

Laying of the Report Report No. 66 of the Director of Audit on the results of value for money audits was laid in the Legislative Council ("LegCo") on 20 April 2016. The Public Accounts Committee ("the Committee")'s Report (Report No. 66) was subsequently tabled on 13 July 2016, thereby meeting the requirement of Rule 72 of the Rules of Procedure of LegCo that the Report be tabled within three months of the Director of Audit's Report being laid.

2. **The Government Minute** The Government Minute in response to the Committee's Report No. 66 was laid in LegCo on 2 November 2016. A progress report on matters outstanding in the Government Minute was issued on 23 October 2017. The latest position and the Committee's further comments on these matters are set out in paragraphs 3 to 11 below.

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

(Chapter 1 of Part 4 of P.A.C. Report No. 66)

3. Hon Steven HO Chun-yin declared that he had self-occupied premises in New Territories West.

4. The Committee was informed that:

Collection of rental information

- the Rating and Valuation Department ("RVD") had implemented various improvement measures to ensure timely return of sufficient and accurate rental information from ratepayers. For example, the requisition forms had been refined to make ratepayers beware of their legal liability to furnish accurate and full rental particulars in the requisition forms. RVD would continue to closely monitor the situation, including the return rate of Form R1As and step up enforcement actions as appropriate. In case the return rate of Form R1As was notably deteriorated, RVD would consider requesting the Department of Justice ("DoJ") to reflect the situation to the court so that the court might take the latest trend into account when sentencing so as to attain a stronger deterrent effect;
- since August 2016, the Buildings Department ("BD") had started providing RVD with information on unauthorized building works

("UBWs") found in village houses and subdivided properties in the course of BD's enforcement work on a quarterly basis. RVD had been targeting these subdivided properties in rental information collection to reflect the enhanced value in the annual revaluations. RVD had also issued a new departmental instruction (which replaced the 2005 departmental instruction) in August 2016 to clearly set out the work procedures in handling information obtained from BD;

- RVD sought the Government Chief Information Officer's technical advice in May 2016 on the Audit Commission ("Audit")'s recommendation of installing scanners at the Stamp Office for capturing rental information from stamped tenancy agreements. As RVD's subsequent study suggested that an additional annual cost of \$0.32 million was required to implement the recommendation, RVD considered it not cost-effective to capture rental information by scanners instead of copiers;

Interim valuations of altered properties

- in September 2016, RVD completed special surveys in which about 3 600 un-assessed advertising signs in targeted areas in both the urban districts and the New Territories had been identified. RVD was conducting rates and/or government rent assessments for these advertising signs, with priority given to signs of higher rateable values. Special surveys would be conducted to identify un-assessed advertising signs in targeted areas periodically;
- since August 2017, RVD had started submitting monthly reports on the timeliness of interim valuations to the Financial Services and the Treasury Bureau. The reports included information on interim valuation cases at risk of not meeting the 24-month time-bar, and revenue loss for all interim valuation cases which had not met the 24-month time-bar;

Rates exemption for rural properties

- RVD had completed the rating assessments of all the village houses within designated village areas where non-compliance had been detected and rateable values had been assessed for government rent purposes. The valuation work of other non-complaint houses within designated village areas had started since January 2017. Excluding those cases in which government rent assessments had been conducted,

about 420 non-compliant houses were identified. RVD targeted to complete the rates assessments within the 2018-2019 fiscal year;

- as agreed with the Lands Department ("LandsD") since May 2016, its New Territories District Lands Offices had started sending copies of warning letters to RVD when taking enforcement actions against unauthorized structures on agricultural land. The rates exemption status of the lots concerned would be reviewed as appropriate based on the information obtained;
- on the issue of setting the effective date of revocation of rates exemption status, the Home Affairs Department ("HAD") had sought advice from DoJ. DoJ considered it legitimate for HAD to set the effective date based on the date of the District Lands Offices' detection of UBWs under matching checks instead of the date of notification by the District Lands Offices. HAD had implemented the new revocation date arrangement since the matching check in December 2016. LandsD was informed of the new arrangement and its cooperation in timely reporting of detection of UBWs during matching checks to HAD was solicited; and
- HAD would continue to liaise with LandsD to ensure that HAD would be speedily notified of UBWs detected during matching check. LandsD was revamping its Lease Enforcement Information System. HAD would take concerted actions with LandsD to synchronize relevant data formats of both departments to facilitate automated checking by the District Lands Offices in future matching checks.

