audit's Report of March 2002, were used for comparing the average processing times among various government funds at that time. Over a decade from 2002 up to now, there have been significant changes in the processing of LF applications by SWD in terms of the number of applications, the degree of their complexity or the process of consultation.

The processing time for LF applications as mentioned in the Audit Report was derived based on the data stored in the existing LF database. By design, the LF database is intended to record the time taken from receipt of an LF application as submitted by an applicant organisation to the granting of approval/ rejection. There are no prescribed fields in the LF database to capture the time taken by various procedures during the vetting of the application and the dates involved. When an organisation proposes major changes to its application such that the application needs to be handled afresh, the application is still not re-classified as a new one under the existing system. Therefore, the data are not reflecting accurately the actual situation in the processing of LF applications. The time required in processing an LF application very much depends on the complexity of the application, the procedures required, the adequacy of information submitted by the non-governmental organisation (NGO) and whether the consultation process with various stakeholders is smooth. In general, the following procedures are



involved when processing LF applications :

- (a) **Initial screening** – upon receipt of an application, the Lotteries Fund Projects Section of SWD will conduct initial screening and liaise with the applicant organisation for supplementary information to ensure that essential information is available for service assessment and technical assessment;
- (b) **Service assessment** – after completion of initial screening, the LF application is forwarded to the relevant service branch of SWD and/ or other B/Ds for comments on its support-worthiness;
- (c) **Technical assessment** (for projects related to works or purchase of vehicles) – the relevant department will conduct technical assessment of the project (including assessment of the feasibility of works items, specifications, requirements and cost estimates);
- (d) **Clarification and revision of application** – upon receipt of service and/ or technical assessment, an applicant organisation or B/D will make clarifications and provide supplementary information for further assessment by the SWD or Architectural Services Department (ArchSD). If the NGO requests major changes to the scope of the project, SWD may need to re-start the application process (as mentioned in (a) to (c) above) afresh;
- (e) **Consultation with different stakeholders** – For projects having impact on the environment, transport or society, SWD will consult various stakeholders, such as District Councils, Incorporated Owners and related organisations. For projects with policy and financial implications, the SWD will also seek the endorsement of relevant B/Ds; and
- (f) **Funding approval** – If an application is considered eligible SWD will seek funding approval from the relevant approving authority. For projects which incur additional recurrent expenditure exceeding \$10 million a year, SWD will consult the relevant Panel of the Legislative Council.



Some LF applications require longer processing time for various reasons, including :

- (a) the information provided by the applicants is insufficient or incomplete and NGOs have to submit supplementary information in numerous rounds;
- (b) during the vetting process, NGOs request significant changes to the scope of their applications or propose adding a number of new items into the applications, thereby necessitating the applications to be revised substantially and to be re-submitted;
- (c) the applicant organisations or their Authorised Persons (APs)/ Consultants have delayed in replying to enquiries or submitting relevant supplementary information; and
- (d) other reasons (including the applications require the collection of comments from other departments, and hence incur longer processing time, etc.).

Since the applications for LF involve diversified scopes and their complexities are different, SWD needs to obtain sufficient information, communicate with relevant stakeholders and arrive at consensus with the applicant organisations on the feasibility of the application projects before endorsing the applications.

The Audit Report has recommended SWD to follow up long-outstanding applications and remove those applications no longer in need of LF grants from the LF database. In response to the recommendations in the Audit Report, SWD will adopt the following measures :

- (a) to study, in collaboration with other B/Ds (including ArchSD), on how to implement the recommendations in the Report, including discussing the various options and their feasibility, in order to assist the NGOs to meet the application requirements more effectively;
- (b) to liaise with NGOs closely and provide assistance when



necessary. Regarding those applications with incomplete information or those NGOs delaying in replying to enquiries, SWD will consider setting a deadline for reply. For example, for minor grants, applicant organisations should reply to enquiries within one month, failing which SWD will regard the applications withdrawn; and

- (c) to enhance the existing LF database to better reflect the application processing time :
 - (i) recording the time required for different procedures so as to better reflect the progress in processing the application ;
 - (ii) starting to count the processing time of an application only from the point where the required information has reached the SWD; and
 - (iii) re-classifying the applications which have been revised due to significant changes in the scope during the vetting process as new applications, as stated in paragraph 7 of Case 3 in the Audit Report.