5. The Committee wishes to be kept informed of further development on the subject.

Fresh food wholesale markets

(Chapter 2 of Part 4 of P.A.C. Report No. 66)

6. The Committee was informed that:

Utilization of public fresh food wholesale markets

- the Agriculture, Fisheries and Conservation Department ("AFCD") had reserved Pier No. 4 of the Cheung Sha Wan Wholesale Food Market

for the use of the Transport Department which might need to execute its contingency plan for transporting dangerous goods vehicles across the harbour when the Kwun Tong Vehicular Ferry Pier and the North Point Ferry Pier were closed during the period from April 2017 to October 2018. AFCD would continue exploring with other departments the possibility of utilizing pier after October 2018;

- AFCD and the Fish Marketing Organization ("FMO") had completed a review of the utilization of individual FMO fish markets. The findings, recommendations and follow-up actions to be taken by FMO had been reported to the Fish Marketing Advisory Board in March 2017, and the Board had indicated support to the proposed way forward to increase the utilization of individual FMO fish markets;

Management of AFCD Markets

- AFCD adopted a marking scheme to assess offers received in the latest tender exercise for the Cheung Sha Wan Temporary Poultry Market. Tenderers had to explicitly spell out their proposed staff deployments in their tender submissions. AFCD had lowered the minimum working experience requirement for eligible tenderers. Apart from placing advertisements on more domestic newspapers, AFCD had also invited all members of the Hong Kong Association of Property Management Companies to submit offers. Upon closure of tender submissions, four offers were received which was a marked improvement from that of the last tender exercise where only one offer was received. The new service contract commenced on 1 June 2017;
- AFCD would adopt a default notice and liquidated damage system in new service contracts to induce contractors to improve their performance. Record of default notices issued might also serve as a criterion in future tender evaluation;

Reprovisioning of private and public fresh food wholesale markets

- for the Yau Ma Tei Fruit Market, the Government was considering the way forward taking into account the history and unique features of the site and the development to date of the wholesale trade in fruits. Action was in hand to follow up the tendering exercise for the re-configured short-term tenancy site near the Yau Ma Tei Fruit Market. The Government would monitor the effectiveness of the

enhanced measures that had been brought in to mitigate environmental nuisances and kept in view the need for further enhancement;

- for the Kwun Tong Fish Market, the Food and Health Bureau and AFCD had accepted that the relocation of the Market to a possible site on Tsing Yi should be further explored. AFCD had duly provided to the relevant bureaux and departments inputs required for taking forward the engineering feasibility study on the relocation;
- for the Cheung Sha Wan Vegetable Market, having critically reviewed the feasibility of relocating the liquefied petroleum gas facilities and the parking site for dangerous goods vehicles, the Government considered that the Northwest Tsing Yi site, in place of the Tat Yeung Road site, should be pursued as the reprovisioning site for the Market. AFCD had provided to the relevant bureaux and departments inputs required for taking forward the engineering feasibility study on the relocation;
- for the North District Temporary Agricultural Products Market, the improvement works for the re-provisioned Market were rescheduled to commence in the second quarter of 2019 as a result of strong public objections on the alignment of the proposed Fanling Bypass at Shung Him Tong Village. The improvement works would pave the way for better utilization of the Market in future;
- for the Cheung Sha Wan Temporary Poultry Market, having considered the consultant's findings and recommendations on the study on the way forward of the live poultry trade in Hong Kong, as well as views collected during the public consultation, the Government had agreed with the broad direction that the status quo for the live poultry trade should be maintained. Regarding the future arrangement for the relocation of the Market, some representatives of the poultry trade had strong reservations on the proposed replacement site at Fu Tei Au. As the views on whether and where the Market should be relocated were divergent, the Government would engage the trade to identify options so that the options developed would be pragmatic and feasible. AFCD had prepared the preliminary design and the Food and Health Bureau/AFCD would take the project further as and when a decision to proceed was made;
- AFCD had formulated action plans on the relocation of the North District Temporary Agricultural Products Market and the

Cheung Sha Wan Temporary Poultry Market. AFCD would liaise with the trade on the practical requirements of the re-provisioned markets. Building design and facility planning for the re-provisioned agricultural products market had been undertaken by the Civil Engineering and Development Department. Pending the decision to proceed with the relocation of the poultry market, AFCD would hold consultation meetings with the trade as appropriate;

Way forward

- the Vegetable Marketing Organization was undergoing a review on its roles and functions under the prevailing agricultural policy, including an analysis on strengths, weaknesses, opportunities and threats, and would in consultation with DoJ update the legal framework to allow the Vegetable Marketing Organization to fulfil its responsibilities more efficiently and effectively when necessary; and
- AFCD had in conjunction with FMO started the review of the Audit's recommendations by stages, including the roles and functions of FMO and an analysis on strengths, weaknesses, opportunities and threats of FMO. AFCD and FMO would also 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).

7. The Committee wishes to be kept informed of further development on the subject.

Admission schemes for talent, investors and workers
(Chapter 4 of Part 4 of P.A.C. Report No. 66)

8. The Committee was informed that:

Administration of General Employment Policy Employment Stream and Admission Scheme for Mainland Talents and Professionals

- the Immigration Department ("ImmD") had enhanced the computer system to ensure that the data maintained in the system for processing applications under the General Employment Policy/Admission Scheme for Mainland Talents and Professionals were accurate and up-to-date;

- ImmD had conducted a review and lifted the requirement to impose special conditions of stay on foreign cooks with effect from February 2017 and following that, the conditions of stay imposed on cooks and other professionals were aligned;

Administration of Quality Migrant Admission Scheme

- ImmD had been closely liaising with the Labour and Welfare Bureau in incorporating the talent list into the Quality Migrant Admission Scheme;

Administration of immigration arrangements for non-local graduates

- ImmD had stepped up the verification of the authenticity of supporting documents submitted by applicants/entrants. For applications from fresh graduates, applicants were required to submit original proof of graduation. For applications from returning graduates where copies of graduation proof had been submitted, applicants would be randomly selected to produce originals/certified true copies of academic records/graduation certificates. ImmD would also confirm with the concerned educational institutions on applicants' qualification on a random basis;
- ImmD had reminded case officers to make proper records on minutes, including the actions taken, the factors considered and the justifications in the determination of applications. ImmD had also set up a database on the latest market level of remuneration for internal reference. Case officers had been reminded to properly record any reference made to the database when determining whether the remuneration package was broadly commensurate with the market level. Regular briefings and spot checks were conducted to ensure strict compliance of the above requirements;

Administration of General Employment Policy Investment Stream

- ImmD had enhanced the relevant computer system which facilitated future analysis of information on the General Employment Policy entrepreneur entrants' sustained contributions to the local economy;

Administration of Capital Investment Entrant Scheme

- ImmD had reviewed the mechanism and taken measures to step up monitoring of the processing time of applications;
- ImmD had issued guidelines to remind case officers to issue warning letters to the applicants who had breached the scheme rules timeously after the finalization of the cases, and to report on the progress of breach cases monthly for monitoring. Mechanism for handling cases of repeated or deliberate breaches had also been put in place, which included 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.;

Administration of Admission Scheme for Foreign Domestic Helpers ("FDHs")

- the income and asset thresholds formed part and parcel of the FDH policy, which was under the purview of the Labour Department, so as to better ensure that employers had the economic means to pay their FDHs for the whole contractual period of 24 months. In considering any proposal to increase the income and asset thresholds for FDH-employing families, the Government took into consideration a basket of socio-economic factors (particularly the needs of such an adjustment and its potential impacts) and struck a reasonable balance between the needs for protecting FDHs (i.e. ensuring that employers had the means to pay) as well as the needs of the community, particularly those families which were in need for the service of FDHs. The Labour Department 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 was considered that the existing income and asset thresholds should be maintained;
- regarding the pre-mature termination issues, ImmD had:
 - (a) issued instructions setting out the procedures in processing new visa applications with pre-mature termination records to ensure consistency;