We are sorting out with the current database system contractor the information and time required for the enhancement. Initially, the newly added functions of the LF database should be implemented in early 2019, including enhanced reporting features to facilitate SWD to keep track of individual applications and the progress of the projects approved. With the implementation of the enhanced LF database, SWD will be able to store and consolidate the data of the applications to analyse the calculation method of the average application processing time in various procedures for devising more reasonable average target processing times for processing applications in general.

Question : According to Case 1 in paragraph 2.7, while the land grant was executed in July 2006 under which the Administration was committed to reimbursing \$32.5 million to the developer for constructing three welfare facilities at the private development,



SWD had not obtained the approval of the Financial Services and the Treasury Bureau for the related LF grant of \$35.7 million until May 2012. Was it unsatisfactory that Project A commenced and completed works without first obtaining funding approval? What lessons were learned from this case?

Insofar as Case 1 is concerned, the developer was required under the then land grant conditions to complete the construction of three welfare premises by July 2011 and would be reimbursed upon the completion of works the construction costs at an amount not exceeding the Consideration Sum as set out in the same conditions.

On the basis of the estimated construction cost of the welfare facilities concerned as advised by the ArchSD and after consulting the Lotteries Fund Advisory Committee (LFAC), the SWD obtained the approval-in-principle from the Financial Services and the Treasury Bureau (FSTB) in December 2004 to meet the estimated construction cost (i.e. the Consideration Sum included in the relevant land grant conditions) under the LF. At the time, FSTB also asked for a more accurate and detailed technical appraisal of the estimated construction cost.

After seeking the advice of ArchSD and the Lands Department (LandsD), SWD explained to FSTB in February 2005 that pending the formal granting of the site to the developer and in the absence of the detailed design plans for the welfare premises concerned, ArchSD had, in accordance with the established practice, prepared the estimated construction cost on the basis of the net operational floor area and the technical schedules of the welfare facilities concerned and with reference to the construction costs of similar facilities.

Besides, LandsD pointed out that the Government had already reserved considerable control on the construction cost, as the eventual amount to be reimbursed to the developer for the construction of the welfare facilities would either be the Consideration Sum as stated in the land grant conditions or the actual cost of construction of the welfare facilities to be determined by LandsD, whichever is the less, and the decision of the Director of Lands as to the actual construction cost should be final and binding on the developer.

For the funding arrangements in respect of welfare premises to be constructed by developers in future, SWD had a detailed discussion with FSTB and ArchSD and clarified that a mechanism had been in place on the assessment



and control of the estimated construction cost for similar projects, with a view to ascertaining that funding approval would be obtained before the execution of the land grant concerned. SWD will continue closely liaising with LandsD and request the latter to provide update on the latest progress of the land grant in respect of related developments. ArchSD will advise on the cost breakdown of the estimated construction cost computed on the basis of the technical schedules to facilitate the consideration of the funding approval sought.

Question : According to paragraph 3.5, as of September 2016, works for five LF-funded projects with approved LF grants totalling \$15 million had not commenced five to eight years after approval of the LF grants. What were the causes for the delay in commencement of the works? When will the works commence? What measures will be taken to improve the situation? In addition, according to paragraph 3.6, as of September 2016, 259 projects had been completed but the NGOs and B/Ds involved had not finalized and submitted the project accounts to SWD, where approvals for these grants had been made 5 to 25 years ago, involving unpaid LF commitments totalling \$690 million. Given that unpaid commitments not required for LF projects could be released for funding other projects after finalization of the project accounts, does the Administration agree that such project accounts should be finalized as soon as possible? What measures will be taken to improve the situation?

On projects not yet commenced after approval (re paragraph 3.5)

After the approval of LF grants, NGOs will hire AP/ Consultant for the works projects and then submit works tender documents to SWD for vetting. The ArchSD or other B/Ds will provide their technical advice on these applications. After completion of the related procedures, NGOs may commence works for the projects. The reasons for delay in the commencement of works for the five projects mentioned in the Audit Report differ, including NGOs seeking changes to the project scope after approval has been granted (e.g. Case 4), NGOs changing their APs (e.g. Case 4), NGOs being involved in litigation issues, etc. SWD has been liaising closely with the



NGOs concerned on the progress of the five outstanding cases, amongst which one has already commenced works; three are pending submission of supplementary information or revision in the project scope (e.g. Case 5) by the NGOs concerned; and the remaining one is being handled by ArchSD on the vetting of tender documents.

The LFAC endorsed in January 2017 that applicant organisations approved with LF grants be required to submit estimated milestones of the projects at the time of submission of applications and to undertake to commence work related to the projects within a short period of time after approval of grants. In addition, grantee organisations need to submit periodic progress reports of the projects to facilitate SWD to monitor their progress (including whether the works have commenced or have been completed) and follow up on the items requiring assistance. If individual project cannot be commenced as planned, SWD will request the organisations concerned to submit full justifications and revise the project schedule with the expenditure adjusted. These measures have been adopted by stages and are planned to be fully implemented within 2017-18. Simultaneously, SWD is discussing with ArchSD on the measures to assist NGOs to hire qualified consultants and follow up the approved LF projects with a view to enhancing the quality of works documents to be submitted by the consultants and expediting the response time of NGOs to enquiries so that the works can be commenced as soon as possible.

On project accounts requiring timely finalisation (re paragraph 3.6)

For a normal works project, the NGO concerned has to agree with the contractor on the project cost and then apply to SWD for finalisation of project account and release of outstanding payment claims. Upon receipt of the application, SWD will arrange for ArchSD to assess whether the reported project cost is reasonable before releasing the outstanding payment claims and closing related project account.

The major reasons for failing to finalise the project accounts are as follows :

- (a) the NGO is not able to reach an agreement with its AP over the project cost, or there is dispute between the two parties thus affecting the progress of finalising the project account;



- (b) the AP hired by the NGO has closed the business or lost its recognised qualification before project finalisation; and
- (c) the NGO and/ or its AP fails to respond to the enquiries of SWD/ ArchSD in a timely manner, or they fail to provide supplementary information or data to facilitate early closure of the project account.

In view of the above, SWD will arrange to issue written reminders for those projects, which have been completed or are about to be completed, to require the NGOs concerned to finalise the project accounts within the timeframe as specified. Such arrangement will be implemented by stages starting from the second half of 2017. Besides, SWD will report the progress of approved projects to its management and the LFAC periodically. If there are projects with complications or NGOs requiring assistance, SWD will liaise closely with the relevant B/Ds (e.g. ArchSD) or management of the NGOs to discuss the problem resolution as soon as possible.

The Hong Kong Housing Authority (HKHA) and SWD have established procedures to monitor the finalisation of projects within schedule in respect of those projects entrusted to HKHA. HKHA will set a target to finalise project accounts within three years after completion of the works entrusted to HKHA by SWD.

Question : According to paragraphs 3.19(c), 3.20 and 3.20(b), (c) and (d), Director of Social Welfare has agreed to take measures to ensure that works-project accounts are finalized in a timely manner after works completion, consider requiring NGOs who have invoked the Exception Authority in procurement of goods and services to submit annual returns with pertinent details and justifications, maintain a register for advance payments under LF, and consider the ways to publish the evaluation results of experimental projects. Is there a timetable for taking forward these matters? What is the progress?



On the recommendation to follow up on early finalisation of project accounts and the implementation timetable

See the above reply on “project accounts requiring timely finalisation”.

On the recommendation to request NGOs to submit written records on the approvals to exercise Exceptional Authority in procurement matters

SWD is considering requesting NGOs to submit annual returns on their exercise of Exceptional Authority with details and justifications on each case. In this connection, SWD will start discussing the arrangement with around 170 subvented NGOs in the second half of 2017. After reaching consensus and acquiring endorsement of the LFAC, SWD will update the LF Manual on the requirement accordingly.

On the recommendation to maintain a summary record for advance payments under the LF

The original mechanism of SWD on the handling of applications for advance payments under the LF is as follows :

- (a) when being released advance payments, the NGOs are reminded in the notification letter that they should follow the requirement under the LF Manual to submit documents to support the expenditures incurred to the SWD within one month;
- (b) for every project file involving advance payment, there is a project-based control sheet to record and keep track of the submission of documentary proof for the expenditure; and
- (c) the project-based control sheets are regularly checked and the NGOs concerned are reminded to submit outstanding documentary proof on the expenditures.

In response to the recommendation of the Audit Commission, SWD has already added a register providing a summary of the overall status of all projects involved in advance payment.