- (b) implemented a series of measures since April 2016, which included 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"; and
- (c) deployed resources to expedite the processing of pre-mature termination notifications. The backlog of pre-mature termination notifications pending processing as at end of July 2016 had dropped by 37% when compared with the figure in July 2015;
- ImmD had reminded case officers to ensure that employers had provided full justifications for employing FDHs to perform driving duties before putting up cases to supervisors for decisions. Besides, operational guidelines had been issued such that FDH applicants applying for special permission to perform driving duties were required to provide declaration on whether they had previous records of driving offences. Measures had been put in place for conducting spot checks;

Information system

- ImmD had reminded case officers the importance of data accuracy and the need to maintain computer records properly. Besides, ImmD had deployed additional resources and procured high-speed scanners to expedite the scanning of documents into the computer system. ImmD had also enhanced the relevant computer system to ensure the proper maintenance of computer records for various admission schemes;
- data analysis could now be conducted partially through the application data of the Quality Migrant Admission Scheme captured by the Application and Investigation Easy System. ImmD was exploring the development of a new system to replace the Application and Investigation Easy System and would consider incorporating such requirements in the new system;

Supervisory checks on the decisions made by case officers in processing visa/permit applications under various admission schemes

- ImmD had reviewed the mechanism of regular supervisory checks. The mechanism had been enhanced in that the checking would be properly recorded and the check registers would be inspected regularly by the Section Heads;

Cost recovery of visas/entry permits and extension of stay

- regarding the review on the cost recovery rate of visas/entry permits and extension of stay, ImmD was conducting a comprehensive review on all fee items and would continue to review fee items regularly with a view to achieving full cost recovery over time;

Proactive and targeted approach to attract talent

- the statistical reports which could only be maintained by manual efforts previously had been generated electronically subsequent to the enhancements to the computer system since early 2016 to enhance efficiency. ImmD would continue to compile relevant statistics regularly and provide the statistics for passing to the Steering Committee on Population Policy for reference; and
- ImmD reviewed its visa policies and various admission schemes from time to time and, where necessary, made adjustments and enhancements. The Security Bureau and ImmD were 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 implemented in May 2015.

9. The Committee wishes to be kept informed of further development on the subject.

Hong Kong Academy for Performing Arts
(Chapter 5 of Part 4 of P.A.C. Report No. 66)

10. The Committee was informed that:

Provision of academic programmes

Student unit cost

- The Hong Kong Academy for Performing Arts ("HKAPA") had set up the Task Force on Student Enrolment to formulate strategies to improve the enrolment situation and monitor and control the student unit cost;

Student enrolment

- the Task Force on Student Enrolment planned to submit its recommendations on the strategies to improve the enrolment situation to the Academic Board in late October 2017. The setting up of the online application platform for students was in progress. HKAPA had worked out multiple options on the subject and assessment on each option would be finalized soon;

Admission of non-local students

- HKAPA had implemented new tuition fee levels for non-local students (i.e. \$48,000 per annum for degree programmes (versus \$42,100 for local students) and \$36,000 per annum for sub-degree programmes (versus \$31,575 for local students)) since the academic year 2017-2018, and it would review tuition fee levels periodically;
- HKAPA currently admitted non-local students at about 15% of the total student number. HKAPA would review the policy on the admission of non-local students, and the Home Affairs Bureau ("HAB") would follow up with HKAPA to draw up the policy, taking into account a host of factors such as the academic needs of HKAPA for a satisfactory international mix of student population, the overall quality of the learning environment and experience for HKAPA students and the cost-effectiveness of the use of public funds;

Graduate number and employment survey

- HKAPA had in December 2015 set up an Academic Curriculum Review Task Force to review the four-year degree programmes servicing the first cohort of graduates (in June 2016) under the new Diploma of Secondary Education system. The review would also address the needs of the industry and students. The Task Force would make recommendations on the academic planning and development of the four-year degree programmes by December 2017. HAB would continue to monitor the graduate number of HKAPA;
- HKAPA was exploring suitable arrangements for disclosing more graduate employment information collected from graduate employment surveys. It had conducted a review in June 2016 on the survey process with a view to improving the response rate;

Non-government funded programmes

- HKAPA had completed a review on the cost recharge mechanism. It would implement a new budget model in the academic year 2017-2018 according to the principles that there should be no cross subsidization of programmes operated on a self-financing basis with government funded programmes, and that there should be a clear cost recharge mechanism for self-financed programmes;