On the recommendation to publish the evaluation results of experimental projects

SWD will study the way and format of publishing the required information as well as clearly stipulating this requirement in the notification letter on funding approval in respect of experimental projects newly supported by LF. SWD will brief NGOs on the relevant arrangements within 2017 before its implementation.

Question : According to paragraph 5 of Case 6 in paragraph 3.6, more than 23 years after the substantial completion of the works in November 1993, although Project F should be financed by the Capital Works Reserve Fund instead of LF, expenditures of about \$20,000 under Project F having been disbursed from LF had not been reimbursed to LF. Furthermore, the HKHA had wrongly charged the cost of Project F to another LF-funded project account. What are the reasons behind this case? What lessons have been learned from this case? What improvement measures will be taken to prevent recurrence of the anomalies?

The HKHA launched the Comprehensive Redevelopment Programme (CRP) in 1988-89 under which older public housing estates were demolished for redevelopment to improve the standard of living for residents. The welfare facilities accommodated in the estates affected by CRP had to be reprovisioned elsewhere. To ensure that the fitting-out works of the reprovisioned welfare facilities could tie in with the redevelopment programme, the fitting-out works had to be entrusted to the Housing Department (HD). At the time, FSTB and SWD reviewed the long-term funding mechanism for this type of reprovisioning projects. In order that the fitting-out works and the reprovisioning arrangement would not be adversely affected, it was agreed then that the fitting-out works would first be funded by LF as an interim measure. In 1992, it was further agreed that reprovisioning projects involving social welfare facilities affected by CRP should be funded by the Capital Works Reserve Fund (CWRF), and reimbursement could be made from CWRF to LF in respect of those projects already financed by LF.

In 1995, a new Block Allocation vote was created under CWRF Head 708 Subhead 8001SX in 1995 to provide for expenditure arising from the



reprovisioning of welfare facilities affected by CRP, subject to a ceiling of \$15 million per project.

It was against the above background that the fitting-out works of the child-care-centre (CCC) in Case 6, which was subject to reprovisioning arising from CRP, was first funded by LF and then reimbursed by CWRF.

Regarding the difference of about \$20,000 (between \$0.84 million and \$0.86 million) as mentioned in the Audit Report, the fitting-out works were substantially completed in around November 1993 and CCC also started its operation thereafter. In May 1995, HD informed SWD that the final cost of the fitting-out works was about \$0.84 million, which was subsequently used as the basis for seeking funding under the Block Allocation of CWRF in October 1995 for reimbursement to LF. The funding application was subsequently approved. In April 2004, HKHA advised SWD that the final project cost should be \$0.86 million. After reviewing the records, HD indicated that the amount concerned should be part of the project cost, but was not included in the final cost reported to SWD in May 1995. In September 2006, SWD sought HKHA's clarifications on the reason for the difference of about \$20,000 in the final project cost, and HKHA clarified that about \$20,000 was part of the project cost. The latest development is that HD already arranged to refund the amount of about \$20,000 to LF in May 2017.

With the completion of CPR, the Finance Committee of the Legislative Council agreed at its meeting on 17 December 2012 to revise the ambit of Subhead 8001SX to cover "provisioning of welfare facilities in the Housing Authority's public housing estate development" only. Therefore, there is no more funding arrangement for the construction cost of the welfare facilities in the public housing development similar to Case 6 (i.e. to be first funded by LF and then reimbursed by CWRF). Currently, the project cost of welfare facilities (except RCHEs) in public housing development not exceeding \$30 million each would be funded directly by the Block Allocation under CWRF Head 708 Subhead 8001SX.

Question : *According to paragraph 5 of Case 7 in paragraph 3.6, more than 19 years after the substantial completion of the works in December 1997, owing to the social centre for the elderly not having been assigned to the Administration, the account of Project G could not be finalized. What are the reasons behind*



this case? What lessons have been learned from this case? What improvement measures will be taken to prevent recurrence of the anomalies? Furthermore, according to paragraph 3.6, as of September 2016, the Architectural Services Department was the technical adviser for 20 projects which had been completed but the project accounts had not been finalized. What is the latest position? What measures will be taken to finalize the project accounts as early as possible?

Regarding Case 7, an LF allocation of \$1.46 million was approved in February 1993 to meet the construction and fitting-out works for a social centre for the elderly located in a private development (Project G). According to the land exchange document executed in October 1993, the land grantee was required to construct a social centre for the elderly within the subject land lot and to assign the premises to the Government after the completion of the works. LF would reimburse to the developer the cost incurred subject to a ceiling of \$1.22 million.

The construction and fitting-out works for the social centre for the elderly were substantially completed in December 1997. The land grantee arranged the handover of the premises to SWD in August 1998, which were subsequently handed over to an NGO for providing the service. In December 1998, the land grantee entered an agreement with a private organisation (hereinafter referred to as “the developer”) for the assignment of the facilities outside the railway facilities of the site (including the social centre for the elderly) to the developer.

From July 1998 to December 2008, SWD and ArchSD had repeatedly requested the developer to provide information on the project cost of Project G. On SWD’s request, LandsD wrote to the land grantee to ask for the information on the project cost of Project G. After receiving the related information provided by the developer in January 2009, ArchSD and SWD agreed in March 2009 that the project cost of \$1.22 million for Project G should be reimbursed to the developer. However, before releasing the amount, the developer was required to complete the assignment of the premises to the Financial Secretary Incorporated (FSI).

From 2000 to 2014, the Government Property Agency (GPA) had, pursuant to its function, repeatedly requested the developer to submit the draft assignment document but did not receive a reply. After SWD had brought this



to LandsD's attention, LandsD issued a letter to the land grantee and the developer in July 2014 to warn the latter to complete the assignment procedure as soon as possible in accordance with the Conditions of Exchange. The land grantee responded to GPA in August 2014 explaining that pending the completion of the Deed of Mutual Covenant, the assignment document and drawings of the premises concerned were still under drafting. GPA thereafter received the draft assignment document from the developer in January 2015, and advised the latter of the proposed amendments on 13 February 2015 for their consideration. As there had been no response, GPA kept reminding the developer to submit the revised draft assignment document promptly. LandsD, on SWD's request, also issued a warning letter to the land grantee and the developer on 12 May 2017, demanding them to complete the assignment procedure as soon as possible or LandsD would take lease enforcement action.

The developer submitted the revised draft assignment document on 19 May 2017. The departments concerned are now vetting the document, in a hope to complete the assignment procedure as soon as possible so that the developer would be reimbursed the project cost and the project account be finalised.

Generally, it is set out in the land lease or land exchange document that the grantee should assign the premises concerned to FSI after the completion of the works, and will be paid the consideration sum or the actual construction cost, whichever is the less, subject to the completion of the assignment of the premises to FSI. Since the assignment procedure in Case 7 has not been completed, the project cost could not be reimbursed to the developer. In the event of similar cases in future, we will liaise with GPA and LandsD as early as possible and will consider, if required, all possible means to ensure the timely completion of the assignment procedure after the works completion and then to arrange reimbursement of the project cost to the developer, as well as finalisation of the project account.

For the 20 projects pending finalisation of project accounts after works completion, in respect of which ArchSD is the technical adviser, as per paragraph 3.6 of the Audit Report, SWD has already closed eight project accounts, and has made arrangement to close two others by the end of June 2017. The updated position of the remaining 10 projects is as follows :



Progress	Number of Projects
Within the Defects Liability Period (DLP) and release of security money and closure of account to be considered after the DLP	1
Pending defects rectification or submission of supplementary documents before release of security money and closure of account	4
Following up with relevant department to close the account as soon as possible	3
Pending ArchSD's confirmation of no further expense before closure of account	1
Pending completion of assignment procedure before arranging reimbursement of construction cost and closure of account (i.e. Case 7)	1

SWD will maintain close liaison with the parties concerned with a view to finalising, as soon as possible, the accounts of the completed projects.

Question : According to paragraph 4.8, two Lotteries Fund Advisory Committee (LFAC) members who had attended pertinent LFAC meetings from September 2015 to July 2016 and had returned the declaration forms had not made declarations of potential conflicts of interest in relation to association with two and one NGOs respectively for agenda items involving these NGOs discussed at LFAC meetings. What follow-up actions have been taken on the issue?

SWD has re-visited the issue of omission of the reporting of potential conflicts of interest by LFAC Members as mentioned in the Audit Report and confirmed that no actual conflict of interests was involved. One agenda item concerned was on the “lots-drawing arrangement for the applications for flag days in 2016-17”. There were over 200 applicant organisations for that agenda item and Member A had not directly participated in the preparation of or handled the 2016-17 flag day applications of NGO 6 and NGO 7. During the



meeting on that day, the meeting endorsed the item as a whole, and there was no need for and had not been any separate discussion on the applications from NGO 6 and NGO 7 specifically.