Governance and government monitoring

Council and committee proceedings

- HKAPA had uploaded the attendance records of Council/committee meetings onto its website since February 2016, and had stepped up efforts in facilitating members' attendance at these meetings. It had also incorporated guidelines on good practices on meeting proceedings, duties and responsibilities of Council/committee members, confidentiality requirements, and management of conflicts of interest into its Council/committee handbooks;

Government monitoring

- HKAPA undertook to seek HAB's prior written approval for using the reserve. HKAPA would also closely monitor the allocation from the

reserve to ensure that any unspent balance would be returned to the reserve when the purpose of the allocation had been accomplished;

- HAB would revise the Memorandum of Administrative Arrangements, taking into account the Audit's recommendations, the Government's prevailing subvention guidelines and views from HKAPA. HAB had advised HKAPA that HKAPA should include in its submission of financial statements the reporting requirements as specified in the Financial Circular No. 9/2004 on "Guidelines on the Management and Control of Government Funding for Subvented Organisations". HKAPA was taking steps to comply with the requirements;
- HKAPA had reviewed the feasibility and desirability of transferring the funding responsibility of HKAPA from HAB to the Education Bureau/University Grants Committee. In conclusion, HKAPA had recommended that it should remain under the aegis of HAB and the current funding arrangement was suitable for the development of HKAPA both in the short-term and in the foreseeable future. HKAPA Council had endorsed the recommendation on 12 June 2017;

Administrative issues

Utilization of teaching venues and performance venues

- upon the recommendation of the Task Force on Utilisation of Teaching and Performing Venues, HKAPA had fully implemented the new venue booking system since December 2016. Overall, when compared with the utilization rates in 2014-2015, the utilization rates of teaching venues had improved during the period from October 2016 to May 2017 (i.e. the utilization rates had increased from 32%-79% to 48%-86% for the Wanchai Campus, from 3%-28% to 9%-38% for the Bethanie Campus, and from 12%-35% to 38%-60% for the leased premises). The Task Force would continue to monitor and further improve the utilization rates of teaching venues;

Electricity charges and energy management

- HKAPA would further optimize energy consumption and follow up with the electricity supply company for opportunities to adopt the more economical tariff type and to use summation metering;

Management of fixed assets

- HKAPA had in September 2016 issued a set of guidelines and procedures on the management of fixed assets and loaned items to strengthen the control and documentation of fixed assets. It had rectified all the discrepancies between the two sets of fixed asset records kept by its Supplies Office and Accounts Office;

Investment of surplus funds

- at its meeting on 10 November 2016, HKAPA Council approved the expansion of the bank list for obtaining interest rate quotations and placing time deposits by three more banks in addition to the existing five. With the expanded bank list, HKAPA would increase the amount of time deposits for earning more interest income while ensuring sufficient liquidity for operations;
- HKAPA Council had on 14 June 2016 approved the draft Investment Policies and Guidelines, which stipulated the principles, objectives, policies and guidelines on the overall investment management of the Academy and took immediate effect;

Campus improvement and expansion

Wanchai campus expansion project

- HAB had reported to LegCo Panel on Home Affairs at its meeting held on 11 November 2016 about the progress of the project. The on-campus expansion project had entered the Pre-Occupation Permit inspection stage. Due to the unforeseeable site uncertainties e.g. an incident of water leakage from an existing underground seawater chiller pipe, HKAPA had recently reported that there might be delay and the project should be completed in the first quarter of 2018. In the light of the delay in completion and the rise in construction cost, HKAPA would avoid all unnecessary variation of works. HAB would continue to closely monitor the progress of the project through quarterly reports from HKAPA and close liaison with the project team;
- on the provision of services during the construction period, HKAPA had worked out alternative space arrangements before the commissioning of new facilities so that the requisite hardware

requirements for the delivery of academic programmes would not be compromised because of the project delay; and

Planning for further campus expansion

- HKAPA had commissioned a consultant to conduct a study on the space needs of the Academy. HAB was examining the findings and recommendations of the final draft report of the study, and would seek views and input from relevant parties.

11. The Committee wishes to be kept informed of further development on the subject.