The other agenda item was about the application made by NGO 8 (a statutory body) for an LF grant to meet the construction cost of a neighbourhood elderly centre, which was part of a private residential development project taken up by NGO 8 as the works agent for the Government. In general, the construction costs of this type of subvented social welfare facilities are borne by the LF all along. Member B reported his involvement in NGO 8 after the meeting.

LFAC decided to further enhance the reporting system at its meeting held on 19 January 2017 by adopting the Two-Tier Reporting System. At the meeting held on 22 March 2017, the LFAC Secretariat made a list of NGOs involved for each agenda item in every LFAC meeting for members' reference to facilitate their declaration of potential conflicts of interest. This practice is to continue for subsequent LFAC meetings.

Question : According to paragraph 4.12, the Standing Orders of LFAC stipulated that if a member was a paid executive staff of an agency of which a matter would be considered by the committee, the member normally would not be issued the relevant committee paper of the agenda item concerned. However, according to paragraph 4.13, two LFAC members, who were paid executive staff of two NGOs respectively, were issued relevant LFAC papers and attended LFAC meetings involving discussion of three and one grant applications respectively which were related to the two NGOs concerned. What are the reasons behind this case? What improvement measures will be taken? Does the Administration agree that LFAC members who are also paid executive staff of NGOs should abstain from attending meetings involving discussion of matters related to pertinent NGOs?

The agenda items discussed at the LFAC meeting held in November 2015 and January 2016 were about the applications from 14 NGOs (including



NGO 9) to meet the cost on purchase of vehicles for service delivery. In general, the calculation of the LF allocations to NGOs for meeting the cost on purchase of vehicles is based on the standard service operation entitlement. Under normal circumstances, no discussion is required for individual applications of this kind from NGOs in the meeting.

The other agenda item concerned is about the annual applications from 151 NGOs for non-recurrent Block Grants for meeting the costs of replenishment of furniture and equipment and minor works and maintenance, which was discussed at the meeting of the LFAC held in March 2016. The allocation entitled by each NGO was calculated at 1.5% of its SWD recurrent subvention.

As the above applications were on general items for which the allocations were based on standard entitlements, it was considered at that time that the receipt of relevant documents by individual members and their presence at the meetings would not affect discussion of these agenda items. Taking into consideration the recommendations of the Audit Commission, the LFAC Secretariat, when circulating documents and inviting members to the meetings, has already ceased circulating papers on related agenda items to members who are also remunerated executive staff of the NGOs concerned and has required them to abstain from the meeting during discussion of the relevant agenda items.

Question : According to paragraph 4.27, Audit recommended that SWD should, in implementing a project under a contract in future, strengthen measures to ensure that a contractor completed tasks in a timely manner according to the time specified in the contract, and strengthen actions with a view to making accurate project cost estimates as far as possible. Please provide a concrete implementation plan in this regard.

The Office of the Government Chief Information Officer (OGCIO) updated the Resources Estimation Guide (the Guide) in February 2017 to assist B/Ds in performing resources estimation for information technology (IT) projects. B/Ds are advised to take appropriate measures, such as making

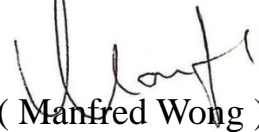


reference to the distribution ratio of technical manpower resources required at different project stages, to achieve more accurate cost estimation on manpower resources, staff training, system maintenance and the acquisition of hardware and software equipment and consumables, in the implementation of IT projects. The Guide is applicable to both in-house development and outsourcing of IT projects including new system development or upgrading of existing IT systems.

When implementing IT projects, the SWD will take appropriate measures in accordance with the updated guidelines issued by OGCIO, such as strengthening business analysis, adopting effective tools for systems analysis and design as well as decomposing large-scale projects into smaller sections by business processes and functions, to facilitate timely and effective implementation of IT projects. SWD has also arranged for staff to attend training courses and briefing sessions in order to enhance the knowledge and skills of staff in the management and development of IT projects.

If you have any further questions, you are welcome to contact the undersigned.

Yours sincerely,



(Manfred Wong)

for Director of Social Welfare

c.c.

Secretary for Labour and Welfare

Secretary for Financial Services and the Treasury

Director of Architectural Services

Director of Housing

Director of Audit